CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements in accordance with generally accepted accounting principles.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee meets periodically with Management and the external auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the external auditors' report. The Audit Committee recommends the external auditors for appointment by the shareholders. The external auditors have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the external auditors Deloitte & Touche LLP, whose report follows.

LINO A. SAPUTO, JR.
President and
Chief Executive Officer

LOUIS-PHILIPPE CARRIÈRE, FCA
Executive Vice-President,
Finance and Administration, and Secretary

May 29, 2009

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAPUTO INC.

We have audited the consolidated balance sheets of Saputo Inc. as at March 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP [1]

Montréal, Québec
May 29, 2009

[1] Chartered accountant audit permit nº 17046.

CONSOLIDATED STATEMENTS OF **EARNINGS**

Years ended March 31 (in thousands of dollars, except per share amounts)	2009	2008
Revenues	$ 5,793,263	$ 5,058,900
Cost of sales, selling and administrative expenses	5,245,464	4,532,856
Earnings before interest, depreciation, amortization and income taxes	547,799	526,044
Depreciation and amortization (Note 4 and 5)	108,284	79,434
Operating income	439,515	446,610
Interest on long-term debt	20,684	18,806
Other interest, net (Note 13)	11,031	6,538
Earnings before income taxes	407,800	421,266
Income taxes (Note 14)	128,852	133,066
Net earnings	$ 278,948	$ 288,200
Earnings per share (Note 15)		
Net earnings		
Basic	$ 1.35	$ 1.40
Diluted	$ 1.34	$ 1.38

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

Years ended March 31 (in thousands of dollars)	2009	2008
Net earnings	$ 278,948	$ 288,200
Other comprehensive income (loss):		
Foreign currency translation adjustment		
Net change in unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	163,896	(63,750)
Net changes in cash flow hedge		
Losses on derivative items designated as hedges of interest cash flows, net of tax	(1,263)	–
Total other comprehensive income (loss)	162,633	(63,750)
Comprehensive income	$ 441,581	$ 224,450

CONSOLIDATED STATEMENTS OF **RETAINED EARNINGS**

Years ended March 31 (in thousands of dollars)	2009	2008
Retained earnings, beginning of year	$ 1,206,568	$ 1,085,081
Net earnings	278,948	288,200
Dividends	(111,660)	(94,455)
Excess of purchase price of share capital over carrying value (Note 10)	–	(72,258)
Retained earnings, end of year	$ 1,373,856	$ 1,206,568

CONSOLIDATED **BALANCE SHEETS**

As at March 31 (in thousands of dollars)	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 43,884	$ 165,710
Receivables	427,227	408,973
Inventories (Note 2)	583,594	533,686
Income taxes	9,585	10,252
Future income taxes (Note 14)	23,881	17,150
Prepaid expenses and other assets	37,501	43,729
	1,125,672	1,179,500
Portfolio investment (Note 3)	41,343	41,343
Fixed assets (Note 4)	1,149,662	871,739
Goodwill (Note 5)	760,283	522,546
Trademarks and other intangibles (Note 5)	327,516	38,043
Other assets (Note 6)	88,326	75,257
Future income taxes (Note 14)	6,301	5,048
	$ 3,499,103	$ 2,733,476
LIABILITIES		
Current liabilities		
Bank loans (Note 7)	$ 139,399	$ 222,584
Accounts payable and accrued liabilities	484,866	409,323
Income taxes	113,910	111,511
Future income taxes (Note 14)	6,348	19,790
Current portion of long-term debt (Note 8)	214,421	-
	958,944	763,208
Long-term debt (Note 8)	403,065	225,830
Other liabilities (Note 9)	22,180	13,972
Future income taxes (Note 14)	142,566	111,306
	1,526,755	1,114,316
SHAREHOLDER'S EQUITY		
Retained earnings	1,373,856	1,206,568
Accumulated other comprehensive income (loss) (Note 12)	16,219	(146,414)
	$ 1,390,075	$ 1,060,154
Share capital (Note 10)	555,529	536,921
Contributed surplus (Note 11)	26,744	22,085
	1,972,348	1,619,160
	$ 3,499,103	$ 2,733,476

On behalf of the Board,

LINO SAPUTO
Director

LOUIS A. TANGUAY
Director

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

Years ended March 31 (in thousands of dollars)	2009	2008
Cash flows related to the following activities:		
Operating		
Net earnings	$ 278,948	$ 288,200
Items not affecting cash and cash equivalents		
Stock based compensation	7,791	8,279
Depreciation and amortization	108,284	79,434
Gain on disposal of fixed assets	(3,450)	(144)
Future income taxes	2,721	15,838
Deferred share units	(62)	1,265
Funding of employee plans in excess of costs	(4,761)	(2,019)
	389,471	390,853
Changes in non-cash operating working capital items	77,817	(99,791)
	467,288	291,062
Investing		
Business acquisitions (Note 16)	(630,353)	(254,204)
Portfolio investment	–	1,648
Additions to fixed assets	(121,863)	(101,723)
Proceeds on disposal of fixed assets	9,032	5,285
Other assets	(12,181)	(5,443)
	(755,365)	(354,437)
Financing		
Proceeds from long-term debt	340,000	–
Bank loans	(81,682)	91,413
Issuance of share capital	14,921	28,366
Repurchase of share capital	–	(81,472)
Dividends	(111,660)	(94,455)
	161,579	(56,148)
Decrease in cash and cash equivalents	(126,498)	(119,523)
Effect of exchange rate changes on cash and cash equivalents	4,672	8,339
Cash and cash equivalents, beginning of year	165,710	276,894
Cash and cash equivalents, end of year	$ 43,884	$ 165,710
Supplemental information		
Interest paid	$ 29,242	$ 25,767
Income taxes paid	$ 124,829	$ 92,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2009 and 2008

(Tabular amounts are in thousands of dollars except information on options, units and shares.)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES

During the year, the Company adopted the following new accounting policies as described in the CICA Handbook (Canadian Institute of Chartered Accountants):

INVENTORIES

Effective April 1, 2008, the Company adopted Section 3031 of the CICA Handbook, Inventories, which replaces Section 3030 of the same name. The new section provides guidance on the basis and method of measurement of inventories and allows for reversal of previous write-downs. The section also establishes new standards on disclosure of accounting policies used, carrying amounts, amounts recognized as an expense, write-downs and the amount of any reversal of any write-downs. This new standard aligns accounting for inventories under Canadian generally accepted accounting principles (GAAP) with International Financial Reporting Standards (IFRS). The presentation of inventories is in accordance with the recommendation of this new section. There were no significant adjustments to the carrying value of inventories upon adoption of this new standard.

