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

June 7, 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Saputo Inc.

We have audited the accompanying consolidated financial statements of Saputo Inc., which comprise the consolidated balance sheets as at March 31, 2011 and 2010, and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saputo Inc. as at March 31, 2011 and 2010, 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
June 7, 2011

[1] Chartered accountant auditor permit no 17046

CONSOLIDATED STATEMENTS OF **EARNINGS**

(in thousands of CDN dollars, except per share amounts)

Years ended March 31		**2011**		2010
Revenues	**$**	**6,025,470**	$	5,810,582
Cost of sales, selling and administrative expenses		**5,235,330**		5,118,511
Earnings before interest, depreciation, amortization, devaluation and income taxes		**790,140**		692,071
Depreciation and amortization (Notes 4 and 5)		**104,832**		113,506
Operating income		**685,308**		578,565
Devaluation of portfolio investment (Note 3)		**13,600**		-
Interest on long-term debt		**23,211**		29,901
Other interest, net (Note 12)		**663**		5,161
Earnings before income taxes		**647,834**		543,503
Income taxes (Note 13)		**196,715**		160,789
Net earnings	**$**	**451,119**	$	382,714
Earnings per share (Note 14)				
Net earnings				
Basic	**$**	**2.19**	$	1.85
Diluted	**$**	**2.16**	$	1.83

CONSOLIDATED STATEMENTS OF **SHAREHOLDERS' EQUITY**

(in thousands of CDN dollars, except common shares)

For the year ended March 31, 2011	**Share capital (Note 10)**					
	Common Shares (in thousands)	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	**Total Shareholders' Equity**
Balance, beginning of year	207,426	$ 584,749	$ 1,603,373	$ (188,045)	$ 28,521	$ 2,028,598
Comprehensive income:						
Net earnings	-	-	451,119	-	-	451,119
Net change in currency translation of financial statements of self-sustaining foreign operations	-	-	-	(58,159)	-	(58,159)
Total comprehensive income						392,960
Dividends declared	-	-	(128,929)	-	-	(128,929)
Stock-based compensation (Note 10)	-	-	-	-	8,375	8,375
Shares issued under stock option plan	2,280	40,375	-	-	-	40,375
Amount transferred from contributed surplus to share capital upon exercise of options	-	9,831	-	-	(9,831)	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	2,158	2,158
Shares repurchased and cancelled	(5,807)	(17,072)	(197,832)	-	-	(214,904)
Shares repurchased and not cancelled	(69)	(208)	(2,784)	-	-	(2,992)
Balance, end of year[1]	203,830	$ 617,675	$ 1,724,947	$ (246,204)	$ 29,223	$ 2,125,641

(in thousands of CDN dollars, except common shares)

For the year ended March 31, 2010	**Share capital (Note 10)**					
	Common Shares (in thousands)	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	**Total Shareholders' Equity**
Balance, beginning of year	207,087	$ 555,529	$ 1,373,856	$ 16,219	$ 26,744	$ 1,972,348
Comprehensive income:						
Net earnings	-	-	382,714	-	-	382,714
Net change in currency translation of financial statements of self-sustaining foreign operations	-	-	-	(205,527)	-	(205,527)
Net change on derivative financial instruments designated as cash flow hedges, net of tax	-	-	-	1,263	-	1,263
Total comprehensive income						178,450
Dividends declared	-	-	(118,996)	-	-	(118,996)
Stock-based compensation (Note 10)	-	-	-	-	8,060	8,060
Shares issued under stock option plan	1,759	26,008	-	-	-	26,008
Amount transferred from contributed surplus to share capital upon exercise of options	-	7,075	-	-	(7,075)	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	792	792
Shares repurchased and cancelled	(1,420)	(3,863)	(34,201)	-	-	(38,064)
Balance, end of year[2]	207,426	$ 584,749	$ 1,603,373	$ (188,045)	$ 28,521	$ 2,028,598

[1] Retained Earnings and Accumulated Other Comprehensive Income (loss) total is $1,478,743.

[2] Retained Earnings and Accumulated Other Comprehensive Income (loss) total is $1,415,328.

