

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

### a) Consolidation

The consolidated financial statements include the accounts of the Corporation and those of its subsidiaries, joint ventures and variable interest entities for which the Corporation is the principal beneficiary. Business acquisitions are accounted for under the acquisition method and the results of operations of these businesses are included in the consolidated financial statements from the acquisition date. Investments in joint ventures are accounted for using the proportionate consolidation method and investments in companies subject to significant influence are accounted for using the equity method. Other investments are recorded at cost.

### b) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements of the Corporation. Although management regularly reviews its estimates, actual results could differ from them. The most significant areas requiring the use of management estimates are: provisions, including provisions for bad debts and inventory obsolescence, impairment of assets, restructuring costs, amortization periods of property, plant and equipment and intangible assets, accounting for income taxes, valuation of goodwill and intangible assets, stock-based compensation costs and accounting for pension plans.

### c) Revenue recognition

The Corporation recognizes revenues when the following criteria are met:

- there is persuasive evidence of the existence of an agreement for exchange of products or services;
- the products were shipped or delivered, or services provided;
- the selling price is fixed or determinable;
- the collection of the sale is reasonably assured.

In the Printing sector, printing is the main source of revenues. These revenues are recognized when products are shipped or delivered, in accordance with the customer agreement. Most sales are promptly delivered to customers; consequently, the Corporation does not have significant finished goods in inventory.

Interactive sector revenues are recognized as follows:

Printing revenues: Printing revenues are recognized when products are shipped or delivered, in accordance with the customer agreement.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

**Content preparation revenues:** Content preparation revenues are recognized based on the percentage of completion method, in accordance with the customer agreement.

**Custom publication revenues:** Custom publication revenues are recognized when products are shipped or delivered, or when services are provided, in accordance with the customer agreement. Revenues for updating digital publications are recognized based on the percentage of completion method.

**Revenues for the use of computerized tools:** Revenues for the use of computerized tools are recognized based on usage, storage space or reports generated, in accordance with the customer agreement. Revenues billed also consider volume discounts.

**Marketing project revenues:** Marketing project revenues are recognized based on the percentage of completion method, in accordance with the customer agreement.

Media sector revenues are recognized as follows:

**Advertising revenues:** Advertising revenues are recognized at the publication date in the case of a daily or weekly publication, and at the date of issue in the case of a monthly publication.

**Subscription revenues:** Subscription revenues are recognized using the straight-line method, based on subscription terms, which represents the period during which the services are provided. These amounts received are therefore, recorded in deferred subscription revenues when collected and subsequently transferred to income based on the subscription terms.

**Distribution revenues:** Door-to-door distribution revenues are recognized at the delivery date of the advertising material.

**Newsstand revenues:** Newsstand revenues are recognized at the time of delivery, net of a provision for returns and delivery costs.

**Educational books revenues:** Educational books revenues are recognized when the books are shipped to customers, in accordance with the customer agreement.

**Publishing revenues:** Publishing revenues are recognized based on the percentage of completion method, in accordance with the customer agreement.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

### d) Non-monetary transactions

In the normal course of business, the Corporation offers advertising in exchange for goods or services. The related revenues are accounted for based on the fair value of the goods and services received or given. For the year ended October 31, 2010, the Corporation recognized an amount of \$7.4 million as non-monetary transactions (\$9.5 million for the year ended October 31, 2009).

### e) Income taxes

The Corporation records income taxes using the liability method of accounting. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount and the tax basis of the assets and liabilities, and are measured using tax rates in effect when these differences are expected to reverse, in accordance with enacted laws or those substantively enacted at the date of the financial statements. A valuation allowance is recorded as a reduction of the carrying value of future tax assets when it is more likely than not that these assets will not be realized.

### f) Government assistance

Government assistance, including investment tax credits, related to the purchase of property, plant and equipment or intangible assets, is recorded as a reduction in the cost of the underlying asset. Government assistance, including investment tax credits, related to operating costs, is recorded as a reduction of these costs.

### g) Cash and cash equivalents

Cash and cash equivalents include cash, bank overdraft and highly liquid investments with original maturities of less than three months. Cash and cash equivalents are presented at fair value.

### h) Transfer of receivables

The Corporation's receivables securitization program, which expired in August 2010, met the sale of assets criteria and, consequently, was recorded off-balance sheet.

### i) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

### j) Vendor rebates

The Corporation records vendor rebates as a reduction in the price of vendor's products or services received, and reduces operating costs and related inventory in the consolidated statements of income and balance sheets. These rebates are estimated based on anticipated purchases.

### k) Property, plant and equipment

Property, plant and equipment are stated at cost and amortized using the straight-line method over their estimated useful lives, as follows:

Buildings	20-40 years
Machinery and equipment	3-15 years
Machinery and equipment under capital leases	3-15 years
Other equipment	2-5 years
Leasehold improvements	Term of the lease

Costs, such as interest, directly incurred for the acquisition or construction of property, plant and equipment are capitalized and amortized over the useful life of the corresponding asset. Assets under construction are not amortized until they are ready for their intended use.

Property, plant and equipment held for sale are stated at the lower of net book value and estimated fair value less costs to sell.

### l) Goodwill

Goodwill represents the excess of acquisition cost over fair value of net assets of acquired businesses. Goodwill has an indefinite useful life and is not amortized but tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

In assessing whether or not there is an impairment, the Corporation uses a combination of approaches to determine the fair value of a reporting unit, including both the market and the discounted cash flows approaches. Under the market approach, the Corporation estimates the fair value of the reporting unit by multiplying normalized earnings before amortization, interest and income taxes by multiples based on market inputs. If there is an indication of impairment, the Corporation uses a discounted cash flow model in estimating it. The future cash flows are based on the Corporation's estimates and include consideration for expected future operating results, economic conditions and a general outlook for the industry in which the reporting unit operates.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

### m) Intangible assets

Intangible assets are stated at cost and amortized as follows:

	Term	Method
Customer relationships	12 years	Straight-line
Educational books prepublication costs	Maximum 5 years	On historical sales patterns
Educational books titles	6-9 years	On historical sales patterns
Acquired printing contracts	Term of the contract	Straight-line
Non-compete agreements	2-5 years	Straight-line
Long-term technology project costs	5 years	Straight-line

Non-amortizable intangible assets consist of trade names, mainly from acquired magazines and newspapers, and their related circulation. These intangible assets have an indefinite useful life and are not amortized but tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

### n) Contract acquisition costs

Contract acquisition costs are amortized as reductions of revenues using the straight-line method over the related contract term or on sales volumes. Whenever events or changes occur that impact the related contract, including significant declines in anticipated profitability, the Corporation evaluates the carrying value of the contract acquisition costs to determine whether impairment has occurred. These costs are included in other assets in the consolidated balance sheets.

### o) Asset retirement obligations

Legal obligations linked to removal obligations on certain buildings are recorded in the period in which they are contracted. The obligation is initially measured at fair value using an expected present value technique and is subsequently adjusted for any changes resulting from the passage of time and any changes to the timing of payment or the amount of the original estimate. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized as part of the carrying amount of the related asset by the same amount as the liability and is amortized into income over its remaining useful life.

### p) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and potential disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

### q) Pension plans

The accrued benefit obligation is determined by independent actuaries, using the projected benefit method prorated on services and is based on management's best economic and demographic assumptions. The Corporation amortizes the unrecognized net aggregate actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or the fair value of plan assets, and past service costs, over the expected average remaining service life ("EARSL") of the employee group covered by the plans which ranges from 10 to 12 years. The transitional obligation resulting from the initial application of Section 3461 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook in November 2000 is also amortized over the EARSL of the employee group covered by the plans. For the purpose of calculating the expected return on plan assets, the fair value is used.

### r) Foreign currency translation

Operating foreign subsidiaries, with the exception of sales offices of the Canadian operations, are considered self-sustaining foreign operations and the current rate method is used to translate their financial statements into Canadian dollars. The resulting translation adjustments are reported under "Accumulated other comprehensive loss" in the consolidated balance sheet and recognized in income only when a reduction of the investment in these foreign operations has been realized. Integrated foreign operations, including foreign sales offices and foreign currency transactions, are translated using the temporal method and the foreign exchange gains or losses are recognized in income.

### s) Financial instruments

The Corporation identifies, assesses and manages financial risks related to fluctuations in interest rates and in foreign exchange rates in order to minimize their impact on the Corporation's results and financial position by using derivative financial instruments. The Corporation manages its financial risks in accordance with specific criteria approved by its Board of Directors and does not engage in speculative transactions. If the Corporation did not use derivative financial instruments, it would have a greater exposure to market volatility.

Financial assets and liabilities are initially measured at fair value and their subsequent measurement depends of their classification, as described below. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation.

The Corporation has made the following classifications:

- Cash and cash equivalents, as well as derivative financial instruments not designated as hedges, are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 1. Significant accounting policies (continued)

- Investments are classified as either financial assets held to maturity and are thus measured at amortized cost or as available-for-sale and thus marked-to-market, or measured at cost if there is no quoted market. If they are measured at fair value, variations are recorded through comprehensive income at each period-end.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Bank overdraft, accounts payable and accrued liabilities, other liabilities and long-term debts are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.
- Derivative financial instruments are measured at fair value. The change in fair value related to the effective portion of the hedge is recognized in other comprehensive income, net of income taxes.

Transactions costs are capitalized to the cost of financial assets and liabilities when they are not classified as held for trading. Thus, issuance costs of long-term debt are classified as a reduction in long-term debt and amortized using the effective rate method.

