

Alimentation Couche-Tard Inc.
Consolidated Financial Statements
April 25, 2010, April 26, 2009 and April 27, 2008

Management's Report	2
Management's Report on Internal Control over Financial Reporting	2
Independent Auditors' Report	3
Consolidated Financial Statements	
Consolidated Statements of Earnings	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	8
Consolidated Balance Sheets	9
Notes to Consolidated Financial Statements	10

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 consolidated financial statements for the fiscal years ended April 25, 2010 and April 26, 2009 were audited by PricewaterhouseCoopers LLP, chartered accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements. The consolidated financial statements for the fiscal year ended April 27, 2008 were audited by Raymond Chabot Grant Thornton LLP.

July 13, 2010

"Alain Bouchard"

Alain Bouchard
President and
Chief Executive Officer

"Raymond Paré"

Raymond Paré
Vice-President and
Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Alimentation Couche-Tard Inc, as such term is defined in Rule 13a-15(f) under the *Securities Exchange Act of 1934* (United States) and Canadian securities regulations. With our participation management carried out an evaluation of the effectiveness of our internal control over financial reporting, as of the end of our fiscal year ended April 25, 2010. 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 25, 2010.

PricewaterhouseCoopers LLP, chartered accountants, audited Alimentation Couche-Tard Inc.'s internal control over financial reporting as at April 25, 2010 and have issued their unqualified opinion thereon, which is included herein.

July 13, 2010

"Alain Bouchard"

Alain Bouchard
President and
Chief Executive Officer

"Raymond Paré"

Raymond Paré
Vice-President and
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Alimentation Couche-Tard Inc.

July 13, 2010

We have completed integrated audits of Alimentation Couche-Tard Inc.'s consolidated financial statements for the fiscal years ended April 25, 2010 and April 26, 2009 and of its internal control over financial reporting as at April 25, 2010. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated balance sheets of Alimentation Couche-Tard Inc. as at April 25, 2010 and April 26 2009 and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the fiscal years then ended. 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 of the Company's consolidated financial statements 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 about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at April 25, 2010 and April 26, 2009 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.

The consolidated statement of earnings, changes in shareholder's equity and cash flows for the fiscal year ended April 27, 2008 were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 13, 2008.

Internal control over financial reporting

We have also audited Alimentation Couche-Tard inc.'s internal control over financial reporting as at April 25, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of the 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 the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of the internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

The 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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, the Company maintained, in all material respects, effective internal control over financial reporting as at April 25, 2010 based on the criteria established in *Internal Control – Integrated Framework* issued by COSO.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP" with a superscripted "1" at the end.

PricewaterhouseCoopers LLP¹
Chartered Accountants
Montreal, Canada

¹ Chartered accountant auditor permit No. 19653

CONSOLIDATED STATEMENTS OF EARNINGS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars (Note 2), except per share amounts)

	2010	2009	2008
	\$	\$	\$
Revenues	16,439.6	15,781.1	15,370.0
Cost of sales (excluding depreciation and amortization of property and equipment and other assets as shown separately below)	13,886.3	13,344.5	13,146.5
Gross profit	2,553.3	2,436.6	2,223.5
Operating, selling, administrative and general expenses (Note 7)	1,906.7	1,848.8	1,738.9
Depreciation and amortization of property and equipment and other assets (Note 7)	204.5	183.0	172.5
	2,111.2	2,031.8	1,911.4
Operating income	442.1	404.8	312.1
Financial expenses (Note 7)	29.9	36.2	54.6
Earnings before income taxes	412.2	368.6	257.5
Income taxes (Note 8)	109.3	114.7	68.2
Net earnings	302.9	253.9	189.3
Net earnings per share (Note 9)			
Basic	1.64	1.31	0.94
Diluted	1.60	1.29	0.92

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars (Note 2))

	2010				
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income ⁽⁶⁾	Shareholders' equity
	\$	\$	\$	\$	\$
Balance, beginning of year	329.1	17.7	932.6	46.6	1,326.0
Comprehensive income:					
Net earnings			302.9		302.9
Change in cumulative translation adjustments ⁽¹⁾				62.0	62.0
Change in fair value of a financial instrument designated as a cash flow hedge ⁽²⁾				0.6	0.6
Gain realized on a financial instrument designated as a cash flow hedge transferred to earnings ⁽³⁾				(0.2)	(0.2)
Change in fair value of an available-for-sale investment ⁽⁴⁾				11.4	11.4
Gain realized on disposal of an available-for-sale investment transferred to earnings ⁽⁴⁾				(11.4)	(11.4)
Comprehensive income					<u>365.3</u>
Dividends			(25.1)		(25.1)
Stock option-based compensation expense (Note 21)		2.0			2.0
Fair value of stock options exercised	0.9	(0.9)			-
Cash received upon exercise of stock options	2.5				2.5
Repurchase and cancellation of shares	(13.0)				(13.0)
Excess of acquisition cost over book value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled			(43.4)		(43.4)
Balance, end of year	319.5	18.8	1,167.0	109.0	1,614.3

- (1) Includes a gain of \$113.3 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 US self-sustaining operations (net of income taxes of \$17.0).
- (2) This amount is net of income taxes of \$0.2.
- (3) This amount is net of income taxes of \$0.1.
- (4) These amounts are net of income taxes of \$2.5.
- (5) The year-end balance is comprised of \$108.6 for cumulative translation adjustments and \$0.4 for the cumulative fair value variation of a financial instrument designated as a cash flow hedge (net of income taxes of \$0.2).

	2009				
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Shareholders' equity
	\$	\$	\$	\$	\$
Balance, beginning of year	348.8	15.6	775.0	114.3	1,253.7
Comprehensive income:					
Net earnings			253.9		253.9
Change in cumulative translation adjustments ⁽¹⁾				(67.7)	(67.7)
Comprehensive income					<u>186.2</u>
Dividends			(24.1)		(24.1)
Stock option-based compensation expense (Note 21)		2.7			2.7
Fair value of stock options exercised	0.6	(0.6)			-
Cash received upon exercise of stock options	1.8				1.8
Repurchase and cancellation of shares	(22.1)				(22.1)
Excess of acquisition cost over book value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled			(72.2)		(72.2)
Balance, end of year	329.1	17.7	932.6	46.6	1,326.0

- (1) Includes a loss of \$109.9 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 US self-sustaining operations (net of income taxes of \$20.3).