CREDIT RISK AND FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Effective January 20, 2009, the Company adopted EIC-173 of the CICA Handbook, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. Under this new standard, an entity's own credit risk and the credit risk of counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this recommendation had no significant impact on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

In the preparation of financial statements in conformity with Canadian GAAP, Management must make estimates such as the net realizable value of inventories, the useful life, impairment and depreciation of fixed assets, the valuation of goodwill, portfolio investments, trademarks and other intangibles, purchase price allocation, fair value of financial instruments and income taxes and certain actuarial and economic assumptions used in determining defined benefit pension costs, fair value of long-lived assets, accrued pension benefits obligation and pension plan assets, and stock-based compensation that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses for the period. Actual results could differ from these estimates.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The interest on the joint venture that was jointly controlled was accounted for by the proportionate consolidation method for the period until it was sold. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists primarily of unrestricted cash and short-term investments having an initial maturity of three months or less at the time of acquisition.

INVENTORIES

Finished goods, raw materials and goods in process are valued at the lower of cost and net realizable value. Cost being determined under the first in, first out method.

INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse. Future income tax assets are recognized only to the extent that, in the opinion of Management, it is more likely than not that the future income tax asset will be realized.

INVESTMENT

The portfolio investment is recorded at cost less the excess of dividends received over the Company's share in accumulated earnings. The Company monitors its investment for other than temporary declines in fair value and charges net earnings when other than temporary decline in estimated value occurs.

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

FIXED ASSETS

Fixed assets are stated at cost and are depreciated using the straight line method over their estimated useful lives based on the following terms:

Buildings	20 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years or based on kilometers traveled

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to dispose, and no depreciation is recorded.

IMPAIRMENT OF LONG-LIVED ASSETS

In the event indications exist that the carrying amount of long-lived assets may not be recoverable, undiscounted estimated cash flows are projected over their remaining term, and compared to the carrying amount. To the extent such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to equal to fair value, as represented by projected future discounted cash flows.

GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

Goodwill and trademarks are not amortized; however they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The carrying values of goodwill and trademarks are compared with their respective fair values, and an impairment loss is recognized for the excess, if any. Other intangibles are amortized using the straight-line method over their useful lives which vary from 5 to 15 years.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the purchase method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill.

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits is actuarially determined using the projected benefit method prorated on services and using estimates of expected return on plan assets, which is based on market-related value, rates of compensation increase, retirement ages of employees and expected health care costs and other post retirement benefits. Current service costs are expensed in the year. In accordance with GAAP, past service costs and the excess of the net actuarial gains or losses related to defined benefit pension plans over 10% of the greater of the benefit obligation or fair value of plan assets are amortized over the expected average remaining service period of active employees entitled to receive benefits under the plans. The Company recognizes changes in the fair value of plan assets over a period of five years to determine the defined benefit pension costs. In the case where a plan restructuring entails both a plan curtailment and settlement of obligations from the plan, the curtailment is recorded before the settlement. The average remaining service period of active participants covered by the pension plans is 11.5 years.

REVENUE RECOGNITION

The Company recognizes revenue upon shipment of goods when the title and risk of loss are transferred to customers, price is determinable, collection is reasonably assured and when persuasive evidence of an arrangement exists. Revenues are recorded net of sales incentives including volume rebates, shelving or slotting fees and advertising rebates.

FOREIGN CURRENCY TRANSLATION

The balance sheet accounts of the self-sustaining companies operating outside Canada are translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The unrealized gains (losses) on translation of the financial statements of self-sustaining operations account presented in accumulated other comprehensive income (loss) represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of self-sustaining foreign operations account for the period resulted mainly from the fluctuation in the value of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of the Company and its subsidiaries are translated using the exchange rate at the balance sheet dates for monetary assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Non-monetary items are translated at the historical exchange rates. Gains or losses resulting from this translation are included in the cost of sales, selling and administrative expenses.

	2009	2008
Foreign currency gain (loss)	$ 1,962	$ (99)

NOTE 1 **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

STOCK-BASED COMPENSATION

The fair value based method of accounting is used to expense stock-based compensation awards. This method consists of recording compensation cost to earnings over the vesting period of options granted. When stock options are exercised, any consideration paid by employees and the related compensation expense recorded as contributed surplus are credited to share capital.

EARNINGS PER SHARE

Basic earnings per share are based on the weighted-average number of shares outstanding during the year. The dilutive effect of stock options is determined using the treasury stock method.

RESEARCH AND DEVELOPMENT TAX CREDITS

The Company benefits from research and development tax credits related to operating costs and fixed assets. These credits are accounted for either as a reduction of operating costs or fixed assets.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially measured at fair value and their subsequent measurement depends of their classification, as described in Note 20. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Company.

HEDGES

The Company uses interest rate derivatives to manage the combination of floating to fixed interest rates on its long-term bank debt. The Company currently uses cash flow hedges and does not use any fair value hedges. For its cash flow hedges, the effective portion of the changes in fair value of the hedging item is recognized in accumulated other comprehensive income, whereas the ineffective portion is recognized in interest expense. The amounts recognized in accumulated other comprehensive income, with respect to interest cash flow hedges, are reclassified in net earnings in the period or periods during which the hedged item affects net earnings.