### Derivative financial instruments and hedge accounting

The Corporation maintains proper documentation concerning its risk management objectives and strategies under which hedging activities are derived as well as for the relationships between the various hedging instruments and the hedged items. This process consists of matching all derivative hedging instruments to specific assets and liabilities, to firm commitments or specific anticipated transactions.

In managing its foreign exchange exposure, the Corporation uses various derivative financial instruments to hedge its exposure toward specific anticipated transactions and a portion of its foreign currency denominated accounts receivable. Consequently, an adjustment is made to the hedged items to reflect the hedge rate.

When a hedging relationship is put in place and throughout its duration, there must be a reasonable assurance that the relationship will remain effective and in accordance with the Corporation's risk management objective and strategy as initially documented. When hedging instruments mature or become ineffective before their maturity and are not replaced within the Corporation's documented hedging strategy, any gains, losses, revenues or expenses associated with the hedging instrument that had previously been recognized in other comprehensive income as a result of applying hedge accounting are carried forward to be recognized in net income in the same period or periods during which the asset acquired or liability incurred affects net income. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, any gains, losses, revenues or expenses associated with the hedging instrument that had previously been recognized in other comprehensive income (loss) as a result of applying hedge accounting are recognized in the reporting period's net income along with the corresponding gains, losses, revenues or expenses recognized on the hedged item.

Derivative financial instruments offering economic hedging without being eligible to hedge accounting are accounted for at fair value with change in fair value recorded in the statements of income.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 2. Effect of new accounting standards not yet implemented

### a) Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, which supersedes the like-named Section 1581. This Section applies prospectively to business combinations for which the date of acquisition is in fiscal years beginning on or after January 1st, 2011. The Section establishes standards for the recognition of a business combination.

### b) Consolidated Financial Statements

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which supersedes the like-named Section 1600. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1st, 2011. The Section establishes standards for the preparation of consolidated financial statements.

### c) Non-controlling Interests

In January 2009, the CICA issued Section 1602, Non-controlling Interests, which supersedes Section 1600, Consolidated Financial Statements. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1st, 2011. The Section establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements.

### d) International Financial Reporting Standards (IFRS)

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be superseded by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1st, 2011.

For the Corporation, the conversion to IFRS will be required for interim and annual financial statements for the year ending October 31, 2012. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The Corporation is currently evaluating the impact of the adoption of these new standards on the consolidated financial statements.

# Notes to the Consolidated Financial Statements



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### 3. Amortization

	2010	2009
Property, plant and equipment	\$ 112.0	\$ 108.9
Intangible assets	17.5	12.9
	<b>129.5</b>	121.8
Intangible assets and other assets, presented in revenues, operating costs and financial expenses	<b>24.6</b>	24.3
	<b>\$ 154.1</b>	\$ 146.1

### 4. Impairment of assets and restructuring costs

Over the last fiscal years, the Corporation initiated restructuring plans as follows:

- a) During the second quarter of fiscal 2009, the Corporation announced major rationalization measures to address the recession, including substantive cost-cutting measures throughout Canada, the United States and Mexico. The deterioration of the economy had reduced the communication and marketing investments of a number of customers of the Corporation. Therefore, commercial printing projects and magazine and newspaper advertising placements were cancelled or postponed by companies also affected by the recession. These measures were completed during fiscal 2010 and final disbursements will be made during fiscal 2011.
  
- b) During the last quarter of fiscal 2010, the Corporation announced rationalization measures to deal with excess production capacity in some specialized plants of the Printing sector, due to important structural changes in the printing industry which result in lower demand in certain niche markets. It is expected that these measures will be completed over the next two fiscal years.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 4. Impairment of assets and restructuring costs (continued)

The following table provides details of these plans:

	Total		2010			2009		
	Charged to income	Forecasted	Liability as at October 31, 2009	Charged to income	Paid	Liability as at October 31, 2010	Charged to income	Paid
<b>a) Rationalization Measures 2009 - 2010</b>								
<b>Printing</b>								
Workforce reduction costs	\$ 28.9	\$ 28.9	\$ 8.8	\$ 5.2	\$ 11.1	\$ 2.9	\$ 23.7	\$ 14.9
Other costs	4.3	4.3	0.1	1.1	1.2	—	3.2	3.1
<b>Interactive</b>								
Workforce reduction costs	2.1	2.1	0.8	0.9	1.1	0.6	1.2	0.4
Other costs	0.2	0.2	—	—	—	—	0.2	0.2
<b>Media</b>								
Workforce reduction costs	10.4	10.4	3.7	1.4	4.7	0.4	9.0	5.3
	45.9	45.9	13.4	8.6	18.1	3.9	37.3	23.9
<b>Printing</b>								
Impairment of assets	18.4	18.4	n/a	0.9	n/a	n/a	17.5	n/a
<b>Media</b>								
Impairment of assets	1.6	1.6	n/a	0.1	n/a	n/a	1.5	n/a
	\$ 65.9	\$ 65.9	\$ 13.4	\$ 9.6	\$ 18.1	\$ 3.9	\$ 56.3	\$ 23.9
<b>b) Rationalization Measures 2011 - 2012</b>								
<b>Printing</b>								
Workforce reduction costs	\$ 5.5	\$ 6.0	\$ —	\$ 5.5	\$ —	\$ 5.5	\$ —	\$ —
Other costs	—	1.1	—	—	—	—	—	—
	5.5	7.1	—	5.5	—	5.5	—	—
<b>Printing</b>								
Impairment of assets	0.7	0.7	n/a	0.7	n/a	n/a	—	n/a
	\$ 6.2	\$ 7.8	\$ —	\$ 6.2	\$ —	\$ 5.5	\$ —	\$ —
<b>Total</b>								
Workforce reduction costs	\$ 46.9	\$ 47.4	\$ 13.3	\$ 13.0	\$ 16.9	\$ 9.4	\$ 33.9	\$ 20.6
Other costs	4.5	5.6	0.1	1.1	1.2	—	3.4	3.3
Impairment of assets	20.7	20.7	n/a	1.7	n/a	n/a	19.0	n/a
	\$ 72.1	\$ 73.7	\$ 13.4	\$ 15.8	\$ 18.1	\$ 9.4	\$ 56.3	\$ 23.9

# Notes to the Consolidated Financial Statements



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## 5. Financial expenses

	2010	2009
Financial expenses on long-term debt	\$ 39.7	\$ 37.0
Other expenses	3.4	2.6
Foreign exchange loss (gain)	(0.7)	1.3
	\$ 42.4	\$ 40.9

## 6. Income taxes

	2010	2009
Income taxes at statutory tax rate	\$ 54.3	\$ (17.7)
Effect of differences in tax rates used by other jurisdictions and impact of lower future tax rates	(12.4)	(23.4)
Permanent difference on impairment of goodwill	—	39.6
Effect of Ontario corporate income tax rate reductions (a)	(2.4)	—
Income taxes on non-deductible expenses and non-taxable portion of capital gain	4.8	11.8
Reduction in income taxes expense resulting from the recognition of tax losses not previously recognized	(6.5)	(9.5)
Other	(3.8)	5.8
Income taxes at effective tax rate	\$ 34.0	\$ 6.6

Income taxes include the following items:

Income taxes before the following items:	\$ 43.0	\$ 37.4
Income taxes on impairment of assets and restructuring costs	(4.5)	(16.1)
Income taxes on impairment of goodwill and intangible assets	(2.1)	(14.7)
Effect of Ontario corporate income tax rate reductions (a)	(2.4)	—
Income taxes at effective tax rate	\$ 34.0	\$ 6.6

a) Corporate tax rate reductions announced in the March 26, 2009 Ontario budget were adopted on December 15, 2009.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 6. Income taxes (continued)

Income tax expense for the years ended October 31 is as follows:

	2010	2009
Current	\$ 24.1	\$ 29.2
Future		
Reduction of future income taxes related to impairment of assets and restructuring costs	(4.5)	(16.1)
Reduction of future income taxes related to impairment of goodwill and intangible assets	(2.1)	(14.7)
Reduction of future income taxes related to the reduction of the Ontario corporate income tax rate	(2.4)	—
Increase in future income tax expense due to other temporary differences	18.9	8.2
	\$ 34.0	\$ 6.6

The tax impact of the temporary differences resulting in future income tax assets and liabilities are as follows as at October 31:

	2010	2009
Losses carried forward	\$ 120.2	\$ 91.3
Property, plant and equipment, net of tax credits	(75.8)	(42.5)
Other assets (liabilities)		
Non-deductible provisions	5.2	4.0
Pension plans	2.3	3.5
Goodwill and intangible assets	(34.7)	(23.7)
Other	6.6	10.4
Total future income taxes	\$ 23.8	\$ 43.0

Future income taxes include the following:

Future income tax assets - short-term	\$ 17.7	\$ 11.0
Future income tax assets - long-term	146.7	141.5
Future income tax liabilities - short-term	(2.5)	(0.5)
Future income tax liabilities - long-term	(138.1)	(109.0)
Total future income taxes	\$ 23.8	\$ 43.0

The Corporation has unrecorded capital losses of \$16.5 million that can be carried forward indefinitely.