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars (Note 2))

	2008				
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Shareholders' equity
	\$	\$	\$	\$	\$
Balance, beginning of year	352.3	13.4	681.9	97.8	1,145.4
Impact of changes in accounting policies ⁽¹⁾			0.9	0.4	1.3
Balance, beginning of year, as restated	352.3	13.4	682.8	98.2	1,146.7
Comprehensive income :					
Net earnings			189.3		189.3
Change in cumulative translation adjustments ⁽²⁾				16.1	16.1
Comprehensive income				205.4	205.4
Dividends			(25.6)		(25.6)
Stock option-based compensation expense (Note 21)		4.0			4.0
Fair value of stock options exercised	1.8	(1.8)			-
Cash received upon exercise of stock options	4.7				4.7
Repurchase and cancellation of shares	(10.0)				(10.0)
Excess of acquisition cost over book value of Class A multiple voting shares and Class B subordinate voting shares repurchased and cancelled			(71.5)		(71.5)
Balance, end of year	348.8	15.6	775.0	114.3	1,253.7

(1) As a result of the adoption of Canadian Institute of Chartered Accountants Handbook Section 3855 by which transaction costs were deducted from the amount of the financial liability to which they were directly attributable instead of being deferred and amortized over the term of the debt as they previously were.

(2) Includes a gain of \$72.2 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 US self-sustaining operations (net of income taxes of \$11.1).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars (Note 2))

	2010	2009	2008
	\$	\$	\$
Operating activities			
Net earnings	302.9	253.9	189.3
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	176.4	161.4	151.8
Future income taxes	40.2	32.0	19.0
(Gain) loss on disposal of property and equipment and other assets	(15.5)	2.8	(0.9)
Deferred credits	11.9	9.4	13.3
Other	19.8	13.3	24.2
Changes in non-cash working capital (Note 10)	(44.9)	30.0	(36.9)
Net cash provided by operating activities	490.8	502.8	359.8
Investing activities			
Purchases of property and equipment and other assets	(230.9)	(251.4)	(283.6)
Business acquisitions (Note 6)	(156.1)	(80.8)	(70.7)
Disposal of an investment in publicly-traded securities	75.9	-	-
Investment in publicly-traded securities	(62.0)	-	-
Proceeds from disposal of property and equipment and other assets	28.5	15.8	21.0
Proceeds from sale and leaseback transactions	11.1	19.8	172.4
Deposit reimbursement on business acquisition	-	-	0.5
Net cash used in investing activities	(333.5)	(296.6)	(160.4)
Financing activities			
Net decrease in long-term debt	(46.7)	(116.5)	(14.3)
Repurchase of Class A multiple voting shares and Class B subordinate voting shares	(56.4)	(99.5)	(101.3)
Cash dividends paid	(25.1)	(24.1)	(25.6)
Interest rate swap early termination fees received (Note 24)	2.5	9.4	-
Issuance of shares	2.5	1.8	4.7
Net cash used in financing activities	(123.2)	(228.9)	(136.5)
Effect of exchange rate fluctuations on cash and cash equivalents	13.5	(20.0)	11.4
Net increase (decrease) in cash and cash equivalents	47.6	(42.7)	74.3
Cash and cash equivalents, beginning of year	173.3	216.0	141.7
Cash and cash equivalents, end of year	220.9	173.3	216.0

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

CONSOLIDATED BALANCE SHEETS

as at April 25, 2010 and April 26, 2009
(in millions of US dollars (Note 2))

	2010	2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	220.9	173.3
Accounts receivable (Note 11)	286.2	225.4
Inventories (Note 12)	474.1	400.3
Prepaid expenses	20.2	8.5
Income taxes receivable (Note 8)	4.7	-
Future income taxes (Note 8)	24.9	37.0
	1,031.0	844.5
Property and equipment (Note 13)	1,980.5	1,777.2
Goodwill (Note 14)	426.5	384.8
Intangible assets (Note 15)	188.2	184.2
Other assets (Note 16)	65.2	60.7
Future income taxes (Note 8)	5.3	4.5
	3,696.7	3,255.9
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 17)	872.9	758.1
Income taxes payable (Note 8)	-	26.3
Current portion of long-term debt (Note 18)	4.4	3.9
Future income taxes (Note 8)	5.6	0.7
	882.9	789.0
Long-term debt (Note 18)	736.8	745.3
Deferred credits and other liabilities (Note 19)	285.8	259.0
Future income taxes (Note 8)	176.9	136.6
	2,082.4	1,929.9
Shareholders' equity		
Capital stock (Note 20)	319.5	329.1
Contributed surplus	18.8	17.7
Retained earnings	1,167.0	932.6
Accumulated other comprehensive income	109.0	46.6
	1,614.3	1,326.0
	3,696.7	3,255.9

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

On behalf of the Board,

"Alain Bouchard"

Alain Bouchard

Director

"Richard Fortin"

Richard Fortin

Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(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 5,878 convenience stores across North America, of which 4,408 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. The fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008 are referred to as 2010, 2009 and 2008.

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 dollar as its reporting currency to provide more relevant information considering its predominant operations in the United States and its debt largely denominated in US dollars.

3. Accounting changes

Goodwill and Intangible Assets

On April 27, 2009, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". 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. The adoption of this new Section resulted in the reclassification to Intangibles of certain software previously presented in Property and Equipment.

Accounting Changes

On October 12, 2009, the Company adopted amendments to CICA Section 1506 "Accounting Changes", which excludes from the scope of this Section, changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The adoption of this new Section had no impact on the Company's consolidated financial statements.

Financial Instruments - Disclosures

On October 12, 2009, the Company adopted amendments to CICA Section 3862 "Financial Instruments - Disclosures" which enhance disclosure requirements about liquidity risk of financial instruments. The amendment also includes new disclosure requirements about fair value measurement of financial instruments. The result of the implementation of this new standard is included in Note 24 and had no impact on the Company's consolidated financial statements.

4. Accounting policies

Use of 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, income taxes, lease accounting, purchase price allocation 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.

Principles of consolidation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

4. Accounting policies (continued)

Foreign currency translation

Functional currency

The functional currency of the Company for its Canadian and corporate operations is the Canadian dollar while the US self-sustaining operations' is the US Dollar.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into the relevant functional currency as follows: Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average exchange rate on a 4-week period basis. Non-monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation, if any, are reflected in the consolidated statement of earnings.

Consolidation and foreign operations

The financial statements are consolidated in Canadian dollars using the current rate method. Under this method, assets and liabilities of the US operations are translated into Canadian dollars using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rate on a 4-week period basis. Gains and losses arising from such translation are included in the accumulated other comprehensive income account in shareholders' equity.

Reporting currency

The Company has adopted the US dollar as its reporting currency. The Canadian dollar consolidated financial statements are translated into the reporting currency using the current rate method described above. Capital stock, Contributed surplus and Retained earnings are translated using historical rates. Gains and losses arising from translation are included in the accumulated other comprehensive income in Shareholders' equity.

