ANNUAL REPORT 2012

THE WORLD AT YOUR TABLE

SAQ

HIGHLIGHTS

Fiscal years ended the last Saturday in March
(in millions of Canadian dollars and in millions of litres for volume sales)

	2012 (53 weeks)	2011 (52 weeks)	Percentage increase (decrease)
Financial results			
Sales	**2,837.1**	2,657.8	6.7
Gross margin	**1,509.3**	1,417.1	6.5
Net expenses[1]	**509.6**	506.6	0.6
Profit	**999.7**	910.5	9.8
Financial position			
Total assets	**700.4**	651.1	7.6
Property, plant and equipment and intangible assets	**250.9**	247.4	1.4
Net working capital	**(186.7)**	(179.3)	(4.1)
Long-term liabilities	**29.4**	32.4	(9.3)
Shareholder's equity	**44.9**	44.9	–
Sales by network			
Outlets and specialized centres	**2,524.4**	2,362.5	6.9
Wholesale grocers	**312.7**	295.3	5.9
Total	**2,837.1**	2,657.8	6.7
Sales by product category			
Wines	**2,124.7**	1,987.0	6.9
	155.2 L	148.3 L	4.7
Spirits	**621.8**	581.8	6.9
	21.8 L	20.8 L	4.8
Imported and microbrewery beers, ciders and coolers[2]	**90.6**	89.0	1.8
	11.9 L	11.4 L	4.4
Total	**2,837.1**	2,657.8	6.7
	188.9 L	180.5 L	4.7
Additional financial data			
Government revenue[3]	**1,909.0**	1,711.6	11.5

1. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.
2. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and alcopops.
3. Includes profit, sales taxes, the specific tax on alcoholic beverages and excise taxes and customs duties.

Certain comparative figures have been reclassified to conform to the current year's presentation.

NORMAN HÉBERT JR.
CHAIRMAN OF THE BOARD OF DIRECTORS

A DESTINATION FOR DISCOVERY

2011 is the year in which the Société des alcools du Québec stood out more than ever, not only as a major destination in the retailing industry but even more so as a destination for discovery.

What we want more than anything is to give Quebecers the opportunity to experience the pleasure of discovery every time they shop. If we are to accomplish this, our entire offer to customers must be geared to providing such an experience.

Maintaining its momentum, the SAQ achieved exceptional financial results this year while also presenting customers with a constantly renewed product offer and shopping environment. The company also reached new heights in applying its sales ethic and maintaining its customer satisfaction rate at a lofty level, a success that reflects on all its employees, especially those in its outlets.

This year, in compliance with the *Act respecting the governance of state-owned enterprises*, the Board of Directors took part in a reflection process aimed at identifying the various issues and organizational challenges that the company will face. The process led to the approval of the 2013–2015 Strategic Plan, which the Board recommended that the government adopt. The Board also approved the latest Sustainable Development Action Plan, which will be in effect until 2015, and the Responsible Procurement Policy, which will, among other things, allow the SAQ to promote sustainable development in several areas of its business and to encourage its suppliers to take part.

I want to take advantage of this opportunity to mention the excellent work of Robert Morier, who left the Board this year. As a Board member, he contributed to the company's success and we are very grateful to have been able to rely on him. Subsequently, to complete our team and continue overseeing the SAQ's business, we welcomed Nicole Diamond-Gélinas and Jacques Tanguay to the Board, a development that enabled it to reach gender parity.

A VISION TO ACHIEVE

In the coming months, the large SAQ team will continue its work on many ambitious projects in order to fulfill its mission and achieve its vision of being a world leader in the selection and sale of wine and spirits. In doing so, all SAQ employees will be able to count on the 12 members of the Board of Directors, who will make their skills and knowledge available to the company.

Lastly, I want to thank the members of the Management Committee for their remarkable work. The SAQ also owes its success to all its outlet, administrative centre and distribution centre employees, for it is they who ensure that each point of contact with customers is marked by pleasure and discovery.

NORMAN HÉBERT JR.
Chairman of the Board of Directors

PHILIPPE DUVAL
CHIEF EXECUTIVE OFFICER

The world: a word with two distinct meanings. One, singular, refers to the huge planet we inhabit. The other, collective, alludes to the society in which we live. From its earliest days, the SAQ has had a ringside view of the changes shaping the world in both senses.

One after another, the countries of the world have appeared on the SAQ's shelves as markets have opened up, trends have come and gone and, especially, Quebecers have expanded their horizons. Why? Because Quebecers are curious by nature and enjoy festive occasions. That, too, is a way of having "the world at your table," a phrase that neatly summarizes our obvious interest in the pleasures of the table shared in good company. It is an interest that the SAQ strives to cultivate every day by giving Quebecers access to some 11,000 products from the terroirs of 65 countries.

From every standpoint, fiscal 2011–2012 was a year of positive continuity, with record sales results, a customer satisfaction rate that remains very high, continuously upgraded shopping environments and harmonious labour relations.

Specifically, sales increased 6.7% and net earnings grew 9.8%. All told, nearly $1.5 billion will be transferred to the provincial government, to the benefit of Quebec taxpayers. In addition, more than $128 million was invested in the economy through the acquisition of goods and services from 2,500 Quebec-based suppliers.

In the final year of the SAQ's 2010–2012 Strategic Plan, sales and net earnings rose $412.6 million and $193 million respectively. To put it another way, over $200 million more than planned has been delivered to the Quebec government in the form of dividends, even as the company's operating ratio dropped from 19.6% in 2009 to 18% in 2012. During the same period, the price of beverage alcohol in Quebec posted the lowest rate of inflation in Canada.

These results reflect a clear trend: Quebecers are increasingly interested in mid-range to high-end products. At the SAQ, we like to think that we have helped stimulate this qualitative evolution in several ways, most notably by giving customers access to an exceptional shopping experience. To ensure this was the case in fiscal 2011–2012, the SAQ continued updating its outlet concept and invested nearly $11 million in its outlet network. The sums were used, among other things, to optimize category management by creating various discovery universes.

When it came to supporting the young industry making alcoholic beverages with produce from Quebec terroirs, the company expanded its offer of these products, which are now available in 250 outlets. As a result, they achieved sales on the order of $15 million, up nearly 3% from the preceding year.

The SAQ's many actions in the area of sustainable development have also borne fruit. In residual materials management, 94% of SAQ containers are now recovered from Quebec households through selective collection programs. An enormous success! The SAQ has also become a major player in adding value to the glass chain and is involved in all its steps, from acquisition to transformation. The SAQ poured its first concrete slab containing glass aggregates in an outlet in 2012. In the coming year, 13 outlets will be provided with similar slabs, creating a use for crushed glass from 1.6 million bottles.

The SAQ has also contributed to communities through its Donation and Sponsorship Program, which channelled investments of $7.4 million in fiscal 2011–2012. In addition, the SAQ's first Generous Wines campaign in the spring of 2011 allowed $340,000 to be donated to Banques alimentaires Québec and its 18 Moissons members, who supply more than 1,000 food assistance organizations across Quebec.

PHILIPPE DUVAL
CHIEF EXECUTIVE OFFICER

THE WORLD OF TOMORROW

Our 2010–2012 Strategic Plan is now completed. Of course, new challenges related to the SAQ's business environment await us. As ever, we will have to continue meeting the expectations of consumers, who are solicited from all sides, and offer them products and services geared to their needs. This, at a time when competition from other wine-importing countries and large distributors is stronger than ever. All combined with a commitment to performance, to striving to constantly lower the operating ratio and to unfailingly demonstrate discipline and efficiency.

More than ever, the SAQ will rely on the expertise of its employees and on their enthusiasm, know-how and sense of innovation. I want to thank them for their dedication and for the attention they pay to our customers. Were it not for its employees' support, the SAQ wouldn't occupy nearly as big a place in Quebecers' hearts.

In closing, I want to acknowledge the management team's contribution to the attainment of our objectives as well as the valued cooperation of the members of the Board of Directors and their confidence in the company's executives. It is due to them that, every day, the SAQ is able to pursue its vision of being a world leader in the selection and sale of wines and spirits.

PHILIPPE DUVAL
Chief Executive Officer

MANAGEMENT COMMITTEE

PHILIPPE DUVAL
Chief Executive Officer

ALAIN BRUNET
Vice-President and
Chief Operating Officer

CATHERINE DAGENAIS
Vice-President –
Sales Network Operations

MADELEINE GAGNON
Vice-President –
Human Resources

LUC GÉLINAS
Vice-President –
Real Estate and
Engineering

RICHARD GENEST
Vice-President and
Chief Financial Officer

NATHALIE HAMEL
Vice-President –
Public Affairs and
Communications

SUZANNE PAQUIN
Secretary General
and Vice-President –
Legal Department

DANIEL SIMARD
Vice-President –
Procurement and
Merchandising

JEAN-FRANÇOIS THÉRIAULT
Vice-President –
Information Technology

LUC VACHON
Vice-President –
Logistics and Distribution

THERE ARE NO BORDERS ON PLANET WINE

To satisfy Quebecer's thirst for discovery, the SAQ strives to offer them the best that the world has to offer. In fiscal 2011–2012, some 11,000 wines, beers and spirits from 65 countries were found on the shelves of its outlet network. Also, in keeping with the trend in recent years to refresh the product line, ten percent of these products were new.

The new products broke down as follows: 135 regular products, 585 specialty products and 431 signature products for customers to discover.

Discover they could thanks to the company's network of more than 800 physical points of sale—408 outlets and 398 agencies to be exact—not to mention the SAQ.com transactional website.

This constant renewal of the product portfolio is the result of cooperation between the SAQ and some 170 agents and 2,700 suppliers. Moreover, to maintain high quality standards for the products that the company sells, nearly 65,000 samples underwent laboratory analysis.

To keep all the sales networks adequately supplied, more than 22 million cases of beverage alcohol were distributed last year, a 5.2% increase from fiscal 2010–2011.

A showcase for Quebec products

Special attention was paid to alcoholic beverages from Quebec's terroirs. Working closely with producers' associations, the SAQ reviewed the visibility they are given in 250 of its outlets. That number was established in close consultation with local producers to avoid overwhelming their production capacity. Ultimately, 291 Quebec products found places on the SAQ's shelves this year.

THE SAQ'S MANDATE IS TO SELL ALCOHOLIC BEVERAGES BY OFFERING A BROAD RANGE OF QUALITY PRODUCTS.

Perennially popular campaigns

This year, Quebecers again responded positively to the various campaigns that let them satisfy their curiosity and, of course, taste new products while also taking advantage of discounts. Quebecers appreciate festive occasions, as they demonstrated yet again. Under the theme “Raise your glass to good times,” the Mother’s Day circular proved the most popular, followed by the Father’s Day “Raise your glass to BBQ time” circular. As for promotions, the “15% for $100” Father’s Day gift card, the “10% off $100” discounts offered at key points throughout the year and the so-called holiday promotion were the ones to which Quebecers responded most enthusiastically. In fact, with the exception of the two days before Christmas and New Year’s Eve, the holiday promotion is the SAQ’s busiest day of the year.

Further proof that Quebecers are open to the world was found during September’s “French Wine Fair” and March’s “Festivino” campaigns, both of which exceeded 100,000 cases in sales for the first time. For their part, the two “Swarm of Savings” promotions—introduced this year—were a resounding success, with the second closing in on the 100,000-cases-sold mark. And that’s without any print materials being used for the campaign!

The world within reach of Enthusiasts and Connoisseurs

To shine a stronger spotlight on specialty products, the SAQ has been inviting its Enthusiast and Connoisseur customers to the Cellier area of its outlets at two-week intervals. There they find any number of new arrivals and as many opportunities to broaden their horizons. Last year, no fewer than 25 such events were held. Among those generating the biggest buzz were the release of products from *Wine Spectator* magazine’s Top 100 list and the ever popular Top Italian Wines event.

OUTSTANDING PERFORMANCE

Each year, the SAQ implements best practices to maintain its sound management and take it to ever higher levels. This constant preoccupation, which manifests itself in the work accomplished in every division of the company, has a significant impact on its bottom line.

This effort has borne fruit because, this year, the SAQ exceeded its objectives. The company is in robust financial health and its performance is outstanding.

Specifically, record sales of $2.8 billion were recorded in fiscal 2011–2012, an increase of slightly more than $179 million or 6.7% over the preceding fiscal year. This allowed the SAQ to reach new heights and declare a profit of nearly $1 billion paid in the form of a dividend to the Quebec government. When the amounts collected in sales taxes and specific taxes are added in, the total amount that the SAQ transferred to its sole shareholder was on the order of $1.5 billion. Including remittances to the federal government, some $1.9 billion In government revenues were generated by the SAQ's business activities, an 11.5% increase from the 2010–2011 fiscal year.

$1.5 B

IN REVENUES TRANSFERRED TO THE QUEBEC GOVERNMENT

Constantly improved ways of working

Always seeking innovative ways to do business, the SAQ remains focused on optimizing its operations to gain flexibility and increase its speed of execution. In this regard, the Logistics and Distribution Division continues to shine. In fiscal 2011–2012, the division improved inventory turnover by 15%, paving the way for country-based initiatives and better risk management while also continuing to efficiently supply the sales network. In addition, several agreements were signed with French and Italian suppliers so that nearly two million cases will now be shipped on palettes instead of manually, a change that will facilitate operations even as it helps to improve inventory turnover.

The SAQ took advantage of the recent expansion of its Quebec City distribution centre (CDQ) to improve both the allocation of inventory between the Montreal and Quebec City distribution centres and its peak period supply strategy. In addition, another 21 suppliers now ship goods directly to the CDQ. As a result, the warehouse now receives an additional 1.7 million cases. This continuous optimization of operations upstream from in-store sales had a positive impact on operational execution. Taken together, these actions resulted in a more than 3% increase in the cases-per-hour performance and a reduction in the cost per case, also of more than 3%.

The CDQ expansion is a source of great pride for all SAQ employees because, in January 2012, it was granted LEED Canada certification for existing buildings, a Quebec first. The CDQ is also the first distribution centre in Canada to earn such certification. The project, in which many employees took part, required several changes in the CDQ's management, maintenance and procurement procedures.

ADVISORY SERVICE HELD UP AS AN EXAMPLE

Special attention is paid to advisory service at the SAQ. To encourage Quebecers to turn to us for advice, we invest in training each year so that our employees can share their knowledge with customers.

Frequently held up as an example, the SAQ's advisory service is notable for its insightfulness and tact, the quality of the information provided and the professionalism shown by employees, who are past masters of the art of providing advice on wine and food pairing. Much in demand by a customer base that is increasingly enthusiastic about the pleasures of the table, they distinguish themselves every day in the outlet network.

In recent months, in response to customers' growing demands, the SAQ updated its Advisory Service Program based on greeting, approach, assistance and leave-taking. The enhanced program allows advisory service to evolve in sync with consumers' new expectations. The assistance provided to customers from the moment they enter an outlet now focuses on discovery and active listening, the better to meet their full range of needs. By continuing to update the program in all its outlets, the SAQ intends to consolidate its status as a benchmark in the Quebec retail industry.

With that in mind, the company developed a new way to evaluate its customers' level of satisfaction. During two periods each year, when customers receive their sales slip, they are encouraged to take a telephone or online survey on their shopping experience. In the fall of 2011, nearly 38,000 customers did precisely that and awarded the company an average overall satisfaction score of 91%. However, it was their appreciation of the sales floor personnel that took the prize with a score of 94%, an indisputable sign that employee involvement increases customer satisfaction.

Tangible measures that benefit employees

To innovate and more cost-effectively reach employees in every region of Quebec, the SAQ continued developing and distributing virtual training sessions. These let employees expand their knowledge of wine and spirits and take part in interactive advisory service exercises and other exercises aimed at smoothing their integration. Developed with input from veteran employees, a 20-hour learning path is also offered to new part-time sales clerks.

The SAQ cares about its employees' well-being. Because their safety is of prime importance, a new health and safety policy was implemented and explained to the company's entire workforce. As each employee is responsible for complying with the policy and putting it into practice, an action plan for implementing best occupational health and safety management practices was developed. The plan is being deployed over a three-year period; the first third was put in place in fiscal 2011–2012.

The tangible measures included a rigorous new work procedure involving the use of surveillance and emergency technologies in all outlets staffed by only one employee during part of his or her shift. Training was also provided, most notably in shoplifting prevention for outlet employees and safe load-handling for outlet and warehouse staff.

Lastly, because a number of employees surpass themselves each year by making an exceptional contribution to the SAQ's success, the company acknowledges their achievement at the Millésimes recognition activity. In fiscal 2011–2012, 68 individuals and five work teams received this honour for having played an outstanding role in the attainment of the company's objectives.

Pertinent and accurate information

The professionalism of SAQ employees extends far beyond the company's outlets. This year, because it views customer service as an integrated whole, the company created a new department that joins together all the call centres serving external customers, be they individuals, permit holders or private order agents. Launched in July 2011, the new department has made it possible to increase flexibility, standardize best practices and offer a one-stop shop for these customer segments.

To reflect this new orientation, Customer Service was updated to become the Customer Relations Centre, a name better suited to its mission of responding to consumers' questions and comments. More than 56,000 information requests and comments were handled in fiscal 2011–2012, an overall increase of 10% from the preceding year. The most frequent subjects concerned the availability and location of products in outlets and information requests and comments about outlets, products, policies, contests, the SAQ's mobile app and the various magazines and recipes.

Customer Relations Centre

56,124

REQUESTS FOR INFORMATION AND COMMENTS

40,258

CALLS A 4% INCREASE

15,866

EMAIL MESSAGES A 29% INCREASE

CUSTOMER-CENTRIC SHOPPING ENVIRONMENTS

With a range of products from the four corners of the globe, the SAQ offers the world on its shelves. In recent months, in order to maintain rich and diversified categories, it finished implementing the changes to the design of its outlets that it had begun in 2010. By segregating red wines and white wines, the company is better aligning itself with its customers' natural shopping behaviour.

Five different "universes" are today offered in each outlet: red wine, white wine, rosé wine, celebration products and Espace cocktail. Each upgraded outlet is also equipped with a refrigerator for white wines.

Encouraged by the convincing results of this new layout, the SAQ now intends to focus its attention on the merchandising of specialty products, which should benefit from other changes in the coming year.

Always seeking to provide shopping environments in step with the times, the company has also evolved its SAQ Sélection concept. Among the changes introduced in these outlets are the addition of new, more user-friendly tasting counters and two new zones—Tchin Tchin and Cellier—based on the publications of the same name. The former celebrates the art of living and, with its taste tags, featured products, recipes and ideas, transposes into the outlets the very essence of the magazine. The latter, a major upgrade of the Cellier section already found in outlets, spotlights specialty products. At present a feature in only a few outlets, the two new zones will be implemented as the various layouts are updated.

Each year the SAQ upgrades around 40 outlets. Its strategy is clear: to offer the best possible range of products in the best possible locations. Because it leases the retail spaces that it occupies, it enjoys great flexibility and can easily adapt to its customers as their shopping habits change, whether in the short or long run.

Dynamic management of the SAQ's sales network is rigorously planned each year, allowing business opportunities to be identified. As a result, new outlets are created, others are renovated, still others are merged or relocated, a few change banners and, inevitably, some are slated to close. To accomplish this, the SAQ constantly monitors its network of stores and agencies.

Accordingly, in fiscal 2011–2012 a second outlet dedicated exclusively to permit holders was opened, this time in southwest Montreal. In all, 52 major actions were taken in the SAQ's outlet network, entailing investments on the order of $11 million. Notable among these was a major redesign of the Sélection outlet at Montreal's Atwater Market, which, among other improvements, allowed alcoholic beverages from Quebec terroirs to be integrated with the regular products and thus placed in customers' main shopping path.

Setting the table before visiting the store

It was last year that the company made its first foray into social networking. One year after going online in the spring of 2011, the SAQ's Facebook page had 114,000 friends. Updated daily, the page offers exclusive interviews with wine advisors and various experts, introduces new arrivals and features reports on wine and articles encouraging exploration. Similarly, the company uses Twitter to disseminate value-added content and reach wine lovers.

The SAQ also has its own blog, which aims to be a community at the crossroads of enthusiasm and information. Divided into three sections, the blog is for anyone and everyone interested in wine, cocktails and gastronomy.

This presence in the social media allows for discussion and the sharing of information with customers, even as it encourages them to visit outlets and avail themselves of the knowledge of the qualified staff members.

The SAQ is also assiduous about updating its mobile app for smart phones. For example, a new function that reads bar codes was introduced in November 2011 and has proved especially useful and appreciated. The app has been downloaded nearly 440,000 times since its launch.

Lastly, in 2011, customers were able to order Bordeaux futures—in this case the 2010s, including the big names—online for the first time. Developed in response to a wish expressed by several customers, this innovation allowed orders to be taken nearly two months earlier than in previous years. The SAQ thus became the first organization in Canada to offer the wines. The result: a record year for the Bordeaux futures, with a nearly 20% increase in sales over 2010.

114,000
Facebook friends

440,000
downloads of the mobile app since its launch


PORTUGAL
AROMATIQUE
ET SOUPLE
BLANCS
VINS ROUGES
ÉTATS
tchin
TCHIN
DEGUSTATION
CELLIER


VINS ROUGES
CELLIER
FRANCE
BORDEAUX
DÉCOUVREZ VOTRE PROFIL DE GOÛT
PORTOS
CÉLÉBRATIONS
ITALIE
AUTRES RÉGIONS
CANADA ET QUÉBEC

THE SAQ AND ITS EMPLOYEES: A SHARED COMMITMENT

The SAQ has always sought to play a prominent social role. It believes that a government corporation should not only set an example but also take initiatives and be responsive to its human and physical environment.

Viewing itself as a leader in the area of social responsibility, the company actively contributes to the development and vibrancy of Quebec society year round by supporting some 500 organizations and events. Last year, its contribution took the form of $7.4 million invested in the community through its donation and sponsorship program.

In 2011, the SAQ adopted food assistance as its main corporate cause. A first large-scale activity was held throughout the outlet network, when the SAQ donated one dollar to the Banques alimentaires Québec organization for each bottle of white wine sold. Customers' enthusiastic response made the Generous Wines campaign a huge success that resulted in SAQ's presenting $340,000 to Banques alimentaires Québec in support of the cause.

In addition, as part of a volunteer activity organized by La Tablée des Chefs, SAQ employees gathered to fill more than 4,000 jars with a breakfast cookie mix for distribution through the Banques alimentaires Québec network.

But the social involvement of SAQ employees doesn't end there. This year once again, they proved themselves capable of great generosity. The SAQ presented to Entraide a cheque for slightly more than $391,000, half of which came from employees and half from the company. The funds raised support the missions of three philanthropic organizations—Centraide of Quebec, Healthpartners Quebec and the Quebec Division of the Canadian Red Cross—that work with hundreds of thousands of persons in difficult situations.

For many years now, the SAQ has also supported the activities of Éduc'alcool, which promotes responsible drinking. In fiscal 2011–2012, $3 million was collected and paid to the organization, which develops prevention, education and information programs to help young people and adults make responsible and enlightened decisions about alcohol consumption.

Aware that social media offer countless opportunities to enter into relationships with third parties such as customers, partners, citizens and even other employees, the SAQ established clear guidelines to provide a framework for employees' conduct by adopting a directive on the use of social media. The company is thus taking steps to ensure that its personnel use these means of communication discerningly both at work and, when the subjects under discussion concern the SAQ, away from work.