## 7. Discontinued operations

On February 10, 2010, the Corporation signed an agreement with IWCO Direct, a U.S.-company headquartered in Minnesota, to sell substantially all of its high-volume direct mail assets in the United States, for net proceeds of \$105.7 million, subject to a price adjustment clause based on the working capital at the date of transaction. This division of the Printing sector generated revenues of approximately US\$170.0 million in 2009 and employed about 1,200 people. The closing of the transaction took place on April 1st, 2010.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 7. Discontinued operations (continued)

The following table presents the results of discontinued operations:

	2010	2009
Revenues	\$ 77.6	\$ 199.2
Expenses	92.5	226.2
Loss before income taxes	(14.9)	(27.0)
Future income taxes	(3.1)	(9.3)
Loss related to the operation of discontinued operations	(11.8)	(17.7)
Gain related to the discontinuance of operations, net of related income taxes of \$24.1	39.2	—
<b>Net income (loss) from discontinued operations</b>	<b>\$ 27.4</b>	<b>\$ (17.7)</b>

## 8. Accounts receivable

As part of a securitization agreement expired in August 2010, the Corporation sold on a continuous basis some of its accounts receivable to a trust that itself sold the beneficial rights to investors unrelated to the Corporation. The maximum net consideration that was permitted under this agreement was \$300.0 million, including a maximum of US\$100.0 million.

The following table provides details of accounts receivable sold under this agreement:

	As at October 31, 2009
Accounts receivable sold	\$ 240.3
Retained interest	128.4
Net consideration	\$ 111.9
Net consideration in Canadian dollars	\$ 77.3
Net consideration in U.S. dollars (US\$32.0 million)	\$ 34.6

## 9. Inventories

	2010	2009
Raw materials	\$ 45.1	\$ 39.2
Work in progress and finished goods	37.8	35.1
	<b>\$ 82.9</b>	<b>\$ 74.3</b>

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## 10. Property, plant and equipment

2010	Cost	Accumulated amortization	Net book value
Land	\$ 52.2	\$ —	\$ 52.2
Buildings	315.1	90.7	224.4
Machinery and equipment	1,284.6	733.9	550.7
Machinery and equipment under capital leases	19.5	7.8	11.7
Other equipment	168.4	126.8	41.6
Leasehold improvements	44.6	21.1	23.5
Assets under construction and deposits on equipment	14.2	—	14.2
	<b>\$ 1,898.6</b>	<b>\$ 980.3</b>	<b>\$ 918.3</b>
<hr/>			
2009			
Land	\$ 49.9	\$ —	\$ 49.9
Buildings	326.9	85.4	241.5
Machinery and equipment	1,192.1	711.9	480.2
Machinery and equipment under capital leases	21.3	5.3	16.0
Other equipment	165.0	119.7	45.3
Leasehold improvements	33.4	19.3	14.1
Assets under construction and deposits on equipment	88.5	—	88.5
	<b>\$ 1,877.1</b>	<b>\$ 941.6</b>	<b>\$ 935.5</b>

For the year ended October 31, 2010, capitalized interest on property, plant and equipment amounted to \$2.2 million (\$3.1 million in 2009).

# Notes to the Consolidated Financial Statements

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## 11. Goodwill

The changes in book value of goodwill are as follows:

2010	Printing Sector	Interactive Sector	Media Sector	Other activities and unallocated amounts	Consolidated
Balance, beginning of year	\$ 131.4	\$ 33.2	\$ 507.9	\$ 0.9	\$ 673.4
Acquisitions (Note 23)	—	5.6	1.8	—	7.4
Disposals	(1.4)	—	(0.3)	—	(1.7)
Foreign currency translation and other	(0.3)	(0.2)	(0.5)	—	(1.0)
<b>Balance, end of year</b>	<b>\$ 129.7</b>	<b>\$ 38.6</b>	<b>\$ 508.9</b>	<b>\$ 0.9</b>	<b>\$ 678.1</b>
<hr/>					
2009					
Balance, beginning of year	\$ 266.2	\$ 68.1	\$ 507.4	\$ 0.9	\$ 842.6
Acquisitions (Note 23)	—	(1.3)	0.5	—	(0.8)
Impairment	(134.2)	(32.3)	—	—	(166.5)
Foreign currency translation and other	(0.6)	(1.3)	—	—	(1.9)
<b>Balance, end of year</b>	<b>\$ 131.4</b>	<b>\$ 33.2</b>	<b>\$ 507.9</b>	<b>\$ 0.9</b>	<b>\$ 673.4</b>

For the year ended October 31, 2010, the Corporation has conducted its annual impairment test of goodwill and no impairment of goodwill is required. For the year ended October 31, 2009, the Corporation had recorded an amount of \$166.5 million as impairment of goodwill in the Printing and Interactive sectors, mostly related to commercial printing activities.

# Notes to the Consolidated Financial Statements

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## 12. Intangible assets

2010	Cost	Accumulated amortization	Net book value
<b>Amortizable intangible assets</b>			
Customer relationships	\$ 32.2	\$ 7.0	\$ 25.2
Educational books prepublication costs	60.3	41.1	19.2
Educational books titles	20.0	15.1	4.9
Acquired printing contracts	11.1	6.2	4.9
Non-compete agreements	2.0	0.8	1.2
Long-term technology project costs	40.1	19.9	20.2
Other	0.9	0.4	0.5
	166.6	90.5	76.1
<b>Non-amortizable intangible assets</b>			
Trade names and circulation	103.0	—	103.0
	\$ 269.6	\$ 90.5	\$ 179.1
2009			
<b>Amortizable intangible assets</b>			
Customer relationships	\$ 29.7	\$ 4.3	\$ 25.4
Educational books prepublication costs	51.9	34.0	17.9
Educational books titles	20.0	10.9	9.1
Acquired printing contracts	14.6	5.5	9.1
Non-compete agreements	4.1	3.3	0.8
Long-term technology project costs	28.2	13.3	14.9
Other	1.0	1.0	—
	149.5	72.3	77.2
<b>Non-amortizable intangible assets</b>			
Trade names and circulation	110.4	—	110.4
	\$ 259.9	\$ 72.3	\$ 187.6

For the year ended October 31, 2010, the Corporation recorded an impairment charge of \$8.0 million on trade names related to the Local Solutions Group in the Media sector, specifically in the Newspaper Division of the Atlantic Provinces and Saskatchewan. In addition, the Corporation recorded an impairment charge of \$4.5 million on various other intangible assets. For the year ended October 31, 2009, the Corporation recorded an impairment charge of \$9.9 million on trade names related to the Business and Consumers Solutions Group in the Media sector, of which \$3.8 million was recorded in impairment of assets and restructuring costs, and presented in Note 4.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 13. Other assets

	2010	2009
Contract acquisition costs	\$ 20.4	\$ 27.2
Investments	0.9	1.0
Accrued pension benefit asset (Note 24)	8.4	6.1
Fair value of derivative financial instruments	2.5	7.7
Other	7.3	7.6
	<b>\$ 39.5</b>	<b>\$ 49.6</b>

## 14. Operating line of credit

During the third quarter of 2010, the Corporation cancelled its operating line of credit, which amounted to \$4.5 million.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 15. Long-term debt

	Effective interest rate as of October 31, 2010	Maturity	2010	2009
Unsecured Senior Notes				
Series 2002 A - Tranche 1 - 5.62% (US\$75.0)	5.83%	2013	\$ 76.5	\$ 81.1
Series 2002 A - Tranche 2 - 5.73% (US\$50.0)	5.85%	2015	51.0	54.1
Series 2004 A - LIBOR + 0.70% (US\$37.5)	1.13%	2012	38.3	40.6
Series 2004 B - LIBOR + 0.70% (US\$37.5)	1.13%	2012	38.3	40.6
Series 2004 C - LIBOR + 0.80% (US\$15.0)	1.15%	2014	15.3	16.2
Series 2004 D - LIBOR + 0.90% (US\$10.0)	1.23%	2016	10.2	10.8
Loans secured by property, plant and equipment				
having a negligible net book value	5.69% to 6.28%	2011	0.5	4.3
Obligations under capital leases secured by property, plant				
and equipment having a net book value of \$11.7	5.35% to 8.55%	2011-2014	5.2	10.7
Revolving credit facility in Canadian dollars	1.92%	2012	166.0	170.0
Revolving credit facility in U.S. dollars				
(2010 - US\$12.0; 2009 - US\$103.0)	0.90%	2012	12.2	111.4
Unsecured Debentures - Solidarity Fund QFL				
Series 1 - 8.06%	8.16%	2014	50.0	50.0
Series 2 - 6.77%	6.82%	2019	50.0	50.0
Term loan - SGF Rexfor Inc. - 8.25%	8.49%	2014	50.0	50.0
Term credit facility - Caisse de dépôt et placement du Québec				
Banker's acceptance rate + 6.375%	8.26%	2014	100.0	100.0
Term loan - EURIBOR + 1.60% (2010 - €49.2; 2009 - €23.7)	4.85%	2015	69.6	37.7
Other loans at contractual rates of 0.00% to 8.00%	3.27% to 8.00%	2011-2017	3.8	5.2
			<b>736.9</b>	832.7
Issuance costs of long-term debt at amortized cost			6.2	6.9
Total long-term debt			<b>730.7</b>	825.8
Current portion			17.8	7.0
			<b>\$ 712.9</b>	\$ 818.8

The Series 2002 A Unsecured Senior Notes are redeemable at the greater of par value and the discounted value of future cash flows, if redeemed before scheduled maturity, using an interest rate based on U.S. Treasury Securities, having similar maturities. Series 2004 A, 2004 B, 2004 C and 2004 D Unsecured Senior Notes are redeemable at their nominal value, except for Series 2004 D, which is redeemable at a premium of 0.5% as of October 31, 2010.