Net earnings per share

Basic net earnings per share is calculated by dividing the net earnings available to Class A and Class B shareholders by the weighted average number of Class A and Class B shares outstanding during the year. Diluted net earnings per share is calculated using the 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.

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

Cost of sales and vendor rebates

Cost of sales is comprised mainly of the cost of merchandise and motor fuel sold including applicable freight less 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 cost of sales and related inventory in its consolidated statements of earnings and balance sheets when it is probable that they will be received. Amounts received but not yet earned are presented in deferred credits.

Operating, selling, administrative and general expenses

The main items comprising Operating, selling, administrative and general expenses are labour, building occupancy costs, credit and debit card fees and overhead and include advertising expenses that are expensed as incurred.

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 on analysis of the Company's historical data and actuarial estimates.

Cash and cash equivalents

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

4. Accounting policies (continued)

Income taxes

The Company uses the asset and 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, as appropriate, 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.

Property and equipment, depreciation and amortization and impairment

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

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

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

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

Property and equipment are tested for impairment should events or circumstances indicate that their book value may not be recoverable, as measured by comparing their net book value to 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.

Goodwill

Goodwill is the excess of the cost of an acquired business over the fair value of underlying net assets acquired from the business at the time of acquisition. Goodwill is not amortized. Rather it is tested for impairment annually during the first quarter, 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.

Intangible assets

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

Deferred charges

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

Rent expense

The Company accounts for capital leases in instances when it has acquired substantially all the benefits and risks incident to ownership of the leased property. The cost of assets under capital leases represents the present value of minimum lease payments and is amortized on a straight-line basis over the lease term. Assets under capital leases are presented under Property and equipment in the consolidated balance sheet.

Leases that do not transfer substantially all the benefits and risks incident to ownership of the property are accounted for as operating leases. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis over the term of the lease and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent expense. The Company also receives tenant allowances, which are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

Gains resulting from sale and leaseback transactions are deferred and amortized over the term of the new lease agreement while losses are recorded in the consolidated statements of earnings at the transaction date.

Financing costs

Financing costs related to the Subordinated unsecured debt are included in the initial carrying amount of the debt and are amortized using the effective interest rate method that is based on the estimated cash flow over the expected life of the liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

4. Accounting policies (continued)

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 fiscal years beginning on or after January 1st, 2002.

The fair value of 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.

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

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 accounting policies with respect to the defined benefit plans:

- the accrued benefit obligations and the cost of pension benefits earned by active employees are actuarially determined using the projected benefit method pro-rated on service and pension expense is recorded in earnings as the services are rendered by active employees. The calculations reflect management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees;
- 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% of the greater of the benefit obligation and fair value of plan assets, established at the beginning of the year, 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 1st, 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 1st, 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.

Asset retirement obligations

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. A discounted liability is recorded for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset at the time an underground storage tank is installed. To determine the initial recorded liability, the future estimated cash flows 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 amount added to property and equipment is amortized and an accretion expense is recognized in connection with the discounted liability over the remaining life of the tank or lease term for leased properties.

Financial instruments recognition and measurement

Following the application of CICA Section 3855, the Company made the following classifications:

Financial assets and liabilities	Classification	Subsequent measurement ⁽¹⁾	Classification of gains and losses
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 liabilities	Other financial liabilities	Amortized cost	Net earnings

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

4. Accounting policies (continued)

Hedging and derivative financial instruments

Interest rate swaps

The Company used 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.

When the Company uses interest rate swaps, it 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 used interest rate swaps as part of its program for managing the combination of fixed and variable interest rates of a portion 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 was accounted for as an adjustment of accrued interest.

In the case of an early termination of an interest swap agreement or if the hedge ceases to be effective prior to maturity, any realized and unrealized gains or losses would be recorded on the balance sheet and amortized to consolidated statement of earnings over the remaining term of the related hedged debt. In the event of early extinguishment of the debt, any realized or unrealized gains or losses related to the swap would be recognized in the consolidated statement of earnings at the time of the extinguishment of the debt.

When the Company uses interest rate swaps, the changes in fair value of 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.

Embedded total return swap

The Company uses an investment contract which include an embedded total return swap to manage current and forecasted risks related to changes in the fair value of the Phantom Stock Units ("PSUs") granted by the Company. The embedded total return swap is recorded at fair value on the consolidated balance sheet under other assets.

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

Hedge of the net investment in US self-sustaining operations

The Company has also designated its entire US dollar denominated long-term debt as a foreign exchange hedge of its net investment in its US 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 US self-sustaining subsidiaries. Should a portion of the hedging relationship become ineffective, the ineffective portion would be recorded in the consolidated statement of earnings under Operating, selling, administrative and general expenses.

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.

Recently issued accounting standards not yet implemented

On February 13, 2008, the Accounting Standards Board ("AcSB") issued a news release confirming that publicly accountable enterprises will be required to apply International Financial Reporting Standards ("IFRS") in 2011. The Company will therefore adopt IFRS on April 25, 2011.

Since the Company will adopt IFRS on April 25, 2011, new Canadian GAAP standards that will be effective on or after that date are not disclosed as future accounting changes because they will never be applied by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

5. Interest in a joint venture

On January 6, 2010, the Company along with Shell Oil Products ("Shell") created a joint venture, RDK Ventures LLC ("RDK"), to operate convenience stores located in the greater Chicago metropolitan area of the United States. Shell contributed \$40.1 to the joint venture in property and equipment while the Company contributed \$40.1 in cash. Line items from RDK's statement of earnings and balance sheet are reflected in the Company's consolidated financial statements using the proportionate consolidation method since Shell and the Company have joint control over the joint venture. The Company owns a 50.01% interest in RDK and the major components of the interest included in its consolidated financial statements are as follows:

As at April 25, 2010	\$
Balance sheet	
Current assets	15.5
Long-term assets	66.8
Current liabilities	14.8
Long-term liabilities	25.5
For fiscal year 2010	\$
Statement of earnings	
Revenues	110.1
Expenses	108.1
Net earnings	1.5
Statement of cash flows	
Operating activities	10.6
Investing activities	(25.5)
Financing activities	20.1

6. 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. The allocations of the purchase price of the acquisitions were established based on available information and on the basis of evaluations and assumptions management believes to be reasonable. The allocations are based on the estimated fair values on the dates of acquisition.