A responsible company

For their part, SAQ employees are committed to selling responsibly, ensuring that alcohol is not purchased by minors or the obviously inebriated or by anyone buying for them. The SAQ uses mystery customers to measure the effectiveness of this policy, an approach that clearly works, as 95.8% of the underage mystery customers who visited outlets last year were prevented from buying products, a two percent improvement in one year. A joint labour–management process to ensure that the sales ethic is safely applied in outlets was launched at the same time and gave rise to various projects, including the development of a new virtual training session to be launched in fiscal 2012–2013.

For many years now, the SAQ has relied on selective collection to recover the containers it sells, and in 2011 consumers responded massively to the call. At present, no less than 94% of the bottles sold to Quebec households are placed in recycling bins. This outstanding success points to a bright future for recycled glass, which now has the possibility of a second life: it can be incorporated into concrete, as customers at three outlets will soon be able to see for themselves. In other words, the glass literally goes from the recycling bin to outlet floors.

Lastly, because the SAQ wants to remain a leader among eco-responsible companies in Quebec, it ensures that all its outlets are built and operated in compliance with relevant criteria. For example, all SAQ outlets now recover glass, metal and plastic. In addition, two outlets obtained LEED certification in fiscal 2011–2012 and eight others are currently in the process of doing so.

$3 million to Éduc'alcool

The Generous Wines campaign enabled the SAQ to donate $340,000 to Banques alimentaires Québec.

More than $391,000 to Entraide

TRENDS

Litre sales:

78.4%
Wine

14.7%
Spirits

5.1%
Coolers

1.6%
Beer

0.2%
Cider

Market Share
(share of volume sales)
(outlets and specialized centres)

	2012	2011
Wine	78.4%	78.5%
Spirits	14.7%	14.6%
Coolers	5.1%	5.1%
Beer	1.6%	1.5%
Cider	0.2%	0.3%

WINE, THE PERFECT DINING PARTNER

The perennial best seller, wine continued riding its wave of popularity in Quebec. Proof of Quebecers' attraction to culinary delights, it always has a place at the dining table. Although wine consumption grew worldwide last year, the situation in Quebec remains unique in North America. Wine accounted for78.4% of litre sales at the SAQ while the spirits category grew 4.8% to reach a 14.7% market share. Overall, the volume sales of all alcohol-based products offered in the SAQ's outlets and specialized centres increased 4.4% and spirits had a higher growth rate than wines.

REDS, WHITES AND ROSÉS: THE ORDER OF THINGS

Ever the favourite of Quebec consumers, red wine has become an intrinsic part of our gastronomic traditions and culture. It accounts for 70.9% of the SAQ's litre sales of still wines, a consumption trend that is holding steady despite a slight decline in its market share. For its part, with a 24.5% market share, white wine was up a remarkable 9.1% from last year. It appears to be increasingly appreciated for its freshness and lightness, from before-dinner drinks through the end of the meal. Sales of rosé wine were also up from the preceding fiscal year, with a market share of 4.6%.

Litre Sales of Still Wines by Colour
(outlets and specialized centres)

70.9%
Red

24.5%
White

4.6%
Rosé

VARIETY, TRADITION AND DISCOVERY

Viewed as safe choices by many consumers, France and Italy remain the top two winemaking countries of origin for Quebecers, with a still wine market share of 30.7% and 23.7% respectively. Meanwhile, United States wines continue to gain ground: overall sales (red, white and rosé combined) have doubled in the last four years. The trend held steady this year, as the wines from our neighbours to the south saw sales growth of 23.4% and now hold a 12.3% market share. New Zealand and Portugal also had good, if somewhat more modest growth, showing that Quebec consumers are also interested in discovery and variety.

Market Share of Still Wines by Country of Origin
(share of volume sales)
(outlets and specialized centres)

France	30.7%
Italy	23.7%
United States	12.3%
Spain	7.7%
Australia	6.1%
Argentina	5.9%
Chile	3.4%
Portugal	3.3%
South Africa	2.2%
New Zealand	1.4%
Other	3.3%

Change in Litre Sales by Country of Origin
(still wines)
(outlets and specialized centres)

France	4.4 %
Italy	4.5 %
United States	23.4 %
Spain	4.4 %
Australia	2.1 %
Argentina	(10.9)%
Chile	4.9 %
Portugal	20.0 %
South Africa	(6.6)%
New Zealand	46.5 %
Other	(33.8) %

SPIRITS, A CATEGORY ON THE RISE!

The cocktail craze appears to have reached Quebec, as volume sales of spirits rose 4.8% this year, with over 1 million more litres sold than last year, significant growth for a product category that had remained relatively stable over the years. The arrival of a new wave of trendy spirits in outlets surely had something to do with this development. It's also interesting to note that, for the second year running, rum saw the biggest increase among all spirits, with growth of 10.5%, growth largely fueled by the popularity of spiced rums. Nonetheless, Quebec remains the province with the lowest spirits consumption in Canada, an average of 4.1 litres per capita.

ALCOHOLIC BEVERAGES FROM QUEBEC TERROIRS

Whether it's maple or berry-based products, mead, wine or cider, the sales of Quebec-made alcoholic beverages are growing. Together they totalled $15 million this year, a 3.3% increase. While customers are still in the discovery phase for Quebec products, they increasingly opt for offerings from local producers.

Sales by Type of Spirits
(in millions of litres)
(outlets and specialized centres)

	2012	2011	Market Share	Growth
Liqueur	5.1	4.9	23.4%	4.1%
Vodka	5.0	4.8	22.9%	4.2%
Rum	4.2	3.8	19.3%	10.5%
Whisky	2.8	2.6	12.9%	7.7%
Gin	2.1	2.1	9.6%	–%
Brandy	1.8	1.8	8.3%	–%
Neutral alcohol	0.4	0.4	1.8%	–%
Other spirits	0.4	0.4	1.8%	–%
	21.8	20.8	100.0%	4.8%

AROUND THE TABLE AT HOME

Comfortable with themselves, Quebecers prefer consuming their wines and spirits at home. In fiscal 2011–2012, more than 80% of the litre sales of these products were made in outlets to individuals whereas 14% were made to permit holders, such as restaurants, hotels and bar owners. Sales made to agencies, diplomatic missions, ship chandlers, airlines and duty-free shops accounted for around 5% of litre sales.

Sales by Type of Customer
(in litres)
(outlets and specialized centres)

	2012
Consumers	80.4%
Permit holders	14.3%
Agencies and other customers	5.3%

QUEBECERS ARE CHOOSING DISCOVERY

This year, the average retail price of a 750-ml bottle of still wine in the outlet network jumped $0.52 from last year to $15.40. Irrespective of inflation, these data reveal that consumers were interested in exploring more upmarket products. Quebecers' tastes are becoming more refined because they are better informed by in-store teams as well as sommeliers, chefs, restaurateurs and wine writers, all of whom feed their enthusiasm for wine. Ever curious, consumers are continuing their voyage of discovery of wines and the arts of the table.

FOCUS ON QUEBECERS' ALCOHOL CONSUMPTION

According to Statistics Canada, the consumption of beverage alcohol by inhabitants age 15 or older decreased in Quebec, going from 8.5 litres of absolute alcohol in 2010 to 8.4 litres in 2011. The drop is attributable to lower consumption of beer, although beer continues to be Quebecers' top drink, with a 47.5% market share. Quebec now ranks fourth in alcohol consumption in Canada. The main difference between Quebecers and their counterparts in the rest of the country lies in the litre sales of wine and spirits, two categories in which Quebec ranks first and last respectively. Conversely, the other Canadian provinces tend to have a profile in which the consumption of spirits outpaces that of wine. Beer, it should be noted, occupies a significant place in the consumption patterns of all Canadians.

Per Capita Canadian Consumption by Persons Age 15 and Over[1]

2010–2011 fiscal year

Province	Total (in litres of absolute alcohol)	Rank	Wine (in litres)	Rank	Beer (in litres)	Rank	Spirits (in litres)	Rank	Amount (in dollars)	Rank
Yukon Territory	13.3	1	21.3	2	136.8	1	15.0	1	1 298.4	1
Newfoundland and Labrador	9.6	2	8.0	12	104.6	2	11.9	2	936.8	2
Alberta	9.1	3	16.2	4	86.2	4	8.3	8	703.8	7
Quebec	**8.4**	**4**	**22.6**	**1**	**92.2**	**3**	**4.1**	**12**	**793.2**	**4**
Prince Edward Island	8.2	5	10.7	7	81.8	6	10.4	4	689.0	8
British Columbia	8.1	6	19.9	3	70.9	12	8.6	7	768.4	6
Northwest Territories and Nunavut	8.1	6	9.0	11	73.2	11	10.3	5	943.5	3
Saskatchewan	8.0	8	9.2	10	78.9	9	8.3	8	685.7	9
Nova Scotia	7.9	9	10.8	6	81.9	5	10.6	3	769.9	5
Manitoba	7.9	9	10.0	9	80.8	7	9.2	6	651.3	11
Ontario	7.5	11	14.0	5	73.7	10	7.7	10	640.5	12
New Brunswick	7.0	12	10.5	8	79.2	8	7.1	11	677.9	10
Canada	**8.0**		**16.5**		**80.3**		**7.4**		**712.4**	

1. Source: Statistics Canada.

Per Capita Consumption in Quebec by Persons Age 15 and Over[1]

Fiscal years 2001–2002 to 2010–2011

	2002	2003	2004	2005[2]	2006	2007	2008	2009	2010	2011
WINE										
In litres	16.9	17.4	18.0	17.7	18.8	20.2	20.9	21.4	22.0	22.6
In dollars	196.6	215.5	230.8	230.0	252.2	271.0	283.0	294.2	307.2	317.0
BEER										
In litres	95.0	93.9	93.6	95.0	95.5	94.4	92.2	95.1	96.3	92.2
In dollars	339.6	368.7	369.4	354.9	366.6	360.3	361.6	373.0	386.4	377.1
SPIRITS										
In litres	3.6	4.1	4.0	3.6	4.0	4.1	4.0	4.1	4.1	4.1
In dollars	76.2	80.8	81.8	74.2	83.2	89.0	90.9	92.8	95.0	99.1
TOTAL										
In litres	115.5	115.4	115.6	116.3	118.3	118.7	117.1	120.6	122.4	118.9
In dollars	612.4	665.0	682.0	659.1	702.0	720.3	735.4	760.0	788.6	793.2

1. Source: Statistics Canada.
2. The fiscal year was disrupted by a labour dispute at the SAQ.

Due to rounding, totals may differ from the sums of the individual amounts.

Finance

$2.837B
Sales

$999.7M
Profit

35.2%
Net margin

$1.909B
Government revenues

ACCOUNTABILITY REPORT

The SAQ is a government corporation mandated to sell alcoholic beverages, a mandate that involves importing, warehousing, distributing, marketing and selling a wide variety of quality alcoholic beverages. To satisfy the need for government agencies and public corporations to be transparent about business plans and earnings, the SAQ shares its forecasts for the next fiscal year. The Accountability Report section outlines the SAQ's forecasts and financial performance over a five-year period.

Financial results

Fiscal years ended the last Saturday in March
(in millions of Canadian dollars)

	2013	2012[1]		2011		2010		2009	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Sales[2]	**2,900.8**	2,837.1	2,784.6	2,657.8	2,635.1	2,549.1	2,457.3	2,424.5	2,377.7
Gross margin[2]	**1,541.5**	1,509.3	1,478.6	1,417.1	1,397.4	1,350.9	1,298.8	1,282.6	1,281.5
Net expenses[2,3]	**536.5**	509.6	532.7	506.6	510.8	483.7	487.3	475.9	484.4
Profit	**1,005.0**	999.7	945.9	910.5	886.6	867.2	811.5	806.7	797.1

1. 53-week fiscal year.
2. Due to the adoption of a new presentation method in 2011, the Éduc'alcool fund and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared to $7.2 million the previous fiscal year.
3. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in the profit or loss of equity-accounted interests.

The 2011 and 2012 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. Prior-year figures were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Investments in property, plant and equipment and intangible assets

Fiscal years ended the last Saturday in March
(in thousands of Canadian dollars)

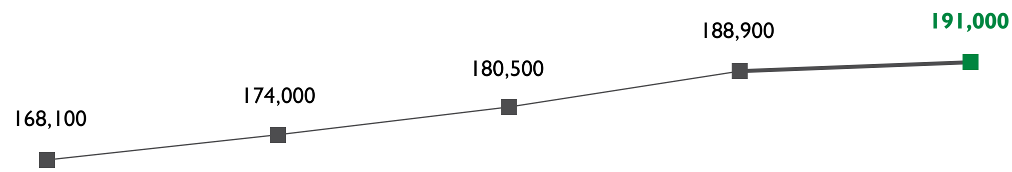
	2013	2012[1]	2011	2010	2009
	Forecast	Actual	Actual	Actual	Actual
Capital projects - distribution and administrative centres	**14,343.3**	6,283.4	18,536.0	11,240.8	6,692.0
Outlet network development	**15,273.2**	10,693.8	11,552.3	10,420.8	8,880.7
Information systems development	**25,104.9**	13,927.9	11,528.1	19,324.4	9,380.5
Rolling stock and mobile equipment	**4,073.0**	2,172.1	1,326.4	2,273.2	3,127.1
Specific equipment	**978.1**	847.1	343.5	956.8	959.4
Total	**59,772.5**	33,924.3	43,286.3	44,216.0	29,039.7

1. 53-week fiscal year.

COMMERCIAL DATA

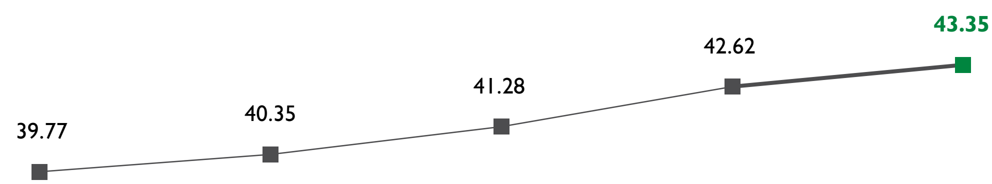
The following four tables show certain performance indicators over a five-year period.

Sales growth by volume
(in thousands of litres)



	2009 Actual	2010 Actual	2011 Actual	2012[1] Actual	**2013 Forecast**
Change (%)	3.4	3.5	3.7	4.7	**1.1**

Growth in average in-outlet purchase[2]
(in dollars)



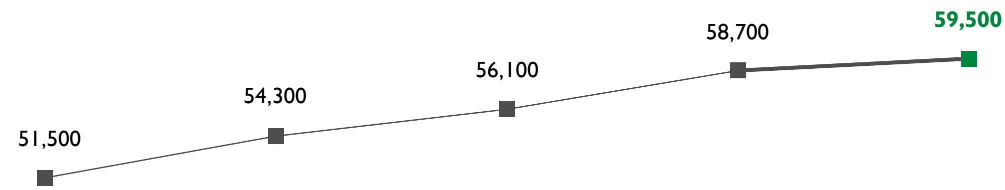
	2009 Actual	2010 Actual	2011 Actual	2012[1] Actual	**2013 Forecast**
Change (%)	0.7	1.5	2.3	3.2	**1.7**

1. 53-week fiscal year.
2. Average expenditure by consumers only (including consumer taxes).

Certain comparative figures have been reclassified to conform to the current year's presentation.

COMMERCIAL DATA

Growth in customer traffic in SAQ outlets[1]
(in thousands of transactions)



	2009 Actual	2010 Actual	2011 Actual	2012[2] Actual	**2013 Forecast**
Change (%)	4.7	5.4	3.3	4.6	**1.4**

Growth in average sales price per litre[3]
(in dollars)

	2009 Actual	2010 Actual	2011 Actual	2012[2] Actual	**2013 Forecast**
Change (%)	2.2	1.2	0.8	2.4	**0.9**

1. Consumer traffic only.
2. 53-week fiscal year.
3. Average net sales price in the outlet and specialized centre network.

Certain comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL REVIEW

This financial report reviews the operations of the Société des alcools du Québec (SAQ) for the fiscal year ended March 31, 2012, and its financial position at that date. Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and accompanying notes presented hereafter, which were prepared in accordance with International Financial Reporting Standards (IFRS). Certain financial and operating figures from previous years have been restated to conform to the presentation adopted for the current year. The information contained in this MD&A includes all significant events that have occurred up to June 7, 2012.

Overview of results

The SAQ generated a profit of $999.7 million for its fiscal year ended March 31, 2012, a notable increase of $89.2 million or 9.8% from the previous fiscal year and $97.7 million above the target set in its 2010-2012 Strategic Plan. It should be noted that fiscal 2011–2012 had one more week of operation than the previous fiscal year. The SAQ closed fiscal 2011–2012 with sales of over $2.8 billion, up 6.7% from the previous year. Excluding the 53rd week of operation, annual sales would have grown by approximately 5%. Government revenues from operations (in the form of federal duties, consumer taxes and dividends) stood at $1.9 billion, an increase of over $197 million. At the end of fiscal 2011–2012, the SAQ's sole shareholder, the Quebec Minister of Finance, declared a dividend of $999.7 million.

Sales

For fiscal 2011–2012, sales from the SAQ's entire sales and distribution network totalled $2.837 billion, an increase of $179.3 million or 6.7% from the previous year. Volume sales for all product categories totalled 188.9 million litres in 2011–2012, an increase of 8.4 million litres or 4.7%.

<u>By sales network</u>

The outlet and specialized centre network had sales of $2.524 billion in fiscal 2011–2012, up $161.9 million or 6.9% from the previous fiscal year. At 149.1 million litres, volume sales were up from 142.8 million litres in fiscal 2010–2011, a 4.4% increase that owes mainly to our customer-focused product offering, appreciated advisory role and dynamic promotional campaigns.

In fiscal 2011–2012, the average in-outlet purchase by consumers was $42.62 versus $41.28 the previous fiscal year, and the average sales price per litre in the SAQ network was also up at $16.93 compared to $16.54 the previous year. These figures show that Quebecers are increasingly developing a taste for higher-end products.

In the wholesale grocer network, sales increased 5.9% from the previous fiscal year to reach $312.7 million and volume sales increased by 2.1 million litres or 5.6% to total 39.8 million litres.

Over the past five fiscal years, the outlet and specialized centre network has seen its sales grow by an annual average of 5.5%, while sales in the wholesale grocer network grew by 4.2%. As for volume sales, they grew by 3.9% in the outlet and specialized centre network and by 3.6% in the wholesale grocer network.

<u>By product category</u>

The two largest product categories, i.e. wines and spirits, each experienced sustained growth of 6.9% during fiscal 2011–2012. As for volume sales, spirits had the most significant growth at 4.8%, followed closely by wine at 4.7% and then by imported and microbrewery beers, ciders and coolers at 4.4%.

The wine category, with sales of $2.125 billion in fiscal 2011–2012, posted growth of $137.7 million or 6.9% compared with the previous fiscal year. A favourite of Quebecers, wine accounted for close to 77% of the total sales increase in 2011–2012. Volume sales totalled 155.2 million litres, up 6.9 million litres year over year.

At $621.8 million, sales of spirits, which are sold solely in the outlet and specialized centre network, rose a considerable $40 million. At 21.8 million litres, volume sales for spirits saw a year-over-year increase of 1 million litres, an increase attributable to a growing interest among Quebecers for cocktails.

At $90.6 million, sales in the imported and microbrewery beer, cider and cooler category were up slightly by $1.6 million or 1.8%. The corresponding volume sales were 11.9 million litres versus 11.4 million litres the previous fiscal year.

Cost of sales and gross margin

Cost of sales includes the acquisition costs, land and sea freight costs incurred to ship goods to the SAQ's various distribution centres and points of sale and the related customs duties and excise taxes. For fiscal 2011–2012, cost of sales stood at $1.328 billion compared with $1.241 billion the previous year. The resulting gross margin was $1.509 billion compared with $1.417 billion in fiscal 2010–2011, an increase of $92 million. Gross margin stood at 53.2% in 2011–2012 compared with 53.3% the previous fiscal year.

Net expenses

Net expenses consist of selling, marketing, distribution, and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in the profit or loss of equity-accounted interests.

For fiscal 2011–2012, net expenses totalled $509.6 million compared to $506.6 million the previous fiscal year, an increase of $3 million or 0.6%.

Employee compensation, which is the SAQ's largest expense category, was $344.3 million, up 0.7% from $341.9 million in 2010–2011. This increase was due to the 53rd week of operation and the salary increases that employees received under various collective agreements. Both of these items were partly offset, as a provision was reversed when the SAQ received a favourable ruling regarding application of the *Pay Equity Act*. These expenses represented 12.1% of the SAQ's sales compared to 12.9% in 2010–2011 and 67.6% of its net expenses compared to 67.5% in 2010–2011.

Building occupancy expenses (including the related amortization), the second largest expense category, rose from $83.4 million with $89 million in fiscal 2011–2012. Higher rental prices for commercial space and the extra week of operation drove this increase in rental cost. In recent years, the SAQ's strategies and actions aimed at optimizing its commercial, administrative and distribution spaces have helped limit the increase in these expenses.

Net expenses represented 18% of sales in fiscal 2011–2012 compared with 19% in 2010–2011. This solid improvement is closely related to the deployment of optimization efforts and is in line with the trend in recent years.

Profit and comprehensive income

The SAQ posted $999.7 million in profit for its fiscal year ended March 31, 2012, up $89.2 million or 9.8% from the previous fiscal year. Profit represented 35.2% of sales compared to 34.3% in fiscal 2010–2011, the best performance of the past ten fiscal years.

Over the past two fiscal years, the SAQ has not been party to any transactions that impacted comprehensive income.

Government revenues

As a government corporation, the SAQ pays substantial amounts to two levels of government in the form of consumer taxes, federal taxes and duties and a dividend to its shareholder, the Quebec Minister of Finance. In fiscal 2011–2012, government revenues from operations reached a record $1.909 billion compared with $1.712 billion in 2010–2011, an increase of $197 million or 11.5%.

Amounts owing to the Quebec treasury totalled $1.482 billion, a $142.4 million or 10.6% increase that was attributable to an $85 million increase in the dividend and higher amounts of consumer taxes collected (Quebec sales tax and specific tax on alcoholic beverages) as a result of higher sales and the increase in the Quebec sales tax rate on January 1, 2012. Amounts paid to the Government of Canada totalled approximately $427.2 million in 2011–2012, a $55 million increase owing to a higher federal sales tax contribution driven by sales growth and to higher excise taxes and customs duties payments, which reflect the increase in supply and distribution volumes.

Over the past five years, the SAQ's business operations have generated more than $8.255 billion in government revenues, including over $6.427 billion for the Government of Quebec.

Governments revenue from operations
(in millions of dollars)

	2012	2011
Government of Quebec		
Declared dividend	**999.7**	914.7
Provincial sales tax	**293.7**	244.3
Specific tax	**147.2**	140.0
Specific permit holder tax	**41.2**	40.4
	1,481.8	1,339.4
Government of Canada		
Excise taxes and customs duties	**266.3**	220.7
Goods and services tax	**160.9**	151.5
	427.2	372.2
Total	**1,909.0**	1,711.6

Interests in joint ventures

The SAQ's financial statements as at March 31, 2012, include a 50% interest in Société d'investissement M.-S., LP, which was reduced by an amount of $0.8 million during the third quarter. After this transaction, the interest in the joint venture remained at 50%.

The financial statements also include a 50% interest in joint venture TWIST, LP. During the fiscal year, the SAQ increased its interest by $2.5 million, as did the two other limited partners combined. The SAQ thus maintained a 50% interest in the joint venture.

Interests in joint ventures are accounted for using the equity method. For fiscal 2011–2012, the share in the profit or loss of the joint ventures was a $1.1 million loss.