As at October 31, 2009, the Corporation had a committed line of credit in the form of a term revolving credit facility, totalling \$550.0 million or the US dollar equivalent, divided in two tranches, A and B, of \$400.0 million and \$150.0 million, respectively. On December 4, 2009, the Corporation repaid and cancelled Tranche B of \$150.0 million. The maturity of Tranche B was May 14, 2010. The term revolving credit facility of the Corporation now consists solely of Tranche A which matures in September 2012.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 15. Long-term debt (continued)

The applicable interest rate on the term revolving credit facility is based on the credit rating assigned by Standard & Poor's. According to the current credit rating and the form of borrowing chosen by the Corporation, it is either the bank prime rate, bankers' acceptance rate + 0.615% or LIBOR + 0.615%. Facility fees of 0.135% are applicable on the facility, whether it is drawn or not, and utilization fees of 0.10% are applicable if the amount drawn is over 66 2/3% of the facility. This facility may be renewed on an annual basis and, if not renewed, it matures five years after its issuance or the last renewal, as the case may be. The last renewal request sent by the Corporation has been approved by the bank syndicate and has been in force since August 30, 2007.

As of October 31, 2010, letters of credit amounting to C\$0.2 million and US\$3.0 million were drawn on the committed line of credit in addition to the amount presented above.

The financing of \$100.0 million from the Solidarity Fund QFL is comprised of two unsecured debentures of \$50.0 million each. The first bears interest at a rate of 8.06%, payable every six months. The second bears interest at a rate of 6.77%, payable every six months, for the first two years. The rate for the last eight years will be negotiated by February 2011. The rate will be based on the Canadian Government Bonds rate for the same term plus a premium based on the Corporation's credit rating. The Corporation entered into a bond forward contract of \$50.0 million, which matures on November 5, 2010, to lock the portion of the rate of the second debenture based on the Canadian Government Bonds rate at 4.34% for the last eight years of its 10-year term, beginning on its second anniversary.

The financing of \$50.0 million from SGF Rexfor Inc. bears interest at 8.25%, payable every three months, based on the Corporation's current credit rating assigned by Standard & Poor's.

The financing of \$100.0 million from Caisse de dépôt et placement du Québec bears interest at bankers' acceptance rate + 6.375%, based on the Corporation's current credit rating assigned by Standard & Poor's. The Corporation entered into two interest rate swaps of \$50.0 million each to lock the rate for five years at 8.39% until 2014.

In the case of a change of control of the Corporation, the terms and conditions of the loans received from Solidarity Fund QFL, SGF Rexfor Inc. and Caisse de dépôt et placement du Québec, state that the principal and accrued interest could become due.

The term loan with SGF Rexfor Inc. and the credit facility from Caisse de dépôt et placement du Québec are redeemable after their second anniversary, at a penalty of 2% of the principal repaid for the third year, 1% for the fourth year and without any penalty thereafter. The two unsecured debentures of the Solidarity Fund QFL are redeemable following their second anniversary, at the higher of par value or the discounted value of future cash flows using an interest rate based on the yield of Canadian Government Bonds for a similar term.

The Corporation obtained a financing of €55.6 million (\$78.7 million) from a European bank, bearing interest at EURIBOR + 1.60%, to acquire various production equipment. This financing is drawn in tranches, based on equipment delivery dates, and will be payable in equal instalments including principal plus interest, every six months from January 2011. On December 1st, 2009, the Corporation entered into a six-year cross currency swap agreement, maturing in December 2015, to lock the exchange rate at 1.5761 and to convert the interest rate to banker's acceptance rate plus 2.55%.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 15. Long-term debt (continued)

The Corporation must comply with certain restrictive covenants, including the requirement to maintain certain financial ratios. For the years ended October 31, 2010 and 2009, the Corporation has not been in default under any of its obligations.

Principal payments to be made by the Corporation in forthcoming years are as follows:

	Principal payments
2011	\$ 17.8
2012	270.4
2013	92.0
2014	231.0
2015	65.2
2016 and thereafter	60.5
	\$ 736.9

Minimum payments required under capital leases, for which the principal is included in the amounts presented above, are as follows:

	Principal	Interest	Minimum payments
2011	\$ 2.1	\$ 0.2	\$ 2.3
2012	1.1	0.2	1.3
2013	0.8	0.1	0.9
2014	1.2	—	1.2
	\$ 5.2	\$ 0.5	\$ 5.7

## 16. Other liabilities

	2010	2009
Deferred subscription revenues	\$ 7.2	\$ 4.3
Long-term accrued liabilities	16.0	6.4
Accrued pension benefit liability (Note 24)	14.8	18.7
Asset retirement obligations	0.8	1.0
Fair value of derivative financial instruments	11.2	4.3
	\$ 50.0	\$ 34.7

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 17. Share capital

### Authorized (unlimited number)

Class A Subordinate Voting Shares: subordinate participating voting shares carrying one vote per share, no par value;

Class B Shares: participating voting shares carrying 20 votes per share, convertible into Class A Subordinate Voting Shares, no par value;

Preferred Shares: first and second preferred shares, issuable in series in numbers limited by the Articles of Incorporation, carrying no voting rights except as provided by law or in the Corporation's Articles of Incorporation, entitling the holder to cumulative dividends.

Issued and paid	2010		2009	
	Number of shares	Amount	Number of shares	Amount
<b>Participating shares</b>				
Class A Subordinate Voting Shares	65,806,497	\$ 361.2	64,749,030	\$ 357.9
Class B Shares	15,196,840	20.6	16,045,707	21.8
	<b>81,003,337</b>	<b>381.8</b>	80,794,737	379.7
<b>Preferred Shares</b>				
Cumulative 5-Year Rate Reset First Preferred Shares, Series D	4,000,000	96.8	4,000,000	96.8
		<b>\$ 478.6</b>		<b>\$ 476.5</b>

The Series D Preferred Shares have a fixed cumulative annual dividend of 6.75% for the first five years, payable quarterly in January, April, July and October. Effective October 15, 2014, the cumulative annual dividend will be equivalent to the 5-Year Canadian Government Bonds Yield, plus 4.16% for the next five years. These Series D Preferred Shares are redeemable by the Corporation every five years and convertible (under certain conditions), to the holder's option, in Cumulative Floating Rate First Preferred Shares (the «Series E Preferred Shares»), effective October 15, 2014, and every five years thereafter on that date. The Series E Preferred Shares will have a cumulative quarterly dividend equivalent to the yield of Treasury Bills of the Government of Canada maturing within three months plus 4.16%. These Series E Preferred Shares will be redeemable by the Corporation after five years and will be convertible (under certain conditions), to the holder's option, into Series D Preferred Shares, effective October 15, 2019, and every five years subsequently on that date.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 17. Share capital (continued)

For the years ended October 31, 2010 and 2009, the share capital of the Corporation changed as follows:

	2010		2009	
	Number of shares	Amount	Number of shares	Amount
<b>Class A Subordinate Voting Shares</b>				
Balance, beginning of year	64,749,030	\$ 357.9	64,243,743	\$ 357.0
Conversion of Class B Shares into Class A Subordinate				
Voting Shares	848,867	1.2	488,931	0.7
Exercise of stock options	208,600	2.1	16,356	0.2
Balance, end of year	65,806,479	\$ 361.2	64,749,030	\$ 357.9
<b>Class B Shares</b>				
Balance, beginning of year	16,045,707	\$ 21.8	16,534,638	\$ 22.5
Conversion of Class B Shares into Class A Subordinate				
Voting Shares	(848,867)	(1.2)	(488,931)	(0.7)
Balance, end of year	15,196,840	\$ 20.6	16,045,707	\$ 21.8
<b>Cumulative 5-Year Rate Reset First Preferred Shares, Series D</b>				
Balance, beginning of year	4,000,000	\$ 96.8	—	\$ —
Issuance of shares	—	—	4,000,000	96.8
Balance, end of year	4,000,000	\$ 96.8	4,000,000	\$ 96.8

### Exercise of stock options

When officers and senior executives exercise their stock options, the amounts received from them are credited to share capital. For stock options granted since November 1st, 2002, the amount previously accounted for as an increase to contributed surplus is also transferred to share capital. For the year ended October 31, 2010, the amount received was \$2.1 million, and no amount was transferred from contributed surplus to share capital. For the year ended October 31, 2009, the amount received was \$0.2 million and no amount was transferred from contributed surplus to share capital.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 18. Net income (loss) per participating share

The following table is a reconciliation of the components used in the calculation of basic and diluted net income (loss) from continuing operations per participating share for years ended October 31:

	2010	2009
<b>Numerator</b>		
Net income (loss) from continuing operations	\$ 146.0	\$ (64.1)
Dividends on preferred shares, net of related income taxes	6.8	0.5
<b>Net income (loss) from continuing operations, applicable to participating shares</b>	<b>\$ 139.2</b>	<b>\$ (64.6)</b>
<b>Denominator (in millions)</b>		
Weighted average number of participating shares - basic	80.8	80.8
Weighted average number of dilutive options	0.1	—
<b>Weighted average number of participating shares - diluted</b>	<b>80.9</b>	<b>80.8</b>

In the calculation of the diluted earnings per share, 1,010,960 stock options were considered anti-dilutive as at October 31, 2010 (1,566,045 as at October 31, 2009), since their exercise price was greater than the average value of Class A Subordinate Voting Shares during the period. Therefore, these stock options were excluded from the calculation.