CONSOLIDATED **BALANCE SHEETS**

(in thousands of CDN dollars)

As at March 31	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	**$ 77,491**	$ 54,819
Receivables	**460,807**	367,069
Inventories (Note 2)	**662,194**	566,754
Income taxes	**12,623**	5,940
Future income taxes (Note 13)	**20,300**	22,302
Prepaid expenses and other assets	**50,940**	29,494
Portfolio investment (Note 3)	**27,743**	-
	1,312,098	1,046,378
Portfolio investment (Note 3)	**-**	41,343
Fixed assets (Note 4)	**1,027,150**	1,038,756
Goodwill (Note 5)	**847,830**	716,695
Trademarks and other intangibles (Note 5)	**339,038**	316,613
Other assets (Note 6)	**87,678**	90,272
Future income taxes (Note 13)	**50,515**	3,394
	$ 3,664,309	$ 3,253,451
LIABILITIES		
Current liabilities		
Bank loans (Note 7)	**$ 170,589**	$ 61,572
Accounts payable and accrued liabilities	**573,779**	471,106
Income taxes	**198,638**	149,377
Future income taxes (Note 13)	**28,199**	8,639
	971,205	690,694
Long-term debt (Note 8)	**378,480**	380,790
Other liabilities (Note 9)	**11,674**	9,694
Future income taxes (Note 13)	**177,309**	143,675
	1,538,668	1,224,853
SHAREHOLDERS' EQUITY	**2,125,641**	2,028,598
	$ 3,664,309	$ 3,253,451

On behalf of the Board,

Lino Saputo
Director

Louis A. Tanguay
Director

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

(in thousands of CDN dollars)

Years ended March 31		2011		2010
Cash flows related to the following activities:				
Operating				
Net earnings	**$**	**451,119**	$	382,714
Items not affecting cash and cash equivalents				
Stock option plan		**8,375**		8,060
Depreciation and amortization		**104,832**		113,506
(Gain) loss on disposal of fixed assets		**(196)**		300
Devaluation of portfolio investment		**13,600**		-
Future income taxes		**52,956**		19,874
Deferred share units		**4,455**		2,238
Funding of employee plans in excess of costs		**(2,971)**		(3,853)
		632,170		522,839
Changes in non-cash operating working capital items		**(41,985)**		60,776
		590,185		583,615
Investing				
Business acquisitions (Note 15)		**(267,337)**		(49,613)
Additions to fixed assets		**(112,100)**		(106,876)
Proceeds on disposal of fixed assets		**6,278**		542
Other assets and other liabilities		**(58)**		(16,965)
		(373,217)		(172,912)
Financing				
Bank Loans		**107,754**		(71,935)
Proceeds from issuance of long-term debt		**-**		330,000
Repayment of long-term debt		**-**		(518,517)
Issuance of share capital		**40,375**		26,008
Repurchase of share capital		**(214,904)**		(38,064)
Dividends		**(128,929)**		(118,996)
		(195,704)		(391,504)
Increase in cash and cash equivalents		**21,264**		19,199
Effect of exchange rate changes on cash and cash equivalents		**1,408**		(8,264)
Cash and cash equivalents, beginning of year		**54,819**		43,884
Cash and cash equivalents, end of year	**$**	**77,491**	$	54,819
Supplemental information				
Interest paid	**$**	**25,267**	$	34,843
Income taxes paid	**$**	**92,577**	$	100,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2011 and 2010
(Tabular amounts are in thousands of CDN dollars except information on options, units and shares)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES
In the preparation of consolidated financial statements (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 investment, trademarks and other intangibles, purchase price allocations, fair value of financial instruments and income taxes and certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefit obligations 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 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 consist 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 work in process are valued at the lower of cost and net realizable value. Cost is 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.

PORTFOLIO 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 an other than temporary decline in estimated value occurs.

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 kilometres 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. Assets under construction are not amortized.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Management 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 and other benefits plans over 10% of the greater of the benefit obligations 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 11.8 years. The net pension expense under defined contribution pension plans is generally equal to the contributions made by the employer.

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 foreign operations 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 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 rates 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.