Investments

Investments in capital assets totalled $33.9 million during the fiscal year. The SAQ invested nearly $17 million in the program to modernize its outlet network and its distribution and administrative centres, $13.9 million to develop new information systems, and $3 million in replacements and improvements to rolling stock and specific equipment to support distribution operations.

Financial position

As at March 31, 2012, the SAQ had total assets of $700.4 million compared with $651.1 million as at March 26, 2011, an increase of $49.3 million that was mainly due to a $44.8 million increase in current assets and $4.5 million in long-term assets. Inventories totalled $302.4 million versus $294.5 million the previous fiscal year. Deposits and prepaid expenses totalled $56.7 million at fiscal year-end, an increase of $37.3 million that was mainly attributable to deposits made to purchase wine products that will be delivered at a later date. As at March 31, 2012, the working capital ratio was 0.7, a figure comparable to that of the previous fiscal year.

At fiscal year-end, current liabilities stood at $626.1 million compared with $573.9 million as at March 26, 2011. This change came from an increase of nearly $51 million in borrowings and a $37.1 million increase in the dividend payable balance. Both of these items were partly offset by a $35.9 million decrease in government taxes and duties payable. Long-term liabilities, which totalled $29.4 million at year-end, did not change significantly. However, the $5.7 million defined benefit pension plan liability in 2010–2011 turned into a $2.1 million defined benefit pension plan asset in fiscal 2011–2012.

On the strength of substantial internally generated funds and a low long-term debt level, the SAQ's financial position remained strong throughout the fiscal year. The SAQ also experienced satisfactory management ratios with respect to collecting trade and other accounts receivable, settling accounts payable and accrued liabilities and managing inventory turnover.

Cash flows

The SAQ generated a $0.1 million net increase in cash and cash equivalents in 2011–2012, whereas its activities had incurred a net decrease in cash and cash equivalents of $13.1 million the previous fiscal year.

For the fiscal year ended March 31, 2012, cash flows related to operating activities stood at $947.3 million, a year-over-year decrease of $12.3 million that stems mainly from a $93.8 million decrease in non-cash working capital items and an $8.5 million decrease in funding of the defined benefit pension plan obligation, partly offset by an $89.2 million increase in profit.

Investing activities used $33.8 million in cash versus $48 million in 2010–2011, a $14.2 million decline in cash outflows. This difference was mainly due to a $13.3 million decrease in acquisitions of property, plant and equipment and a $4.5 million lower capital contribution to a joint venture, offset by a $5.4 million increase in acquisitions of intangible assets.

Financing activities used $913.4 million in cash in 2011–2012 versus $924.7 million the previous fiscal year. This $11.3 million decrease was due to an increase of approximately $48 million in bank borrowings mitigated by a $0.2 million increase in repayment of the finance lease obligation and $36.5 million increase in the dividend paid to the shareholder.

As at March 31, 2012, the SAQ's statements of cash flows showed $30.8 million in cash compared with $30.6 million at the previous fiscal year-end.

Financing

The SAQ manages financing within certain limits set by its Board of Directors and the Government of Quebec. Given the dividend advances that are periodically paid to its shareholder, i.e. the Quebec Minister of Finance, the SAQ relies on external sources to finance its operations. As such, the SAQ has been authorized to contract short-term borrowings up to a maximum amount outstanding of $400 million.

During fiscal 2011–2012, the average net borrowings stood at $56.4 million versus $36 million the previous fiscal year. Borrowings reached a maximum of $161 million compared to $163.5 million in fiscal 2010–2011. At fiscal year-end, borrowings on the statement of financial position totalled $54 million compared with $3 million as at March 26, 2011.

The SAQ's financing activities on the money market resulted in net financial charges of $0.54 million compared with $0.01 million the previous fiscal year. This change came in part from an approximate 31-basis-point increase in the average interest rate paid on borrowings in 2011–2012 and in part by a $20.4 million increase in average net borrowings.

In 2011–2012, the SAQ also incurred net interest related to the assets and liabilities arising from employee benefit plans totalling $1.5 million compared to $1.6 million the previous fiscal year.

International Financial Reporting Standards

Until March 26, 2011, the SAQ had prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). As all Canadian publicly accountable enterprises have had to replace Canadian GAAP with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011, these financial statements are the SAQ's first annual financial statements prepared in accordance with IFRS. Accordingly, the SAQ began its IFRS reporting in the quarter ended June 18, 2011.

The SAQ adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Note 28 to the 2012 audited financial statements includes the reconciliations for the statement of comprehensive income of the fiscal year ended March 26, 2011, and statements of financial position as at March 28, 2010, and March 26, 2011. The comparative figures for the fiscal year ended March 26, 2011, have thus been restated to reflect IFRS.

Other comparative figures presented in this financial review for fiscal years prior to the year ended March 26, 2011, and thus prior to the SAQ's IFRS transition date, have not been restated and are provided as they were prepared under Canadian GAAP. Consequently, the information is not entirely comparable.

Disclosure controls and procedures

Under the supervision of the CEO and of the Vice-President and Chief Financial Officer, the SAQ's disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that significant information about the SAQ is communicated to management in a timely manner.

An evaluation of the design and effectiveness of the DC&P was performed as of March 31, 2012, under the supervision and with the participation of management. Based on this evaluation, the Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the DC&P were adequately designed and operating effectively.

Internal control over financial reporting

The SAQ's internal control over financial reporting is designed to provide reasonable assurance that the financial information is reliable and that the financial statements were prepared, for financial reporting purposes, in accordance with International Financial Reporting Standards (IFRS).

The SAQ's management, including the Chief Executive Officer and the Vice-President and Chief Financial Officer, have evaluated the effectiveness of the internal controls over financial reporting (ICFR) using the framework and criteria set out in the Internal Control – Integrated Framework document issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as at March 31, 2012, the ICFR are adequately designed and effective to provide reasonable assurance as to the reliability of the financial information and the presentation of the SAQ's financial statements in accordance with IFRS.

Risks and uncertainties

In the normal course of business, the SAQ is exposed to a variety of risks that can affect its profitability and financial position. Other than the financial instrument risks described in Note 26 to these financial statements, the SAQ also faces market risk.

This means that a prolonged slowdown in the Quebec economy could have unfavourable impacts on the consumption of products sold by the SAQ and, consequently, on its operating performance, as demand for alcoholic beverages and the resulting profitability depend, among other factors, on growing disposable income among consumers.

To ensure business growth, the SAQ must also face market competition, which stems from the offerings that seek to capture a larger share of the discretionary spending of consumers. The SAQ devises strategies and actions designed to mitigate this business risk.

Responding to changing needs and satisfying diverse customer groups are constant priorities for the SAQ. Its vast distribution and sales network therefore offers quality products and is staffed by competent and experienced employees who deliver personalized service. An ever-evolving product offering, well-tailored marketing strategies, friendly environments that enhance the shopping experience and Quebecers' growing enthusiasm for wine and alcoholic products in general all work to mitigate the market risk to which the SAQ is exposed.

Finally, the SAQ faces various claims and lawsuits. In management's opinion, any settlement that might arise from these claims would not have a significant impact on the SAQ's financial position. Should the company be required to pay any amount as a result of these lawsuits, the amount would be expensed in the period in which it became payable.

Outlook

In the coming fiscal year, the SAQ will begin implementing its 2013–2015 Strategic Plan. This plan is a continuation of the previous strategic plan and adds new strategies that were born out of a comprehensive analysis of the SAQ's current business environment.

In the years ahead, the SAQ will equip itself with the means to address the growing pressures faced by retailers, particularly those in the alcoholic beverages sector. Already one of the most appreciated retailers in Quebec, the SAQ will intensify initiatives to even better meet the diverse expectations of those at the heart of its business decisions: its customers.

The entry of emerging economies into the wine market along with Quebecers' enthusiasm for specialty products are also creating new supply challenges. In order to increase its profitability over the next few years, the SAQ will continue R&D on new market niches and pursue its optimization efforts to enhance its business productivity and performance.

Given an economic context in which Quebec will experience moderate growth and the fact that the next fiscal year will have one less week of operation, SAQ management expects to generate profit of $1.005 billion for fiscal 2012–2013.

Sales by network[1]
(in millions of Canadian dollars)

	2008	2009	2010	2011	**2012[2]**
Outlets and specialized centres	2,034.8	2,146.5	2,260.1	2,362.5	**2,524.4**
Wholesale grocers	265.5	278.0	289.0	295.3	**312.7**
Total	2,300.3	2,424.5	2,549.1	2,657.8	**2,837.1**

Sales by product category[1]
(in millions of Canadian dollars)

	2008	2009	2010	2011	**2012[2]**
Wines	1,705.2	1,804.9	1,905.5	1,987.0	**2,124.7**
Spirits	515.0	530.9	552.9	581.8	**621.8**
Imported and microbrewery beers, ciders and coolers	80.1	88.7	90.7	89.0	**90.6**
Total	2,300.3	2,424.5	2,549.1	2,657.8	**2,837.1**

1. Due to the adoption of a new presentation method in 2011, the Éduc'alcool fund and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared to $7.2 million the previous fiscal year.
2. 53-week fiscal year.

The 2011 and 2012 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Financial results
(in millions of Canadian dollars)

	2008	2009[2]	2010[2]	2011[2]	**2012[1,2]**
Sales[3]	2,300.3	2,424.5	2,549.1	2,657.8	**2,837.1**
Cost of sales	1,054.8	1,141.9	1,198.2	1,240.7	**1,327.8**
Net expenses[3,4]	484.6	475.9	483.7	506.6	**509.6**
Profit	760.9	806.7	867.2	910.5	**999.7**

Government revenues from operations
(in millions of Canadian dollars)

	2008	2009	2010	2011	**2012[1]**
Declared dividend	762.0	806.0	867.2	914.7	**999.7**
Taxes and duties paid to governments	713.8	728.4	757.4	796.9	**909.3**
Total	1,475.8	1,534.4	1,624.6	1,711.6	**1,909.0**

Asset mix
(in millions of Canadian dollars)

	2008	2009	2010	2011	**2012[1]**
Inventories	277.2	294.9	302.1	294.5	**302.4**
Property, plant and equipment and intangible assets	214.4	209.6	225.8	247.4	**250.9**
Other assets	100.9	85.8	99.9	109.2	**147.1**
Total	592.5	590.3	627.8	651.1	**700.4**

1. 53-week fiscal year.
2. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2012, direct shipping costs totalled $16.5 million compared to $15.8 million the previous fiscal year.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool fund and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared to $7.2 million the previous fiscal year.
4. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in the profit or loss of equity-accounted interests.

The 2011 and 2012 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

BREAKDOWN OF THE SALES PRICE

Local spirits, 750 ml format
(in dollars and percentages)
March 31, 2012

Markup[1]	$11.58	52.0%
Supplier price, in Canadian dollars, including shipping	$ 3.59	16.1%
Excise taxes paid to the Government of Canada	$ 3.51	15.8%
Provincial sales tax	$ 1.93	8.7%
Federal goods and services tax	$ 0.97	4.4%
Specific taxes paid to the Government of Quebec	$ 0.67	3.0%
Retail price (per bottle)	$22.25	100%

Imported wine, 750 ml format
(in dollars and percentages)
March 31, 2012

Markup[1]	$ 7.30	45.8%
Supplier price, in Canadian dollars, including shipping	$ 5.43	34.0%
Provincial sales tax	$ 1.38	8.7%
Federal goods and services tax	$ 0.69	4.3%
Specific taxes paid to the Government of Quebec	$ 0.67	4.2%
Customs duties and excise taxes paid to the Government of Canada	$ 0.48	3.0%
Retail price (per bottle)	$15.95	100%

1. The markup covers selling and marketing, distribution, and administrative expenses and generates profit.

FINANCIAL CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND OF THE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

We, Philippe Duval, Chief Executive Officer, and Richard Genest, Vice-President and Chief Financial Officer, of the Société des alcools du Québec, attest to the following:

1. Review: We have reviewed the financial statements, the annual financial review and the press release on the annual results (hereafter the "Annual Filings") of the Société des alcools du Québec ("the SAQ") for the fiscal year ended March 31, 2012.

2. No misrepresentation: To our knowledge, the Annual Filings do not contain any misrepresentations of a material fact nor do they omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made for the period covered by the Annual Filings.

3. Fair presentation: To our knowledge, the financial statements and other financial information in the Annual Filings present fairly, in all material respects, the financial position of the SAQ as at the closing dates of the Annual Filings and the results of its operations for the fiscal years then ended.

4. Responsibility: We are responsible for establishing and maintaining the disclosure controls and procedures (DC&P) and the internal controls over financial reporting (ICFR) applicable to the SAQ within the meaning of the *Act respecting the governance of state-owned enterprise*.

5. Design: Subject to any limitations set out in paragraphs 5.2 and 5.3, we have completed the following at fiscal year-end:

a) designed or oversaw the design of DC&P that provides reasonable assurance that:

i) material information about the SAQ is reported to us by others, particularly during the period when the Annual Filings are being prepared; and

ii) the information that the SAQ must disclose in its Annual Filings or that is filed or submitted under legislation is recorded, processed, summarized and reported within the time periods specified in the legislation;

b) designed or oversaw the design of ICFR that provides reasonable assurance that the financial information is reliable and that the financial statements have been prepared for reporting purposes in accordance with International Financial Reporting Standards (IFRS).

5.1. Control framework: The control framework that we used to design the ICFR is the one proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2. Material weakness in the design of ICFR: Not applicable.

5.3. Limitation on scope of the design: Not applicable.

6. Evaluation: We, the undersigned, certify that we have:

a) evaluated or overseen the evaluation of the effectiveness of the SAQ's DC&P at fiscal year-end and that the SAQ has presented our conclusions, based on this evaluation, in its annual financial review;

b) evaluated or overseen the evaluation of the effectiveness of the SAQ's ICFR at fiscal year-end and that the SAQ has presented the following information in its annual financial review:

i) our conclusions about the effectiveness of ICFR at fiscal year-end based on the evaluation; and

ii) the items applicable to each operations-related material weakness at fiscal year-end: Not applicable.

7. Reporting changes made to ICFR: In its annual financial review, the SAQ has presented any change made to its ICFR during the accounting period beginning March 27, 2011, and ending March 31, 2012, that has materially affected, or is reasonably likely to materially affect, its ICFR.

8. Reporting to the SAQ's auditors and Board of Directors or Audit Committee: Based on our most recent evaluation of ICFR, we have informed the SAQ's external independent auditors and Board of Directors or Audit Committee of any fraud involving management or other employees who play a key role in ICFR.

PHILIPPE DUVAL
Chief Executive Officer

RICHARD GENEST
Vice-President and Chief Financial Officer

June 7, 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following financial statements have been prepared by the management of the Société des alcools du Québec (SAQ) and approved by its Board of Directors. Management is responsible for the information and representations contained in these financial statements and in the other sections of the Annual Report. The financial statements have been prepared in accordance with the policies and procedures established by management in accordance with International Financial Reporting Standards (IFRS) and reflect management's best judgment and estimates based on available information.

As part of its duties, the management of the SAQ maintains an internal control system designed to provide reasonable assurance that the company's assets are adequately safeguarded, that all transactions are duly authorized, and that the accounting records constitute a reliable basis for the preparation of accurate and timely financial statements. Moreover, the Internal Audit Department reviews accounting procedures and management systems on a selective basis. Its findings and recommendations are then submitted to management, which acts accordingly. Management acknowledges that it is responsible for managing the SAQ's business in compliance with the governing laws and regulations.

The Board of Directors of the SAQ is responsible for ensuring that management fulfills its obligations for financial reporting and internal controls. The Board performs this function through its Audit Committee, which consists solely of independent directors. The Committee periodically reviews the financial statements and examines the reports on the accounting methods and on the internal control systems. The external independent auditors have unrestricted access to meet with the Audit Committee to discuss any audit-related matters.

The financial statements have been audited by the Auditor General of Quebec and by the firm Raymond Chabot Grant Thornton LLP in accordance with Canadian generally accepted auditing standards. Their responsibility is to express an opinion on whether the financial statements are fairly presented. The Independent Auditors' Report, shown opposite, specifies the nature and scope of their audit and presents their opinion on these financial statements.

PHILIPPE DUVAL
Chief Executive Officer

RICHARD GENEST
Vice-President and Chief Financial Officer

Montreal, June 7, 2012

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance,

Report on the financial statements

We have audited the accompanying financial statements of the Société des alcools du Québec, which comprise the statements of financial position as at March 31, 2012, as at March 26, 2011, and as at March 28, 2010, and the statements of comprehensive income, statements of changes in shareholder's equity and statements of cash flows for the years ended March 31, 2012, and March 26, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Société des alcools du Québec as at March 31, 2012, as at March 26, 2011, and as at March 28, 2010, and its financial performance and its cash flows for the years ended March 31, 2012, and March 26, 2011, in accordance with International Financial Reporting Standards (IFRS).

Report on other legal and regulatory requirements

As required by the *Auditor General Act*, (R.S.Q., chapter V-5.01), we report that, in our opinion, after giving retroactive effect to the change in accounting framework explained in Note 28, the accounting standards have been applied for the year ended March 31, 2012, on a basis consistent with that of the preceding year, as well as for the opening statement of financial position as at March 28, 2010.

The interim Auditor General of Québec,

Michel Samson, CPA auditor, CA

MICHEL SAMSON, CPA auditor, CA

Raymond Chabot Grant Thornton LLP

Raymond Chabot Grant Thornton LLP[1]

[1]CPA auditor, CA public accountancy permit No. A102361

Montreal, June 7, 2012

STATEMENTS OF COMPREHENSIVE INCOME

Fiscal years ended March 31, 2012, and March 26, 2011
(in thousands of Canadian dollars)

	2012 (53 weeks)	2011 (52 weeks)
SALES (Note 6)	**$2,837,123**	$2,657,818
COST OF SALES (Note 6)	**1,327,802**	1,240,719
GROSS MARGIN (Note 6)	**1,509,321**	1,417,099
Selling, marketing and distribution expenses	**456,708**	433,508
Administrative expenses	**109,787**	124,200
Advertising, promotional and miscellaneous revenues	**(60,106)**	(53,053)
OPERATING PROFIT	**1,002,932**	912,444
Financial expenses net of financial income (Note 8)	**2,117**	1,881
Share in the profit or loss of equity-accounted interests (Note 9)	**1,069**	41
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	**$ 999,746**	$ 910,522

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Fiscal years ended March 31, 2012, and March 26, 2011
(in thousands of Canadian dollars)

	Share capital	Retained earnings	Total
BALANCE AS AT MARCH 28, 2010	$ 30,000	$ 19,037	$ 49,037
Profit and comprehensive income for the year	–	910,522	910,522
Dividend	–	(914,671)	(914,671)
BALANCE AS AT MARCH 26, 2011	30,000	14,888	44,888
Profit and comprehensive income for the year	–	999,746	999,746
Dividend	–	(999,746)	(999,746)
BALANCE AS AT MARCH 31, 2012	**$ 30,000**	**$ 14,888**	**$ 44,888**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

March 31, 2012, March 26, 2011, and March 28, 2010
(in thousands of Canadian dollars)

	2012	2011	2010
ASSETS			
Current assets			
Cash and cash equivalents (Note 24)	**$ 30,753**	$ 30,624	$ 43,769
Trade and other accounts receivable (Note 10)	**49,594**	50,005	45,582
Inventories (Note 11)	**302,350**	294,536	302,124
Deposits and prepaid expenses (Note 12)	**56,724**	19,419	10,161
	439,421	394,584	401,636
Interests in equity-accounted joint ventures (Note 9)	**7,963**	7,282	323
Investment property (Note 13)	**–**	1,864	1,864
Property, plant and equipment (Note 14)	**221,501**	223,650	213,596
Intangible assets (Note 15)	**29,372**	23,752	22,937
Defined benefit pension plan asset (Note 20)	**2,132**	–	–
	$ 700,389	$ 651,132	$ 640,356
LIABILITIES			
Current liabilities			
Borrowings (Note 16)	**$ 53,992**	$ 3,000	$ –
Accounts payable and accrued liabilities (Note 17)	**231,157**	224,882	211,305
Government taxes and duties payable	**56,343**	92,235	88,306
Provisions and contingent liabilities (Note 18)	**25,872**	32,068	26,852
Dividend payable	**258,746**	221,671	233,213
	626,110	573,856	559,676
Finance lease obligation (Note 19)	**–**	54	1,765
Cumulative sick leave credits liability (Note 20)	**29,391**	26,683	24,896
Defined benefit pension plan liability (Note 20)	**–**	5,651	4,982
	655,501	606,244	591,319
SHAREHOLDER'S EQUITY (Note 21)			
Share capital	**30,000**	30,000	30,000
Retained earnings	**14,888**	14,888	19,037
	44,888	44,888	49,037
	$ 700,389	$ 651,132	$ 640,356

The accompanying notes form an integral part of the financial statements.
The financial statements were approved and authorized for publication by the Board of Directors on June 7, 2012.

NORMAN HÉBERT JR.
Chair of the Board of Directors

DOUGLAS M. DERUCHIE
Chair of the Audit Committee

STATEMENTS OF CASH FLOWS

Fiscal years ended March 31, 2012, and March 26, 2011
(in thousands of Canadian dollars)

	2012	2011
OPERATING ACTIVITIES		
Profit	$ 999,746	$ 910,522
Non-cash items:		
Depreciation of property, plant and equipment	23,695	23,874
Amortization of intangible assets	6,502	5,657
Loss on disposals of property, plant and equipment	127	730
Gain on disposal of an investment property	(1,214)	–
Share in the profit or loss of equity-accounted interests	1,069	41
Sick leave credits expense	6,107	5,637
Pension plan expense	748	729
Adjustments for interest income and expense	654	297
	1,037,434	947,487
Net change in non-cash working capital items (Note 24)	(77,525)	16,309
Interest paid	(781)	(642)
Interest received	127	345
Benefits paid under the cumulative sick leave credits plan	(3,399)	(3,850)
Funding of the defined benefit pension plan obligation	(8,467)	–
Benefits paid under the pension plan	(64)	(60)
Cash flows related to operating activities	947,325	959,589
INVESTING ACTIVITIES		
Distribution of capital from a joint venture	750	–
Capital contribution to a joint venture	(2,500)	(7,000)
Acquisitions of property, plant and equipment	(23,195)	(36,481)
Acquisitions of intangible assets	(12,068)	(6,663)
Proceeds from disposals of property, plant and equipment	129	2,156
Proceeds from the disposal of an investment property	3,078	–
Cash flows related to investing activities	(33,806)	(47,988)
FINANCING ACTIVITIES		
Net change in borrowings	50,992	3,000
Repayment of the finance lease obligation	(1,711)	(1,533)
Dividend paid	(962,671)	(926,213)
Cash flows related to financing activities	(913,390)	(924,746)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	129	(13,145)
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR	30,624	43,769
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 24)	$ 30,753	$ 30,624

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Fiscal years ended March 31, 2012, and March 26, 2011,
and statement of financial position as at March 28, 2010
(tabular amounts are in thousands of Canadian dollars)

1. GENERAL, STATUTES AND NATURE OF ACTIVITIES

The Société des alcools du Québec (the SAQ) is constituted under the *Act respecting the Société des alcools du Québec* (R.S.Q., c. S-13). It is headquartered at 905 De Lorimier Avenue in Montreal. Its mandate is to sell alcoholic beverages in the Province of Quebec. As a government corporation, it is exempt from income tax.