## 19. Stock-based compensation plans

### Stock option plan

The Corporation offers a stock option plan for the benefit of certain of its officers and senior executives. The number of Class A Subordinate Voting Shares authorized for issuance and the balance of shares that could be issued under this plan as at October 31, 2010 were 6,078,562 and 4,593,558, respectively. The stock options granted before March 31, 2005 start to vest after one year at a rate of 20% per year and must be exercised no later than ten years after the grant date. The stock options granted after March 30, 2005 start to vest after one year at a rate of 25% per year and must be exercised no later than seven years after the grant date. Under the plan, each stock option entitles its holder to receive one share upon exercise and the exercise price is determined using the weighted average price of all trades for the five days immediately preceding the grant of the stock option.

Stock-based compensation costs of \$0.8 million and \$1.6 million were charged to income and as an increase to contributed surplus of shareholders' equity for fiscal 2010 and 2009, respectively.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 19. Stock-based compensation plans (continued)

The following table summarizes the changes in outstanding stock options for the years ended October 31:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	2,006,575	\$ 17.23	1,820,621	\$ 18.61
Granted	173,100	13.09	317,700	9.64
Exercised	(208,600)	9.88	(16,356)	9.88
Cancelled	(428,585)	20.84	(115,390)	19.15
Balance, end of year	1,542,490	\$ 16.76	2,006,575	\$ 17.23
Options exercisable as at October 31	1,044,640	\$ 18.95	1,415,620	\$ 18.65

As at October 31, 2010 the balance of stock options available for grant under the plan was 3,051,068.

The following table summarizes information regarding outstanding stock options as at October 31:

Options outstanding			Options exercisable			
Exercise price range	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price	
<b>2010</b>						
\$ 8.85 - 13.09	531,530	5.2	\$ 10.87	124,205	\$ 10.09	
\$ 15.51 - 22.41	1,010,960	3.0	19.86	920,435	20.15	
	1,542,490	3.8	\$ 16.76	1,044,640	\$ 18.95	
<b>2009</b>						
\$ 8.85 - 11.13	570,700	4.1	\$ 9.83	257,050	\$ 10.06	
\$ 15.51 - 24.01	1,435,875	3.9	20.17	1,158,570	20.55	
	2,006,575	4.0	\$ 17.23	1,415,620	\$ 18.65	

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 19. Stock-based compensation plans (continued)

The following table summarizes the assumptions used to calculate the weighted average fair value of stock options granted on the date of grant using the Black-Scholes model for the years ended October 31:

	2010	2009
Fair value of stock options	\$ 4.31	\$ 3.90
Assumptions:		
Dividend rate	1.5 %	1.4 %
Expected volatility	38.6 %	32.2 %
Risk-free interest rate	2.74 %	2.09 %
Expected life	5 years	5 years

### Share unit plan for senior executives

The Corporation offers a share unit plan to its senior executives under which deferred share units ("DSU") and restricted share units ("RSU") are granted. A portion of share units will vest based on performance targets and another portion of share units will vest based on tenure. DSUs and RSUs are recognized as a compensation expense on a straight-line basis, over the three-year vesting period based on forecasted attainment of targets. DSUs and RSUs are remeasured at intrinsic value at each reporting period, until settlement in the case of DSUs or until the vesting date in the case of RSUs, which corresponds to the settlement date, using the trading price of the Corporation's Class A Subordinate Voting Shares. Intrinsic value variations are accounted for as compensation expense with a corresponding credit to accounts payable and accrued liabilities in the consolidated balance sheet. Vested DSUs and RSUs will be paid, at the Corporation's option, in cash or with Class A Subordinate Voting Shares of the Corporation purchased on the open market.

The following table provides details of this plan:

Number of units	DSU		RSU	
	2010	2009	2010	2009
Balance, beginning of year	127,870	103,282	548,808	221,357
Units granted	53,240	44,081	277,013	384,865
Units cancelled	(58,141)	(20,674)	(136,765)	(57,414)
Units paid	(4,290)	—	(12,429)	—
Dividends paid in units	2,431	1,181	—	—
Balance, end of year	121,110	127,870	676,627	548,808

The expense recorded in the consolidated statements of income (loss) for the years ended October 31, 2010 and 2009 was \$4.0 million and \$1.9 million, respectively. An amount of \$0.2 million has been paid under the plan for the year ended October 31, 2010 (no amount was paid under the plan for the year ended October 31, 2009).

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 19. Stock-based compensation plans (continued)

### Share unit plan for directors

The Corporation offers a deferred share unit plan for its directors. Under this plan, directors may elect to receive either cash, deferred share units, or a combination of both for their compensation. When a director chooses to receive deferred share units, the Corporation credits the account of the director for a number of units equal to the deferred compensation divided by the fair value of Class A Subordinate Voting Shares at the date of grant. When the Corporation pays dividends on Class A Subordinate Voting Shares, the accounts of the directors are credited for the amount in the form of additional units. The variation in intrinsic value is recorded as a compensation expense with the counterpart in accounts payable and accrued liabilities in the consolidated balance sheet. Following departure of a director of the Corporation, a cash payment equal to the intrinsic value of the accumulated deferred share units will be made.

The following table provides details of this plan:

Number of units	2010	2009
Balance, beginning of year	167,783	108,621
Directors compensation	29,396	54,521
Units paid	(40,923)	—
Dividends paid in units	3,547	4,641
Balance, end of year	159,803	167,783

The expense recorded in the consolidated statements of income (loss) for the years ended October 31, 2010 and 2009 was \$0.9 million and \$0.8 million, respectively. An amount of \$0.5 million has been paid under the plan for the year ended October 31, 2010 (no amount was paid under the plan for the year ended October 31, 2009).

## 20. Contributed surplus

	2010	2009
Balance, beginning of year	\$ 12.9	\$ 11.3
Compensation costs relating to stock option plan (Note 19)	0.8	1.6
Balance, end of year	\$ 13.7	\$ 12.9

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 21. Accumulated other comprehensive loss

	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Comprehensive Loss
<b>Balance as at November 1st, 2008</b>	\$ (25.5)	\$ (15.2)	\$ (40.7)
Net change in gains (losses), net of income taxes	4.7	15.9	20.6
<b>Balance as at October 31, 2009</b>	<b>\$ (20.8)</b>	<b>\$ 0.7</b>	<b>\$ (20.1)</b>
<b>Balance as at November 1st, 2009</b>	<b>\$ (20.8)</b>	<b>\$ 0.7</b>	<b>\$ (20.1)</b>
Net change in gains (losses), net of income taxes	<b>(4.0)</b>	<b>(5.2)</b>	<b>(9.2)</b>
<b>Balance as at October 31, 2010</b>	<b>\$ (24.8)</b>	<b>\$ (4.5)</b>	<b>\$ (29.3)</b>

As at October 31, 2010, the amounts expected to be reclassified to net income in the next fiscal years are as follows:

	2011	2012	2013	2014	2015	Total
Losses on derivatives designated as cash flow hedges	\$ (4.6)	\$ (1.1)	\$ (0.7)	\$ (0.2)	\$ (0.1)	\$ (6.7)
Income taxes recovered	1.5	0.4	0.2	0.1	—	2.2
	<b>\$ (3.1)</b>	<b>\$ (0.7)</b>	<b>\$ (0.5)</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (4.5)</b>

## 22. Cash flows

The changes in non-cash operating items are as follows:

	2010	2009
Accounts receivable	<b>\$ (144.1)</b>	\$ (154.0)
Income taxes receivable	<b>(15.6)</b>	0.4
Inventories	<b>(8.9)</b>	15.8
Prepaid expenses and other current assets	<b>0.3</b>	(3.7)
Accounts payable and accrued liabilities	<b>8.7</b>	18.8
Income taxes payable	<b>2.1</b>	(21.1)
Deferred subscription revenues and deposits	<b>3.7</b>	(1.8)
	<b>\$ (153.8)</b>	\$ (145.6)
<b>Additional Information</b>		
Interest paid	<b>\$ 39.2</b>	\$ 38.8
Income taxes paid	<b>\$ 33.4</b>	\$ 43.8

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 23. Business acquisitions

### 2010

During the year ended October 31, 2010, the Corporation has made the following acquisitions:

Operating sector	Acquisitions	Date of acquisition
Interactive	10% additional shares of ThinData, Canada's leading permission-based email marketing services firm. The Corporation holds 100% of the shares of ThinData as of that date.	October 29, 2010
	25% additional shares of Totem (formerly Redwood Custom Communications), a North America's leading custom communications provider. The Corporation holds 100% of the shares of Totem as of that date.	October 29, 2010
	100 % of the shares of LIPSO Systems Inc., a Canadian leader in integrated mobile solutions.	April 30, 2010
Media	100 % of the shares of <i>Journal Le Nord</i> (Groupe Média-Business Inc.), a weekly newspaper serving the city of St-Jérôme.	September 13, 2010

#### **Conversys**

For the year ended October 31, 2010, adjustments were made to the purchase price allocation of Conversys, acquired January 21, 2009, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition. The table on the next page includes these adjustments.

#### **Totem (formerly Redwood Custom Communications)**

For the year ended October 31, 2010, adjustments were made to the purchase price allocation of Totem (formerly Redwood Custom Communications), acquired November 18, 2008, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition. The table on the next page includes these adjustments.