2010

- On May 28, 2009, the Company purchased 43 company-operated stores in Phoenix, Arizona, United-States from ExxonMobil Corporation. The Company leases the land and buildings related to nine sites, it owns the building and leases the land for one site, while it owns both these assets for the other sites. Under the same transaction, ExxonMobil also transferred to the Company the "On the Run" trademark rights in the United States as well as a network of 444 franchised stores operating under this trademark in the United States.
- On January 6, 2010, through RDK, the Company participated in the acquisition of 100 stores owned by Shell, 69 of which are company-operated and the remaining 31 stores are operated by third party operators. RDK leases the land and buildings related to 55 sites, it owns the buildings and leases the land for five sites and it owns both these assets for the other sites.
- On February 16, 2010, the Company acquired from BP West Coast Products LLC their terminal facilities located in Phoenix, Arizona in the United States. The terminal facilities include 16 storage tanks with a storage capacity of 220,000 barrels. The terminal is approved for 44,000 barrels per day and has access to petroleum products from refineries on the West Coast and in the Gulf Coast region of the United States.
- On April 6, 2010, the Company purchased eight company-operated stores in central North Carolina, United-States from Accel Marketing LLC. The Company owns the buildings and land for all eight sites.
- Since the beginning of the fiscal year, the Company also acquired 16 stores through 12 distinct transactions. The Company owns the land and buildings for eight sites while it leases both these assets for the other eight sites.

These acquisitions were settled for a total cash consideration of \$156.1, including direct acquisition costs.

	\$
Tangible assets acquired	
Inventories	11.0
Property and equipment	163.6
Other assets	0.3
Total tangible assets	174.9
Liabilities assumed	
Accounts payable and accrued liabilities	2.1
Deferred credits and other liabilities	26.9
Total liabilities	29.0
Net tangible assets acquired	145.9
Intangibles	1.3
Goodwill	8.9
Total consideration paid, including direct acquisition costs	156.1

The Company expects that approximately \$4.0 of the goodwill related to these transactions will be deductible for tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

6. Business acquisitions (continued)

2009

- On February 10, 2009, the Company purchased seven company-operated stores from Gate Petroleum Company. The acquired stores operate under the Gate banner in the Greensboro and Raleigh regions of North Carolina, United States. The Company leases the land and buildings related to two sites and it owns the building and leases the land for one site, while it owns both these assets for the other sites.
- On February 5, 2009, the Company purchased 13 stores located in the province of Quebec, Canada from Exploitation Quali-T inc., a subsidiary of Groupe Therrien. The Company leases the land and buildings related to all of these sites.
- On July 8, 2008, the Company purchased 70 company-operated stores from Spirit Energy. For 11 sites, the Company owns the buildings and the land, it leases the land for two sites and leases both the land and building for the remaining 57 sites. The acquired stores operate under the Convenient Food Mart banner in the St. Louis, Missouri area and the nearby central Illinois area, United States.
- On April 29, 2008, the Company purchased 15 company-operated stores from Speedway Superamerica LLC. The acquired stores operate under the Speedway banner in central Illinois, United States. The Company owns the land related to 14 sites and leases one while it owns all 15 buildings.
- During the 2009 fiscal year, the Company purchased two stores through two distinct transactions. The Company owns the land and buildings related to both transactions.

These acquisitions were settled for a total cash consideration of \$80.8, including direct acquisition costs. The net assets acquired included working capital of \$9.9, property and equipment of \$59.1, other assets of \$1.4, goodwill of \$12.2 and deferred credits and other liabilities of \$1.8. Approximately \$4.7 of the goodwill related to these transactions was deductible for tax purposes.

2008

- On 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 net assets acquired included working capital of \$3.5, property and equipment of \$59.6, goodwill of \$7.1, a non-compete agreement of \$1.1 and deferred credits and other liabilities of \$0.6. Approximately \$5.7 of the goodwill related to these transactions was deductible for tax purposes.

7. Supplementary information relating to the consolidated statements of earnings

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

	2010	2009	2008
	\$	\$	\$
Net rent expense			
Rent expense	250.6	237.6	209.0
Sub-leasing income	(21.3)	(19.6)	(18.3)
	229.3	218.0	190.7
	\$	\$	\$
Depreciation and amortization			
Property and equipment	203.2	181.7	170.6
Other assets	1.3	1.3	1.9
	204.5	183.0	172.5
Financial expenses			
Interest on long-term debt	33.1	37.4	58.2
Interest income	(3.2)	(1.2)	(3.6)
	29.9	36.2	54.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

8. Income taxes

	2010	2009	2008
	\$	\$	\$
Current income taxes	69.3	82.7	49.2
Future income taxes	40.0	32.0	19.0
	109.3	114.7	68.2

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:

	2010	2009	2008
	%	%	%
Combined statutory income tax rate in Canada ^(a)	30.58	30.90	31.66
Impact of tax rate changes	-	0.12	0.32
Other permanent differences	(4.08)	0.10	(1.65)
Effective income tax rate before unusual income tax reversal	26.50	31.12	30.33
Unusual retroactive income tax reversal ^(b)	-	-	(3.84)
Effective income tax rate	26.50	31.12	26.49

(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, during the fiscal year ended April 29, 2007, the Company 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 Quebec's taxation authorities.

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

	2010	2009
	\$	\$
Short-term net future income tax assets		
Expenses deductible during the next year	22.9	22.8
Loss deductible during the next year	-	13.8
Revenues taxable during the next year	(7.5)	(6.5)
Deferred credits	1.0	1.5
Other	2.9	4.7
	19.3	36.3
Long-term net future income tax liabilities		
Property and equipment	(162.8)	(140.5)
Intangible assets	(65.2)	(58.5)
Deferred credits	49.9	47.3
Asset retirement obligations	16.3	12.7
Goodwill	(20.1)	(11.0)
Expenses deductible in future years	17.8	8.2
Non-capital losses	5.0	2.6
Unrealized exchange gain	(18.3)	(0.8)
Other	5.8	7.9
	(171.6)	(132.1)

9. Net earnings per share

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

	2010	2009	2008
	\$	\$	\$
Net earnings available to Class A and B shareholders	302.9	253.9	189.3
Weighted average number of shares (in thousands)	184,236	193,596	201,486
Dilutive effect of stock options (in thousands)	4,506	3,872	4,992
Weighted average number of diluted shares (in thousands)	188,742	197,468	206,478
Basic net earnings per share available for Class A and B shareholders	1.64	1.31	0.94
Diluted net earnings per share available for Class A and B shareholders	1.60	1.29	0.92

In calculating diluted net earnings per share for 2010, 1,138,627 stock options (1,677,059 in 2009 and 1,075,465 in 2008) are excluded due to their antidilutive effect.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

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

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

	2010	2009	2008
	\$	\$	\$
Accounts receivable	(27.8)	28.7	(37.6)
Inventories	(37.2)	35.1	(46.4)
Prepaid expenses	(11.0)	-	5.6
Accounts payable and accrued liabilities	75.0	(49.5)	76.2
Income taxes payable	(43.9)	15.7	(34.7)
	(44.9)	30.0	(36.9)

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

	2010	2009	2008
	\$	\$	\$
Interest paid	29.4	34.2	59.5
Income taxes paid	111.3	66.1	89.0