2. FISCAL YEAR

The SAQ's fiscal year ends on the last Saturday in March. The fiscal year ended March 31, 2012, comprises 53 weeks of operation (52 weeks for the fiscal year ended March 26, 2011).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation, adoption of IFRS and statement of compliance

These financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards (IFRS). As these are the SAQ's first annual IFRS financial statements, they have been prepared using IFRS 1, *First-Time Adoption of International Financial Reporting Standards*. Pursuant to IFRS 1, the SAQ's first IFRS financial statements include three statements of financial position. For subsequent periods, IAS 1 requires the presentation of two comparative periods for the statement of financial position only under certain circumstances.

Until March 26, 2011, the SAQ had prepared its financial statements in accordance with the Canadian generally accepted accounting principles (Canadian GAAP) that were applicable before the changeover to IFRS. Canadian GAAP differs from IFRS in various respects. When preparing these financial statements in accordance with IFRS, management changed certain recognition and measurement policies that had previously been applied when preparing its financial statements in accordance with Canadian GAAP. The 2011 comparative information has been restated to show those changes. Note 28 presents the reconciliation of shareholder's equity and comprehensive income under Canadian GAAP and under IFRS as well as an explanation of how the transition from Canadian GAAP to IFRS affected those items.

The accounting policies described below reflect the standards in effect as at March 31, 2012, and have been applied in the same manner for all reported periods, except for certain accounting policies, exemptions and exceptions that the SAQ applied at the time of transition to IFRS. Those exemptions and exceptions and the effects of the transition to IFRS are presented in Note 28.

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*. The SAQ has decided to present profit and comprehensive income in a single statement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Measurement basis

These financial statements have been prepared using the historical cost basis, except for certain items whose measurement methods are disclosed in the accounting policies.

Revenue recognition

Sales of alcoholic beverages to consumers, agencies, permit holders (including licensed establishments and institutions), authorized distributors (wholesale grocers) as well as other revenues are recognized, net of discounts and returns, when:

- the SAQ has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the SAQ retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the SAQ and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

For the SAQ, these recognition criteria are generally met when goods are delivered or services are rendered.

The SAQ acts as an agent for beer sales made to holders of a brewer's permit and to holders of a beer distributor's permit. Brewers and beer distributors sell and deliver, in the Province of Quebec, beers produced in other Canadian provinces or abroad, either by themselves or by related companies. These products must be purchased exclusively from the SAQ, which acts as an agent between the suppliers and the brewers and beer distributors. These sales transactions do not generate any gross margin for the SAQ. The SAQ does, however, collect service fees for them.

Interest income is recognized on an accrual basis using the effective interest method.

Advertising and promotional programs done in cooperation with supplier representatives and other revenues can be measured reliably and are recognized separately when the services are rendered.

Interests in equity-accounted joint ventures

Entities whose business activities are under the joint control of the SAQ and a third party (the joint ventures) are initially recognized at cost and then subsequently recognized using the equity method. The carrying value of interests in joint ventures is increased or decreased to recognize the share in the profit or loss and in the other comprehensive income of the joint ventures. These changes include the amortization or impairment recorded after fair value adjustments to the assets or liabilities.

The SAQ owns 50% interests in Société d'investissement M.-S., LP and in TWIST, LP. The SAQ's share in the results of these joint ventures is presented separately in the statements of comprehensive income.

The interests in the joint ventures and underlying assets are also tested for impairment from the SAQ's perspective when there is an indication that the assets may be impaired.

Operating segments

The SAQ has only one operating segment and therefore does not have to make any segment disclosures.

Recognition of considerations received or receivable from suppliers

Cash considerations received or receivable from suppliers are considered adjustments to the prices of their products and, therefore, are recognized as a reduction to cost of sales and inventories. Certain exceptions apply when the cash considerations received or receivable are either reimbursements of the incremental costs incurred by the SAQ to sell the suppliers' products or payments for goods or services rendered to the suppliers. These latter considerations received or receivable from suppliers are recorded, depending on their nature, as a reduction to the related expenses or as other revenues.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Foreign currency translation
The annual financial statements are presented in the SAQ's functional currency, i.e. the Canadian dollar, which is also the currency of the joint ventures.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the date of the statement of financial position, whereas non-monetary assets and liabilities are translated at the exchange rate in effect on the transaction date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. Exchange gains and losses are recognized in year-end inventories and in cost of sales.

Financial instruments
Financial assets and liabilities are recognized when the SAQ becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all significant risks and rewards have been transferred.

A financial liability is derecognized upon extinguishment, termination, cancellation or expiration.

Financial assets are measured at fair value upon initial recognition, plus or minus transaction costs, except for financial assets and liabilities recognized at fair value through profit or loss that are initially measured at fair value. Their measurement in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified.

The SAQ has classified its financial instruments as follows:

- Cash and cash equivalents, trade and other accounts receivable and deposits are classified in "Loans and receivables." They are subsequently measured at amortized cost using the effective interest rate method less a provision for impairment, when necessary.
- Derivative financial instruments are classified as financial assets and liabilities at fair value through profit or loss since they are classified as held for trading. They are subsequently measured at fair value and the gains and losses are recognized in profit or loss.
- Borrowings, accounts payable and accrued liabilities (except for employee benefits payable and the current portion of the finance lease obligation) as well as the dividend payable are classified as "Other financial liabilities." Subsequently, they are measured at amortized cost using the effective interest rate method. For the SAQ, this measurement usually equals cost.

Financial instruments measured at fair value must be classified according to a three-level hierarchy based on the type of inputs used to make the measurements. This hierarchy is as follows:

level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

level 2: inputs other than the Level 1 quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

At the end of each reporting period, the SAQ determines whether there is any indication that a financial asset may be impaired. It does so for all financial assets except for those recognized at fair value through profit or loss. A financial asset or group of financial assets is impaired when there is objective evidence of impairment. The recognized impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Derivatives

The SAQ partially manages the foreign exchange risk on expected foreign currency outflows by using forward exchange contracts and other derivative financial instruments, which, at the end of the reporting period, are measured at the fair value confirmed by the Quebec Minister of Finance. However, the SAQ does not document its hedging relationship in accordance with IFRS and, therefore, these derivative financial instruments do not meet hedge accounting criteria. Nevertheless, the SAQ believes that, from an operating and cash flow management standpoint, the derivatives help the SAQ to reduce the potential adverse effects of a change in value of the Canadian dollar on foreign exchange markets. The SAQ does not use derivative financial instruments for speculative purposes.

Embedded derivatives

Derivatives embedded in financial instruments or contracts, other than those held or designated for trading, are separated from their host contract and accounted for as derivatives when their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract.

At March 31, 2012, March 26, 2011, and March 28, 2010, the SAQ was not holding any financial instrument or contract with embedded derivatives that needed to be separated from the host contract.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the acquisition date.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being established according to the first in, first out method. The cost of alcoholic beverage inventories includes acquisition costs, freight in, customs duties and excise taxes, and the direct shipping costs incurred to make products available at different points of sale. Net realizable value is the estimated selling price in the normal course of business, less the costs needed to complete the sale.

Investment property

The investment property consists of land held for long-term capital appreciation. It is accounted for using the cost model, i.e. the acquisition cost less subsequent impairment losses. The land is not depreciated.

Property, plant and equipment

Land held for administrative purposes is recognized at acquisition cost (see Note 28, *First-Time Adoption of IFRS*, with respect to the use of fair value as deemed cost at the transition date). As no finite useful life can be determined for the land, it is not depreciated.

Buildings, furniture and equipment, rolling stock and leasehold improvements are recognized at acquisition cost, less subsequent depreciation and impairment losses. (See Note 28, *First-Time Adoption of IFRS*, with respect to the use of fair value as deemed cost at the transition date.)

A portion of the main warehouse held under a finance lease is also recognized in property, plant and equipment. This asset is depreciated over its expected useful life, which is determined using that of similar assets held.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

These assets are depreciated from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the depreciation method are reviewed at the end of each reporting period. The depreciation periods are as follows:

Buildings	
Shells and structures	75 years
Roofing and electromechanical systems	20 years
Interior and exterior furnishings	10 and 15 years
Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 20 years
Rolling stock	3 to 10 years

The depreciation of property, plant and equipment is allocated to "Selling, marketing and distribution expenses" and "Administrative expenses."

Intangible assets
Intangible assets, which consist of internally developed software and acquired software licences, are recognized at cost less subsequent amortization and impairment losses. Cost includes expenses related directly to the acquisition, installation and development of software for internal use. Expenses for the research phase of an internal project are expensed as incurred.

Costs that are directly attributable to the development phase of new software are recognized as intangible assets provided that they meet the following criteria:

- completion of the intangible asset is technically feasible so that it will be available for use;
- the SAQ intends on completing the intangible asset and using it;
- the SAQ has the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development of the intangible asset and use it;
- expenditures attributable to the intangible asset during its development can be reliably measured.

Development expenses that do not meet these asset recognition criteria are expensed as incurred.

These assets are amortized from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the amortization method are reviewed at the end of each reporting period. The amortization periods are as follows:

Acquired software and licences	3 to 5 years
Internally developed software	3 to 10 years

Software maintenance costs, i.e. the amounts spent for the purchase and installation of minor patches and upgrades, are expensed as incurred.

The amortization of intangible assets is allocated among "Selling, marketing and distribution expenses" and "Administrative expenses."

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of long-lived assets
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash generating unit level.

Property, plant and equipment and intangible assets as well as interests in joint ventures are tested for impairment when events or changes in circumstance indicate that their carrying value may not be recoverable. At the end of each reporting period, the SAQ determines whether there is any indication that a long-lived asset may be impaired. During the fiscal year, the SAQ tests intangible assets not yet available for use for impairment, irrespective of whether there is any indication of impairment. An impairment loss is recognized as the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. To determine value in use, management estimates the future cash flows of each asset or cash generating unit and then establishes an appropriate interest rate to calculate the discounted present value of those cash flows. Data used for impairment testing is directly tied to the most recently approved budget and adjusted as necessary. The discounting factors are established separately for each asset or cash generating unit and reflect their respective risk profiles, as determined by management.

Impairment losses related to cash generating units are allocated pro rata to the assets of the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. A previous impairment loss may be reversed if the recoverable amount of an asset or cash generating unit exceeds its carrying amount up to a maximum of what the amortized cost would have been had the impairment not been recognized. For the current or previous periods, there has been no event or circumstance to indicate that the carrying amount might not be recoverable.

Leased assets
Leases are treated as operating leases or finance leases.

<u>Operating leases</u>
Operating leases are leases for which the risks and rewards of ownership of a leased asset are retained by the lessor.

Operating lease payments are expensed on a straight-line basis over the lease term. Related expenses, including maintenance and insurance, are expensed as incurred.

<u>Finance leases</u>
Finance leases are leases by which the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. The asset is recognized at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding finance leasing liability is reduced by lease payments less interest charges, which are recognized as financial expenses. The amortization method and useful life are the same as those used for property, plant and equipment.

The interest portion of lease payments is a constant proportion of the capital balance outstanding and is expensed over the lease term in “Financial expenses net of financial income” in the statements of comprehensive income.

Borrowing costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, production or construction of qualifying assets that take a substantial period of time to get ready for use or sale. Other borrowing costs are expensed in the period in which they are incurred in “Financial expenses net of financial income” in the statements of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Government taxes and duties payable
Government taxes and duties payable are recognized at the amount required by law.

Employee benefit plans
Cumulative sick leave credits
The SAQ administers an unfunded cumulative sick leave plan that pays sick leave credits to most of its employees. The future benefit cost associated with payment of sick leave credits earned by SAQ employees who participate in the plan is actuarially determined in accordance with the projected benefit method prorated on years of service and charged to earnings as services are rendered by those employees. The actuarial calculations use the most likely assumptions established by management with respect to compensation increase, the age of retirement, and the discount rate of the sick leave credits.

As the cumulative sick leave credits plan is considered to be a long-term benefit rather than a post-employment benefit, actuarial gains and losses are recognized immediately in the current fiscal year.

Management estimates the cumulative sick leave credit obligation annually with the assistance of independent actuaries by updating the discount rate used during the last full actuarial valuation. A full actuarial valuation is done every three years or when events occur that have a significant effect on the cumulative sick leave credit obligation. The valuation of the long-term benefit obligation is based on standard inflation and mortality rates. It also takes into account the SAQ's specific forecasts with respect to the rates of use of sick leave credits and future salary increases. Discount rates are determined at the end of each fiscal year by referring to high quality corporate bonds denominated in the currency in which the benefits will be paid and that have maturity dates similar to those of the related liability.

Pension plans
The employees of the SAQ participate in state pension plans, namely, the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). These plans, administered by the Commission administrative des régimes de retraite et d'assurances, are considered by the SAQ as defined contribution plans. The SAQ's obligations under these government plans are therefore limited to its employer contributions. The employer portion of these plans is expensed in the period in which the employees receive the related services.

The SAQ also administers a supplemental pension plan for senior management. This plan is based on years of service and the average of the three highest annual salaries earned by the employees over the course of their career. It is a defined benefit plan that also guarantees the payment of pension and death benefits that are indexed annually. The plan is funded as of the year ended March 31, 2012.

Management estimates the supplemental pension plan's defined benefit obligation (DBO) annually with the assistance of independent actuaries. A full actuarial valuation is done each year. The valuation of the post-employment DBO is based on actuarial methods and assumptions similar to those described for the cumulative sick leave plan by using the specific rates of the supplemental pension plan for senior management.

Actuarial gains and losses related to the supplemental pension plan are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the present value of the obligation and the fair value of plan assets. In such cases, the amount exceeding this 10% corridor is charged or credited to profit or loss over the expected average remaining working lives of participating employees. Past service costs are recognized immediately as an expense in the statements of comprehensive income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Return on assets and interest related to the DBO are expensed.

Employee benefit plan assets and liabilities (cumulative sick leave credits and supplemental pension plan for senior management) recognized in the statement of financial position equal the present value of the DBO less the fair value of the plan assets and the adjustments related to the unrecognized actuarial gains or losses at the reporting dates.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other
The SAQ also contributes to several government plans for employees that are considered to be defined contribution plans. The employer portion of these plans is expensed in the period in which the corresponding services of employees are received.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "Accounts payable and accrued liabilities," measured at the undiscounted amount the SAQ expects to pay as a result of the unused entitlement.

Provisions and contingent liabilities

Provisions are recognized when it is probable that the present obligations (legal or constructive) arising from a past event will require an outflow of economic resources from the SAQ and amounts can be reliably estimated. Provisions are not recognized for future operating losses. They are liabilities of uncertain timing or amount.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates at that date.

Where the possible outflow of economic resources as a result of a present obligation is considered improbable or remote, no liability is recognized.

Shareholder's equity and dividend

Shareholder's equity includes share capital, representing the par value of issued shares, and current and prior period retained earnings.

The dividend payable to the shareholder is reported separately in the statement of financial position when approved before the end of the reporting period.

4. USE OF ESTIMATES AND JUDGMENTS

Preparing financial statements in accordance with IFRS requires management to exercise judgment when applying accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses recognized during the fiscal year.

Underlying estimates and assumptions are reviewed regularly, and the impact of any change is recognized immediately. They are based on experience, economic conditions and general trends, as well as speculation on the likely outcome of those matters. Actual results could differ from management estimates.

The main judgments, assumptions and estimates are explained below:

Internally developed software and research expenses
Management must use significant judgment when distinguishing the research phase from the development phase. Costs directly attributable to the development phase are recognized as assets when all the criteria is met, whereas research costs are expensed as incurred.

The SAQ also makes sure that it is continually meeting all of the requirements for recognizing, as assets, all of the costs directly attributable to development work. Such follow-up is necessary, as software development is uncertain and can be affected by technical problems that occur after recognition.

4. USE OF ESTIMATES AND JUDGMENTS (cont.)

Leases
The SAQ considers the leasing of a portion of its main warehouse to be a finance lease. In certain cases, the classification of leases is inconclusive, and management must exercise judgment when determining if a lease is a finance lease that transfers substantially all the risks and rewards of ownership of the leased asset or an operating lease.

Provisions
The classification of certain short- or long-term provisions sometimes requires management to exercise judgment when determining the most likely timing of cash outflows.

Inventories
For inventories, management primarily makes estimates and assumptions when measuring exchange gains or losses as well as the provision for obsolescence and product defects.

Employee benefit assets and liabilities
The cumulative sick leave credits liability and the defined benefit pension plan liability (asset) are subject to uncertainties, especially with respect to estimating discount rates, rates of use of sick leave credits, expected long-term rates of return on assets, and inflation and mortality rates, which can vary considerably in future valuations of the SAQ's defined benefit obligations.

Useful life of depreciable assets
Management examines the useful lives of depreciable assets at the end of each reporting period. As at March 31, 2012, management has determined that the useful lives matched the expected usefulness of the SAQ's assets. The carrying amounts are detailed in Notes 14 and 15.

Impairment
An impairment loss is recognized when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Management determines value in use by estimating the expected future cash flows of each asset or cash generating unit.

When measuring expected future cash flows, management makes assumptions regarding future operating results. These assumptions are related to future events and circumstances. Actual results could differ from those estimates and lead to future adjustments.

5. FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS

On the date when publication of these annual financial statements was authorized, new standards, amendments and interpretations of the existing standards had been published but were not yet in force. The SAQ did not early-adopt them. It plans to adopt them when they come into force.

Information on the new standards and interpretations and the new amendments that are likely to be relevant to the SAQ's financial statements is provided below.

5. FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS (cont.)

IFRS 9, *Financial Instruments* (in force for fiscal periods commencing on or after January 1, 2015)
The IASB intends to replace IAS 39 "*Financial Instruments: Recognition and Measurement*" and IFRIC 9 "*Reassessment of Embedded Derivatives*" entirely. The replacement standard, IFRS 9, is being issued in several phases. To date, the chapters that address recognition, classification, measurement and derecognition of financial assets and liabilities have been published. Other chapters on impairment and hedge accounting are still in preparation.

Management has not yet determined how this new standard will impact the SAQ's financial statements. However, it does not intend to adopt the new standard until all the chapters of the IFRS 9 draft replacement standard have been published and it can determine the full impact of these changes.

IFRS 11, *Joint Arrangements* (in force for fiscal periods commencing on or after January 1, 2013)
The IASB has published IFRS 11 "*Joint Arrangements*," which replaces IAS 31 "*Interests in Joint Ventures*" and SIC 13 "*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*." Accounting by investor better reflects their rights and obligations with respect to the joint arrangement. IFRS 11 also eliminates the possibility of using proportionate consolidation for joint ventures. The equity method, which is currently used for interests in associates, is now required under IFRS 11. Management has not yet determined the impact this new standard will have on the SAQ's financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* (in force for fiscal periods commencing on or after January 1, 2013)
Along with IFRS 11, the IASB has also published IFRS 12 "*Disclosure of Interests in Other Entities*." This new standard establishes the minimum requirements for disclosing interests in other entities. It combines the information to be disclosed concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, which was formerly contained in each individual applicable standard. Management has not yet determined the impact this new standard will have on the SAQ's financial statements.

IFRS 13, *Fair Value Measurement* (in force for fiscal periods commencing on or after January 1, 2013)
The IASB has published IFRS 13 "*Fair Value Measurement*" to provide a single source of guidance concerning fair value measurements. IFRS 13 does not affect which items must be measured at fair value but clarifies the definition of fair value, provides related guidelines and requires more information concerning fair value measurements. Management has not yet determined the impact this new standard will have on the SAQ's financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* (in force for fiscal periods commencing on or after July 1, 2012)
According to the amendments of IAS 1, an entity must group items included in "Other comprehensive income" based on whether, in accordance with other IFRS standards, they (a) will not later be reclassified to profit or loss or (b) will later be reclassified to profit or loss if certain conditions are met.

IAS 19, *Employee Benefits* (in force for fiscal periods commencing on or after January 1, 2013)
The IASB has published a revised version of IAS 19 "*Employee Benefits*," which, among other things, eliminates the corridor method allowing for the deferral of a portion of the actuarial gains and losses for defined benefit plans. According to management, the actuarial gains and losses for the supplemental pension plan for senior management must therefore be recognized immediately. The other impacts on the SAQ's financial statements, if any, have not yet been determined.

(tabular amounts are in thousands of Canadian dollars)

6. SALES, COST OF SALES AND GROSS MARGIN

	2012			2011		
	Outlets and specialized centres	**Wholesale grocers**	**Total**	Outlets and specialized centres	Wholesale grocers	Total
Sales	**$2,524,408**	**$312,715**	**$2,837,123**	$2,362,516	$295,302	$2,657,818
Cost of sales	**1,168,233**	**159,569**	**1,327,802**	1,090,527	150,192	1,240,719
Gross margin	**$1,356,175**	**$153,146**	**$1,509,321**	$1,271,989	$145,110	$1,417,099

The SAQ's sales do not include beer sales made to holders of a brewer's permit or to holders of a beer distributor's permit. The sales and cost of sales arising from these transactions totalled $282.9 million in fiscal 2012 ($270.2 million in fiscal 2011).

7. EMPLOYEE COMPENSATION

Employee benefits expense consists of the following:

	2012	2011
Selling, marketing and distribution expenses		
Salaries and other employee benefits	**$225,414**	$217,870
Employee benefits costs and pension plan contributions	**51,266**	46,896
	276,680	264,766
Administrative expenses		
Salaries and other employee benefits	**58,644**	68,175
Employee benefits costs and pension plan contributions	**8,984**	8,988
	67,628	77,163
	$344,308	$341,929

(tabular amounts are in thousands of Canadian dollars)

8. FINANCIAL EXPENSES NET OF FINANCIAL INCOME

	2012	2011
Interest on borrowings from Caisse de dépôt et placement du Québec, a government organization that carries out trust activities	$ 141	$ 31
Other interest on short-term borrowings	530	324
	671	355
Interest related to the finance lease obligation	110	287
Net interest related to the assets and liabilities arising from employee benefit plans	1,463	1,584
	2,244	2,226
Less financial income:		
Interest income on the investments included in the cash equivalents contracted with Caisse de dépôt et placement du Québec	(50)	(74)
Interest income on cash and cash equivalents	(77)	(271)
	(127)	(345)
	$2,117	$ 1,881

9. INTERESTS IN EQUITY-ACCOUNTED JOINT VENTURES

On October 28, 2010, the SAQ along with Fonds de Solidarité des Travailleurs du Québec (FTQ) and the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (Fondaction) formed a joint venture, TWIST LP. The general partner of this joint venture is TWIST, Expert in Wines and Spirits Inc. On April 8, 2011, TWIST LP acquired the net assets of J.J. Buckley, a U.S. retailer that specializes in the e-commerce of mid- and high-end alcoholic beverages. The joint venture initially provided business development solutions in the global alcoholic beverage industry. Following a strategic repositioning in December 2011, TWIST LP decided to focus its e-commerce activities in the U.S. wine market.

The SAQ's contribution to TWIST LP was an amount of $9.5 million, including $2.5 million during the fiscal year for 50% of the Class A units issued. The two other limited partners own 25% of the Class A units, respectively, having invested $9.5 million, including $2.5 million during the fiscal year. Under a disposal agreement dated October 28, 2010, the SAQ transferred all of its start-up activities to TWIST LP in addition to its current or ongoing transaction, in particular the acquisition of J.J. Buckley activities in exchange for a Class B unit with a value of $1. The Class B unit is non-voting, and only the SAQ may subscribe. The allocation of earnings to the holder of this unit is determined using a formula based on achieving minimum earnings, provided for until December 31, 2013.