The purchase price allocation of acquisitions completed in the year ended October 31, 2010 are preliminary and subject to change following the final valuation of the assets acquired and the final determination of the costs related to these acquisitions.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 23. Business acquisitions (continued)

The fair value of assets acquired as well as adjustments to prior period acquisitions are summarized as follows:

<b>Assets acquired</b>	
Property, plant and equipment	\$ 0.1
Goodwill (no tax basis)	6.6
Amortizable intangible assets	6.1
Future income taxes	0.2
	\$ 13.0
<b>Liabilities assumed</b>	
Other liabilities	\$ (0.1)
Future income taxes	1.8
	1.7
	\$ 11.3
<b>Consideration</b>	
Cash paid	\$ 11.6
Short-term liabilities	1.3
Long-term liabilities	(1.6)
	\$ 11.3

For the year ended October 31, 2010, the Corporation paid an amount of \$2.4 million relating to business acquisitions completed in prior years. Of this amount, \$1.6 million was included in short-term liabilities and \$0.8 million was allocated to goodwill.

### 2009

During the year ended October 31, 2009, the Corporation has made the following acquisitions:

Operating sector	Acquisitions	Date of acquisition
Interactive	100% of the shares of Conversys, first Canadian provider of electronic flyers.	January 21, 2009
	75% of the shares of Totem (formerly Redwood Custom Communications), a North America's leading custom communications provider.	November 18, 2008
Media	100% of the shares of That's the spirit.com, marketing and promotions consulting company.	December 12, 2008

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 23. Business acquisitions (continued)

### Rastar, Inc.

For the year ended October 31, 2009, adjustments were made to the purchase price allocation of Rastar, Inc., acquired September 4, 2008, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition. The table below presents these adjustments.

### ThinData

For the year ended October 31, 2009, adjustments were made to the purchase price allocation of ThinData, acquired March 11, 2008, to reflect the final valuation of the assets acquired and the final determination of the costs related to this acquisition. The amount of these adjustments is negligible.

The fair value of assets acquired as well as adjustments to prior period acquisitions are summarized as follows:

	Rastar	Other	Total
<b>Assets acquired</b>			
Working capital	\$ (0.3)	\$ 2.6	\$ 2.3
Property, plant and equipment	(6.8)	2.0	(4.8)
Goodwill (tax basis adjustment of \$(7.1))	(7.1)	6.3	(0.8)
Amortizable intangible assets	13.8	0.8	14.6
Future income taxes	0.7	0.3	1.0
	<b>\$ 0.3</b>	<b>\$ 12.0</b>	<b>\$ 12.3</b>
<b>Liabilities assumed</b>			
Long-term debt	\$ —	\$ 0.4	\$ 0.4
Other liabilities	1.3	0.3	1.6
Future income taxes	(1.2)	0.6	(0.6)
	0.1	1.3	1.4
	<b>\$ 0.2</b>	<b>\$ 10.7</b>	<b>\$ 10.9</b>
<b>Consideration</b>			
Cash paid	\$ 0.2	\$ 10.8	\$ 11.0
Cash in acquired operations	—	(0.4)	(0.4)
	0.2	10.4	10.6
Short-term liabilities	—	0.3	0.3
	<b>\$ 0.2</b>	<b>\$ 10.7</b>	<b>\$ 10.9</b>

For the year ended October 31, 2009, the Corporation paid an amount of \$3.8 million, which was included in the short-term liabilities as at October 31, 2008, relating to an acquisition completed in a prior year.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 24. Pension plans

The Corporation offers various contributory and non-contributory defined benefit pension plans and defined contribution pension plans to its employees and those of its participating subsidiaries. For defined benefit pension plans, retirement benefits are generally based on years of service and employees' compensation. Pension funding is based on actuarial estimates and is subject to limitations under applicable income tax and other regulations. Actuarial estimates prepared during the year were based on assumptions related to projected employee compensation levels to the time of retirement and the anticipated long-term rate of return on pension plan assets.

On February 1st, 2010, the Corporation announced the conversion, for future service, of its defined benefit pension plans into defined contribution pension plans beginning June 1st, 2010. Consequently, a special curtailment charge of \$3.3 million was recorded in the consolidated financial statements of the second quarter of fiscal 2010.

Accrued benefit obligation, fair value of plan assets and plan asset composition are measured at the date of the annual financial statements. The most recent actuarial valuation of the pension plans for funding purposes was made as of December 31, 2007. The next required valuation will be as of December 31, 2010, at the latest.

The composition of the pension plan assets is as follows:

	2010	2009
Canadian and foreign stocks	69 %	67 %
Government and corporate bonds	29	31
Cash and temporary investments	2	2
	100 %	100 %

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 24. Pension plans (continued)

The following table presents the changes in the accrued benefit obligation and the fair value of plan assets, as well as the funded status of the defined benefit plans for the years ended October 31:

	2010	2009
<b>Accrued benefit obligation</b>		
Balance, beginning of year	\$ 343.2	\$ 297.8
Change in exchange rate	(0.1)	(0.3)
Current service cost	10.9	12.9
Interest on accrued benefit obligation	21.8	22.4
Actuarial losses	46.8	20.3
Benefits paid	(19.2)	(13.6)
Plan amendments	—	(0.2)
Plans curtailment	(10.5)	0.3
Impact of settlement	(4.6)	—
Employee contributions	6.4	9.3
Transfers to other plans	—	(5.7)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 394.7</b>	<b>\$ 343.2</b>
<b>Fair value of plan assets</b>		
Balance, beginning of year	\$ 307.0	\$ 252.1
Change in exchange rate	—	(0.2)
Actual return on plan assets	36.7	39.1
Benefits paid	(19.2)	(13.6)
Employer contributions	20.2	24.5
Employee contributions	6.4	9.3
Impact of settlement	(4.6)	—
Transfers to other plans	—	(4.2)
<b>Fair value of plan assets, end of year</b>	<b>\$ 346.5</b>	<b>\$ 307.0</b>
Plan deficit	\$ (48.2)	\$ (36.2)
Unamortized net actuarial losses	42.1	20.8
Unamortized past service costs	0.1	—
Unamortized transitional obligation	(0.4)	2.8
<b>Accrued benefit liability</b>	<b>\$ (6.4)</b>	<b>\$ (12.6)</b>

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 24. Pension plans (continued)

The accrued benefit asset (liability) is included in the Corporation's balance sheet as follows:

	2010	2009
Other assets	\$ 8.4	\$ 6.1
Other liabilities	(14.8)	(18.7)
	\$ (6.4)	\$ (12.6)

Accrued benefit obligation and fair value of plan assets as at October 31 are as follows with respect to plans that are not fully funded:

	2010	2009
Fair value of plan assets	\$ 327.5	\$ 289.0
Accrued benefit obligation	377.4	327.7
<b>Funded status - plan deficit</b>	<b>\$ (49.9)</b>	<b>\$ (38.7)</b>

The major assumptions used are as follows:

	2010	2009
<b>Accrued benefit obligation as at October 31</b>		
Discount rate, at year-end	5.5 %	6.5 %
Rate of compensation increase	3.0 - 4.0 %	3.5 - 4.5 %
<b>Benefit cost for years ended October 31</b>		
Discount rate, at previous year-end	6.50 %	7.25 %
Expected long-term rate of return on plan assets	7.25 %	7.50 %
Rate of compensation increase	3.5 - 4.5 %	4.0 - 5.0 %

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 24. Pension plans (continued)

The cost of the defined benefit pension plans recorded for the years ended October 31, is as follows:

	2010	2009
Current service cost	\$ 10.9	\$ 12.9
Interest on accrued benefit obligation	21.8	22.4
Actual return on plan assets	(36.7)	(39.1)
Actuarial losses on accrued benefit obligation	46.8	20.3
Effect of plans curtailment	(10.5)	1.2
<b>Cost of defined benefit pension plans before adjustments to recognize the long-term nature of employee future benefit cost</b>	<b>32.3</b>	<b>17.7</b>
Adjustments to recognize the long-term nature of employee future benefit cost:		
Difference between expected return and actual return on plan assets for the year	14.0	19.6
Difference between actuarial losses recognized for the year and actual actuarial losses on accrued benefit obligation for the year	(35.4)	(20.4)
Difference between amortization of past service costs for the year and actual plan amendments effective for the year	(0.1)	0.1
Amortization of the transitional obligation	3.2	0.1
<b>Defined benefit cost recognized</b>	<b>\$ 14.0</b>	<b>\$ 17.1</b>

The cost and total cash amount paid for the defined contribution pension plans for the years ended October 31, is as follows:

	2010	2009
Employer contributions	\$ 8.6	\$ 3.2

## 25. Commitments, guarantees and contingent liabilities

### Commitments

The Corporation is committed, under various leases of premises and contracts to acquire production equipment, to make payments until 2029. The Corporation is also committed, under contracts with certain customers, to make payments covering contract acquisition costs until 2015. Minimum payments required over the following years for these commitments are as follows:

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 25. Commitments, guarantees and contingent liabilities (continued)

	2011	2012	2013	2014	2015	2016 and thereafter	Total
Premises lease contracts	\$ 27.8	\$ 24.8	\$ 20.9	\$ 17.4	\$ 16.6	\$ 66.0	\$ 173.5
Production equipment acquisition contracts	12.4	0.7	0.5	0.3	—	—	13.9
Contract acquisition costs	3.6	6.4	4.3	3.7	0.9	—	18.9
	\$ 43.8	\$ 31.9	\$ 25.7	\$ 21.4	\$ 17.5	\$ 66.0	\$ 206.3

### Guarantees

In the normal course of business, the Corporation has provided the following significant guarantees to third parties:

#### a) Sub-lease agreements

The Corporation has entered into sub-lease agreements, for some of its locations under operating leases, with expiry dates between 2012 and 2015. If the sub-lessee defaults under any of these agreements, the Corporation must compensate the lessor for the default. The maximum exposure in respect of these guarantees is estimated at \$2.7 million. As at October 31, 2010, the Corporation has not recorded any liability associated with these guarantees, since it is not probable that the sub-lessee will default under the agreement.