FUTURE ACCOUNTING POLICIES

GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company believes the adoption of this new section will not have a significant impact on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

NOTE 2 INVENTORIES

	2009	2008
Finished goods	$ 368,456	$ 322,550
Raw materials, work in process and supplies	215,138	211,136
	$ 583,594	$ 533,686

The amount of inventories recognized as an expense in cost of sales for the year ended March 31, 2009 is $4,715,075,000 ($4,053,743,000 for the year ended March 31, 2008).

The Company recorded a write-down of inventory of $20,900,000 (nil in 2008) which was included in the amount of inventory recognized as an expense in cost of sales in the current year.

NOTE 3 PORTFOLIO INVESTMENT

	2009	2008
21% share capital interest in Dare Holdings Ltd.	$ 41,343	$ 41,343

A dividend of $1,500,000 was received during fiscal 2009 and was accounted for in earnings (nil in 2008).

During the year 2008, the Company received from Dare Holdings Ltd. an amount of $1,648,000, as a full loan reimbursement, which was included in this investment.

NOTE 4 FIXED ASSETS

	2009			2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 42,243	$ –	$ 42,243	$ 34,117	$ –	$ 34,117
Buildings	417,335	90,675	326,660	337,789	74,679	263,110
Furniture, machinery and equipment	1,321,468	548,676	772,792	997,317	431,054	566,263
Rolling stock	13,329	7,864	5,465	12,478	7,662	4,816
Held for sale	2,502	–	2,502	3,433	–	3,433
	$ 1,796,877	$ 647,215	$ 1,149,662	$ 1,385,134	$ 513,395	$ 871,739

During the year, the depreciation expense related to fixed assets totalled $97,245,000 ($78,920,000 in 2008) and a gain on disposal of fixed assets held for sale totalling $3,450,000 ($144,000 in 2008) was recorded in cost of sales, selling and administrative expenses. The assets held for sale relate mainly to land and buildings in Canada and in the US as a result of certain plant closures.

An impairment of fixed assets in the amount of $8,649,000 was recorded as a result of a plant closure in the USA Dairy Products Sector (none in 2008) and is included in depreciation and amortization expense.

The net book value of fixed assets under construction, that are not being amortized, amounts to $67,707,000 as at March 31, 2009 ($46,593,000 as at March 31, 2008) and consists mainly of machinery and equipment.

NOTE 5 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

	2009			2008		
	Dairy Products Sector	Grocery Products Sector	Total	Dairy Products Sector	Grocery Products Sector	Total
Goodwill						
Balance, beginning of year	$ 353,116	$ 169,430	$ 522,546	$ 377,949	$ 169,430	$ 547,379
Foreign currency translation adjustment	61,508	–	61,508	(24,833)	–	(24,833)
Business acquisitions (Note 16)	176,229	–	176,229	–	–	–
Total Goodwill	$ 590,853	$ 169,430	$ 760,283	$ 353,116	$ 169,430	$ 522,546
Trademarks						
Balance, beginning of year	$ 28,125	$ 2,000	$ 30,125	$ 30,340	$ 2,000	$ 32,340
Foreign currency translation adjustment	4,630	–	4,630	(2,215)	–	(2,215)
Business acquisitions (Note 16)	223,200	–	223,200	–	–	–
Balance, end of year	$ 255,955	$ 2,000	$ 257,955	$ 28,125	$ 2,000	$ 30,125
Other intangibles						
Balance, beginning of year	$ 7,918	$ –	$ 7,918	$ –	$ –	$ –
Foreign currency translation adjustment	933	–	933	(648)	–	(648)
Business acquisitions (Note 16)	63,100	–	63,100	9,080	–	9,080
Amortization	(2,390)	–	(2,390)	(514)	–	(514)
Balance, end of year	$ 69,561	$ –	$ 69,561	$ 7,918	$ –	$ 7,918
Total trademarks and other intangibles	$ 325,516	$ 2,000	$ 327,516	$ 36,043	$ 2,000	$ 38,043

NOTE 6 OTHER ASSETS

	2009	2008
Net accrued pension plan asset (Note 17)	$ 61,040	$ 56,239
Taxes receivable	18,993	10,822
Other	8,293	8,196
	$ 88,326	$ 75,257

NOTE 7 BANK LOANS

The Company has available bank credit facilities providing for unsecured bank loans as follows:

		Available for Use		Amount drawn	
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency	2009	2008
North America-US Currency	(1) December 2012	163,969	130,000 USD	–	–
North America-CDN Currency	(1) December 2012	466,681	370,000 USD	390,000	173,668
Canada	(2) May 2009	40,000	40,000 CAD	40,000	–
Canada	(3) Yearly	40,400	40,400 CAD	–	–
Argentina	(4) Yearly	18,299	55,150 ARS	–	–
Argentina	(4) Yearly	52,155	41,350 USD	47,927	48,085
Germany	(5) Yearly	8,355	5,000 EUR	1,472	396
United Kingdom	(5) Yearly	12,615	7,000 BPS	–	435
		802,474		479,399	222,584
Amount classified as long-term debt				(340,000)	–
				139,399	222,584

1 Bear interest at rates based on lender's prime rates plus a maximum of 0.25% or LIBOR or banker's acceptance rate plus 0.50% up to a maximum of 1.125%, depending on a financial ratio of the Company.

2 Bear interest at rates based on lender's prime rates plus a maximum of 1.00% or LIBOR or banker's acceptance rate plus 1.50% up to a maximum of 2.00%, depending on a financial ratio of the Company.