(tabular amounts are in thousands of Canadian dollars)

9. INTERESTS IN EQUITY-ACCOUNTED JOINT VENTURES (cont.)

Société d'investissement M.-S., S.E.C. is a business-to-business e-marketplace that provides an integrated solution for wine purchases and sales. During the year, the SAQ received a $0.8 million capital distribution. Given that the SAQ's year-end is March 31 while the year-end of TWIST LP is December 31, the transactions carried out from January 1 to March 31 have been taken into account. The combined amounts for the joint ventures are presented below:

	Total assets		Total liabilities		Revenues	Expenses
	Current	Long-term	Current	Long-term		
March 28, 2010	$ 653	$ –	$ 330	$ –		
March 26, 2011	$ 9,828	$ 53	$ 2,599	$ –	$ 3,878	$ 3,919
March 31, 2012	**$11,965**	**$12,445**	**$10,587**	**$ 5,860**	**$15,129**	**$16,198**

The SAQ does not have any contingent liability and has not made any commitments with respect to its joint ventures.

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

	2012	2011	2010
Wholesale grocers	**$ 15,338**	$ 13,924	$ 11,955
Licensed establishments, institutions and other commercial accounts	**34,962**	36,948	34,663
Provision for credit loss	**(706)**	(867)	(1,036)
	$ 49,594	$ 50,005	$ 45,582

11. INVENTORIES

	2012	2011	2010
Alcoholic beverages[1]	**$ 299,368**	$ 291,483	$ 299,236
Miscellaneous supplies	**2,982**	3,053	2,888
	$ 302,350	$ 294,536	$ 302,124

1. The amount of alcoholic beverage inventory recorded as an expense equals the cost of sales.

No inventory has been pledged to secure liabilities.

(tabular amounts are in thousands of Canadian dollars)

12.
DEPOSITS AND PREPAID EXPENSES

Miscellaneous deposits and prepaid expenses consist mainly of property tax and insurance payments whereas deposits relating to wine products are the amounts paid to suppliers for the purchase of goods to be delivered at a later time.

	2012	2011	2010
Miscellaneous deposits and prepaid expenses	**$ 3,083**	$ 1,433	$ 2,382
Deposits relating to wine products	**53,641**	17,986	7,779
	$56,724	$19,419	$10,161

13.
INVESTMENT PROPERTY

The investment property, which consists of land recognized using the cost model, was sold during the year. The gain on the sale was recorded in "Advertising, promotional and miscellaneous revenues."

Carrying value as at March 28, 2010, and as at March 26, 2011	$1,864
Disposal	1,864
Carrying value as at March 31, 2012	**$ –**
Proceeds from the sale	$3,078
Carrying value	1,864
Gain on the sale – 2012	$1,214

The land had a fair value of $3.1 million as at March 26, 2011, which is substantially the same as at March 28, 2010. This fair value was based on a deed of sale between the SAQ and a purchaser, the completion of which was subject to certain conditions. These conditions were met during the year, resulting in the execution of the sale.

(tabular amounts are in thousands of Canadian dollars)

14.
PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements[1]	Furniture and equipment	Rolling stock	Total
Cost						
Balance as at March 28, 2010	$ 29,427	$ 108,861	$ 50,163	$ 178,191	$ 17,196	$ 383,838
Acquisitions	–	18,413	6,825	10,838	738	36,814
Disposals	(582)	(1,559)	(2,212)	(46,694)	(1,020)	(52,067)
Balance as at March 26, 2011	28,845	125,715	54,776	142,335	16,914	368,585
Acquisitions	17	6,036	4,836	8,590	1,748	21,227
Disposals	–	–	(2,478)	(5,319)	(524)	(8,321)
Transfers	–	–	–	575	–	575
Balance as at March 31, 2012	**$ 28,862**	**$ 131,751**	**$ 57,134**	**$ 146,181**	**$ 18,138**	**$ 382,066**
Accumulated depreciation						
Balance as at March 28, 2010	$ –	$ 17	$ 33,663	$ 124,505	$ 12,057	$ 170,242
Depreciation	–	7,424	3,456	11,779	1,215	23,874
Disposals	–	(220)	(2,048)	(45,893)	(1,020)	(49,181)
Balance as at March 26, 2011	–	7,221	35,071	90,391	12,252	144,935
Depreciation	–	7,908	3,604	11,063	1,120	23,695
Disposals	–	–	(2,449)	(5,092)	(524)	(8,065)
Balance as at March 31, 2012	**$ –**	**$ 15,129**	**$ 36,226**	**$ 96,362**	**$ 12,848**	**$ 160,565**
Net carrying value						
Balance as at March 28, 2010	$ 29,427	$ 108,844	$ 16,500	$ 53,686	$ 5,139	$ 213,596
Balance as at March 26, 2011	$ 28,845	$ 118,494	$ 19,705	$ 51,944	$ 4,662	$ 223,650
Balance as at March 31, 2012	**$ 28,862**	**$ 116,622**	**$ 20,908**	**$ 49,819**	**$ 5,290**	**$ 221,501**

1. Outlet development work with a capitalized value of $9.2 million was in progress as at March 31, 2012 ($11.5 million as at March 26, 2011 and $17.3 million as at March 28, 2010) and is not depreciated.

The depreciation of property, plant and equipment has been allocated as follows on the statements of comprehensive income:

	2012	2011
Selling, marketing and distribution expenses	**$ 18,074**	$ 18,741
Administrative expenses	**5,621**	5,133
	$ 23,695	$ 23,874

(tabular amounts are in thousands of Canadian dollars)

15. INTANGIBLE ASSETS

	Acquired software and licences	Internally developed software[1]	Total
Cost			
Balance as at March 28, 2010	$ 14,525	$ 130,734	$ 145,259
Acquisitions	2,981	3,491	6,472
Disposals	(5,754)	(8,346)	(14,100)
Balance as at March 26, 2011	11,752	125,879	137,631
Acquisitions	1,107	11,590	12,697
Transfers	–	(575)	(575)
Balance as at March 31, 2012	**$12,859**	**$136,894**	**$149,753**
Accumulated amortization			
Balance as at March 28, 2010	$ 12,300	$ 110,022	$ 122,322
Amortization	1,145	4,512	5,657
Disposals	(5,754)	(8,346)	(14,100)
Balance as at March 26, 2011	7,691	106,188	113,879
Amortization	1,483	5,019	6,502
Balance as at March 31, 2012	**$ 9,174**	**$111,207**	**$120,381**
Net carrying amount			
Balance as at March 28, 2010	$ 2,225	$ 20,712	$ 22,937
Balance as at March 26, 2011	$ 4,061	$ 19,691	$ 23,752
Balance as at March 31, 2012	**$ 3,685**	**$ 25,687**	**$ 29,372**

1. Internally developed software with a capitalized value of $5.7 million was in progress as at March 31, 2012 ($7.3 million as at March 26, 2011 and $9.1 million as at March 28, 2010) and is not amortized.

The amortization of intangible assets has been allocated as follows on the statements of comprehensive income:

	2012	2011
Selling, marketing and distribution expenses	**$ 1,102**	$ 1,212
Administrative expenses	**5,400**	4,445
	$ 6,502	$ 5,657

(tabular amounts are in thousands of Canadian dollars)

16. BORROWINGS

	2012	2011	2010
Borrowings	**$53,992**	$3,000	$ –

As at March 31, 2012, there were three short-term borrowings totalling $54.0 million. These borrowings bear interest at 1.02% and mature within 6 days or less (only one borrowing bearing 1.04% interest as at March 26, 2011, and no borrowing as at March 28, 2010). The borrowings were taken out with Caisse de dépôt et placement du Québec, a government organization that carries out trust activities not included in the Government of Quebec's reporting entity.

The SAQ has an authorized bank credit facility for $300.0 million, which was fully available as at March 31, 2012. This credit is available in the form of bank overdrafts bearing interest at prime rate or in the form of advances bearing interest at a fixed rate equal to the financial institution's cost of funds plus a margin to be determined. This credit is repayable on demand. As at March 26, 2011, the SAQ had two bank credit facilities totalling $310.0 million, from which $3.3 million was withdrawn. These same facilities existed and were fully available as at March 28, 2010.

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011	2010
Accounts payable and accrued liabilities	**$ 162,706**	$ 160,767	$ 143,253
Compensation and employee benefits payable	**68,397**	62,404	66,519
Current portion of the finance lease obligation	**54**	1,711	1,533
	$ 231,157	$ 224,882	$ 211,305

(tabular amounts are in thousands of Canadian dollars)

18.
PROVISIONS AND CONTINGENT LIABILITIES

Provisions

All provisions are considered to be short term. The carrying amounts of provisions are detailed as follows:

	Litigation	Municipal selective collection programs	Total
Carrying value as at March 28, 2010	$ 19,392	$ 7,460	$ 26,852
Increase to provisions	6,142	4,396	10,538
Amounts used	(851)	(4,471)	(5,322)
Carrying value as at March 26, 2011	24,683	7,385	32,068
Increase to provisions	513	10,702	11,215
Amounts reversed	(12,090)	–	(12,090)
Amounts used	(477)	(4,844)	(5,321)
Carrying value as at March 31, 2012	**$ 12,629**	**$ 13,243**	**$ 25,872**

The SAQ is exposed to various claims and lawsuits in the normal course of its operations. In management's opinion, an adequate provision has been made for any disbursements that may result from such litigation. Other than this litigation provision, the SAQ does not foresee any major unfavourable impact on its financial position. Substantially all of the litigation provision relates to a difference of opinion regarding application of the *Pay Equity Act*. In September 2011, the Quebec Court of Appeal issued a ruling in favour of the SAQ, thereby ending a dispute that had lasted more than five years. Accordingly, the SAQ reduced its provision recognized in "Administrative expenses" and is required to implement the pay equity program during the next fiscal year.

The provision taken for the municipal selective collection programs consists mainly of the estimated net costs of municipal selective collection programs to be assumed by the SAQ, taking into account the ratios for the number of bottles sold, combined with the estimated rates applicable to the SAQ's containers.

Environmental risks

The SAQ's activities must adhere to the environmental laws, regulations and guidelines enacted by the various governments. In management's opinion, environmental risks are appropriately managed and there are no current or potential liabilities related to environmental risks, except for the provision for municipal selective collection programs referred to above.

Contingent liabilities

In the normal course of business, the SAQ is party to claims and lawsuits, mostly involving damages, totalling close to $3.6 million. Management is contesting these lawsuits and is therefore opposed to meeting the resulting claims. The SAQ has made no provisions for these contingencies because, in management's opinion, their settlement would not have a significant impact on the SAQ's financial statements.

(tabular amounts are in thousands of Canadian dollars)

19.
FINANCE LEASE OBLIGATION

Finance lease as a lessee

Part of the SAQ's main warehouse is held under a finance lease. The net carrying amount of the leased assets totalled $28.1 million as at March 31, 2012 ($30.1 million as at March 26, 2011, and $32.1 million as at March 28, 2010). The assets are reported in the buildings item and are an integral part of property, plant and equipment (see Note 14).

Future minimum lease payments to be made under the finance lease obligation, calculated at an annual rate of 11%, are summarized as follows:

	Minimum lease payments		
	No later than 1 year	Later than 1 year but no later than 5 years	Total
		2012	
Minimum lease payment	**$ 55**	**$ –**	**$ 55**
Financial expenses	**1**	**–**	**1**
Net present value	**$ 54**	**$ –**	**$ 54**
		2011	
Minimum lease payments	$ 1,820	$ 55	$ 1,875
Financial expenses	109	1	110
Net present value	$ 1,711	$ 54	$ 1,765
		2010	
Minimum lease payments	$ 1,820	$ 1,875	$ 3,695
Financial expenses	287	110	397
Net present value	$ 1,533	$ 1,765	$ 3,298

(tabular amounts are in thousands of Canadian dollars)

20. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

The state plans expense totalled $16.1 million ($14.8 million in 2011) and is included in "Selling, marketing and distribution expenses" and "Administrative expenses" in the statements of comprehensive income.

The following actuarial assumptions were used to determine the defined benefit expense and obligation:

	Cumulative sick leave credit plan (Long-term benefit)			Supplemental pension plan for senior management (Post-employment benefits)		
	2012	2011	2010	**2012**	2011	2010
Expected long-term rate of return on plan assets	**–**	–	–	**2.00%**	–	–
Discount rate	**3.75%**	4.75%	5.25%	**4.25%**	4.75%	5.25%
Expected rates of salary increase	**3.00%**	3.00%	3.00%	**3.50%**	3.50%	3.50%
Rate of use of sick leave credits by employee group	**from 50% to 70%**	from 50% to 70%	from 45% to 65%	**–**	–	–
Average life expectancy:						
Man, age 65 at the financial reporting date				**84.7**	84.6	84.4
Woman, age 65 at the financial reporting date				**87.1**	87.0	86.8
Man, age 45 at the financial reporting date				**84.3**	84.2	82.6
Woman, age 45 at the financial reporting date				**86.4**	86.4	85.4

These assumptions were made by management based on the advice of independent actuarial appraisers. These assumptions were also used to determine the SAQ's defined benefit obligation for the financial reporting period and should be considered to constitute management's best estimate. Actual results could differ from these estimates. Some uncertainties exist, in particular regarding the estimated long-term expected rate of return on assets, the discount rates and the rate of use of sick leave credits, which may vary considerably in future valuations of the SAQ's defined benefit obligation.

The excess of the net cumulative actuarial gains (net cumulative actuarial losses) over 10% of the defined benefit obligation is amortized over the average remaining service period of the active employee group covered by the plan. For the fiscal year ended March 31, 2012, this period was 6.6 years (6.1 years for fiscal 2011).

(tabular amounts are in thousands of Canadian dollars)

20. EMPLOYEE BENEFIT ASSETS AND LIABILITIES (cont.)

During the year, the SAQ paid $8.5 million to secure the accumulated rights in respect of the benefits of participants currently active in the supplemental pension plan for senior management.

The SAQ's defined benefit assets and obligations can be reconciled with the amounts in the statements of financial position, as follows:

	Cumulative sick leave credit plan (Long-term benefit)		Supplemental pension plan for senior management (Post-employment benefits)	
	2012	2011	**2012**	2011
Reconciliation of defined benefit obligations				
Defined benefit obligations at beginning	**$26,683**	$ 24,896	**$ 6,866**	$ 4,962
Past service cost	**–**	–	**–**	119
Employer current service cost	**2,148**	1,722	**460**	430
Benefits paid	**(3,399)**	(3,850)	**(266)**	(60)
Interest expense	**1,289**	1,296	**341**	288
Actuarial losses	**2,670**	2,619	**628**	1,127
Defined benefit obligations at end	**$ 29,391**	$ 26,683	**$ 8,029**	$ 6,866
Reconciliation of the fair value of plan assets				
Plan assets at beginning			**$ –**	$ –
Employer contributions			**8,467**	–
Benefits paid			**(202)**	–
Expected return on plan assets			**167**	–
Actuarial gains on plan assets			**396**	–
Plan assets at end			**$ 8,828**	$ –
The assets of the supplemental pension plan for senior management are as follows:				
Fixed-income securities			**$ 4,594**	$ –
Refundable taxes			**4,234**	–
			$ 8,828	$ –
Reconciliation of the defined benefit asset (liability)				
Defined benefit obligations			**$(8,029)**	$(6,866)
Fair value of plan assets			**8 828**	–
Plan surplus (deficit)			**799**	(6,866)
Unamortized net actuarial losses at end			**1,275**	1,127
Unamortizd past service costs at end			**58**	88
Defined benefit asset (liability) at end			**$ 2,132**	$(5,651)

(tabular amounts are in thousands of Canadian dollars)

20. EMPLOYEE BENEFIT ASSETS AND LIABILITIES (cont.)

	Supplemental pension plan for senior management (Post-employment benefits)	
	2012	2011
Expense		
Employer current service cost	**$ 460**	$ 430
Interest expense	**341**	288
Expected return on plan assets	**(167)**	–
Amortization of net actuarial losses	**84**	–
Amortization of unamortized past service cost	**30**	11
Expense	**$ 748**	$ 729

The expected return on plan assets is based on the weighted average return on various plan assets and includes an analysis of historical returns and forecasted future returns. Future returns on plan assets are estimated independently by external appraisers. In 2012, the actual return on plan assets totalled $0.6 million.

Changes in the supplemental pension plan for senior management may also be summarized as follows (the amounts preceding the transition date have not been presented since the SAQ applied the exemption set out in IFRS 1.D.11. Please refer to Note 28, optional exemptions):

	2012	2011	2010
Defined benefit obligations	**$ (8,029)**	$ (6,866)	$ (4,962)
Fair value of plan assets	**8,828**	–	–
Plan surplus (deficit)	**$ 799**	$ (6,866)	$ (4,962)
Experience gain:			
Plan assets	**$ 396**	$ –	

The SAQ's best estimate is that an amount of $1.1 million will have to be contributed to the supplemental pension plan for senior management during the annual period starting after the current reporting period.

(tabular amounts are in thousands of Canadian dollars)

21. SHAREHOLDER'S EQUITY

Share capital

The SAQ is a joint stock company whose shares are part of the public domain and are allotted to the Quebec Minister of Finance. The SAQ's authorized share capital consists of 300,000 shares having a par value of $100 each and that were issued and paid as at March 31, 2012, March 26, 2011, and March 28, 2010.

Retained earnings

Under the *Act respecting the Société des alcools du Québec*, the dividend declared by the SAQ is set by the Quebec Minister of Finance. Each year, the Minister declares the amount that is equal to the SAQ's profit or loss and determines the payment terms and conditions. The declared dividend is deducted from the shareholder's equity of the fiscal year in which it is declared.

22. CAPITAL MANAGEMENT

The SAQ's capital consists of shareholder's equity, the finance lease obligation, the dividend payable and borrowings. The SAQ manages its capital such that it meets the requirements of its shareholder, safeguards funds at all times and sustains its growth. It maintains a strict management framework to ensure that it effectively meets the purposes set out in its incorporating act.

The SAQ is fully responsible for financing its activities. During the fiscal year, it pays the dividend to its shareholder in the form of periodic advances. Due to this profit distribution approach, the SAQ must rely on outside sources of financing. To this end, the SAQ has been authorized by its Board of Directors and the Government of Quebec to contract short-term borrowings to a maximum amount outstanding of $400.0 million. This limit was met during each reporting period.

The SAQ is not subject to any other requirements concerning the use of outside sources of financing.

The capital structure, as defined by the SAQ, was as follows:

	2012	2011	2010
Shareholder's equity	**$ 44,888**	$ 44,888	$ 49,037
Finance lease obligation[1]	**54**	1,765	3,298
Dividend payable	**258,746**	221,671	233,213
Borrowings	**53,992**	3,000	–
	$ 357,680	$ 271,324	$ 285,548

1. Including current portion.

(tabular amounts are in thousands of Canadian dollars)

23. COMMITMENTS AND LEASE EXPENSE

Under its operating leases, the SAQ has committed to paying a total amount of $383.1 million to lease outlets. Payments for future fiscal years amount to:

No later than 1 year	$ 48,513
Later than 1 year and not later than 5 years	$ 165,173
More than 5 years	$ 169,440

Operating leases generally have a clause whereby the SAQ can renew the lease for an additional period with the same terms and conditions, except for rental payments, subject to negotiation. The SAQ can avail itself of this renewal option within the amount of time stipulated before the lease expires. The total lease expense for outlets was $48.4 million as at March 31, 2012 ($44.2 million as at March 26, 2011).

24. INFORMATION ON CASH FLOW STATEMENTS

	2012	2011
Net change in non-cash working capital items breaks down as follows:		
Trade and other accounts receivable	**$ 411**	$ (4,423)
Inventories	**(7,814)**	7,588
Deposits and prepaid expenses	**(37,305)**	(9,258)
Accounts payable and accrued liabilities	**9,271**	13,257
Government taxes and duties payable	**(35,892)**	3,929
Provisions and contingent liabilities	**(6,196)**	5,216
	$ (77,525)	$ 16,309
Non-cash investing activities		
Acquisitions of property, plant and equipment and intangible assets financed by accounts payable and accrued liabilities	**$ 2,170**	$ 3,509
Cash and cash equivalents at end of year	**$ 30,753**	$ 30,624

As at March 28, 2010, cash and cash equivalents included a short-term investment of $16.0 million entered into with Caisse de dépôt et placement du Québec, at a rate of 0.25% and maturing on March 29, 2010 (no short-term investment as at March 31, 2012, and as at March 26, 2011).

(tabular amounts are in thousands of Canadian dollars)

25. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying values of short-term financial instruments are deemed to be equal to their fair values. These financial instruments include cash and cash equivalents, accounts receivable and other receivables, deposits, borrowings, accounts payable and accrued liabilities (except for employee compensation and benefits payable) as well as the dividend payable.

The fair value of the finance lease obligation is estimated using the present value of future monthly payments under current financing agreements at market interest rates offered to the SAQ for borrowings with similar conditions and maturity dates, capitalized semi-annually and maturing in April 2012. That rate was 3.37% in 2012 (3.79% in 2011 and 3.86% in 2010).

	2012		2011		2010	
	Fair value	**Carrying value**	Fair value	Carrying value	Fair value	Carrying value
Financial liability						
Finance lease obligation	**$54**	**$54**	$1,773	$1,765	$3,425	$3,298

26. MANAGEMENT OF FINANCIAL INSTRUMENT RISK

Financial risk management objectives and policies
The SAQ is exposed to the financial risks that result from its operating, investing and financing activities. The SAQ's management manages these financial risks. The objective is to actively secure the SAQ's short-term and medium-term cash flows by reducing its exposure to financial risks.

The SAQ does not enter into financial instrument contracts or agreements, including financial derivatives, for speculative purposes.

Financial risks
<u>Interest rate risk</u>
The short-term investments included in cash equivalents as well as the borrowings and amounts drawn on bank credit facilities, performed on a daily basis, expose the SAQ to the cash flow risk that results from interest rate fluctuations, as these items bear interest at variable rates. For fiscal 2012, the average balance of these financial assets and financial liabilities was a net borrowing of $56.4 million ($36.0 million in 2011). The financial liabilities bore interest at rates ranging from 1.0% to 3.0% during the fiscal year (0.25% to 3.0% in 2011) and had maturities ranging from 1 to 7 days in 2012 and 2011.

The finance lease obligation has a fixed interest rate and exposes the SAQ to the fair value risk related to interest rates, i.e. that market interest rates will be lower than the interest rates linked to this liability. The effective interest rate for this obligation was 11.3%.

A 1% change in the interest rates on variable-rate instruments would not have had a significant impact on the SAQ's profit and shareholder's equity.

The SAQ does not use derivative financial instruments to reduce its exposure to interest rate risk.

(tabular amounts are in thousands of Canadian dollars)

26. MANAGEMENT OF FINANCIAL INSTRUMENT RISK (cont.)

Foreign exchange risk

The SAQ is exposed to foreign exchange risk as it makes purchases abroad that are mainly denominated in euros or U.S. dollars. As at March 31, 2012, these accounts payable totalled $14.1 million (€9.7 million and US$1.2 million). As at March 26, 2011 and March 28, 2010, these accounts totalled, respectively, $16.9 million (€11.2 million and US$1.7 million) and $10.1 million (€6.3 million and US$1.3 million).

Foreign currency purchases made during the fiscal year were calculated as follows, in Canadian dollars:

	2012	2011
Euro	**$290,294**	$212,581
U.S. dollar	**32,352**	29,902
Other currencies	**5,858**	5,006
	$328,504	$247,489

The SAQ enters into forward exchange contracts to partially cover the foreign exchange risk to which it is exposed. Under these contracts, it is required to buy specific amounts of currencies, mainly euros, at predetermined exchange rates.

Although the SAQ's exchange rate exposure varies during the year depending on the number of foreign transactions, the SAQ has determined that a 1% change in exchange rates would not have had a significant impact on profit and shareholder's equity.