	2011	2010
Foreign currency gain (loss)	**$ 718**	$ (348)

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. Subsequently, financial instruments classified as financial assets available for sale, held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value.
- Receivables are classified as loans and receivables and are measured 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.
- Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are measured at amortized cost, with the exception of the liability related to deferred share units which is measured at fair value.
- Derivative financial instruments are measured at fair value. The change in fair value of the effective portion of the hedge, when applicable, is recognized in other comprehensive income, net of income taxes.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes.

Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – One or more significant inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

HEDGES

The Company uses interest rate derivatives to manage the combination of floating to fixed interest rates on its 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 cash flow hedges, are reclassified in net earnings in the period or periods during which the hedged item affects net earnings.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FUTURE ACCOUNTING POLICIES

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 will transition to IFRS on April 1, 2011.

NOTE 2 INVENTORIES

		2011		2010
Finished goods	$	448,959	$	372,373
Raw materials, work in process and supplies		213,235		194,381
	$	662,194	$	566,754

The amount of inventories recognized as an expense in cost of sales for the year ended March 31, 2011 is $4,671,311,000 ($4,579,330,000 for the year ended March 31, 2010).

The Company recorded an inventory write-down of $3,000,000 ($2,109,000 in 2010) which was recognized as an expense in cost of sales.

NOTE 3 PORTFOLIO INVESTMENT

The Company holds a 21% interest in Dare Holdings Ltd. (Dare) which is recorded as a portfolio investment at cost less the excess of dividends received over the Company's share in accumulated earnings. On June 30, 2010, the Company exercised its option requiring that the shares it holds in Dare be repurchased at their fair market value pursuant to the terms and conditions of the shareholders' agreement entered into between the parties, which provides that such fair market value will be determined by an independent valuator. The valuator issued its report in May 2011 and the Company recorded a $13.6 million write-down in fiscal 2011 to take into account such valuation. The Company intends to contest this outcome and to pursue all recourses and remedies available under the law.

NOTE 4 FIXED ASSETS

	2011			2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	$ 35,543	$ -	$ 35,543	$ 38,920	$ -	$ 38,920
Buildings	394,883	104,417	290,466	382,480	92,164	290,316
Furniture, machinery and equipment	1,295,769	606,595	689,174	1,242,504	543,674	698,830
Rolling stock	7,538	5,353	2,185	13,117	8,435	4,682
Held for sale	9,782	-	9,782	6,008	-	6,008
	$ 1,743,515	$ 716,365	$ 1,027,150	$ 1,683,029	$ 644,273	$ 1,038,756

During the year, the depreciation expense related to fixed assets totalled $99,709,000 ($105,609,000 in 2010).

In fiscal 2010, an impairment of fixed assets in the amount of $2,603,000 was recorded as a result of a plant closure and consolidation of distribution activities in the CEA Dairy Products Sector and was included in depreciation and amortization expense.

The net book value of fixed assets under construction amounts to $38,056,000 as at March 31, 2011 ($46,271,000 as at March 31, 2010) and consists mainly of machinery and equipment.

The assets held for sale relate mainly to land and buildings in Canada and in the United States as a result of the closure of certain facilities.

NOTE 5 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

	2011			2010		
	Dairy Products Sector	**Grocery Products Sector**	**Total**	Dairy Products Sector	Grocery Products Sector	Total
Goodwill						
Balance, beginning of year	**$ 547,265**	**$ 169,430**	**$ 716,695**	$ 590,853	$ 169,430	$ 760,283
Foreign currency translation adjustment	**(14,423)**	**-**	**(14,423)**	(64,328)	-	(64,328)
Business acquisitions (Note 15)	**145,558**	**-**	**145,558**	20,740	-	20,740
Total Goodwill	**$ 678,400**	**$ 169,430**	**$ 847,830**	$ 547,265	$ 169,430	$ 716,695
Trademarks						
Balance, beginning of year	**$ 251,052**	**$ 2,000**	**$ 253,052**	$ 255,955	$ 2,000	$ 257,955
Foreign currency translation adjustment	**(1,056)**	**-**	**(1,056)**	(4,903)	-	(4,903)
Business acquisitions (Note 15)	**11,233**	**-**	**11,233**	-	-	-
Balance, end of year	**$ 261,229**	**$ 2,000**	**$ 263,229**	$ 251,052	$ 2,000	$ 253,052
Other intangibles						
Balance, beginning of year	**$ 63,561**	**$ -**	**$ 63,561**	$ 69,561	$ -	$ 69,561
Foreign currency translation adjustment	**(299)**	**-**	**(299)**	(817)	-	(817)
Business acquisitions (Note 15)	**17,670**	**-**	**17,670**	111	-	111
Amortization	**(5,123)**	**-**	**(5,123)**	(5,294)	-	(5,294)
Balance, end of year	**$ 75,809**	**$ -**	**$ 75,809**	$ 63,561	$ -	$ 63,561
Total trademarks and other intangibles	**$ 337,038**	**$ 2,000**	**$ 339,038**	$ 314,613	$ 2,000	$ 316,613