#### b) Indemnification of third parties

Under the terms of its debt agreements, the Corporation has agreed to indemnify the holders of such debt instruments against any increase in their costs or reduction in the amounts otherwise payable to them resulting from changes in laws and regulations. These indemnification agreements extend for the term of the agreements and do not have any limit. Given the nature of these indemnifications, the Corporation is unable to reasonably estimate its maximum potential liability payable to third parties. Historically, the Corporation has never made any indemnification payments and as at October 31, 2010, the Corporation has not recorded a liability associated with these indemnifications.

#### c) Business disposals

As a result of the sale of business operations or assets, the Corporation may agree to provide indemnity against claims from previous business activities. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability that it could be required to pay to guarantee parties. Historically, the Corporation has not made any significant indemnification payments, and, as at October 31, 2010, the Corporation has not recorded any liability associated with these indemnifications.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 25. Commitments, guarantees and contingent liabilities (continued)

### Contingent liabilities

In the normal course of business, the Corporation is involved in various claims and legal proceedings. Although the resolution of these various cases pending as at October 31, 2010, cannot be determined with certainty, the Corporation believes that their outcome would likely not have a material adverse effect on its financial position and operating results, given the provisions on its books or insurance covering certain claims or legal proceedings.

## 26. Financial instruments

### Credit risk

Credit risk is the risk that the Corporation will incur losses due to non-payment of contractual obligations by third parties. The Corporation is exposed to credit risk with respect to trade receivables. It is also exposed to credit risk as part of its ongoing activities relative to its cash and cash equivalents and derivative assets.

The Corporation analyzes and reviews the financial health of its current customers on an ongoing basis and applies specific evaluation procedures to all new customers. A specific credit limit is established for each customer and reviewed periodically by the Corporation.

Due to the diversification of its products, its customers and its geographic coverage, the Corporation is protected against any concentration of credit risk. As at October 31, 2010, no single customer accounts for more than 5% of consolidated accounts receivable, and the Corporation's 20 largest customers account for less than 25% of its consolidated accounts receivable. As at October 31, 2010, the maximum credit risk exposure for receivables corresponds to their carrying value. The Corporation also has a credit insurance policy covering most of its major customers, for a maximum amount of \$29.2 million. The policy contains the usual clauses and limits regarding the amounts that can be claimed by event and year of coverage. The Corporation did not file any claim against this credit insurance policy for the year ended October 31, 2010.

The Corporation determines past due receivables by considering the type of clients, historical payment terms and in which sector the clients conduct business. On a quarterly basis, allowance for doubtful accounts and past due receivables are reviewed by management. The Corporation records impairment only on receivables for which the recoverability is not reasonably certain.

The Corporation is exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations; however, it does not foresee such an occurrence since it deals only with recognized financial institutions with superior credit ratings. As at October 31, 2010, the maximum exposure to credit risk is \$7.8 million (\$11.9 million as at October 31, 2009), which represents the carrying value of the financial instruments recorded as assets on the balance sheet of the Corporation.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 26. Financial instruments (continued)

### Past due accounts receivable:

	As at October 31, 2010	As at October 31, 2009
<b>Trade receivables</b>		
Not past due	\$ 293.7	\$ 209.0
Past due 1-30 days	84.7	50.0
Past due 31-60 days	24.2	7.6
Past due more than 60 days	26.6	21.5
	429.2	288.1
Allowance for doubtful accounts	(12.9)	(11.8)
Other receivables	38.5	29.7
	\$ 454.8	\$ 306.0

### Allowance for doubtful accounts:

Balance, beginning of year	\$ 11.8	\$ 10.0
Bad debt expense	3.8	7.0
Amounts written off and recoveries	(2.7)	(5.2)
Balance, end of year	\$ 12.9	\$ 11.8

Based on the historical payment trend of the customers, the Corporation believes that this allowance for doubtful accounts is sufficient to cover the risk of default.

### Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation is exposed to liquidity risk with respect to accounts payable, long-term debt, derivatives and contractual obligations.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 26. Financial instruments (continued)

The table below presents the contractual maturities of financial liabilities as at October 31, 2010:

2010	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ (347.4)	\$ (347.4)	\$ (347.4)	\$ —	\$ —	\$ —
Long-term debt	(730.7)	(863.5)	(50.2)	(420.1)	(320.4)	(72.8)
Long-term accounts payable <sup>(2)</sup>	(0.5)	(0.5)	—	(0.5)	—	—
	<b>(1,078.6)</b>	<b>(1,211.4)</b>	<b>(397.6)</b>	<b>(420.6)</b>	<b>(320.4)</b>	<b>(72.8)</b>
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	—	(109.7)	(63.8)	(45.9)	—	—
Inflow	8.5	119.4	70.3	49.1	—	—
Commodity swap agreements	(0.1)	(0.1)	(0.1)	—	—	—
Interest rate swaps	(6.5)	(7.3)	(3.9)	(3.5)	0.1	—
Bond forward	(6.1)	(6.1)	(6.1)	—	—	—
Cross currency swap	(10.1)	(10.9)	(1.7)	(4.7)	(3.7)	(0.8)
	<b>(14.3)</b>	<b>(14.7)</b>	<b>(5.3)</b>	<b>(5.0)</b>	<b>(3.6)</b>	<b>(0.8)</b>
	<b>\$ (1,092.9)</b>	<b>\$ (1,226.1)</b>	<b>\$ (402.9)</b>	<b>\$ (425.6)</b>	<b>\$ (324.0)</b>	<b>\$ (73.6)</b>

<sup>(1)</sup> Excludes derivatives.

<sup>(2)</sup> Excludes non-financial liabilities.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 26. Financial instruments (continued)

2009	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities <sup>(1)</sup>	\$ (345.2)	\$ (345.2)	\$ (345.2)	\$ —	\$ —	\$ —
Long-term debt	(825.8)	(963.5)	(42.2)	(497.3)	(349.4)	(74.6)
Long-term accounts payable <sup>(2)</sup>	(0.2)	(0.2)	—	(0.2)	—	—
	(1,171.2)	(1,308.9)	(387.4)	(497.5)	(349.4)	(74.6)
Derivative financial liabilities						
Foreign exchange forward contracts						
Outflow	—	(128.2)	(63.3)	(64.9)	—	—
Inflow	8.1	134.6	65.5	69.1	—	—
Commodity swap agreements	(0.8)	(0.8)	(0.8)	—	—	—
Interest rate swaps	(3.6)	(4.7)	(5.5)	(2.2)	3.0	—
Bond forward	(1.3)	(1.3)	—	(1.3)	—	—
Total return swap agreement	(0.1)	(0.1)	(0.1)	—	—	—
	2.3	(0.5)	(4.2)	0.7	3.0	—
	\$ (1,168.9)	\$ (1,309.4)	\$ (391.6)	\$ (496.8)	\$ (346.4)	\$ (74.6)

<sup>(1)</sup> Excludes derivatives.

<sup>(2)</sup> Excludes non-financial liabilities.

The Corporation believes that future cash flows generated by operations and access to additional liquidity through capital and banking markets will be adequate to meet its financial obligations. In addition, the Corporation has concluded long-term contracts with most of its major customers. These contracts contain cost-escalation clauses equivalent to those required by the Corporation's suppliers.

### Market risk

Market risk is the risk that the Corporation will incur losses resulting from adverse changes in underlying factors of the market, primarily interest rates and exchange rates.

#### a) Interest rate risk

The Corporation is exposed to market risks related to interest-rate fluctuations. In order to mitigate this risk, the Corporation aims to maintain an adequate balance of fixed versus floating rate debt. As at October 31, 2010, the floating rate portion of long-term debt represents 61% (63% as at October 31, 2009) of the total while the fixed rate portion represents 39% (37% as at October 31, 2009).

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 26. Financial instruments (continued)

As at October 31, 2010, in order to mitigate the interest rate risk, the Corporation entered into interest rate swap agreements on long-term debt denominated in Canadian dollars, on a notional amount of \$225.0 million, including \$125.0 million maturing in September 2012 and \$100.0 million maturing in May 2014. These swap agreements convert the variable interest rate, based on bankers' acceptance rate, into an average fixed interest rate of 6.16% including the applicable margin. Considering the effect of these derivative financial instruments, the floating rate portion of long-term debt represents 30% of the total (36% as at October 31, 2009), while the fixed portion represents 70% (64% as at October 31, 2009). Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the year ended October 31, 2010.

For the year ended October 31, 2009, the Corporation entered into a bond forward contract of \$50.0 million, which matures on November 5, 2010, to lock the portion of the rate of the second debenture based on the Canadian Government Bonds rate at 4.34%, plus a premium based on the Corporation's credit rating, for the last eight years of its 10-year term, beginning on its second anniversary. The rate for the last eight years will be negotiated by February 2011.

On December 1st, 2009 the corporation entered into a six-year cross currency swap agreement, maturing in December 2015, to convert the interest rate of the €55.6 million debt (\$78.7 million), which bears an interest of rate of EURIBOR plus 1.60%, to bankers acceptance rate plus 2.55%. This derivative financial instrument also locks the exchange rate at 1.5761.

For the years ended October 31, 2010 and 2009, all things being equal, a hypothetical increase of 0.5% in interest rates would have had the following impact on net income and on other comprehensive loss:

Year ended October 31, 2010		Year ended October 31, 2009	
Net Income	Other Comprehensive Loss	Net Income	Other Comprehensive Loss
\$ (0.8)	\$ 2.0	\$ (1.5)	\$ 4.2

A hypothetical decrease of 0.5% in interest rates would have an opposite impact on net income and on other comprehensive loss.