As at March 31, 2012, the SAQ entered into a forward contract of less than 12 months denominated in euros beginning on April 2, 2012. The amount of the contract was $8.9 million (€6.7 million) and the forward price was 1.3233. As at March 26, 2011, the SAQ had a forward contract of less than 12 months denominated in euros. The amount totalled $5.2 million (€3.8 million) and the forward price was 1.3863. As at March 28, 2010, it also had a forward contract of less than 12 months denominated in euros. The amount totalled $3.6 million (€2.6 million) and the forward price was 1.3979 in 2010. The fair value of the contract held as at March 31, 2012, amounted to $0.06 million ($0.01 million in 2011 and $0.05 million in 2010) (level 2 inputs according to the fair value measurement hierarchy) and is included in accounts payable and other accrued liabilities.

Credit risk

Credit risk is the risk of incurring a loss due to a counterparty's failure to meet its obligations. In general, the value recognized in the SAQ's statement of financial position as financial assets exposed to credit risk, net of provisions for credit losses or impairment losses, is the maximum amount of credit risk exposure.

(tabular amounts are in thousands of Canadian dollars)

26. MANAGEMENT OF FINANCIAL INSTRUMENT RISK (cont.)

Trade and other accounts receivable

Given the diversity and size of its customer base, the SAQ believes that it has limited exposure to the credit risk related to sales of alcoholic beverages and other goods and services. For certain customers, the SAQ requires additional guarantees. The SAQ's policy is to perform a credit check on some customers. Moreover, the trade and other accounts receivable balance is managed and examined on a continuous basis and, consequently, the SAQ's exposure to credit losses is not significant.

Certain unimpaired trade and other accounts receivable are past due at the end of the reporting period. The table below shows the aging of trade and other accounts receivable past due and the related provision for credit loss. The provision was made based on the age of the accounts and the status of customer accounts.

	2012	2011	2010
Past due:			
30 days and less	**$ 2,277**	$ 6,573	$ 4,995
More than 30 days	**6,617**	1,475	3,353
	8,894	8,048	8,348
Not past due	**41,406**	42,824	38,270
	50,300	50,872	46,618
Provision for credit loss on past due accounts	**(706)**	(867)	(1,036)
	$ 49,594	$ 50,005	$ 45,582

The credit loss on trade and other accounts receivable is presented in "Administrative expenses."

The change in the provision for credit loss on past due accounts is as follows:

	2012	2011	2010
Balance at beginning	**$ 867**	$ 1,036	$ 1,012
Reversal of provision	**(309)**	13	122
Write-off of receivables	**(142)**	(97)	(108)
Impairment loss recognized	**290**	(85)	10
Balance at end	**$ 706**	$ 867	$ 1,036

Cash and cash equivalents

To reduce its exposure to credit risk, the SAQ invests its cash and cash equivalents in financial institutions that it considers to be solvent counterparties. The SAQ monitors and assesses possible changes in the status of its contracting parties and their solvency.

(tabular amounts are in thousands of Canadian dollars)

26. MANAGEMENT OF FINANCIAL INSTRUMENT RISK (cont.)

Liquidity risk

Liquidity risk is the risk of the SAQ having difficulty meeting its commitments to discharge financial liabilities. The SAQ is exposed to this risk mainly through its borrowings, accounts payable and accrued liabilities (except for employee benefits payable), the dividend payable and the finance lease obligation.

Managing liquidity risk consists of maintaining a sufficient amount of cash and cash equivalents and ensuring that the SAQ has financing sources in the form of sufficient authorized borrowing amounts. The SAQ prepares budget and cash forecasts to make sure it has the funds needed to meet its obligations.

The SAQ's exposure to liquidity risk is reduced by a significant amount of cash flow from operations, its level of cash and cash equivalents, its level of recoverable trade accounts receivable, preauthorized sources of financing and management of short-term variable-rate borrowings. The SAQ believes that it is able to honour financial liabilities in the short term.

The maturities of non-derivative financial liabilities are as follows:

	2012		2011		2010	
	Not later than 6 months	**Later than 6 months**	Not later than 6 months	Later than 6 months	Not later than 6 months	Later than 6 months
Borrowings	**$ 53,992**	**$ –**	$ 3,000	$ –	$ –	$ –
Accounts payable and accrued liabilities	**136,902**	**25,804**	148,308	12,459	134,709	8,544
Dividend payable	**258,746**	**–**	221,671	–	233,213	–
Finance lease obligation	**54**	**–**	1,711	54	1,533	1,765
	$ 449,694	**$ 25,804**	$ 374,690	$ 12,513	$ 369,455	$ 10,309

27. RELATED PARTY TRANSACTIONS

The SAQ is related to all Government of Quebec ministries and special funds as well as to all agencies and enterprises directly or indirectly controlled by the Government of Quebec or subject to either the joint control or significant joint influence of the Government of Quebec. The other parties related to the SAQ include its joint ventures and key management personnel.

Entities controlled by the Government of Quebec

Without gathering information that would have involved significant costs, the SAQ believes that it did not enter into any significant business transactions individually or collectively with these related parties. It is therefore availing itself of the exemption provided by IAS 24.25 regarding disclosure obligations pertaining to transactions and balances, including commitments, with parties related to a public authority that has control, joint control or significant influence over it. This information would provide no added value to the annual financial statements.

(tabular amounts are in thousands of Canadian dollars)

27. RELATED PARTY TRANSACTIONS (cont.)

Key management personnel

The SAQ's key management personnel are the members of its Board of Directors, the Chief Executive Officer and members of the Executive Committee, which is composed of vice-presidents.

The compensation expense for the key management personnel is as follows:

	2012	2011
Salaries and short-term benefits	$ 3,357	$ 3,257
Post-employment benefits	759	703
Termination benefits	–	528
	$ 4,116	$ 4,488

Joint ventures

Details on transactions and balances between the SAQ and its joint ventures are presented below:

	2012	2011
Transactions		
Product and service sales and other revenues	$ 503	$ 4,276
Product and service purchases, other expenses and advances	$ 2,668	$ 2,689
Contribution of capital	$ 2,500	$ 7,000
Distribution of capital	$ 750	$ –
Account balances		
Trade and other accounts receivable	$ 5,270	$ 2,738
Accounts payable and accrued liabilities	$ 7,249	$ –

28. FIRST-TIME ADOPTION OF IFRS

These annual financial statements are the SAQ's first financial statements prepared in accordance with IFRS.

The accounting policies described in Note 3 have been used to prepare these first IFRS financial statements for the year ended March 31, 2012, the comparative information for the year ended March 26, 2011, and the first statement of financial position at the transition date, i.e. March 28, 2010.

In preparing its first annual financial statements in accordance with IFRS, the SAQ applied IFRS 1 "*First-Time Adoption of International Financial Reporting Standards*." The impacts of the transition to IFRS on shareholder's equity and comprehensive income are presented and further explained in the tables accompanying this note. The SAQ also adopted the following optional exemptions for full retrospective application and the following mandatory exceptions:

Optional exemptions

i) The SAQ decided to use fair value as the deemed cost at the transition date for certain property, plant and equipment.

ii) The SAQ decided to account for all cumulative actuarial gains and losses for its defined benefit pension plan at the transition date. As of the transition date, the SAQ has been using the corridor method to account for actuarial gains and losses in profit or loss, which is the same method that was used before the changeover to IFRS. In addition, the SAQ has elected to adopt the exemption which consists of not disclosing the surplus or deficit of the defined benefit pension plan as well as the experience adjustments prior to the transition date.

Mandatory exceptions

i) The SAQ used estimates prepared under IFRS that are consistent with those prepared under Canadian GAAP (after adjustments to reflect any difference between the accounting methods), except where objective evidence showed that these estimates were incorrect.

ii) The financial assets and liabilities that were derecognized before March 28, 2010, under Canadian GAAP were not recognized under IFRS. The SAQ early-adopted the amendment to IFRS 1 relating to the application date of this exception.

(tabular amounts are in thousands of Canadian dollars)

28. FIRST-TIME ADOPTION OF IFRS (cont.)

Reconciliation of the statements of financial position as at March 28, 2010, and as at March 26, 2011

		March 28, 2010			March 26, 2011		
	Note	Canadian GAAP	Impacts of the transition to IFRS	IFRS	Canadian GAAP	Impacts of the transition to IFRS	IFRS
ASSETS							
Current							
Cash and cash equivalents	d)	$ 44,101	$ (332)	$ 43,769	$ 38,905	$ (8,281)	$ 30,624
Trade and other accounts receivable	d)	45,624	(42)	45,582	48,859	1,146	50,005
Inventories	d)	302,124	–	302,124	295,023	(487)	294,536
Deposits and prepaid expenses	d)	10,170	(9)	10,161	19,429	(10)	19,419
		402,019	(383)	401,636	402,216	(7,632)	394,584
Interests in equity-accounted joint ventures	d)	–	323	323	–	7,282	7,282
Investment property	a)	–	1,864	1,864	–	1,864	1,864
Property, plant and equipment	a) d)	202,475	11,121	213,596	214,138	9,512	223,650
Intangible assets	b)	23,276	(339)	22,937	24,612	(860)	23,752
		$627,770	$ 12,586	$640,356	$640,966	$ 10,166	$651,132
LIABILITIES							
Current							
Borrowings		$ –	$ –	$ –	$ 3,000	$ –	$ 3,000
Accounts payable and accrued liabilities	d)	326,523	(115,218)	211,305	349,589	(124,707)	224,882
Government taxes and duties payable		–	88,306	88,306	–	92,235	92,235
Provisions and contingent liabilities		–	26,852	26,852	–	32,068	32,068
Dividend payable		233,213	–	233,213	221,671	–	221,671
		559,736	(60)	559,676	574,260	(404)	573,856
Finance lease obligation		1,765	–	1,765	54	–	54
Cumulative sick leave credits liability	c)	17,733	7,163	24,896	17,247	9,436	26,683
Defined benefit pension plan liability	c)	3,728	1,254	4,982	4,597	1,054	5,651
		582,962	8,357	591,319	596,158	10,086	606,244
SHAREHOLDER'S EQUITY							
Share capital		30,000	–	30,000	30,000	–	30,000
Retained earnings		14,808	4,229	19,037	14,808	80	14,888
		44,808	4,229	49,037	44,808	80	44,888
		$627,770	$ 12,586	$640,356	$640,966	$ 10,166	$651,132

(tabular amounts are in thousands of Canadian dollars)

28. FIRST-TIME ADOPTION OF IFRS (cont.)

This table shows the impact on shareholder's equity of the transition:

	Note	March 28, 2010	March 26, 2011
Fair value as the deemed cost of certain property, plant and equipment	a)	$ 13,021	$ 12,729
Depreciation of property, plant and equipment	a)	(36)	(1,299)
Amortization of intangible assets	b)	(339)	(860)
Employee benefit plans	c)	(8,417)	(10,490)
		$ 4,229	$ 80

Reconciliation of the statement of comprehensive income for the year ended March 26, 2011

	Note	Canadian GAAP	Impacts of the transition to IFRS	Reclassifications by function	IFRS
SALES	d)	$ 2,660,250	$ (2,432)	$ –	$ 2,657,818
COST OF SALES	d)	1,242,926	(2,207)	–	1,240,719
GROSS MARGIN		1,417,324	(225)	–	1,417,099
Selling, marketing and distribution expenses		–	–	433,508	433,508
Administrative expenses		–	–	124,200	124,200
Advertising, promotional and miscellaneous revenues	d)	(56,056)	433	2,570	(53,053)
Selling, marketing, distribution, and administrative expenses	a) c) d) e)	530,664	83	(530,747)	–
Financial expenses	e)	297	1,584	(1,881)	–
Depreciation of property, plant and equipment	a)	22,611	1,263	(23,874)	–
Amortization of intangible assets	b)	5,137	520	(5,657)	–
OPERATING PROFIT		914,671	(4,108)	1,881	912,444
Financial expenses net of financial income		–	–	1,881	1,881
Share in the profit or loss of equity-accounted interests	d)	–	41	–	41
PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR		$ 914,671	$ (4,149)	$ –	$ 910,522

28. FIRST-TIME ADOPTION OF IFRS (cont.)

Presentation differences
Certain presentation differences between Canadian GAAP and IFRS have no impact on the profit or loss reported or on total shareholder's equity.

Certain assets, liabilities, revenues and expenses have been reclassified to other items in accordance with the IFRS in effect on the transition date. The investment property has been reclassified. Provisions and contingent liabilities as well as taxes and government duties payable have been deducted from accounts payable and other accrued liabilities. Under IFRS, the Company is presenting profit or loss by function.

Certain financial statement items are described differently in IFRS than they were in Canadian GAAP, even if the assets and liabilities under these items have not been affected.

The cash flow statement under IFRS presents no significant difference from the cash flow statement under Canadian GAAP.

Notes on the reconciliations

a) Property, plant and equipment

At the transition date, fair value as deemed cost was used for certain property, plant and equipment. The carrying amount of the property, plant and equipment therefore increased by $13.0 million as at March 28, 2010. This rise in carrying amount resulted in a $0.3 million increase in the depreciation expense and an equivalent decrease in the carrying amount of property, plant and equipment in 2011.

Under IFRS, land that meets the definition of an investment property has been classified as an investment property and accounted for at acquisition cost. Consequently, the carrying amount of the land considered to be an investment property resulted in a $1.9 million decrease in the value of property, plant and equipment.

Moreover, under IFRS, the date on which depreciation of property, plant and equipment begins differs from the date under Canadian GAAP. The depreciation calculations therefore began earlier in IFRS and the carrying amount of the property, plant and equipment decreased by $0.04 million at the transition date of March 28, 2010 ($1.0 million in 2011).

Certain property, plant and equipment having a higher carrying amount under IFRS compared to Canadian GAAP were sold in 2011. The carrying amount of property, plant and equipment therefore further decreased by $0.3 million. The impact on profit has been recorded in "Selling, marketing, distribution, and administrative expenses."

b) Intangible assets

Under IFRS, the date on which amortization of intangible assets begins differs from the date under Canadian GAAP. Accordingly, under IFRS, the carrying amount of intangible assets decreased by $0.3 million at the transition date, i.e. March 28, 2010 ($0.9 million in 2011). The change in amortization has been recognized as an amortization expense.

28. FIRST-TIME ADOPTION OF IFRS (cont.)

c) Cumulative sick leave credits liability and the defined benefit pension plan liability

Under Canadian GAAP, the SAQ had used the corridor method, which involves deferring part of the actuarial gains and losses from the cumulative sick leave plan. Under IFRS, in accordance with IAS 19 "*Employee Benefits*," actuarial gains and losses are to be expensed immediately. At the transition date of March 28, 2010, this change had the impact of increasing the cumulative sick leave credits liability by $7.2 million ($9.4 million in 2011). The $2.2 million impact was recorded in "Selling, marketing, distribution, and administrative expenses."

At the transition date, the SAQ chose to apply the exemption in IFRS 1 and to recognize all the actuarial gains and losses for senior management's pension plan not recognized previously in retained earnings. This had the effect of increasing the defined benefit pension plan liability by $1.3 million as at March 28, 2010. This recognition of actuarial gains and losses at the transition date resulted in a $0.2 million decrease in amortization of actuarial losses in 2011 under IFRS as compared to Canadian GAAP, which served to decrease the defined benefit pension plan liability by an equivalent amount. The $0.2 million consideration was recognized in "Selling, marketing, distribution, and administrative expenses."

d) Interests in joint ventures

Under Canadian GAAP, the SAQ had recognized its interests in joint ventures using the proportionate consolidation method. Under IAS 31, *Interests in Joint Ventures*, the Company elected to account for its interests in joint ventures using the equity method. Interests in joint ventures are now presented as a separate line item in the financial statements and shares in assets, liabilities, revenues, expenses and cash flows have been deducted from the respective items. The impact on shareholder's equity as at March 28, 2010, and on comprehensive income for the year ended March 26, 2011, was nil.

e) Employee benefit plans

The net interest related to the employee benefit plan assets and liabilities that had been included in "Selling, marketing, distribution, and administrative expenses" before the changeover to IFRS is now reported in "Financial expenses net of financial income" under IFRS.

29. SUBSEQUENT EVENTS

No material event that may or may not require adjustments occurred between the reporting date and the date the SAQ's annual financial statements were approved.

QUARTERLY RESULTS

Fiscal years ended March 31, 2012, and March 26, 2011
(unaudited figures)

	2012				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	53	13	16	12	12
FINANCIAL RESULTS					
(in millions of Canadian dollars)					
Sales	2,837.1	571.1	1,022.5	635.2	608.3
Gross margin	1,509.3	307.8	538.5	339.2	323.8
Net expenses[1]	509.6	126.4	155.9	111.4	115.9
Profit	999.7	181.4	382.6	227.8	207.9
Dividend paid	962.7	294.0	240.0	159.0	269.7
SALES BY NETWORK					
(in millions of Canadian dollars)					
Outlets and specialized centres	2,524.4	513.7	906.0	571.5	533.2
Wholesale grocers	312.7	57.4	116.5	63.7	75.1
Total	2,837.1	571.1	1,022.5	635.2	608.3
VOLUME SALES BY NETWORK					
(in millions of litres)					
Outlets and specialized centres	149.1	30.3	50.5	35.6	32.7
Wholesale grocers	39.8	7.6	14.6	8.0	9.6
Total	188.9	37.9	65.1	43.6	42.3
VOLUME SALES BY PRODUCT CATEGORY					
(in millions of litres)					
Wines	155.2	31.8	54.1	34.6	34.7
Spirits	21.8	4.4	8.0	5.0	4.4
Imported and microbrewery beers, ciders and coolers	11.9	1.7	3.0	4.0	3.2
Total	188.9	37.9	65.1	43.6	42.3

1. Net expenses consist of selling, marketing, distribution, and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income as well as the share in the profit or loss of equity-accounted interests.

Certain comparative figures have been reclassified to conform to the current year's presentation.

QUARTERLY RESULTS (cont.)
Fiscal years ended March 31, 2012, and March 26, 2011
(unaudited figures)

	2011				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
FINANCIAL RESULTS (in millions of Canadian dollars)					
Sales	2,657.8	510.8	965.7	598.8	582.5
Gross margin	1,417.1	273.1	511.0	322.9	310.1
Net expenses[1]	506.6	132.4	152.3	108.9	113.0
Profit	910.5	140.7	358.7	214.0	197.1
Dividend paid	926.2	278.0	224.0	147.0	277.2
SALES BY NETWORK (in millions of Canadian dollars)					
Outlets and specialized centres	2,362.5	455.8	855.9	538.3	512.5
Wholesale grocers	295.3	55.0	109.8	60.5	70.0
Total	2,657.8	510.8	965.7	598.8	582.5
VOLUME SALES BY NETWORK (in millions of litres)					
Outlets and specialized centres	142.8	27.4	49.0	34.3	32.1
Wholesale grocers	37.7	7.2	13.9	7.7	8.9
Total	180.5	34.6	62.9	42.0	41.0
VOLUME SALES BY PRODUCT CATEGORY (in millions of litres)					
Wines	148.3	29.1	52.4	33.5	33.3
Spirits	20.8	4.0	7.7	4.8	4.3
Imported and microbrewery beers, ciders and coolers	11.4	1.5	2.8	3.7	3.4
Total	180.5	34.6	62.9	42.0	41.0

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(unaudited figures)

	2012[1,2]	2011[1]	2010[1]
FINANCIAL RESULTS			
(in millions of Canadian dollars)			
Sales[4]	**2,837.1**	2,657.8	2,549.1
Gross margin[4]	**1,509.3**	1,417.1	1,350.9
Net expenses[4,5]	**509.6**	506.6	483.7
Profit	**999.7**	910.5	867.2
FINANCIAL POSITION			
(in millions of Canadian dollars)			
Total assets	**700.4**	651.1	627.8
Property, plant and equipment and intangible assets	**250.9**	247.4	225.8
Net working capital	**(186.7)**	(179.3)	(157.7)
Long-term liabilities	**29.4**	32.4	23.2
Shareholder's equity	**44.9**	44.9	44.8
CASH FLOWS			
(in millions of Canadian dollars)			
Cash flows related to operating activities	**947.3**	959.6	915.0
Acquisitions of property, plant and equipment and intangible assets	**35.3**	43.1	43.3
Dividend paid	**962.7**	926.2	817.0

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2012, direct shipping costs totalled $16.5 million compared with $15.8 million the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. Due to the adoption of a new presentation method in 2011, the Éduc'alcool and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared with $7.2 million the previous fiscal year.
5. Net expenses consist of selling, marketing, distribution, and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income as well as the share in the profit or loss of equity-accounted interests.

The financial information presented for fiscal years 2011 and 2012 is prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. Figures presented for the previous fiscal years were prepared in accordance with the Canadian GAAP that was in effect during these fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

TEN-YEAR HISTORICAL REVIEW (cont.)
Fiscal years ended the last Saturday in March
(unaudited figures)

2009[1]	2008	2007[2]	2006	2005[3]	2004	2003
2,424.5	2,300.3	2,180.0	2,019.4	1,810.6	1,836.8	1,725.1
1,282.6	1,245.5	1,187.0	1,120.0	1,000.8	1,022.1	939.5
475.9	484.6	479.0	463.1	455.0	451.3	399.1
806.7	760.9	708.0	656.9	545.8	570.8	540.4
590.3	592.5	573.0	658.8	682.8	742.6	651.6
209.6	214.4	240.2	272.4	295.4	313.7	297.4
(140.5)	(146.2)	(171.6)	(203.6)	(227.5)	(242.8)	(230.7)
24.3	25.1	24.4	46.4	47.5	52.2	53.4
44.8	43.1	44.2	35.6	35.6	34.9	34.1
834.6	816.5	769.0	679.5	727.5	523.3	580.5
26.6	21.1	19.0	24.9	32.2	57.4	110.7
802.0	742.0	674.0	598.0	558.0	606.0	509.0

	2012[1]	2011	2010
SALES BY NETWORK[3]			
(in millions of Canadian dollars and in millions of litres)			
Outlets and specialized centres	**2,524.4**	2,362.5	2,260.1
	149.1 L	142.8	137.4
Wholesale grocers	**312.7**	295.3	289.0
	39.8 L	37.7	36.6
Total	**2,837.1**	2,657.8	2,549.1
	188.9 L	180.5	174.0
SALES BY PRODUCT CATEGORY[3]			
(in millions of Canadian dollars and in millions of litres)			
Wines	**2,124.7**	1,987.0	1,905.5
	155.2 L	148.3	142.3
Spirits	**621.8**	581.8	552.9
	21.8 L	20.8	20.3
Imported and microbrewery beers, ciders and coolers	**90.6**	89.0	90.7
	11.9 L	11.4	11.4
Total	**2,837.1**	2,657.8	2,549.1
	188.9 L	180.5	174.0

1. 53-week fiscal year.
2. The fiscal year was disrupted by a labour dispute.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared with $7.2 million the previous fiscal year.

The financial information presented for fiscal years 2011 and 2012 is prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. Figures presented for the previous fiscal years were prepared in accordance with the Canadian GAAP that was in effect during these fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

TEN-YEAR HISTORICAL REVIEW (cont.)