11. Accounts receivable

	2010	2009
	\$	\$
Trade accounts receivable and vendor rebates receivable	119.4	106.8
Credit and debit cards receivable	139.2	102.4
Environmental costs receivable (Note 23)	3.1	3.0
Other accounts receivable	24.5	13.2
	286.2	225.4

12. Inventories

	2010	2009
	\$	\$
Merchandise – retail	323.3	289.2
Motor fuel	131.1	93.8
Merchandise – distribution centres	19.7	17.3
	474.1	400.3

13. Property and equipment

	2010		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	571.3	-	571.3
Buildings and building components	554.4	136.2	418.2
Leasehold improvements	389.3	190.4	198.9
Equipment	1,407.4	647.8	759.6
	2,922.4	974.4	1,948.0
Buildings and equipment under capital leases	45.4	12.9	32.5
	2,967.8	987.3	1,980.5
	2009		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Land	498.2	-	498.2
Buildings and building components	466.4	101.2	365.2
Leasehold improvements	330.2	140.3	189.9
Equipment	1,218.1	504.9	713.2
	2,512.9	746.4	1,766.5
Buildings and equipment under capital leases	23.5	12.8	10.7
	2,536.4	759.2	1,777.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

14. Goodwill

	2010	2009
	\$	\$
Balance, beginning of year	384.8	402.6
Goodwill acquired during the year	8.9	12.2
Effect of exchange rate fluctuations	32.8	(30.0)
Balance, end of year	<u>426.5</u>	<u>384.8</u>

15. Intangible assets

	2010	2009
	\$	\$
Trademarks	154.7	153.4
Licenses	18.8	17.9
Other	14.7	12.9
	<u>188.2</u>	<u>184.2</u>

16. Other assets

	2010	2009
	\$	\$
Deferred charges, net	9.4	10.9
Environmental costs receivable (Note 23)	18.7	19.3
Accrued pension benefit asset	8.3	7.1
Deposits	1.6	1.4
Other	27.2	22.0
	<u>65.2</u>	<u>60.7</u>

17. Accounts payable and accrued liabilities

	2010	2009
	\$	\$
Accounts payable and accrued expenses	627.9	510.3
Sales and other taxes payable	96.4	124.3
Salaries and related benefits	76.3	64.5
Deferred credits	14.8	13.7
Environmental costs	10.1	9.5
Other	47.4	35.8
	<u>872.9</u>	<u>758.1</u>

18. Long-term debt

	2010	2009
	\$	\$
US dollar term revolving unsecured operating credit A, maturing in September 2012 ^(a)	185.6	229.4
Canadian dollar term revolving unsecured operating credit A, maturing in September 2012 (CA\$52.4 in 2010 and CA\$28.6 in 2009) ^(a)	52.4	23.6
US dollar term revolving unsecured operating credit B, maturing in September 2012 ^(a)	87.4	110.6
Canadian dollar term revolving unsecured operating credit B, maturing in September 2012 (CA\$24.6 in 2010 and CA\$21.4 in 2009) ^(a)	24.6	17.7
Subordinated unsecured debt, at amortized cost ^(b)	351.7	351.7
Note payable, secured by the assets of certain stores, 8.75%, repayable in monthly instalments, maturing in 2019	4.2	4.5
Obligations related to buildings and equipment under capital leases, rates varying from 0.53% to 12.54%, payable on various dates until 2019 (includes an amount of \$24.9 related to RDK in 2010)	35.3	11.7
	<u>741.2</u>	<u>749.2</u>
Current portion of long-term debt	4.4	3.9
	<u>736.8</u>	<u>745.3</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

18. Long-term debt (continued)

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

As at April 25, 2010, the Company has credit agreements consisting of three revolving unsecured facilities of initial maximum amounts of \$650.0 (Operating credit A), \$310.0 (Operating credit B) and \$40.0 (Operating credit C) each, with initial terms of five years, 51 months and 42 months respectively. The credit facilities are available in the following forms:

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

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

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

As at April 25, 2010, the weighted average effective interest rate is 0.86% (1.10% in 2009) for the US dollar portion and 1.05% (1.24% in 2009) for the Canadian dollar portion. In addition, CA\$0.9 (CA\$1.0 in 2009) and \$26.6 (\$18.3 in 2009) are used for standby letters of credit. As at April 25, 2010 and April 26, 2009, the available line of credit was unused and the Company was in compliance with the restrictive provisions and ratios imposed by the credit agreement. As at April 25, 2010 and April 26, 2009, Operating credit C was unused.

(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 7.35% (7.56% in 2009)). Since December 15, 2008, the Company has the option for early repayment at a premium.

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 and equipment under capital leases	Other loans denominated in US dollars	Other loans denominated in Canadian dollars
	\$	\$	CA\$
2011	6.3	0.3	-
2012	4.2	0.3	-
2013	27.7	273.3	77.0
2014	1.7	350.4	-
2015	1.2	0.4	-
2016 and thereafter	0.5	2.5	-
	41.6		
Interest expense included in minimum lease payments	6.3		
	<u>35.3</u>		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

19. Deferred credits and other liabilities

	2010	2009
	\$	\$
Deferred gain on sale and leaseback transactions	98.6	101.3
Asset retirement obligations ^(a)	46.0	42.5
Deferred rent expense	27.0	20.4
Provision for site restoration costs	18.1	14.2
Provision for workers' compensation	17.8	16.5
Accrued pension benefit liability	14.0	9.8
Deferred credits	12.5	10.2
Deferred branding credits	12.2	13.3
Other liabilities	39.6	30.8
	285.8	259.0

- (a) The total undiscounted amount of estimated cash flows to settle the asset retirement obligations is approximately \$135.1 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:

	2010	2009
	\$	\$
Balance, beginning of year	50.9	48.8
Liabilities incurred	0.3	0.4
Liabilities settled	(1.7)	(2.5)
Accretion expense	4.4	3.8
Business acquisitions	1.5	1.4
Revision of estimations	0.3	-
Effect of exchange rate fluctuations	1.3	(1.0)
Balance, end of year	57.0	50.9

Of the total liability recorded in the consolidated balance sheets as at April 25, 2010 and April 26, 2009, \$46.0 and \$42.5, respectively, are included in Deferred credits and other liabilities and the remainder is included in Accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

20. Capital stock

Authorized

Unlimited number of shares without par value

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

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

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

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

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

Issued and fully paid

The changes in number of outstanding shares are as follows:

	2010	2009
Class A multiple voting shares		
Balance, beginning of year	53,710,412	53,881,212
Repurchase and cancellation of shares ^{(a) (b)}	(3,700)	(24,100)
Conversion into Class B shares	-	(146,700)
Balance, end of year	<u>53,706,712</u>	<u>53,710,412</u>
Class B subordinate voting shares		
Balance, beginning of year	133,917,208	142,845,776
Repurchase and cancellation of shares ^{(a) (b)}	(4,296,000)	(9,387,500)
Issued as part of a previous acquisition	304	160
Issued on conversion of Class A shares	-	146,700
Stock options exercised for cash	321,085	312,072
Balance, end of year	<u>129,942,597</u>	<u>133,917,208</u>

(a) On August 10, 2009, the Company implemented a share repurchase program to repurchase up to 2,685,370 of the 53,707,412 Class A multiple voting shares and up to 12,857,284 of the 128,572,846 Class B subordinate voting shares issued and outstanding as at July 24, 2009 (representing 5.0% of the Class A multiple voting shares issued and outstanding and 10.0% of the Class B subordinate voting shares of the public float, as defined by applicable rules, as at that date, respectively). In accordance with Toronto Stock Exchange requirements, a maximum daily repurchase of the greater of 25.0% of the daily trading averages for the six months preceding July 24, 2009 and 1,000 shares can be made. When making such repurchases, the number of Class A multiple voting shares and Class B subordinate voting shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Company's share capital is increased on a pro rata basis. The share repurchase period will end no later than August 9, 2010. All shares repurchased under the share repurchase program are cancelled upon repurchase.

(b) From August 8, 2008 to August 7, 2009, the Company had a share repurchase program to repurchase up to 2,693,860 of the 53,877,212 Class A multiple voting shares and up to 14,031,210 of the 140,312,108 Class B subordinate voting shares issued and outstanding as at July 29, 2008 (representing 5.0% of the Class A multiple voting shares issued and outstanding and 10.0% of the Class B subordinate voting shares of the public float, as defined by applicable rules, as at that date, respectively). In accordance with Toronto Stock Exchange requirements, a maximum daily repurchase of the greater of 25.0% of the daily trading averages for the six months preceding July 29, 2008 and 1,000 shares was allowed. Having made such repurchases, the number of Class A multiple voting shares and Class B subordinate voting shares in circulation was reduced and the proportionate interest of all remaining shareholders in the Company's share capital was increased on a pro rata basis. All shares repurchased under the share repurchase program were cancelled upon repurchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

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

Stock option plan

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

Stock options have up to a ten-year term, vest 20.0% on the date of the grant and cumulatively thereafter on each anniversary date of the grant and are exercisable at the designated market price on the date of grant. The grant price of each stock option shall not be set below the weighted average closing price for a board lot of the Class B shares on the Toronto Stock Exchange for the five days preceding the grant. Each stock option is exercisable into one Class B share of the Company at the price specified in the terms of the stock option.

The table below presents the status of the Company's stock option plan as at April 25, 2010, April 26, 2009 and April 27, 2008 and the changes therein during the years then ended:

	2010		2009	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of year	8,800,623	8.83	8,913,915	8.66
Granted	230,000	17.86	260,800	14.14
Exercised	(321,085)	8.34	(312,072)	6.61
Forfeited	(12,440)	22.91	(62,020)	17.85
Outstanding, end of year	<u>8,697,098</u>	<u>9.07</u>	<u>8,800,623</u>	<u>8.83</u>
Exercisable stock options, end of year	<u>8,175,509</u>		<u>8,172,355</u>	
				2008
			Number of stock options	Weighted average exercise price
				CA\$
Outstanding, beginning of year			9,326,866	8.50
Granted			295,000	19.41
Exercised			(554,020)	9.02
Forfeited			(153,931)	18.77
Outstanding, end of year			<u>8,913,915</u>	<u>8.66</u>
Exercisable stock options, end of year			<u>8,166,672</u>	

The following table presents information on the stock options outstanding and exercisable as at April 25, 2010:

Range of exercise prices	Options outstanding			Options exercisable		
	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price	
CA\$			CA\$		CA\$	
2 – 4	2,314,028	0.40	2.66	2,314,028	2.66	
6 – 8	3,331,700	1.96	7.37	3,331,700	7.37	
8 – 12	1,089,300	3.55	10.41	1,089,300	10.41	
12 – 16	376,120	7.00	13.86	203,140	13.68	
16 – 20	1,061,925	6.37	17.62	818,245	17.50	
20 – 26	524,025	6.55	24.64	419,096	24.60	
	<u>8,697,098</u>			<u>8,175,509</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:

	2010	2009	2008
Expected dividends (per share)	CA\$0.15	CA\$0.14	CA\$0.13
Expected volatility	33.00%	32.20%	32.00%
Risk-free interest rate	3.27%	3.20%	3.98%
Expected life	8 years	8 years	8 years

The weighted average fair value of stock options granted in 2010 is CA\$6.90 (CA\$5.32 in 2009 and CA\$8.04 in 2008).

For 2010, compensation cost charged to the consolidated statements of earnings amounts to \$2.0 (\$2.7 in 2009 and \$4.0 in 2008).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

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

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 25, 2010, the Company has a total of 66,444 DSUs outstanding (56,920 as at April 26, 2009) and an obligation of \$1.2 (\$0.6 as at April 26, 2009) is recorded in deferred credit and other liabilities. The compensation cost amounts to \$0.5 in 2010 and \$0.2 in 2009 while a reversal of \$0.2 was recorded in 2008.

Phantom Stock Units

On May 1st, 2009, the Company implemented a Phantom Stock Unit ("PSU") Plan allowing the Board of Directors, through its Human Resources and Corporate Governance Committee, to grant PSUs to the officers and selected key employees of the Company (the "Participants"). A PSU is a notional unit whose value is based on the weighted average reported closing price for a board lot of the Company's Class B subordinated voting share (the "Class B share") on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The PSU provides the Participant with the opportunity to earn a cash award based on the weighted average reported closing price for a board lot of the Company's Class B subordinated voting share (the "Class B share") on the Toronto Stock Exchange for the five trading days immediately preceding the vesting date of the PSU. Each PSU initially granted vests no later than one day prior to the third anniversary of the grant date subject namely to the achievement of performance objectives of the Company, based on external and internal benchmarks, over a three-year performance period. PSUs are not dilutive since they are payable solely in cash.

For 2010, the Company granted a total of 194,277 PSUs while it cancelled 5,323 PSUs. As at April 25, 2010, 188,954 PSUs are outstanding and an obligation of \$1.1 is recorded in deferred credit and other liabilities. For 2010, the compensation cost amounts to \$0.8.

22. 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.

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 \$5.1 for 2010 (\$4.9 for 2009 and \$4.3 for 2008).