3 Bear interest at rates based on lender's prime rates.

4 Bear interest at local rate.

5 Bear interest at base rate plus 1.50% or LIBOR-EUROBOR plus 1.50%.

NOTE 8 LONG-TERM DEBT

	2009	2008
Unsecured senior notes		
8.12%, due in November 2009 (US$170,000,000)	$ 214,421	$ 174,505
8.41%, due in November 2014 (US$50,000,000)	63,065	51,325
Unsecured bank loans (Note 7)	340,000	–
$300,000,000 bears interest at prime rate plus 0.25% or LIBOR or bankers' acceptance rate plus 0.50% up to a maximum of 1.125% (effective interest rate due to interest rate swaps of 1.05% plus 0.50% up to a maximum of 1.125%), depending on a financial ratio of the Company		
$40,000,000 bears interest at prime rate plus 0.25% or LIBOR or bankers' acceptance rate plus 0.50% up to a maximum of 1.125%, depending on a financial ratio of the Company		
	617,486	225,830
Current portion	214,421	–
	$ 403,065	$ 225,830

Estimated principal repayments are as follows:

2010	$ 214,421
2011	200,000
2012	140,000
2013	–
2014	–
Subsequent years	63,065
	$ 617,486

NOTE 9 OTHER LIABILITIES

	2009	2008
Employee future benefits (Note 17)	$ 9,797	$ 9,202
Other	12,383	4,770
	$ 22,180	$ 13,972

NOTE 10 SHARE CAPITAL

AUTHORIZED

The authorized share capital of the Company consists of an unlimited number of common and preferred shares. The common shares are voting and participating. The preferred shares may be issued in one or more series, the terms and privileges of each series to be determined at the time of their creation.

STOCK DIVIDEND

On November 6, 2007, the Company declared a 100% stock dividend, whereby the shareholders of the Company received an additional share for every share held. The stock dividend was applicable to shareholders of record as of the close of business on December 10, 2007, which had the same effect as a two-for-one stock split of the Company's outstanding Common Shares.

	2009	2008
ISSUED		
207,087,283 common shares (205,962,964 in 2008)	$ 555,529	$ 536,921

1,124,319 common shares (2,314,370 in 2008) for an amount of $14,921,000 ($28,366,000 in 2008) were issued during the year ended March 31, 2009 pursuant to the share option plan. For share options granted since April 1, 2002, the amount previously accounted for as an increase to contributed surplus was also transferred to share capital upon the exercise of options. For the year ended March 31, 2009, the amount transferred from contributed surplus was $3,687,000 ($6,032,000 in 2008).

Pursuant to the normal course issuer bid, which began on November 13, 2007, and expired on November 12, 2008, the Company was authorized to purchase for cancellation up to 10,272,848 of its common shares. During the year, the Company did not purchase any common shares relating to this normal course issuer bid. Under the new normal course issuer bid that became effective on November 13, 2008, and expiring on November 12, 2009, the Company is authorized to purchase, for cancellation purposes, up to 10,340,377 of its common shares. During the year ended March 31, 2009, the Company did not purchase any common shares under this normal course issuer bid. During the year ended March 31, 2008, the Company purchased 3,705,240 common shares at prices ranging from $21.73 to $22.00 per share. The excess of the purchase price over the carrying value of the shares in the amount of $72,258,000 was charged to retained earnings.

SHARE OPTION PLAN

The Company established a share option plan to allow for the purchase of common shares by key employees, officers and directors of the Company. The total number of common shares which may be issued pursuant to this plan cannot exceed 28,000,000 common shares. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the shares on the day preceding the grant date. Options granted thereafter may be exercised at a price not less than the weighted average market price for the five trading days immediately preceding the date of grant. The options vest at 20% per year and expire ten years from the grant date.

Options issued and outstanding as at the year ends are as follows:

		2009		2008	
Granting period	Exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1999	$8.06 to $9.37	–	$ –	20,480	$ 9.22
2000	$9.85	33,436	$ 9.85	111,404	$ 9.85
2001	$6.75	157,440	$ 6.75	217,836	$ 6.75
2002	$9.50 to $11.50	269,398	$ 9.52	409,246	$ 9.52
2003	$15.18	544,730	$ 15.18	745,912	$ 15.18
2004	$11.25	908,166	$ 11.25	1,203,594	$ 11.25
2005	$16.53	1,003,300	$ 16.53	1,138,316	$ 16.53
2006	$18.08	1,255,410	$ 18.08	1,383,476	$ 18.08
2007	$16.35	1,765,450	$ 16.35	1,933,324	$ 16.35
2008	$23.09	1,618,484	$ 23.09	1,729,840	$ 23.09
2009	$27.81	1,573,027	$ 27.81	–	–
		9,128,841	$ 16.93	8,893,428	$ 16.52
Options exercisable at end of year		4,176,760	$ 15.03	3,535,818	$ 13.56

NOTE 10 **SHARE CAPITAL** (cont'd)

Changes in the number of outstanding options are as follows:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	8,893,428	$ 16.52	9,711,216	$ 14.32
Options granted	1,634,393	$ 27.81	1,779,172	$ 23.09
Options exercised	(1,124,319)	$ 13.27	(2,314,370)	$ 12.25
Options cancelled	(274,661)	$ 20.83	(282,590)	$ 17.46
Balance at end of year	9,128,841	$ 16.93	8,893,428	$ 16.52

The exercise price of the options granted in fiscal 2009 is $27.81, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($23.09 in 2008).

The fair value of options granted in fiscal 2009 was estimated at $4.98 per option ($7.17 in 2008), using the Black Scholes option pricing model with the following assumptions:

	2009	2008
Risk-free interest rate:	3.0%	4.0%
Expected life of options:	5 years	5 years
Volatility:	19%	25%
Dividend rate:	1.7%	2.1%

A compensation expense of $7,791,000 ($6,865,000 after income taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2009 and $8,279,000 ($7,323,000 after income taxes) was recorded for the year ended March 31, 2008.

The effect of this expense on basic and diluted earnings per share was $0.03 for the year ended March 31, 2009 and $0.04 for the year ended March 31, 2008.

Options to purchase 2,232,039 common shares at a price of $21.40 were granted on April 1, 2009.