Fiscal years ended the last Saturday in March
(unaudited figures)

2009	2008	2007[1]	2006	2005[2]	2004	2003
2,146.5	2,034.8	1,918.5	1,758.0	1,510.2	1,650.0	1,491.9
132.1	127.9	123.6	114.9	101.2	108.2	105.3
278.0	265.5	261.5	261.4	300.4	186.8	233.2
36.0	34.6	32.8	31.9	34.9	29.4	28.9
2,424.5	2,300.2	2,180.0	2,019.4	1,810.6	1,836.8	1,725.1
168.1	162.5	156.4	146.8	136.1	137.6	134.2
1,804.9	1,705.2	1,606.4	1,474.6	1,315.8	1,326.2	1,225.6
137.0	131.9	126.0	116.7	107.6	109.0	105.3
530.9	515.0	493.8	461.3	406.2	428.7	415.4
19.6	19.4	19.0	18.2	16.1	17.3	16.9
88.7	80.1	79.8	83.5	88.6	81.9	84.1
11.5	11.2	11.4	11.9	12.4	11.3	12.0
2,424.5	2,300.3	2,180.0	2,019.4	1,810.6	1,836.8	1,725.1
168.1	162.5	156.4	146.8	136.1	137.6	134.2

	2012[1,2]	2011[1]	2010[1]
NET EXPENSES[4,5]			
(in millions of Canadian dollars)			
Employee compensation	**344.3**	341.9	332.5
Building occupancy expenses[6]	**89.0**	83.4	79.6
Equipment use and supply expenses[6]	**39.6**	41.1	37.1
Freight out and communications	**8.3**	8.8	8.3
Other expenses	**28.4**	31.4	26.2
Total	**509.6**	506.6	483.7
OPERATING RATIOS			
(as a percentage of sales)			
Gross margin[4]	**53.2%**	53.3%	53.0%
Profit	**35.2%**	34.3%	34.0%
Net expenses[4,5]	**18.0%**	19.0%	19.0%
OTHER INFORMATION			
(at fiscal year-end)			
Number of employees[7]	**5,489**	5,369	5,265
Number of outlets	**408**	414	416
Number of agencies	**398**	396	395
Number of products offered for sale	**10,088**	9,580	8,833
SURFACE AREA OF BUSINESS PREMISES			
(in thousands of square feet)			
Outlets	**1,880.6**	1,827.2	1,822.1
Distribution centres	**1,461.7**	1,458.7	1,349.7

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to the cost of sales. In 2012, direct shipping costs totalled $16.5 million compared with $15.8 million the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. Due to the adoption of a new presentation method in 2011, the Éduc'alcool and Environmental fund deductions are included in net expenses. In 2012, these deductions stood at $13.8 million compared with $7.2 million the previous fiscal year.
5. Net expenses consist of selling, marketing, distribution, and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income as well as the share in the profit or loss of equity-accounted interests.
6. Including amortization expense.
7. The number of employees is expressed on a full-time equivalence basis.

The financial information presented for fiscal years 2011 and 2012 is prepared in accordance with International Financial Reporting Standards (IFRS). The impacts of the transition to IFRS on the 2011 statement of comprehensive income are presented in Note 28 to the financial statements. Figures presented for the previous fiscal years were established in accordance with the Canadian GAAP that was in effect during these fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

TEN-YEAR HISTORICAL REVIEW (cont.)

Fiscal years ended the last Saturday in March
(unaudited figures)

2009[1]	2008	2007[2]	2006	2005[3]	2004	2003
319.2	316.9	308.4	280.0	254.3	275.8	252.3
76.9	73.6	72.5	71.2	66.6	64.7	57.4
43.9	59.8	57.8	57.9	60.8	54.2	42.9
8.8	11.4	12.2	13.3	12.3	12.6	12.2
27.1	22.9	28.1	40.7	61.0	44.0	34.3
475.9	484.6	479.0	463.1	455.0	451.3	399.1
52.9%	54.1%	54.4%	55.5%	55.3%	55.6%	54.5%
33.3%	33.1%	32.5%	32.5%	30.1%	31.1%	31.3%
19.6%	21.0%	21.9%	23.0%	25.2%	24.5%	23.2%
5,260	5,337	5,264	5,235	4,494	4,803	4,511
414	414	414	408	403	398	398
398	397	395	400	403	403	401
8,611	8,231	7,532	7,243	7,633	7,148	6,755
1,759.0	1,703.8	1,687.1	1,660.9	1,633.1	1,595.7	1,542.9
1,215.4	1,215.4	1,166.9	1,166.9	1,152.6	1,127.6	983.0


GOVERNANCE

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Société des alcools du Québec ensures that the company's business is administered in compliance with the laws and regulations that govern it. The Board is composed of the company's Chief Executive Officer and 11 independent members. During the 2011–2012 fiscal year, the Quebec government renewed the terms of five members and appointed two new members. Thus, since November 30, 2011, the company's Board of Directors has had a equal number of female and male members.

The members of the Board of Directors have diverse professional backgrounds and make their knowledge and skills available to the four Board committees, namely the Governance and Ethics Committee, Audit Committee, Business Practices Committee and Human Resources Committee.

Chaired by Norman Hébert Jr., the Board of Directors held 12 meetings during the 2011–2012 fiscal year, including a private session at the end of each meeting. After each Board committee meeting, the Board received an oral report and the minutes of meeting summarizing the issues discussed at the meeting, thereby ensuring that the Board fulfilled all its regular duties related to the conduct of the company's business, as stipulated in the *Act respecting the governance of state-owned enterprises*.

In particular, the Board examined and approved the directors' expertise and experience profile and carried out the annual evaluation of its functioning and achievements.

At its meetings, the Board, on the recommendation of its Audit Committee, reviewed and approved the company's budget, audit plan and external auditors' fees. It performed follow-up on the intermediary financial reports and approved the financial statements for the fiscal year ended March 31, 2012, and the annual report.

In addition, the Board monitored the initiatives of the 2008–2011 Sustainable Development Action Plan and, on the recommendation of the Governance and Ethics Committee, approved the 2013–2015 Sustainable Development Action Plan and the Responsible Procurement Policy.

In compliance with the *Act respecting the governance of state-owned enterprises*, the Board of Directors performed follow-up on the 2010–2012 Strategic Plan and took part in the process reflecting on, among other things, the strategic issues and organizational challenges that the company will face in the coming years. At the end of the process, the Board approved the 2013–2015 Strategic Plan and recommended its adoption to the government.

Also, as stipulated in the *Act to implement certain provisions of the Budget Speech of 30 March 2010, reduce the debt and return to a balanced budget in 2013-2014*, the Board adopted guidelines and measures for reducing expenses and increasing the company's productivity.

Specifically, the SAQ was required to realize a $25 million effort in fiscal 2011–2012. The adopted measures enabled the objective to be reached, due to nearly $17 million in productivity gains in the Sales and Logistics and Distribution divisions and $6 million in reductions in various expenditures. In conformance with the act, the company revised downward the target bonus based on the basic salary of senior executives by ten percentage points and the target bonuses of managerial staff by 30%. This reduction corresponds to a $2 million decrease in the performance-based additional compensation of senior executives and managers. In addition, the salary scale increase for executive and managerial staff was limited to 0.75%.

As regards operating expenses of an administrative nature, the company launched several initiatives that will enable it to reach the 10% reduction target by the end of fiscal 2013–2014 while taking into account its special characteristics. Advertising, training and travel expenses not incurred as part of the company's business mission were reduced in accordance with the established targets. As a result, a 25.6% savings was achieved.

Lastly, the Board of Directors evaluated the performance of the Chief Executive Officer and, based on the established parameters, approved his compensation as well as that of the vice-presidents. In addition, on the recommendation of the Human Resources Committee, the Board adopted the compensation parameters applicable to the company's management and non-unionized personnel and reviewed the existing human resources policies and adopted new ones.

BOARD COMMITTEES

Governance and Ethics Committee

The main focus of the Governance and Ethics Committee is the company's governance rules and practices. It develops and submits for approval to the Board of Directors a code of ethics applicable to the company's directors, officers and employees as well as the expertise and experience profiles used in nominating all Board members except the Chief Executive Officer.

The Governance and Ethics Committee has six independent members, including the chair, Louise Ménard. In fiscal 2011–2012, the committee met on five occasions and held a private session at the end of each of its meetings. The committee performed all the functions specified in section 22 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors that it:

- adopt the Responsible Procurement Policy;
- adopt the 2013–2015 Sustainable Development Action Plan;
- adopt the Policy Regarding the Governance and Management of Informational Resources;
- renew the Ombudsman's mandate; and
- review the composition of the committees.

In addition, the Governance and Ethics Committee:

- approved the 2011–2012 continuous training program for directors and organized the holding of four workshops;
- monitored the results of the sales ethic program;
- monitored the initiatives of the 2010–2012 Strategic Plan and the 2008–2011 Sustainable Development Action Plan; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

Also, the committee established and proposed to the directors criteria for the annual evaluation of the Chairman of the Board and of the functioning of the Board and its committees. The directors subsequently filled out a questionnaire on the composition and role of the Board and its committees and on the functioning and effectiveness of their meetings. The members of the Governance and Ethics Committee then analyzed the results of the evaluation of the Board and its committees and submitted them to the Board of Directors, which took cognizance of them.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Audit Committee

The Audit Committee is primarily concerned with the integrity of the company's financial information and ensures that the company's internal control mechanisms are adequate and effective. The committee is composed of five independent directors, one of whom is a member of the Ordre des comptables généraux acrédités and another of whom is a member of the Ordre des comptables agréés. The Audit Committee is chaired by Douglas M. Deruchie.

During the 2011–2012 fiscal year, the Audit Committee met five times and held a private session at the end of each of its meetings. It performed all the functions specified in section 24 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors that it:

- approve the company's financial statements, which the committee had examined with the joint auditors and determined that they accurately reflected the company's financial situation;
- approve the audit schedule and audit plan for the fiscal year ended March 31, 2012;
- approve the Internal Audit Department's 2011–2012 three-year plan; and
- approve the financial review of the annual report.

In addition, the Audit Committee:

- approved the company's intermediary financial reports and took note of the reports submitted by the Financial Information Disclosure Committee;
- monitored the initiatives to optimize the company's resources and the savings achieved;
- took cognizance of the audits performed by the Internal Audit Department and monitored its annual plan;
- monitored the internal control certification programs;
- monitored the work of the company's Risk Management Committee; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

Also, the committee periodically met in private with representatives of the Quebec Auditor General and the external auditors and verified the independence of the latter, whose fees for services rendered as at March 31, 2012, totalled $270,000.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Business Practices Committee

The terms of reference of the Business Practices Committee are to examine the company's current policies and business practices regarding the procurement and merchandising (including marketing and promotions) of its products. In addition, it ensures compliance with the Policy Regarding Contracts and Financial Commitments, including the development of the company's network or outlets and agencies. Lastly, it examines issues related to external communications and social responsibility.

The Business Practices Committee is composed of seven independent members, one of whom is its chair, Pietro Perrino, and another of whom is the Chief Executive Officer, Philippe Duval. In fiscal 2011–2012, the committee met eight times and held a private session at the end of each of its meetings. Among other things, the committee recommended to the Board of Directors that it:

- adopt the Outlet and Agency Network Development Program; and
- adopt several policies and review others, including the Purchasing and Merchandising Policy, the Donation and Sponsorship Policy and the Private Order Policy.

After each of its meetings, the committee reported on its activities to the Board of Directors.

Human Resources Committee

The main terms of reference of the Human Resource Committee are to examine, recommend to the Board of Directors and monitor policies relating to human resources management. It also develops the expertise and experience profile for the position of Chief Executive Officer and is responsible for succession planning for the company's officers.

The Human Resources Committee is composed of six independent members, including its chair, Lucie Martel. During the 2011–2012 fiscal year, the committee met six times and held a private session at the end of each of its meetings. It performed all the functions specified in section 27 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors to:

- authorize the pay increases and bonuses for the company's officers and employees;
- adopt changes to several of the company's policies for which it is responsible, including the 2011–2012 Compensation Policy for Management and Non-Unionized Employees and the Occupational Health and Safety Policy; and
- review the expertise and experience profile of the Chief Executive Officer.

In addition, the Human Resources Committee:

- monitored the Succession Management Program for the company's officers;
- evaluated the performance of the Chief Executive Officer;
- reviewed the performance management evaluation for officers;
- performed close follow-up on the recommendations resulting from the resource optimization mandate related to occupational health and safety management; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Directors' Attendance at Meetings of the Board and Board Committees

2011–2012 fiscal year

Directors	BoD	BPC	GEC	AC	HRC
Number of meetings	12	8	5	5	6
Norman Hébert Jr.*	12/12	6/8	4/5	3/5	4/6
Philippe Duval	10/12	6/8	N/A	N/A	N/A
Céline Blanchet	12/12	7/8	N/A	N/A	5/6
Johanne Brunet	12/12	7/8	N/A	4/5	N/A
Liliane Colpron	7/12	6/8	4/5	N/A	N/A
Douglas M. Deruchie	11/12	8/8	N/A	5/5	N/A
Nicole Diamond-Gélinas[1]	3/5	N/A	1/1	1/1	N/A
Lucie Martel	10/12	N/A	4/5	N/A	6/6
Louise Ménard	11/12	N/A	5/5	N/A	6/6
Robert Morier[2]	6/7	N/A	N/A	3/4	4/4
Pietro Perrino	12/12	8/8	N/A	5/5	N/A
Jacques Tanguay[3]	4/5	1/1	N/A	N/A	2/2
Jean-Marie Toulouse	10/12	N/A	5/5	N/A	5/6

*Ex officio member of all Board committees.
1. Appointed on November 30, 2011.
2. Term ended on November 30, 2011.
3. Appointed on November 30, 2011.

BoD – Four unscheduled meetings
BPC – One unscheduled meeting
HRC – One unscheduled meeting

Directors' Compensation

2011–2012 fiscal year
(in Canadian dollars)

Norman Hébert Jr.[1,2,3,4,5]	36,075
Céline Blanchet[1,2,5]	19,574
Johanne Brunet[1,2,4]	18,503
Liliane Colpron[1,2,3]	17,429
Douglas M. Deruchie[1,2,4]	22,793
Nicole Diamond-Gélinas[1,3,4]	4,209
Lucie Martel[1,3,5]	21,452
Louise Ménard[1,3,5]	22,258
Robert Morier[1,4,5]	12,410
Pietro Perrino[1,2,4]	23,331
Jacques Tanguay[1,2,5]	6,358
Jean-Marie Toulouse[1,3,5]	18,233
Total	222,625

1. Board of Directors
2. Business Practices Committee
3. Governance and Ethics Committee
4. Audit Committee
5. Human Resources Committee

Note: Compensation payable to the directors under Order-in-Council 610-2006 enacted on June 28, 2006, and increased by 0.75% on April 1, 2011.

Compensation Paid to the Five Most Highly Compensated Officers

2011–2012 fiscal year
(in Canadian dollars)

Name	Title	Base salary as at March 27, 2011	Annual bonus program	Other forms of compensation*
Philippe Duval	Chief Executive Officer	329,074	16,454	6,399
Alain Brunet	Vice-President and Chief Operating Officer	261,325	47,039	12,665
Richard Genest	Vice-President and Chief Financial Officer	235,173	42,331	9,172
Luc Vachon	Vice-President, Logistics and Distribution	226,676	40,802	12,541
Daniel Simard	Vice-President, Procurement and Merchandising	212,180	38,192	11,646

* Taxable benefits based on the 2011 calendar year and related to the purchase of alcoholic beverages, use of a car, membership in a professional order and group insurance.

THE OMBUDSMAN, IN ALL FAIRNESS

The position of Ombudsman – Business Relations and Employees has been entrusted to Gilles Pharand. The Ombudsman's role is to field complaints from business partners and employees who believe they have not received a satisfactory response from the SAQ. The Ombudsman analyzes and responds to these complaints in a fair manner.

Reporting directly to the Board of Directors, the Ombudsman is not answerable to the SAQ's administrative hierarchy nor is he an employee of it, ensuring that he enjoys complete independence from management. He is neither a defender of the SAQ nor an advocate for the complainant; he is a neutral and accessible intermediary and is required to be impartial.

The Ombudsman has the power to make recommendations to the Board of Directors and twice a year submits a report on his activities to the Governance and Ethics Committee. In addition to being a member of the Forum of Canadian Ombudsman, the SAQ's Ombudsman subscribes to the code of ethics of the International Ombudsman Association (IOA), of which he is a member.

MEMBERS OF THE BOARD OF DIRECTORS

Norman Hébert jr.

Chairman of the Board of Directors
- Appointed on November 15, 2006, for a two-year term (Order-in-Council 1043-2006)
- Renewal on January 28, 2009, for a five-year term (Order-in-Council 47-2009)
- Independent member (Order-in-Council 1219-2011)

President and Chief Executive Officer
- Groupe Park Avenue inc.

Norman Hébert Jr. holds a law degree from the University of Ottawa and a bachelor's degree in commerce from Concordia University. He has been President and Chief Executive Officer of Groupe Park Avenue inc. since 1991. Mr. Hébert was co-chair of the 2010 Centraide of Greater Montreal campaign. He is also a past president of the Montreal Automobile Dealers Corporation and of the Quebec division of the Young Presidents' Organization. In addition, he will begin a term as chair of Concordia University's Board of Governors in July 2012.

Philippe Duval

Director
- Appointed on June 18, 2008, for a three-year term (Order-in-Council 615-2008)
- Renewal on February 16, 2011, for a three-year term (Order-in-Council 106-2011)

Chief Executive Officer
- SAQ

Possessing a degree in industrial relations from the Université de Montréal, Philippe Duval has acquired extensive experience in human resources, sales and management. He has held various positions in companies such as Société de développement de la Baie-James, Delisle Canada, Aéroports de Montréal, Uniboard Canada and Molson Canada. He holds a university certificate in corporate governance from the Collège des administrateurs of Université Laval, qualifying him for the title Administrateur de sociétés certifié. He joined the SAQ in 2003 as Vice-President, Human Resources, and was appointed Vice-President, Sales Network Operation and Development, in February 2006. He has been the SAQ's Chief Executive Officer since June 2008.

Céline Blanchet

Director
- Appointed on October 7, 2009, for a two-year term (Order-in-Council 1075-2009)
- Renewal on November 30, 2011, for a three-year term (Order in Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Vice-President, Corporate Affairs
- DeSerres inc.

The holder of a bachelor's in economics and a law degree from Université Laval, Céline Blanchet has been a member of the Barreau du Québec since 1985. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratrice de sociétés certifiée. She works in the retail sector as Vice-President, Corporate Affairs, at DeSerres Inc. She was formerly Senior Manager, Public Affairs, at Laurentian Bank of Canada, before which she held various professional positions at Hydro-Québec and with the Quebec government. She currently chairs the board of directors of Association d'entraide Le Chaînon inc. and sits on the boards of directors of IQ FIER inc., the Canadian Bar Association – Quebec Branch and the Canadian Committee of the House of Canadian Students in Paris.

Johanne Brunet

Director
- Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order in Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Associate Professor
- Department of Marketing, HEC Montréal

A member of the Ordre des comptables généraux agréés, Johanne Brunet has a doctorate in industrial and business studies from the University of Warwick (United Kingdom) and an MBA in marketing and international management from HEC Montréal. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratice de sociétés certifiée. In 1999, Ms. Brunet received the Action femmes d'affaires award from the Board of Trade of Metropolitan Montreal. She worked as head of external production and acquisitions at Société Radio-Canada before becoming Senior Vice-President at TV5-Amériques. She also holds a seat on the boards of Vivavision Inc., Théâtre du Rideau Vert and the Société d'habitation et de développement de Montréal (SHDM) as well as others in the United Kingdom.

Liliane Colpron

Director
- Appointed on January 19, 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

President and Founder
- Boulangerie Première Moisson

A visionary and woman of action, Liliane Colpron founded Boulangeries Mansion in 1980. In 1992, she took on a new challenge when she created Boulangerie Première Moisson, the company to which she has since devoted herself. As President, she manages the company with her children. In constant growth since its founding, the company employs more than 1,200 persons across Quebec.

Douglas M. Deruchie

Chair of the Audit Committee

Director
- Appointed on January 19, 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

Chartered Accountant

The holder of a bachelor of commerce degree from Carlton University and a chartered accountant diploma from the Canadian Institute of Chartered Accountants, Douglas M. Deruchie began his career in 1968 in the Taxation Department of KPMG in Toronto. In 1971, he was transferred to KPMG in Montreal, made a partner in 1973 and a senior partner in 1980. He later joined Rietmans Canada Ltd. as Director of Finance.

Nicole Diamond-Gélinas

Director
- Appointed on November 30, 2011, for a four-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President
- Aspasie inc.

Holding a bachelor's in education and an administration degree from Université Laval, Nicole Diamond-Gélinas has been president of Aspasie Inc., a family-owned manufacturer of colour merchandising solutions, since 1976. She is also President of Plastifil Inc., a family-owned manufacturer specializing in plastic extrusion and injection, pre-printing and printing, and President of Trois-Rivières Ford Lincoln Inc. In addition, she has a sound knowledge of management, securities, information technology, international business dealings and group leadership and dynamics. A member of the Ordre des administrateurs agréés since October 2011, she is in the process of obtaining a university certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval.

Lucie Martel

Chair of the Human Resources Committee

Director
- Appointed on January 19 , 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

Senior Vice President and Chief Human Resources Officer
- Intact Financial Corporation

With a degree in industrial relations from the Université de Montréal, Lucie Martel has been Senior Vice President and Chief Human Resources officer of Intact Financial Corporation since 2011. In her current position, she is responsible for developing human resources strategies, policies and programs. Prior to that, she was Senior Vice President, Human Resources, at AXA Canada. She has more than 30 years' experience in strategic management of human resources and labour relations at companies including Laurentian Bank, where she was Vice-President, Human Resources Management and Development, Direct Film and Uniroyal.

Louise Ménard

Chair of the Governance and Ethics Committee

Director
- Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President
- Groupe Méfor inc.

Holding a law degree from the Université de Montréal, Louise Ménard has also obtained a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratrice de sociétés certifiée. She is currently a member of the board of directors, chair of the corporate governance committee and a member of the human resources committee of ProMetric Life Sciences Inc. Ms. Ménard was previously Vice-President, Corporate and Legal Affairs and Secretary at Sodarcan Inc. She was a member of the board of directors of Assuris Inc.; secretary of the board of directors of the Montreal Heart Institute Foundation as well as a member of the foundation's executive and human resources committee; chair of the advisory board of Nomad Logic Inc.; and chair of the board of directors of Alena Capital Inc.

Pietro Perrino

Chair of the Business Practices Committee

Director
- Appointed on November 3, 2004, for a two-year term (Order-in-Council 1021-2004)
- Renewal on August 7, 2007, for a three-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President
- Pergui Groupe Conseil inc.

Pietro Perrino holds a master's degree in business administration from the Université du Québec à Montréal. He also has a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying him for the title Administrateur de sociétés certifié. In March 1999, he founded Pergui Groupe Conseil inc., where he advises corporate executives on their strategic positioning and business development strategies. Mr. Perrino also chairs the board of directors of ZoomMed.

Jacques Tanguay

Director

- Appointed on November 30, 2011, for a four-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Vice-President and General Manager

- Ameublements Tanguay inc.

Jacques Tanguay received a bachelor's in business administration from the Université de Moncton. He then completed a auditing internship at Caron, Bélanger, Dallaire, Gagnon et associés before joining the family firm, Ameublements Tanguay, as Vice President and General Manager. Mr. Tanguay is also co-owner and chairman of the board of Challenge Bell, co-owner and chairman of the board of the Remparts de Québec and founder, chairman of the board and president of Université Laval's Club de football Rouge et Or. In addition, he is a shareholder and director of Groupe Voyages Laurier du Vallon inc. and shareholder and President of Groupe commercial AMT inc. and its subsidiaries.