Defined benefit plans

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

	2010	2009
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	31.7	41.6
Current service cost	1.0	0.7
Interest cost	2.8	2.2
Benefits paid	(2.2)	(2.0)
Past service costs	0.5	1.4
Actuarial gains	9.6	(5.7)
Effect of exchange rate fluctuations	7.5	(6.5)
Balance, end of year	<u>50.9</u>	<u>31.7</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

22. Employee future benefits (continued)

	2010	2009
	\$	\$
Plans' assets		
Fair value, beginning of year	18.5	24.1
Actual return on plans' assets	1.9	(1.1)
Employer contributions	0.4	0.5
Employee contributions	-	0.1
Benefits paid	(1.5)	(1.4)
Effect of exchange rate fluctuations	4.0	(3.7)
Fair value, end of year	<u>23.3</u>	<u>18.5</u>

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

	2010	2009
	\$	\$
Fair value of plans' assets	23.3	18.5
Accrued benefit obligation	50.9	31.7
Funded status of plan - deficit	<u>(27.6)</u>	<u>(13.2)</u>
Unamortized net actuarial loss	17.7	7.5
Unamortized transitional net asset	(0.5)	(0.9)
Unamortized past service cost	4.7	3.9
Accrued benefit liability	<u>(5.7)</u>	<u>(2.7)</u>

As at April 25, 2010, the accrued benefit obligation for unfunded pension plans amounts to \$26.5 (\$15.5 as at April 26, 2009).

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

	2010	2009
	\$	\$
Other assets	8.3	7.1
Deferred credits and other liabilities	(14.0)	(9.8)
Accrued benefit liability	<u>(5.7)</u>	<u>(2.7)</u>

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

Asset category	Percentage of plans' assets	
	2010	2009
	%	%
Equity securities	27.1	19.5
Debt securities and cash	72.9	80.5
Total	<u>100.0</u>	<u>100.0</u>

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

	2010		
	Incurred during the year	Adjustments ^(a)	Expense recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.7	0.3	1.0
Interest cost	2.8	-	2.8
Actual return on plans' assets	(1.9)	0.7	(1.2)
Amortization of the net transitional asset	-	(0.5)	(0.5)
Net actuarial loss	9.6	(9.0)	0.6
Past service cost	0.5	0.1	0.6
Pension expense for the year	<u>11.7</u>	<u>(8.4)</u>	<u>3.3</u>

	2009		
	Incurred during the year	Adjustments ^(a)	Expense recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.6	-	0.6
Interest cost	2.2	-	2.2
Actual return on plans' assets	1.1	(2.4)	(1.3)
Amortization of the net transitional asset	-	(0.5)	(0.5)
Net actuarial (gain) loss	(5.7)	6.8	1.1
Past service cost	1.4	(0.9)	0.5
Pension expense for the year	<u>(0.4)</u>	<u>3.0</u>	<u>2.6</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

22. Employee future benefits (continued)

	Incurring during the year	Adjustments ^(a)	2008 Expense recognized during the year
	\$	\$	\$
Current service cost, net of employee contributions	0.6	-	0.6
Interest cost	2.1	-	2.1
Actual return on plans' assets	(0.3)	(1.2)	(1.5)
Amortization of the net transitional asset	-	(0.6)	(0.6)
Net actuarial (gain) loss	(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

^(a) 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

	2010	2009
	%	%
Discount rate	5.50	8.00
Rate of compensation increase	4.00	4.00

Pension expense

	2010	2009	2008
	%	%	%
Discount rate	8.00	6.00	5.25
Expected rate of return on plans' assets	6.00	6.00	6.00
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 2010 is \$5.0 (\$3.8 in 2009 and 2008).

Deferred compensation plan – United States operations

The Company sponsors a deferred compensation plan that allows certain employees in its US operations to defer up to 25.0% of their base salary and 100.0% of their cash bonuses for any given year. Interest 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 \$9.6 as at April 25, 2010 (\$6.1 as at April 26, 2009) and are included in Deferred credits and other liabilities.

23. Environmental costs

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

In order to provide for the above-mentioned restoration costs, the Company has recorded a \$28.2 provision for environmental costs as at April 25, 2010 (\$23.7 as at April 26, 2009). Of this amount, \$10.1 (\$9.5 as at April 26, 2009) 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 \$21.8 for environmental costs receivable from trust funds as at April 25, 2010 (\$22.3 as at April 26, 2009), of which \$3.1 (\$3.0 as at April 26, 2009) is included in Accounts receivable and the remainder is included in Other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

24. 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 currency risk, interest rate risk, credit risk, liquidity risk and price risk. The Company uses derivative financial instruments to hedge certain risk exposures, primarily price risk.

Foreign currency risk

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

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

As at April 25, 2010, everything else being equal, a hypothetical strengthening (weakening) of 5.0% of the US dollar against the Canadian dollar would have had a favourable (unfavourable) net impact of \$21.3 on Other comprehensive income.

Interest rate risk

The Company is exposed to interest rate risk through the portion of its long-term debt bearing interest at a variable rate. The Company's policy is to maintain a large portion 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. As at April 26, 2010, the Company did not hold any derivative instruments to mitigate this risk. As at April 26, 2009 and for part of fiscal 2010, to mitigate this risk, the Company had a fixed-to-variable interest rate swap on its Subordinated unsecured debt whereby it had agreed to swap the amount of the difference between variable interest rate and the fixed rate, calculated on the reference amounts. This interest rate swap was designated as a fair value hedge of the Subordinated unsecured debt.

During 2010, the interest rate swap agreement held by the Company as at April 26, 2009 was terminated by the counterparty in exchange for the payment on their part of an amount of \$2.5. Following the termination of this swap, the Company discontinued hedge accounting for this swap. The fair value of the terminated swap recorded against the Subordinated unsecured debt is amortized using the effective rate method over the remaining term of the debt. As at April 26, 2009 the swap had a carrying amount and fair value of \$2.6.

The amount outstanding as at April 26, 2009 was as follows:

Maturity ^(a)	Reference	Pays/receives	Fixed rate	Variable rate
December 2013	\$ 100.0	pays variable receives fixed	% 7.5	LIBOR six month plus 2.98%

(a) Under certain conditions, the maturity date of the swap could have been altered to correspond with the repurchase conditions of the corresponding subordinated debt.

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 analyzes its interest rate exposure on an ongoing basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on net earnings of a defined interest rate shift. As at April 25, 2010, the impact on net earnings of a 1.0% shift would have been \$2.6.

Credit risk

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

Credit risk related to Trade accounts receivable and vendor rebates receivable is limited considering the nature of the Company's activities and its counterparties. As at April 25, 2010, 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 Cash and cash equivalents and Credit and debit cards receivable by dealing with major financial institutions that have very low or minimal credit risk. As at April 25, 2010, the maximum credit risk exposure related to Cash and cash equivalents and Credit and debit cards receivable corresponds to their carrying amount.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

24. Financial instruments and capital risk management (continued)

Liquidity risk

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

On an ongoing 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 that it has sufficient flexibility under its available liquidity resources to meet its obligations.