DEFERRED SHARE UNITS PLAN FOR DIRECTORS

Since April 1, 2004, all eligible directors of the Company are allocated annually a fixed amount of deferred share units (annual grant) which are granted on a quarterly basis in accordance with the deferred share units plan. Moreover, the directors have a choice to receive either cash or deferred units for their compensation. The number of units issued to each director is based on the market value of the Company's common shares at each grant date. Following cessation of functions as director of the Company, a cash payment equal to the market value of the accumulated deferred share units will be disbursed. The liability relating to these units is adjusted by taking the number of units outstanding multiplied by the market value of common shares at the Company's year-end. The variation of the liability is recorded as an expense in cost of sales, selling and administrative expenses.

	2009		2008	
	Units	Liability	Units	Liability
Beginning of year	112,601	$ 3,447	85,450	$ 2,182
Annual grant	18,000	433	16,000	421
Board compensation	15,462	364	11,151	367
(Decrease) Increase due to change in stock price	–	(859)	–	477
End of year	146,063	$ 3,385	112,601	$ 3,447

NOTE 11 **CONTRIBUTED SURPLUS**

	2009	2008
Contributed surplus, beginning of year	$ 22,085	$ 18,864
Stock based compensation	7,791	8,279
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	555	974
Amount tranferred to share capital upon exercise of options	(3,687)	(6,032)
Contributed surplus, end of year	$ 26,744	$ 22,085

NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Balance as at April 1, 2008	Net changes incurred during the year	Balance as at March 31, 2009
Net unrealized (losses) gains on translation of financial statements of self-sustaining operations	$ (146,414)	$ 163,896	$ 17,482
Losses on derivative items designated as hedges of interest cash flows, net of tax	–	(1,263)	(1,263)
Accumulated other comprehensive (loss) income	$ (146,414)	$ 162,633	$ 16,219

	Balance as at April 1, 2007	Net changes incurred during the year	Balance as at March 31, 2008
Net unrealized losses on translation of financial statements of self-sustaining operations	$ (82,664)	$ (63,750)	$ (146,414)
Accumulated other comprehensive loss	$ (82,664)	$ (63,750)	$ (146,414)

NOTE 13 OTHER INTEREST

	2009	2008
Expense	$ 11,380	$ 7,707
Income	(349)	(1,169)
	$ 11,031	$ 6,538

NOTE 14 INCOME TAXES

The provision for income taxes is comprised of the following:

	2009	2008
Current income taxes	$ 126,131	$ 117,228
Future income taxes	2,721	15,838
	$ 128,852	$ 133,066

Reconciliation of income taxes, calculated using statutory Canadian income tax rates, to the income tax provision presented in the statement of earnings:

	2009	2008
Income taxes, calculated using Canadian statutory income tax rates	$ 126,677	$ 131,946
Adjustments resulting from the following:		
Effect of tax rates of foreign subsidiaries	5,306	6,576
Changes in tax laws and rates	(857)	(6,577)
Benefit arising from investment in subsidiaries	(15,008)	(12,038)
Stock based compensation	1,776	1,891
Effect of losses carry forward	3,493	4,480
Other	7,465	6,788
Provision for income taxes	$ 128,852	$ 133,066

NOTE 14 **INCOME TAXES** (cont'd)

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability are as follows:

	2009	2008
Future income tax asset		
Accounts payable and accrued liabilities	$ 14,677	$ 10,153
Income tax losses	2,505	904
Portfolio Investment	740	738
Other	7,135	8,563
	$ 25,057	$ 20,358

	2009	2008
Future income tax liability		
Inventories	$ 1,732	$ 19,390
Fixed assets	107,310	79,395
Net assets of pension plans	13,625	12,092
Other assets	10,647	7,904
Long-term debt	10,475	10,475
	$ 143,789	$ 129,256

Classified in the financial statements as:

Current future income tax asset	$ 23,881	$ 17,150
Long-term future income tax asset	6,301	5,048
Current future income tax liability	(6,348)	(19,790)
Long-term future income tax liability	(142,566)	(111,306)
Net future income tax liability	$ (118,732)	$ (108,898)

NOTE 15 EARNINGS PER SHARE

	2009	2008
Net earnings	$ 278,948	$ 288,200
Weighted average number of common shares outstanding	206,720,191	205,660,927
Dilutive options	1,595,432	2,638,598
Dilutive number of common shares outstanding	208,315,623	208,299,525
Basic earnings per share	$ 1.35	$ 1.40
Diluted earnings per share	$ 1.34	$ 1.38

When calculating dilutive earnings per share, 1,573,027 options (nil in 2008) were excluded from the calculation because their exercise price is higher than the average market value.

Shares purchased in fiscal 2008 under normal course issuer bids were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 16 BUSINESS ACQUISITIONS

On April 1, 2008, the Company completed the acquisition of the cheese activities of Alto Dairy Cooperative in the United States for a cash consideration of $161,074,000. The fair values attributed to the net assets acquired were $31,709,000 to receivables, $22,096,000 to inventories, $262,000 to prepaid expenses, $27,182,000 to accounts payable, $70,840,000 to fixed assets and $63,349,000 to goodwill.

On December 1, 2008, the Company completed the acquisition of the dairy activities of Neilson Dairy, the dairy division of Weston Foods (Canada) Inc., for a cash consideration of $469,279,000. The fair values attributed to the assets acquired were $29,983,000 to receivables, $9,859,000 to inventories, $378,000 to prepaid expenses, $56,041,000 to accounts payable, $87,040,000 to fixed assets, $223,200,000 to trademarks, $63,100,000 to other intangibles, $1,120,000 to future income tax liability and $112,880,000 to goodwill. The final allocation of the purchase price will be completed in the next fiscal year.