As at March 31, 2011, the gross carrying amount of Other intangibles is $88,701,000 ($71,479,000 in 2010) and the accumulated amortization is $12,892,000 ($7,918,000 in 2010).

NOTE 6 OTHER ASSETS

		2011		2010
Net accrued pension plan assets (Note 16)	$	68,597	$	64,451
Taxes receivable		12,148		15,893
Other		6,933		9,928
	$	87,678	$	90,272

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			2011		2010
North America-US Currency	[1]December 2012	145,440	150,000	USD	$	9,015	$	-
North America-CDN Currency	[1]December 2012	358,752	370,000	USD		135,000		30,000
Argentina	[2] Yearly	84,024	359,538	ARS		23,270		28,213
Germany	[3] Yearly	6,891	5,000	EUR		3,304		-
United Kingdom	[3] Yearly	10,917	7,000	BPS		-		3,359
		606,024			$	170,589	$	61,572

[1] Bear monthly interest at rates ranging from 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 monthly interest at local rate and can be drawn in ARS or USD.
[3] Bear monthly interest at base rate plus 1.50% or LIBOR-EURIBOR plus 1.50%.

NOTE 8 LONG-TERM DEBT

		2011		2010
Unsecured senior notes[1]				
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)	$	48,480	$	50,790
5.34%, issued in June 2009 and due in June 2014		110,000		110,000
5.82%, issued in June 2009 and due in June 2016		220,000		220,000
	$	378,480	$	380,790

Principal repayments are as follows:

Less than 1 year	$	-	$	-
1-2 years		-		-
2-3 years		-		-
3-4 years		158,480		-
4-5 years		-		160,790
More than 5 years		220,000		220,000
	$	378,480	$	380,790

[1] Interest payments are semi-annual.

NOTE 9 OTHER LIABILITIES

		2011		2010
Employee future benefits (Note 16)	$	9,092	$	9,256
Other		2,582		438
	$	11,674	$	9,694

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 issuance.

		2011		2010
ISSUED				
203,830,505 common shares (207,425,823 in 2010)	**$**	**617,675**	$	584,749

2,280,457 common shares (1,758,740 in 2010) were issued during the year ended March 31, 2011 for an amount of $40,375,000 ($26,008,000 in 2010) 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, 2011, the amount transferred from contributed surplus was $9,831,000 ($7,075,000 in 2010).

Pursuant to the normal course issuer bid, which began on November 13, 2009, and expired on November 12, 2010, the Company was authorized to purchase for cancellation up to 10,322,467 of its common shares. Under the new normal course issuer bid that became effective on November 15, 2010, and expiring on November 14, 2011, the Company is authorized to purchase, for cancellation purposes, up to 10,315,947 of its common shares. During the year ended March 31, 2011, the Company purchased 5,875,775 common shares, at prices ranging from $31.90 to $43.50 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $200,616,000 was charged to retained earnings. During the year ended March 31, 2010, the Company purchased 1,420,200 common shares, at prices ranging from $24.10 to $29.99 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $34,201,000 was charged to retained earnings. As at March 31, 2011, 68,900 of the repurchased shares with a carrying value of $207,816 and a purchase value of $2,992,151 were held by the Company and cancelled subsequent to year-end.