### b) Foreign exchange risk

The Corporation has operations in the United States and Mexico, exports its products to the United States and purchases machinery and equipment in U.S. dollars and Euros. In addition, as at October 31, 2010, the Corporation has long-term debt in U.S. dollars and Euros for a total amount of US\$238.5 million and €49.2 million (US\$331.9 million and €23.7 as at October 31, 2009). The Corporation is therefore exposed to foreign exchange risk.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
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## 26. Financial instruments (continued)

To mitigate the foreign exchange risk related to its exports to the United States, the Corporation enters into foreign exchange forward contracts. As at October 31, 2010, the Corporation entered into foreign exchange forward contracts to sell US\$107.0 million (US\$118.0 million as at October 31, 2009), of which US\$62.0 million and US\$45.0 million will be sold in fiscal years 2011 and 2012, respectively. The terms of these forward contracts range from 1 to 23 months, with rates varying from 1.0302 to 1.2800. Hedging relationships were effective and in accordance with the risk management objectives and strategies throughout the year 2010.

For the years ended October 31, 2010 and 2009, all things being equal, an hypothetical strengthening of 10% of the U.S. dollar and Euro against the Canadian dollar would have had the following impact on net income and on other comprehensive loss:

	Year ended October 31, 2010		Year ended October 31, 2009	
	Net Income	Other Comprehensive Loss	Net Income	Other Comprehensive Loss
U.S. dollar	\$ 1.5	\$ (7.0)	\$ 1.5	\$ (8.7)
Euro	—	2.3	(3.2)	—

A hypothetical weakening of 10% of the U.S. dollar and Euro against the Canadian dollar would have had an opposite impact on net income and other comprehensive loss.

### Fair value

The book value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The table below shows the fair value and the book value of other financial instruments as at October 31, 2010 and 2009. The fair value is determined essentially by discounting cash flows or quoted market prices. The fair values calculated approximate the amounts for which the financial instruments could be settled between consenting parties, based on current market data for similar instruments. Consequently, as estimates must be used to determine fair value, they must not be interpreted as being realizable in the event of an immediate settlement of the instruments.

	2010		2009	
	Fair value	Book value	Fair value	Book value
Long-term debt	\$ 769.9	\$ 730.7	\$ 837.6	\$ 825.8
Foreign exchange forward contracts	8.5	8.5	8.1	8.1
Commodity swap agreements	(0.1)	(0.1)	(0.8)	(0.8)
Interest rate swap agreements	(6.5)	(6.5)	(3.6)	(3.6)
Bond forward	(6.1)	(6.1)	(1.3)	(1.3)
Cross currency swap agreement	(10.1)	(10.1)	—	—
Total return swap agreement	—	—	(0.1)	(0.1)

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 26. Financial instruments (continued)

### Fair value hierarchy

The table below presents financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data

2010	Level 1	Level 2	Level 3	Total
Foreign exchange forward contracts	\$ —	\$ 8.5	\$ —	\$ 8.5
Commodity swap agreements	—	(0.1)	—	(0.1)
Interest rate swap agreements	—	(6.5)	—	(6.5)
Bond forward	—	(6.1)	—	(6.1)
Cross currency swap agreement	—	(10.1)	—	(10.1)
	\$ —	\$ (14.3)	\$ —	\$ (14.3)
<hr/>				
2009	Level 1	Level 2	Level 3	Total
Foreign exchange forward contracts	\$ —	\$ 8.1	\$ —	\$ 8.1
Commodity swap agreements	—	(0.8)	—	(0.8)
Interest rate swap agreements	—	(3.6)	—	(3.6)
Bond forward	—	(1.3)	—	(1.3)
Total return swap agreement	—	(0.1)	—	(0.1)
	\$ —	\$ 2.3	\$ —	\$ 2.3

## 27. Capital management

The Corporation's primary objectives in managing capital are to:

- Optimize the financial structure by targeting a net debt ratio (including, if any, utilization of the securitization program) to operating income from continuing operations before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets of about 1.50;
- Maintain an investment grade credit rating;
- Preserve its financial flexibility in order to benefit from potential opportunities as they arise.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 27. Capital management (continued)

The Corporation relies on the net debt ratio (including, if any, utilization of the securitization program) to operating income from continuing operations before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets as the main indicator of financial leverage. For calculation purposes, net debt refers to long-term debt, current portion of long-term, bank overdraft and utilization of the securitization program, less cash and cash equivalents.

As at October 31, 2010, the net debt ratio (including, if any, utilization of the securitization program) to operating income from continuing operations before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets was 1.82. As at October 31, 2009, the same ratio was 2.59. The decrease of this ratio in fiscal 2010 was mainly due to a decrease in net debt related to the sale of all of its high-volume direct mail assets in the United States, as well as a reduction in our capital expenditures combined with our increased operating income from continuing operations before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets.

For the year ended October 31, 2010, the Corporation has not been in default under any of its obligations.

## 28. Segmented information

In November 2010, the Corporation announced that the Marketing Communications sector, became the Interactive sector.

In November 2009, the Corporation changed its operating structure to strengthen the position of the Corporation in the printing, interactive and media markets. Consequently, management has decided to transfer all of its Canadian commercial printing activities from the Interactive sector to the Printing sector. The comparative figures have been reclassified in order to present the information in accordance with the new operating structure.

Sales between sectors of the Corporation are measured at the exchange amount. Transactions, other than sales, are measured at carrying value.

# Notes to the Consolidated Financial Statements

For the years ended October 31, 2010 and 2009  
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## 28. Segmented information (continued)

Operating sectors	2010	2009
<b>Revenues</b>		
Printing sector	\$ 1,442.7	\$ 1,530.8
Interactive sector	123.3	123.5
Media sector	608.3	607.0
Other activities and unallocated amounts	7.8	7.7
Inter-segment sales		
Printing sector	(82.3)	(79.5)
Interactive sector	(2.8)	(1.4)
Media sector	(5.4)	(18.3)
Total inter-segment sales	(90.5)	(99.2)
	<b>\$ 2,091.6</b>	<b>\$ 2,169.8</b>
<b>Operating income (loss) before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets</b>		
Printing sector	\$ 277.5	\$ 237.3
Interactive sector	6.7	8.2
Media sector	109.5	110.4
Other activities and unallocated amounts	(11.7)	(17.0)
	<b>\$ 382.0</b>	<b>\$ 338.9</b>
<b>Amortization of property, plant and equipment and intangible assets</b>		
Printing sector	\$ 96.9	\$ 90.2
Interactive sector	10.3	6.9
Media sector	17.0	17.0
Other activities and unallocated amounts	5.3	7.7
	<b>\$ 129.5</b>	<b>\$ 121.8</b>
<b>Acquisitions of property, plant and equipment<sup>(1)</sup></b>		
Printing sector	\$ 103.8	\$ 215.4
Interactive sector	7.3	3.9
Media sector	6.4	10.5
Other activities and unallocated amounts	3.4	7.0
	<b>\$ 120.9</b>	<b>\$ 236.8</b>

<sup>(1)</sup> These amounts represent total expenditures made to acquire property, plant and equipment, whether they are paid or not.

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 28. Segmented information (continued)

	As at October 31, 2010	As at October 31, 2009
<b>Operating sectors</b>		
<b>Assets</b>		
Printing sector	\$ 1,473.8	\$ 1,449.5
Interactive sector	130.0	113.7
Media sector	783.7	793.4
Other activities and unallocated amounts	207.2	81.2
Assets from discontinued operations (Note 7)	—	93.2
	<b>\$ 2,594.7</b>	<b>\$ 2,531.0</b>
<b>Geographical regions</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Canada		
Within Canada	\$ 1,746.7	\$ 1,789.9
Exports	170.4	210.0
	<b>1,917.1</b>	<b>1,999.9</b>
United States and Mexico	174.5	169.9
	<b>\$ 2,091.6</b>	<b>\$ 2,169.8</b>
<b>Operating income before amortization, impairment of assets, restructuring costs and impairment of goodwill and intangible assets</b>		
Canada	\$ 341.8	\$ 321.3
United States and Mexico	40.2	17.6
	<b>\$ 382.0</b>	<b>\$ 338.9</b>
<b>Operating income (loss)</b>		
Canada	\$ 213.0	\$ (3.6)
United States and Mexico	11.2	(8.2)
	<b>\$ 224.2</b>	<b>\$ (11.8)</b>

# Notes to the Consolidated Financial Statements



For the years ended October 31, 2010 and 2009  
(in millions of dollars, except per share data)

## 28. Segmented information (continued)

	As at October 31, 2010	As at October 31, 2009
<b>Operating sectors</b>		
<hr/>		
<b>Assets</b>		
Canada	\$ 2,111.6	\$ 1,918.7
United States and Mexico	483.1	519.1
Assets from discontinued operations (Note 7)	—	93.2
	<hr/> \$ 2,594.7	<hr/> \$ 2,531.0
<hr/>		
<b>Property, plant and equipment</b>		
Canada	\$ 653.8	\$ 641.9
United States and Mexico	264.5	293.6
	<hr/> \$ 918.3	<hr/> \$ 935.5
<hr/>		
<b>Goodwill</b>		
Canada	\$ 674.1	\$ 670.0
United States and Mexico	4.0	3.4
	<hr/> \$ 678.1	<hr/> \$ 673.4
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## 29. Comparative figures

Certain prior year figures have been reclassified to conform with the current year presentation.