NOTE 16 **BUSINESS ACQUISITIONS** (cont'd)

During fiscal 2008, the Company acquired the activities of Land O'Lakes West Coast industrial cheese business in the United States for a cash consideration of $250,904,000. The fair values attributed to the assets acquired were $22,880,000 to inventories, $585,000 to prepaid expenses, $845,000 to accounts payable, $222,504,000 to fixed assets, and $ 5,780,000 to other intangibles.

During fiscal 2008, the Company also acquired cheese import quotas, from a company subject to significant influence by its principal shareholders, for its Dairy Products Division (Canada) for a cash consideration of $3,300,000. This purchase is allocated to other intangibles.

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Company provides benefit and defined contribution pension plans as well as other benefit plans such as health insurance, life insurance and dental plans to eligible employees and retired employees.

Under the terms of the defined benefit pension plans, pensions are based on years of service and the average salary of the last employment years or the career salary. The Company and the employee share the cost of the contributions which are based on recommendations from independent actuaries. Actuarial valuations were performed in December 2006 and July 2007. The next actuarial valuations are planned no later than December 31, 2009. The measurement date of pension plan assets and liabilities is December 31.

The defined contribution pension plans entitle participating employees to an annual contribution giving right to a pension.

Plan assets are principally comprised of 41% in shares of Canadian and foreign companies (53% in 2008), 52% in fixed income investments (43% in 2008) and 7% in cash and short-term investments (4% in 2008).

FINANCIAL POSITION OF THE PLANS

	2009		2008	
	Defined benefit pension plans	Other benefit plans	Defined benefit pension plans	Other benefit plans
Changes in accrued benefit obligations				
Benefits obligation at beginning of year	$ 196,170	$ 12,684	$ 199,938	$ 13,143
Addition during the year	–	26	–	588
Current service cost	6,137	231	7,756	224
Interest cost	10,834	674	10,361	667
Benefits paid	(12,848)	(1,222)	(12,690)	(1,368)
Actuarial gains	(31,341)	(1,448)	(8,805)	(278)
Foreign currency loss (gain)	728	385	(390)	(292)
Benefits obligation at end of year	169,680	11,330	196,170	12,684
Changes in fair value of plan assets				
Fair value of plan assets at beginning of year	192,060	–	193,146	–
Actual return on plan assets	(22,784)	–	657	–
Employer contributions	8,611	1,035	10,101	1,196
Employee contributions	1,100	187	1,125	172
Benefits paid	(12,848)	(1,222)	(12,690)	(1,368)
Foreign currency gain (loss)	569	–	(279)	–
Fair value of plan assets at end of year	166,708	–	192,060	–
Funded status				
Deficit, end of year	(2,972)	(11,330)	(4,111)	(12,684)
Unamortized actuarial losses	68,628	505	65,903	2,223
Unamortized past service cost	853	201	963	201
Valuation allowance	(559)	–	(573)	–
Unamortized transitional (asset) obligation	(6,437)	777	(7,593)	973
Asset (liability) as at the measurement date	59,513	(9,847)	54,589	(9,287)
Employer contributions made from the measurement date to the end of the year	1,527	50	1,650	85
Net asset (liability) recognized in the balance sheet	$ 61,040	$ (9,797)	$ 56,239	$ (9,202)

Most defined benefit pension plans present an accrued benefits obligation in excess of plan assets.

NOTE 17 **EMPLOYEE PENSION AND OTHER BENEFIT PLANS** (cont'd)

EMPLOYEE BENEFIT PLANS EXPENSE

	2009		2008	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Defined benefit plans				
Employer current service cost	$ 5,037	$ 42	$ 6,631	$ 52
Interest cost on benefits obligation	10,834	674	10,361	667
Actual return on plan assets	22,784	–	(657)	–
Acturial gains	(31,341)	(1,448)	(8,805)	(278)
Unadjusted benefits expense (income) before taking into account the long-term nature of the cost	7,314	(732)	7,530	441
Difference between expected return and actual return on plan assets	(37,117)	–	(12,765)	–
Difference between amortized past service costs and plan amendments for the year	115	59	115	31
Difference between net actuarial loss recognized and actual actuarial loss on benefits obligation	34,651	1,573	13,858	636
Transitional (asset) obligation amortization	(1,156)	196	(1,156)	196
Defined benefit plans expense before valuation allowance	3,807	1,096	7,582	1,304
Valuation allowance	(18)	–	392	–
Defined benefit plans expense	3,789	1,096	7,974	1,304
Defined contribution plans expense	15,537	–	12,733	–
Total benefit plans expense	$ 19,326	$ 1,096	$ 20,707	$ 1,304

For the year ended March 31, 2009, the Company's total expense for all its employee benefits plans was $20,422,000 ($22,011,000 in 2008) and the total Company contributions to the employee benefits plans was $25,183,000 ($24,030,000 in 2008).

Weighted average assumptions

To determine benefits obligation at the end of year:				
Discount rate	7.47%	6.68%	5.61%	5.44%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
To determine benefit plans expense:				
Discount rate	5.61%	5.44%	5.26%	5.35%
Expected long-term rate of return on plan assets	7.01%	N/A	7.30%	N/A
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 6.3% to 7.6% annual rate of increase was used for health, life insurance and dental plan costs for the year 2010 and this rate is assumed to decrease gradually to 5% in 2014. In comparison, during the previous year, a 6.6% to 9% annual rate was used for the year 2009 and that rate was assumed to decrease gradually to 6% in 2013.

NOTE 18 **COMMITMENTS AND CONTINGENCIES**

LEASES

The Company carries on some of its operations in leased premises and has also entered into lease agreements for equipment and rolling stock. The minimum annual lease payments required for the next fiscal years are as follows:

2010	$ 13,769
2011	10,042
2012	8,831
2013	7,251
2014	6,213
Subsequent years	11,360
	$ 57,466

NOTE 18 **COMMITMENTS AND CONTINGENCIES** (cont'd)

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations which mature until 2014. If the market value of leased assets, at the end of the respective operating lease term, is inferior to the guaranteed residual value, the Company is obligated to indemnify the lessor, specific to certain conditions, for the shortfall up to a maximum value. The Company believes that the potential indemnification will not have a significant effect on the consolidated financial statements.