Jean-Marie Toulouse

Director

- Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Emeritus professor

- HEC Montréal

Jean-Marie Toulouse, PhD (social psychology, Université de Montréal), Postdoctoral Fellow (business administration, UCLA), is an emeritus professor at HEC Montréal, where he taught business strategy and entrepreneurship and held various administrative positions, including that of Director for nearly 12 years. He has published several books and many articles in the leading journals in his field and in top trade publications. During his career, he has held a seat on several boards of directors. He is an officer of the Ordre national du Québec and a member of the Royal Society of Canada.

CODE OF ETHICS FOR EMPLOYEES

In December 2006, the Quebec government passed Bill 53, the *Act respecting the governance of state-owned enterprises*. To comply with the act and adopt the best practices in the field, the SAQ has adopted a code of ethics for its employees. Developed with input from all the company's divisions and in effect since December 1, 2008, the code is a useful reference tool that allows employees to act in accordance with the sound business practices promoted by the SAQ. Inspired by the company's values—enthusiasm, respect, responsibility, integrity, cooperation and balance—this tool provides clear guidelines for all SAQ employees. As a government-owned business corporation, the SAQ is eager to maintain the trust of its business partners and customers. Accordingly, it attaches great importance to the ethics of its employees. The Code of Ethics for SAQ Employees is thus a tool integrated into a dynamic process in which the Ethics Advisory Committee plays a leading role.

PERSONNEL

(by gender and by division)
(as at March 31, 2012)

Division	Women	Men	Total
Chief Executive Officer	8	8	16
Finance	104	41	145
Human Resources	82	19	101
Information Technology	71	191	262
Logistics and Distribution	113	726	839
Operations	4	5	9
Procurement and Merchandising	91	45	136
Public Affairs and Communications	30	4	34
Real Estate and Engineering	76	220	296
Sales Network Operations	3,011	2,634	5,645
Secretary General and Legal	17	8	25
Total	3,607	3,901	7,508

POLICY ON THE USE AND QUALITY OF THE FRENCH LANGUAGE

In March 2011, the Quebec government approved a new *Politique linguistique gouvernementale relative à l'emploi et à la qualité de la langue française dans l'administration* (policy on the use and quality of French within the government).

In conformance with section 26 of the policy, the Chief Executive Officer created a standing committee, which reports to him. The committee is composed of a designated representative and seven members, whose terms of reference are to ensure that the company's language policy is implemented.

During the 2011–2012 fiscal year, the standing committee held two meetings and began reviewing the institutional language policy that the Société des alcools du Québec adopted on February 8, 1999, and that takes its mission into account.

In addition, the designated representative continued working with the Office québécois de la langue française to ensure compliance with the policy.

ACCESS TO INFORMATION AND THE PROTECTION OF PERSONAL INFORMATION

2011–2012 report

As required by the *Regulation respecting the distribution of information and the protection of personal information* (R.R.Q., c. A-2.1, r. 2), the SAQ publishes a yearly report on the activities performed with respect to access to information and the protection of personal information.

Report on access requests received by the SAQ

(from April 1, 2011, to March 31, 2012)

In fiscal 2011–2012, the SAQ received 119 requests, specifically 92 requests for access to documents and 27 requests for access to personal information. The following table presents a detailed breakdown of how the requests received by the SAQ were handled:

Requests accepted in full	52
Requests partly accepted	35
Requests refused	25
Documents not held by the SAQ	4
Abandoned requests	3
Requests for review before the Commission d'accès à l'information (CAI)	5
Requests for review	1

Reasons for refusal*

The specified reasons for refusal related to sections 21 to 24 (financial and commercial information) of the *Act respecting access to documents held by public bodies and the protection of personal information* (R.S.Q., c. A-2.1) in 65% of the cases, to sections 53 to 59 (necessity of protecting the confidential nature of personal information) in 8% of the cases, to sections 30 to 40 (information affecting administrative or political decisions) in 11.5% of the cases, to sections 28 to 29.1 (information affecting security) in 4% of the cases and to section 137.1 (request for authorization to ignore an application that is obviously improper) in 11.5% of the cases.

Average request processing time

The SAQ's average response time is 18 days. No request was subject to reasonable accommodation measures.

Progress report on activities relating to access to information and the protection of personal information

The Committee on Access to Information met five times during the period covered by this progress report.

Intranet pages were created to better inform staff members of the SAQ's legal obligations with respect to access to information and the protection of personal information. In particular, the pages include internal guidelines, quick reference tools and information of a general nature.

Lastly, the SAQ's Management Committee adopted a directive regarding the protection of personal information obtained in surveys and a directive regarding breaches of personal information.

* More than one reason for refusal may be cited when handling a request.

CODE OF ETHICS AND PROFESSIONAL CONDUCT FOR THE DIRECTORS OF THE SOCIÉTÉ DES ALCOOLS DU QUÉBEC

Preamble

Whereas the members of the Board of Directors are required to adopt a Code of Ethics and Professional Conduct in compliance with the principles and rules enacted by the *Regulation respecting the ethics and professional conduct of public office holders* (hereinafter called the "Regulation") appended to the *Act respecting the Ministère du Conseil exécutif* (R.S.Q., c. M-30, s. 3.01 and 3.02; 1997, c. 6, s. 1);

Whereas the Act and *the Regulation respecting the ethics and professional conduct of public office holders* prescribe principles of ethics and rules of professional conduct applicable to directors, which are partly reproduced for information purposes in Schedule 1 of this Code;

Whereas the adoption of a Code of Ethics and Professional Conduct is intended to preserve and reinforce the citizens' bond of trust in the integrity and impartiality of the Société's Board of Directors, encourage transparency and make directors and public office holders aware of their responsibilities;

Whereas members of the Board of Directors wish to provide the corporation with its own Code of Ethics and Professional Conduct;

In consideration of the foregoing, members of the Board of Directors shall adopt the following Code of Ethics and Professional Conduct:

SECTION 1

Interpretation

1. In this Code, unless otherwise indicated by the context:

   a) "**director**" means a member of the Société's Board of Directors, whether full-time or not;
   b) "**association**" means an association or group of persons with a direct or indirect interest in the alcoholic beverages trade or the organization of such trade;
   c) "**relevant authority**" means the assistant secretary general responsible for top positions at the Ministère du Conseil exécutif;
   d) "**spouse**" means spouses and persons living as husband and wife for more than one year;
   e) "**Board**" means the Société's Board of Directors;
   f) "**contract**" includes a proposed contract;
   g) "**corporation**" means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
   h) "**immediate family**" means the spouse and dependent children;
   i) "**Act**" means the *Act respecting the Société des alcools du Québec*, R.S.Q., c. S-13, as amended and modified from time to time; and
   j) "**Société**" means the Société des alcools du Québec.

2. In this Code, a prohibited action includes any attempt and/or encouragement to perform such action.

SECTION 2

General Provisions

3. The purpose of this Code is to establish the Société's ethical principles and rules of professional conduct.

   The ethical principles take into account the Société's mission, the values underlying its action and its general management principles.

   The rules of professional conduct apply to the directors' duties and obligations; they clarify and illustrate them in an indicative manner.

4. In the performance of his duties, a director is required to comply with the ethical principles and rules of professional conduct prescribed by law and by the *Regulation respecting the ethics and professional conduct of public office holders*, as well as the principles and rules set forth in this Code of Ethics and Professional Conduct. In case of discrepancy, the more stringent provisions shall apply.

5. Within 30 days of the adoption of this Code by the Board of Directors, every director shall complete and sign the attestation reproduced in Schedule 2 hereof. Once completed, the attestation shall be remitted to the Chairman of the Board of Directors, who shall entrust it to the Société's secretary for safekeeping.

   Every new director shall do likewise within 30 days of being appointed.

6. Directors undertake to cooperate with the Chairman of the Board of Directors and comply with the opinions that the Chairman may be called upon to give verbally or in writing.

SECTION 3

Principles of Ethics

7. For the duration of his term in office, a director shall act with caution, diligence, honesty and loyalty in the Société's interest.

   A director shall discharge his duties effectively and assiduously, and in accordance with the law and principles of fairness.

   In performing his duties, a director shall give his colleagues and the Société the benefit of the knowledge and skills he has acquired in the course of his career.

8. A director may not discharge his duties in his own interest or that of a third party.

9. A director shall make decisions so as to ensure and maintain the bond of trust between the Société, its customers, suppliers and partners, as well as the government.

10. A director shall assure and maintain the confidentiality of the information obtained in the course of his duties; he shall ensure that any confidential document that is no longer required to carry out his duties is destroyed; he shall show discretion in his conversations so as not to favour one party over another in business relations they have or could have with the Société.

11. The decisions of the Board of Directors are public, unless otherwise decided by the Board for serious reasons; however, the directors' discussions, viewpoints and votes are confidential.

SECTION 4.

Rules of Professional Conduct

12. A director shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office or in any situation likely to cast reasonable doubt on his ability to discharge his duties with loyalty.

13. A full-time director, including the President and Chief Executive Officer, may not, on penalty of dismissal, have a direct or indirect interest in an organization, corporation or association entailing a conflict between his personal interest and that of the Société. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided he renounces it or disposes of it promptly.

    Any other director who has or whose employer has a direct or indirect interest in an organization, corporation, contract or association shall disclose this interest in writing to the Chairman of the Board of Directors and, where applicable, shall abstain from taking part in any discussion or decision pertaining to the organization, corporation, contract or association in which he has said interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

    He shall also reveal, as he becomes aware of them, any rights that he may assert against the Société, and shall indicate, where applicable, their nature and value.

14. A director is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

    Any document identified as confidential by the Board of Directors or the secretary general shall be treated as such and shall not be transmitted or passed on or its content disclosed to anyone by a director without specific authorization from the Board.

15. A director may not accept any gift, hospitality or other advantage except what is customary and is of modest value. Any gift, hospitality or advantage that does not meet these criteria shall be returned to the donor or remitted to the Société.

16. A director may not, directly or indirectly, grant, seek or accept a favour or undue advantage for himself or for a third party.

17. A director may not accept nor seek an advantage from a person or corporation doing business with the Société or acting on behalf or for the benefit of such a person or corporation, if such advantage is intended or likely to influence him in the performance of his duties or to generate such expectations. A director shall not make any commitments to third parties nor offer them any guarantee about a vote he may be called upon to take or influence that he may be able to exert on any decision whatsoever that the Board of Directors may be called upon to make.

SECTION 5
Disclosure and Abstention

18. The disclosure required under article 13 is made at the first meeting:
    a) where the contract or matter in question is discussed; or
    b) after the director who had no interest in the contract or matter in question acquires one; or
    c) after the director acquires an interest in a contract already entered into; or
    d) after the director acquires an interest in a contract or a matter under examination.
19. A director shall make the disclosure required under article 13 as soon as he becomes aware of a contract described in this article and which, in the normal course of business of the Société, does not require the approval of the directors.
20. Articles 12, 13, 15, 16, 17, 18, 19 and 21 shall also apply when the interest in question is held by a member of the director's immediate family.
21. A director shall remit to the Chairman, within 30 days of his appointment and on March 31 of every year he remains in office, a statement in the form prescribed by Schedule 3 containing the following information:
    a) the name of any corporation in which he holds, directly or indirectly, securities or equity, including common shares, specifying their nature and number, the percentage of securities held and the value of the equity;
    b) the name of any corporation for which he performs duties and in which he holds a direct or indirect interest in the form of a claim, share right, priority, mortgage or significant commercial or financial advantage;
    c) the name of any association in which he performs duties or to which he belongs, specifying his duties, where applicable, and the purpose of the association.

A director to whom the provisions of paragraphs a) to c) do not apply shall make a statement to that effect and remit it to the Chairman of the Board of Directors.

A director shall also produce such a statement within 30 days of any significant change in its content.

Statements remitted under this article shall be deemed confidential and treated accordingly.

22. The Chairman of the Board of Directors shall hand over the statements received in application of articles 13 and 18 to 21, to the Société's secretary, who shall keep them in the Société's corporate files.

SECTION 6
Directors Appointed to Other Boards of Directors

23. A person appointed by the Société to perform the duties of director with another organization or corporation (hereinafter referred to as the "appointed person") shall be bound by the ethical principles and rules of conduct under the law, the Regulation and this Code, as well as those set forth in the code of ethics and professional conduct of such organization or corporation. In case of discrepancy, the more stringent principles and rules shall apply.
24. During his tenure as a Board member, the appointed person shall be entitled only to the corresponding compensation. This compensation shall not include, even in part, cash benefits such as those made possible by profit sharing based on changes in stock value or on investment in capital stock of the company. However, any compensation awarded to the President and Chief Executive Officer holding a full-time position in the Société shall be paid directly to the Société.
25. Without prejudice to confidentiality agreements and the duty to act with honesty and loyalty and, more generally, commitments of the same nature under the law and the code of ethics of the organization or corporation in which the appointed person performs the duties of a director, the appointed person shall inform the Société of any issue raised on the agenda of a board of directors' meeting of the organization or corporation that may have a significant impact on the finances, reputation or operations of the Société. The appointed person shall inform the Société of any such issue within a reasonable time, prior to the directors' vote on the issue.

SECTION 7
Exemptions

26. The provisions of this Code related to statements and conflicts of interest do not apply to the following:

    a) the holding of interests through a mutual fund in whose management the director does not take part directly or indirectly;
    b) the holding of interests through a blind trust on whose composition the beneficiary has no right of review;
    c) an interest which, by its nature and scope, is common to the population in general or to a particular sector in which the director is involved;
    d) the holding of securities issued or guaranteed by a government organization or corporation under the terms of the *Auditor General Act* (R.S.Q., c. V-5.01) with conditions that are identical for all.

SECTION 8
Disciplinary Process

27. The Chairman of the Board of Directors shall see to the application of this Code, interpret its provisions and ensure the directors' compliance with the principles of ethics and rules of professional conduct.

    The Chairman of the Board of Directors has a mandate to:

    a) give advice and support to the Société and any director faced with a situation that he deems to be a problem;
    b) deal with any inquiry about this Code;
    c) investigate on his own initiative or upon report of any alleged irregularities with regard to this Code.

28. The secretary of the Société shall maintain archives where shall be kept any statements, disclosures and attestations that must be submitted to him under this Code, as well as reports, decisions and advisories.

29. The Chairman of the Board of Directors may seek or receive advice from external advisors or experts on any matter he shall deem appropriate.

30. The Chairman of the Board of Directors shall preserve the anonymity of complainants, claimants and informers unless they manifestly intend otherwise. He shall not be compelled to reveal any information likely to disclose their identity, unless required by law or the courts.

31. If he has reasonable grounds to believe a director has failed to comply with one of the provisions of this Code, the Chairman of the Board of Directors shall immediately inform the Board and the relevant authority and remit to it a complete copy of his file.

32. Any employee, officer or director of the Société may, on his own initiative, file a complaint with the relevant authority against a director.

33. The complaint shall be dealt with by the relevant authority and, where applicable, sanctions shall be applied against the director at fault, in conformity with the *Regulation respecting the ethics and professional conduct of public office holders*.

SECTION 9
Final Provisions

34. This Code of Ethics and Professional Conduct shall come into effect as of the meeting following its adoption by the Board of Directors.

    It shall not be retroactive.

SCHEDULE 1

Excerpts from acts and regulations respecting the ethical principles and rules of professional conduct applicable to public office holders

Quebec Civil Code

Art. 321. A director is considered to be the mandatary of the legal person. He shall, in the performance of his duties, conform to the obligations imposed on him by law, the constituting act or the by-laws and he shall act within the limits of the powers conferred on him.

Art. 322. A director shall act with prudence and diligence. He shall also act with honesty and loyalty in the best interest of the legal person.

Art. 323. No director may mingle the property of the legal person with his own property nor may he use for his own profit or that of a third person any property of the legal person or any information he obtains by reason of his duties, unless he is authorized to do so by the members of the legal person.

Art. 324. A director shall avoid placing himself in any situation where his personal interest would be in conflict with his obligations as a director.

A director shall declare to the legal person any interest he has in an enterprise or association that may place him in a situation of conflict of interest and of any right he may set up against it, indicating their nature and value, where applicable. The declaration of interest is recorded in the minutes of the proceedings of the board of directors or the equivalent.

Art. 325. A director may, even in carrying on his duties, acquire, directly or indirectly, rights in the property under his administration or enter into contracts with the legal person.

The director shall immediately inform the legal person of any acquisition or contract described in the first paragraph, indicating the nature and value of the rights he is acquiring, and request that the fact be recorded in the minutes of proceedings of the board of directors or the equivalent. He shall abstain, except if required, from the discussion and voting on the question. This rule does not, however, apply to matters concerning the remuneration or conditions of employment of the director.

Art. 326. Where the director of a legal person fails to give information correctly and immediately of an acquisition or a contract, the court, on the application of the legal person or a member, may, among other measures, annul the act or order the director to render account and to remit the profit or benefit realized to the legal person.

The action may be brought only within one year after knowledge is gained of the acquisition or contract.

Regulation respecting the ethics and professional conduct of public office holders

Chapter II:
Ethical principles and general rules of professional conduct

4. Public office holders are appointed or designated to contribute, within the framework of their mandate, to the accomplishment of the State's mission and, where applicable, to the proper administration of its property.

   They shall make their contribution in accordance with law, with honesty, loyalty, prudence, diligence, efficiency, application and fairness.

5. In the performance of his duties, a public office holder is bound to comply with the ethical principles and the rules of professional conduct prescribed by law and by this Regulation, as well as the principles and rules set forth in the code of ethics and professional conduct applicable to him. In case of discrepancy, the more stringent principles and rules shall apply.

   In case of doubt, he shall act in accordance with the spirit of those principles and rules. He shall, in addition, arrange his personal affairs in such a manner that they cannot interfere with the performance of his duties.

   A public office holder is bound by the same obligations where, at the request of a government agency or corporation, he performs his duties within another government agency or corporation, or is a member thereof.

6. A public office holder is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

   That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

7. In the performance of his duties, a public office holder shall make decisions regardless of any partisan political considerations.

8. A chairman of the board of directors, a chief executive of an agency or corporation and a full-time public office holder shall demonstrate reserve in the public expression of their political opinions.

9. A public office holder shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office.

   He shall reveal to the agency or corporation within which he is appointed or designated to an office any direct or indirect interest that he has in an agency, corporation or association likely to place him in a situation of conflict of interest, as well as any rights that he may assert against the agency or corporation, and shall indicate, where applicable, their nature and value.

   A public office holder appointed or designated to an office within another agency or corporation shall, subject to section 6, also reveal any such situation to the authority that appointed or designated him.

10. A full-time public office holder may not, on penalty of dismissal, have a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided that he renounces it or disposes of it promptly.

    Any other public office holder who has a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office shall, on penalty of dismissal, reveal the interest in writing to the chairman of the board of directors and, where applicable, shall abstain from participating in any deliberation or any decision pertaining to the agency, corporation or association in which he has that interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

    This section does not prevent a public office holder from expressing opinions about conditions of employment applied at large within the agency or corporation and that could affect him.

11. A public office holder shall not treat the property of the agency or corporation as if it were his own property and may not use it for his own benefit or for the benefit of a third party.

12. A public office holder may not use for his own benefit or for the benefit of a third party information obtained in the performance or during the performance of his duties.

    That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

13. A full-time public office holder shall perform exclusively the duties of his office, except where the authority having appointed or designated him also appoints or designates him to other duties. Notwithstanding the foregoing, he may, with the written consent of the chairman of the board of directors, engage in teaching activities for which he may be remunerated or in non-remunerated activities within a non-profit organization.

    The chairman of the board of directors may likewise be so authorized by the Secretary General of the Conseil exécutif. However, the chairman of the board of directors of a government agency or corporation that holds 100% of the shares of a second government agency or corporation is the authority who may give such an authorization to the chairman of the board of directors of that second agency or corporation.

14. A public office holder may not accept any gift, hospitality or other advantage, except what is customary and is of modest value.

    Any other gift, hospitality or advantage received shall be returned to the giver or shall be remitted to the State.

15. A public office holder may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for himself or for a third party.

16. In the decision-making process, a public office holder shall avoid allowing himself to be influenced by offers of employment.

17. A public office holder who has left public office shall conduct himself in such a manner as not to derive undue advantages from his previous service with the agency or corporation.

18. It is prohibited for a public office holder who has left public office to disclose confidential information or to give anyone advice based on information not available to the public concerning the agency or corporation for which he worked, or concerning another agency or corporation with which he had a direct and substantial relationship during the year preceding the end of his term of public service.

    Within one year after leaving office, a public office holder shall not act for or on behalf of anyone else in connection with a proceeding, negotiation or other transaction to which the agency or corporation that he served is a party and about which he has information not available to the public.

    A public office holder of an agency or corporation referred to in the second paragraph may not, in the circumstances referred to in that paragraph, deal with a public office holder referred to therein for one year following the end of his term of public service.

19. The chairman of the board of directors shall ensure that the public office holders of the agency or corporation comply with the ethical principles and rules of professional conduct.

SCHEDULE 2

Attestation

I, the undersigned, ______________________________, domiciled and residing at ____ in the city of ________________________, Province of Quebec, Director of the Société des alcools du Québec, declare that I have read the Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec adopted by the Board of Directors on ____and understand its meaning and scope.

I hereby declare myself bound to the Société des alcools du Québec by every provision of the aforementioned Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec just as if it were a contractual obligation on my part.

Signed at _______________________________, on this _______ day of the month of _________ 201 _______ .

Witness _______________________________________ Director ____

SCHEDULE 3

Warning

To understand the scope of his obligations, the declarant should refer to the Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec and, in particular, to the notions of corporation and interest as they are defined in the Code of Ethics and Professional Conduct.

Declaration:

I, ________________________, (Director of the Société des alcools du Québec), hereby declare the following interests:

1. To the best of my knowledge, the list of duties that a member of my immediate family performs or I perform or of interests that a member of my immediate family holds or I hold in the following corporations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or interest

Corporation	Position	Creditor	Number of shares or ownership equity	Other	Percentage of ownership equity

2. To the best of my knowledge, the list of corporations, as this term is defined in the Code of Ethics and Professional Conduct, in which my employer, a legal entity, a company, or any corporation of which a member of my immediate family is or I am an owner, shareholder, director or officer, performs duties and/or holds interests:

Nature of the relationship or interest

Corporation	Duties	Creditor	Number of shares or ownership equity	Other	Percentage of ownership equity

3. To the best of my knowledge, the list of the duties that I, my employer, the legal entity, the company, or the corporation of which a member of my immediate family is or I am an owner, shareholder, director or officer, perform(s) in the following associations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or interest

Association	Duties	Member	Purpose

Signature	Position	Date

Publication management
Nathalie Hamel, Vice-President, Public Affairs and Communications
Michèle Cloutier, Manager, Corporate Communication

Writing of the general section and coordination
Marie-Claude Nantel
Jean-Pierre Ouellet

Writing of the financial section
Édith Filion, Manager, Financial Planning
Chantal Lévesque, Manager, Corporate Accounting and Taxation
Sylvie Raymond, Manager, Accounting Services
Michaël Halley, Assistant Manager, Price and Information Management
Louise Beaudreau
Michel Bonenfant
George Hajjar
Rachel Jeannite
Nathalie McDuff
Johanne Mondou
Annie Perrier

Writing of the Governance section
Martine Comtois, Manager, Office of the Secretary General

Printing coordination
Johanne Blouin

Revision
Monique Thouin

Concept and graphic design
CG3 inc. | Communications | Graphisme

Printing
Imprimerie Dumaine

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Printed in Quebec
Legal Deposit – Bibliothèque et Archives nationales du Québec, 2012
ISSN 0845-44594-5
ISBN 978-2-550-65745-3 (PDF version)

100%

FSC® C009908


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