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. As at March 31, 2011, 12,553,120 common shares are issuable under this plan. 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:

			2011		2010	
Granting period		Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2001	$	6.75	**-**	**-**	33,644	33,644
2002	$	9.50	**-**	**-**	182,307	182,307
2003	$	15.18	**155,836**	**155,836**	322,158	322,158
2004	$	11.25	**347,719**	**347,719**	572,238	572,238
2005	$	16.53	**429,057**	**429,057**	670,588	670,588
2006	$	18.08	**562,285**	**562,285**	1,011,254	721,888
2007	$	16.35	**995,661**	**627,321**	1,412,668	645,677
2008	$	23.09	**1,194,394**	**586,770**	1,502,581	547,815
2009	$	27.81	**1,293,413**	**420,660**	1,522,354	306,704
2010	$	21.40	**1,964,091**	**254,057**	2,183,958	-
2011	$	29.32	**1,731,782**	**-**	-	-
			8,674,238	**3,383,705**	9,413,750	4,003,019

NOTE 10 SHARE CAPITAL (CONT'D)

Changes in the number of outstanding options are as follows:

	2011			2010		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of year	**9,413,750**	**$**	**20.13**	9,128,841	$	16.93
Options granted	**1,753,233**	**$**	**29.32**	2,232,039	$	21.40
Options exercised	**(2,280,457)**	**$**	**17.70**	(1,758,740)	$	14.78
Options cancelled	**(212,288)**	**$**	**20.61**	(188,390)	$	20.91
Balance, end of year	**8,674,238**	**$**	**22.62**	9,413,750	$	20.13

The exercise price of the options granted in fiscal 2011 is $29.32, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($21.40 in 2010).

The fair value of options granted in fiscal 2011 was estimated at $5.49 per option ($3.26 in 2010), using the Black Scholes option pricing model with the following assumptions:

	2011	2010
Risk-free interest rate	**2.6%**	1.9%
Expected life of options	**5 years**	5 years
Volatility	**20.7%**	19.1%
Dividend rate	**1.6%**	2.0%

A compensation expense of $8,375,000 ($7,538,000 after income taxes) relating to stock options was recorded in cost of sales, selling and administrative expenses for the year ended March 31, 2011 and $8,060,000 ($7,224,000 after income taxes) was recorded for the year ended March 31, 2010.

Options to purchase 1,244,780 common shares at a price of $43.22 per share were granted on April 1, 2011.

DEFERRED SHARE UNITS PLAN FOR DIRECTORS

In accordance with the deferred share units plan, all eligible Directors of the Company are allocated annually a fixed amount of deferred share units which are granted on a quarterly basis. Moreover, the Directors have a choice to receive either cash or deferred share 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.

	2011			2010		
	Units		Liability	Units		Liability
Balance, beginning of year	**181,398**	**$**	**5,623**	146,063	$	3,385
Annual grant	**20,000**		**744**	20,000		549
Board compensation	**18,836**		**688**	15,335		415
Increase due to change in stock price	**-**		**3,022**	-		1,274
Balance, end of year	**220,234**	**$**	**10,077**	181,398	$	5,623

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Balance as at April 1, 2010	Net changes incurred during the year	**Balance as at March 31, 2011**
Net unrealized (losses) gains on translation of financial statements of self-sustaining foreign operations	$ (188,045)	$ (58,159)	**$ (246,204)**
Accumulated other comprehensive income (loss)	$ (188,045)	$ (58,159)	**$ (246,204)**

	Balance as at April 1, 2009	Net changes incurred during the year	Balance as at March 31, 2010
Net unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	$ 17,482	$ (205,527)	$ (188,045)
Losses on derivatives items designated as hedges of interest cash flows, net of tax	(1,263)	1,263	-
Accumulated other comprehensive income (loss)	$ 16,219	$ (204,264)	$ (188,045)

NOTE 12 OTHER INTEREST

	2011	2010
Expense	**$ 1,635**	$ 5,216
Income	**(972)**	(55)
	$ 663	$ 5,161

NOTE 13 INCOME TAXES

The provision for income taxes is comprised of the following:

		2011		2010
Current income taxes	$	143,759	$	140,915
Future income taxes		52,956		19,874
	$	196,715	$	160,789