CLAIMS

The Company is defendant to certain claims arising from the normal course of its business. The Company is also defendant in certain claims and/or assessments from tax authorities in various jurisdictions. The Company believes that the final resolution of these claims and/or assessments will not have a material adverse effect on its earnings or financial position.

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or dispositions. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. At March 31, 2009, given that the nature and amount of such indemnifications depend on future events, the Company is unable to reasonably estimate its maximum potential liability under these agreements. The Company has not made any significant indemnification payments in the past, and as at March 31, 2009 and 2008, the Company has not recorded a liability associated with these indemnifications.

NOTE 19 **RELATED PARTY TRANSACTIONS**

The Company receives and provides goods and services from and to companies subject to significant influence through ownership by its principal shareholder. These transactions were made in the normal course of business and have been recorded at the exchange amount which corresponds to the fair market value, being the market value of similar transactions.

Goods and services received were the following:

	2009	2008
Rent, travel, transport and lodging expenses and canned goods	$ 4,923	$ 3,669
Management fees for compensation of the Chairman of the Board	500	500
	$ 5,423	$ 4,169

Goods and services provided were the following:

	2009	2008
Dairy products and services provided by the Company	$ 528	$ 379

There is an amount payable by the Company of $1,380,000 with respect to these transactions as at March 31, 2009 (nil in 2008).

NOTE 20 **FINANCIAL INSTRUMENTS**

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk, and market risk. Market risk consists of price risk (including commodity price risk, and quoted market price risk), foreign exchange risk, and interest rate risk. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. The following analysis provides a measurement of risks as at the balance sheet dates.

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has made the following classifications in its determination of carrying value of each of its financial instruments:

Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value.

Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.

Portfolio investment is classified as available for sale, and is carried at cost since it does not have a quoted price in an active market.

Other assets that meet the definition of a financial asset are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.

NOTE 20 **FINANCIAL INSTRUMENTS** (cont'd)

Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost, with the exception of the liability related to deferred share units which is measured at fair value.

The Company has determined that the fair value of its financial assets and financial liabilities except for long-term debt approximates their respective carrying amounts as at the balance sheet dates.

Derivative financial instruments are measured at fair value. The change in fair value of the effective portion of the hedge is recognized in other comprehensive income, net of income taxes.

The fair value of long-term debt, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, is $288,994,000 for the senior notes ($251,598,000 in 2008) and $328,311,000 for the bank loans (nil in 2008) which includes $1,751,000 of interest swaps.

B) CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and accounts receivables.

The cash equivalents consist mainly of short-term deposits. None of the cash equivalents are in asset backed commercial paper products. The Company has deposited the cash equivalents with reputable financial institutions, from which Management believes the risk of loss to be remote.

The Company grants credit to its customers in the normal course of business. Credit valuations are performed on a regular basis and the financial statements take into account an allowance for bad debts.

The Company considers that it has low exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating and its geographic diversity. There are no accounts receivable from any individual customer that exceeded 10% of the total balance of accounts receivable as of March 31, 2009.

Allowance for doubtful accounts and past due receivables are reviewed by Management at each balance sheet reporting date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into account historic collection trends of past due accounts. Accounts receivable are written-off once determined not to be collectable.

On average, the Company will generally have 10% of accounts receivable that is due beyond normal terms, but is not impaired. The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the income statement within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. However, Management does not believe that these allowances are significant.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 21 to the audited consolidated financial statements (Capital Disclosures). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at March 31, 2009, the Company was holding cash and cash equivalents of $43,884,000. The Company also has available $802,000,000 in short-term bank credit facilities (Note 7). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

D) INTEREST RATE RISK

The bank loans bear interest at fluctuating rates. The senior notes are at a fixed rate therefore no interest rate risk exists.

For the fiscal year ended March 31, 2009, the interest expense on long-term debt totalled $20,684,000 ($18,806,000 in March 31, 2008). The interest accrued to March 31, 2009 was an amount of $8,661,000 ($7,049,000 at March 31, 2008).

The Company is exposed to interest rate risks through its financial obligations bearing variable interest rates.

As of March 31, 2009, the net amount exposed to short-term rates fluctuations was approximately $179,000,000. Based on this exposure, an assumed 1 percentage point increase in interest rate would have an unfavourable impact of approximately $1,300,000 on net earnings with an equal but opposite effect for an assumed 1 percentage point decrease.

NOTE 20 **FINANCIAL INSTRUMENTS** (cont'd)

The Company uses derivative contracts to manage the combination of floating interest rates on its long-term bank debt. In January 2009, the Company entered into floating to fixed interest rate swaps to fix the rate on its floating rate exposure to the Canadian Banker's Acceptance rate. The Company will pay an average fixed rate of interest of 1.05% plus 0.50% up to a maximum of 1.125% on amounts totalling $300,000,000 between January 22, 2009 and February 7, 2011. As at March 31, 2009, the interest rate swaps met the criteria for hedge accounting. The fair value of this instrument is recorded in other liabilities.

E) FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk resulting from various foreign currency transactions. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Company's business unit that is party to the transaction. The Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of 1,800,000 euros (2,400,000 euros in 2008).

The Company is mainly exposed to fluctuations of the US dollar. The following table details the Company's sensitivity to a 1% strengthening of the US dollar on the net earnings and comprehensive income against the Canadian dollar. For a 1% weakening of the US dollar against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

	2009	2008
	US dollar impact	US dollar impact
Increase in net earnings	$ 514	$ 681
Increase in comprehensive income	$ 8,050	$ 5,070

F) COMMODITY PRICE RISK

The Company occasionally enters into contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a negative fair value of approximately $3,790,000 (positive fair value of $600,000 in 2008). The Company does not use hedge accounting for these transactions.