The contractual maturities of financial liabilities as at April 25, 2010 are as follows:

	Carrying amount	Contractual cash flows	Less than one year	Between one and two years	Between two and five years	More than five years
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities ⁽¹⁾	745.4	745.4	745.4	-	-	-
Term revolving unsecured operating credit A	238.0	243.1	2.1	2.1	238.9	-
Term revolving unsecured operating credit B	112.0	114.4	1.0	1.0	112.4	-
Subordinated unsecured debt	351.7	444.3	25.7	25.7	392.9	-
Other long-term debt	39.5	48.9	6.9	5.4	33.1	3.5
	<u>1,486.6</u>	<u>1,596.1</u>	<u>781.1</u>	<u>34.2</u>	<u>777.3</u>	<u>3.5</u>

(1) Excludes deferred credits as well as statutory accounts payable and accrued liabilities such as sales taxes, excise taxes property taxes and certain payroll benefits.

Price risk

The Company is exposed to price risk with respect to its obligation related to its PSU Plan which fluctuates in part with the fair value of the Company's Class B shares. To mitigate this risk, the Company has entered into a financial arrangement with an investment grade financial institution which includes an embedded total return swap with an underlying representing 189,072 Class B shares (the "Instrument"). The Instrument is recorded at fair market value on the consolidated balance sheet under other assets. The financial arrangement will be adjusted as needed to reflect new awards, adjustments and/or settlements of PSUs. As at April 25, 2010, the impact on net earnings of a 5.0% shift of the contract would not have been significant.

Fair values

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

The Cash and cash equivalent is accounted for at fair value in the financial statements.

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

- the fair value of the investment contract including an embedded total return swap is based on the fair market value of Class B shares;
- 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. As at April 25, 2010, the Subordinated unsecured debt had a carrying amount of \$351.7 (\$351.7 as at April 26, 2009) and a fair value of \$357.0 (\$346.2 as at April 26, 2009);
- the fair value of interest rate swaps is estimated by obtaining quotes (marked to market) from the Company's banks and by adjusting it to take the counterparty's credit rating into account. 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 fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

24. Financial instruments and capital risk management (continued)

Fair value hierarchy

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

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

The Company categorized the fair value measurement of Cash and cash equivalent in Level 1. For the Investment contract including an embedded total return swap, and the interest rate swap, the Company categorized the fair value measurement in Level 2, as they are primarily derived from observable market inputs, that is, quoted market prices and interest rates.

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce 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, phantom stock units and deferred share unit plans. The Company's share repurchase program is also one of the tools it uses to achieve its objectives.

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:

	2010	2009
	\$	\$
Current portion of long-term debt	4.4	3.9
Long-term debt	736.8	745.3
Cash and cash equivalents	220.9	173.3
Net interest-bearing debt	520.3	575.9
Shareholders' equity	1,614.3	1,326.0
Net interest-bearing debt	520.3	575.9
Total capitalization	2,134.6	1,901.9
Net interest-bearing debt to total capitalization ratio	24.4%	30.3%

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 Long-term debt less Cash and cash equivalents to EBITDA for the four most recent quarters. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-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 payments.

The Company monitors these ratios on a quarterly basis and is in compliance with these covenants.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

25. Contractual obligations

Minimum lease payments

As at April 25, 2010, the Company has entered into operating lease agreements expiring on various dates until 2031 which call for aggregate minimum lease payments of \$1,688.9 in the United States and of CA\$832.0 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
	\$	CA\$
2011	154.8	87.9
2012	149.6	78.7
2013	141.6	70.1
2014	128.5	59.9
2015	124.3	51.1
2016 and thereafter	990.1	484.3

Purchase commitments

The Company has concluded agreements to acquire, during the next fiscal year, equipment which call for aggregate payments of CA\$0.8.

Moreover, the Company has entered into various product 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.

26. 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

Sublease agreements

The Company entered into a number of agreements to sublease 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 sublessees fail to pay. As at April 25, 2010, the total future lease payments under such agreements are approximately \$2.6 and their fair value is not significant. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended April 25, 2010, April 26, 2009 and April 27, 2008
(in millions of US dollars, except share and stock option data)

27. Segmented information

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

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

	2010			2009		
	US	Canada	Total	US	Canada	Total
	\$	\$	\$	\$	\$	\$
External customer revenues ^(a)						
Merchandise and services	3,986.0	1,895.5	5,881.5	3,742.6	1,673.8	5,416.4
Motor fuel	8,819.8	1,738.3	10,558.1	8,865.2	1,499.5	10,364.7
	12,805.8	3,633.8	16,439.6	12,607.8	3,173.3	15,781.1
Gross profit						
Merchandise and services	1,308.1	638.3	1,946.4	1,226.2	574.9	1,801.1
Motor fuel	488.7	118.2	606.9	545.6	89.9	635.5
	1,796.8	756.5	2,553.3	1,771.8	664.8	2,436.6
Property and equipment and goodwill ^(a)	1,877.9	529.1	2,407.0	1,729.0	433.0	2,162.0

	2008		
	US	Canada	Total
	\$	\$	\$
External customer revenues ^(a)			
Merchandise and services	3,476.3	1,724.4	5,200.7
Motor fuel	8,891.6	1,277.7	10,169.3
	12,367.9	3,002.1	15,370.0
Gross profit			
Merchandise and services	1,146.5	601.1	1,747.6
Motor fuel	393.9	82.0	475.9
	1,540.4	683.1	2,223.5
Property and equipment and goodwill ^(a)	1,637.1	502.6	2,139.7

(a) Geographic areas are determined according to where the Company generates operating income (where the sale takes place) and according to the location of the property and equipment and goodwill.

28. Products subject to price regulation

The Company sells certain products subject to price regulation by various provincial and state authorities. Prices for beer, wine, spirits and cigarettes may be subject to minimum pricing. Dairy prices and fuel prices may be subject to minimum and/or maximum pricing. Lottery prices are subject to set pricing. Taking into account the number of provinces and states in which the Company does business and the fact that this regulation is set by these entities independently, no individual regulation has a significant impact on the Company's consolidated earnings. Revenue recognition is unaffected by price regulation.

29. Subsequent event

On June 2, 2010, the Company commenced a tender offer to acquire all of the outstanding shares of common stock (including the associated preferred stock purchase rights) of Casey's General Stores Inc. for \$36.00 per share, payable in cash. The transaction would have a total enterprise value of approximately \$1,900 on a fully diluted basis, including Casey's net debt of approximately \$29.0.

30. Comparative figures

Certain comparative figures have been reclassified to comply with the presentation adopted in the 2010 fiscal year.