NOTE 21 **CAPITAL DISCLOSURES**

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. An additional objective is to provide an adequate return to its shareholders. Furthermore, the Company believes that the purchases of its own shares may, under appropriate circumstances, be a responsible use of its capital.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt and bank loans, net of cash and cash equivalents. The Company's primary uses of capital is to finance increases in non-cash working capital and for capital expenditures such as capacity expansion and acquisitions.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to shareholders' equity. The net debt to equity ratio as at March 31, 2009 and March 31, 2008 was as follows:

	2009	2008
Bank loans	$ 139,399	$ 222,584
Current portion of long-term debt	214,421	–
Long-term debt	403,065	225,830
Cash and cash equivalents	(43,884)	(165,710)
Net debt	$ 713,001	$ 282,704
Shareholders' equity	$ 1,972,348	$ 1,619,160
Net debt to equity	0.36:1	0.17:1

The Company believes that the result of the current internal ratio is consistent with its capital management's objectives.

The Company has existing credit facilities which require a quarterly review and the Company is not in violation of any such ratios as of March 31, 2009.

The Company is not subject to capital requirements imposed by a regulator.

NOTE 22 SEGMENTED INFORMATION

The Company has two operating sectors: Dairy Products and Grocery Products.

The Dairy Products Sector principally includes the production and distribution of cheeses, fluid milk and dairy ingredients. The activities of this Sector are carried out in Canada, Europe and Argentina (CEA) and in the United Sates (USA).

The Grocery Products Sector consists of the production and marketing of mainly snack-cakes. Total assets of this Sector include the portfolio investment.

These operating sectors are managed separately because each sector represents a strategic business unit that offers different products and serves different markets. The Company measures performance based on geographic operating income and sector operating income on a stand-alone basis.

The accounting policies of the sectors are the same as those described in Note 1 relating to significant accounting policies. The Company does not have any intersector sales.

Information on operating sectors

	2009			2008		
	CEA	USA	Total	CEA	USA	Total
Revenues[1]						
Dairy products	$ 3,323,541	$ 2,304,613	$ 5,628,154	$ 2,966,293	$ 1,927,983	$ 4,894,276
Grocery products	165,109	–	165,109	164,624	–	164,624
	$ 3,488,650	$ 2,304,613	$ 5,793,263	$ 3,130,917	$ 1,927,983	$ 5,058,900
Earnings before interest, depreciation, amortization and income taxes						
Dairy products	$ 378,898	$ 152,006	$ 530,904	$ 363,365	$ 145,478	$ 508,843
Grocery products	16,895	–	16,895	17,201	–	17,201
	$ 395,793	$ 152,006	$ 547,799	$ 380,566	$ 145,478	$ 526,044
Depreciation and amortization						
Dairy products	$ 41,560	$ 58,849	$ 100,409	$ 36,810	$ 34,780	$ 71,590
Grocery products	7,875	–	7,875	7,844	–	7,844
	$ 49,435	$ 58,849	$ 108,284	$ 44,654	$ 34,780	$ 79,434
Operating income						
Dairy products	$ 337,338	$ 93,157	$ 430,495	$ 326,555	$ 110,698	$ 437,253
Grocery products	9,020	–	9,020	9,357	–	9,357
	$ 346,358	$ 93,157	$ 439,515	$ 335,912	$ 110,698	$ 446,610
Interest			31,715			25,344
Earnings before income taxes			407,800			421,266
Income taxes			128,852			133,066
Net earnings			$ 278,948			$ 288,200

[1] Revenues are attributable to countries based upon manufacturing origin.

NOTE 22 **SEGMENTED INFORMATION** (cont'd)

Geographic information

	2009				2008			
	Canada	Argentina & Europe	United States	Total	Canada	Argentina & Europe	United States	Total
Revenues[1]								
Dairy products	$ 2,988,513	$ 335,028	$ 2,304,613	$ 5,628,154	$ 2,700,962	$ 265,331	$ 1,927,983	$ 4,894,276
Grocery products	165,109	–	–	165,109	164,624	–	–	164,624
	$ 3,153,622	$ 335,028	$ 2,304,613	$ 5,793,263	$ 2,865,586	$ 265,331	$ 1,927,983	$ 5,058,900
Total assets								
Dairy products	$ 1,660,987	$ 271,142	$ 1,295,986	$ 3,228,115	$ 1,116,571	$ 237,687	$ 1,114,556	$ 2,468,814
Grocery products	270,988	–	–	270,988	264,662	–	–	264,662
	$ 1,931,975	$ 271,142	$ 1,295,986	$ 3,499,103	$ 1,381,233	$ 237,687	$ 1,114,556	$ 2,733,476
Net book value of fixed assets								
Dairy products	$ 438,675	$ 97,210	$ 572,615	$ 1,108,500	$ 342,908	$ 91,645	$ 391,537	$ 826,090
Grocery products	41,162	–	–	41,162	45,649	–	–	45,649
	$ 442,837	$ 97,210	$ 572,615	$ 1,149,662	$ 388,557	$ 91,645	$ 391,537	$ 871,739
Additions to fixed assets								
Dairy products	$ 43,359	$ 12,107	$ 63,000	$ 118,466	$ 42,113	$ 7,674	$ 42,594	$ 92,381
Grocery products	3,397	–	–	3,397	9,342	–	–	9,342
	$ 46,756	$ 12,107	$ 63,000	$ 121,863	$ 51,455	$ 7,674	$ 42,594	$ 101,723
Goodwill								
Dairy products	$ 269,204	$ 395	$ 321,254	$ 590,853	$ 156,324	$ 395	$ 196,397	$ 353,116
Grocery products	169,430	–	–	169,430	169,430	–	–	169,430
	$ 438,634	$ 395	$ 321,254	$ 760,283	$ 325,754	$ 395	$ 196,397	$ 522,546

[1] Revenues are attributable to countries based upon manufacturing origin.

NOTE 23 COMPARATIVE AMOUNTS

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