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

		2011		2010
Income taxes, calculated using Canadian statutory income tax rates of 27.58% (29.52% in 2010)	$	178,661	$	160,434
Adjustments resulting from the following:				
Effects of tax rates for foreign subsidiaries		23,136		10,693
Changes in tax laws and rates		(1,083)		(2,225)
Benefit arising from investment in subsidiaries		(12,908)		(14,202)
Stock based compensation		1,900		1,838
Effect of losses carry forward		858		1,443
Other		6,151		2,808
Provision for income taxes	$	196,715	$	160,789

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

		2011		2010
Future income tax asset				
Accounts payable and accrued liabilities	$	15,144	$	14,451
Income tax losses		21,425		230
Portfolio Investment		-		743
Other		5,428		7,660
	$	41,997	$	23,084

		2011		2010
Future income tax liability				
Inventories	$	22,137	$	3,706
Fixed assets		130,897		109,230
Net assets of pension plans		16,605		15,203
Portfolio investment		971		-
Other assets		3,580		19,063
Long-term debt		2,500		2,500
	$	176,690	$	149,702

Classified in the balance sheets as:

		2011		2010
Current future income tax asset	$	20,300	$	22,302
Long-term future income tax asset		50,515		3,394
Current future income tax liability		(28,199)		(8,639)
Long-term future income tax liability		(177,309)		(143,675)
Net future income tax liability	$	(134,693)	$	(126,618)

As at March 31, 2011, in addition to the income tax losses recorded, the Company has unrecorded income tax losses of approximately $19,331,000 ($17,984,000 in 2010) which may be used to reduce future years' taxable income of its foreign subsidiaries. These losses can be carried forward indefinitely.

NOTE 14 EARNINGS PER SHARE

		2011		2010
Net earnings	$	451,119	$	382,714
Weighted average number of common shares outstanding		205,974,018		206,987,839
Dilutive options		2,821,608		1,857,080
Weighted average diluted number of common shares outstanding		208,795,626		208,844,919
Basic earnings per share	$	2.19	$	1.85
Diluted earnings per share	$	2.16	$	1.83

When calculating dilutive earnings per share, 1,753,233 options granted on April 1, 2010 were excluded from the calculation for the first three months of fiscal 2011 as their exercise price was higher than the average market value (1,618,484 options granted on April 1, 2007 and 1,573,027 options granted on April 1, 2008 were excluded for three and six months respectively of fiscal 2010).

Shares purchased in fiscal 2011 under normal course issuer bids were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 15 BUSINESS ACQUISITIONS

On March 25, 2011, the Company completed the acquisition of all outstanding shares of Fairmount Cheese Holdings, Inc., the parent company of DCI Cheese Company, Inc. The final allocation of the purchase price will be completed in the next fiscal year.

On July 20, 2009, the Company completed the acquisition of the activities of F&A Dairy of California, Inc.

			March 31, 2011 DCI Cheese Company, Inc.		March 31, 2010 F&A Dairy of California, Inc.
Assets acquired	Cash	$	660		-
	Receivables		32,003		-
	Inventories		51,700		3,860
	Prepaid expenses		1,333		-
	Fixed assets		10,800		24,902
	Goodwill		145,558		20,740
	Trademarks and other intangibles		28,903		111
	Future income taxes		48,112		-
Liabilities assumed	Accounts payable and accrued liabilities		41,450		-
	Other liabilities		2,754		-
Net assets acquired		$	274,865	$	49,613
Consideration	Cash paid	$	267,337	$	49,613
	Balance payable		7,528		-
	Total consideration	$	274,865	$	49,613

NOTE 16 EMPLOYEE PENSION AND OTHER BENEFITS PLANS

The Company provides defined benefits and contribution pension plans as well as other benefits 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 final years of service. The Company and the employee share the cost of the contributions which are based on recommendations from independent actuaries. For defined benefits plans, actuarial valuations were performed in December 2010, covering 79% of the obligations with respect to this type of plan. 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.

Defined benefit pension plans assets are held by several independent trusts, and the composition of the overall portfolio as at December 31, 2010 was 2% in cash and short-term investments, 47% in bonds and 51% in shares of Canadian, US and foreign companies. For the moment, the Company does not expect any major change to this asset allocation. The composition as of December 31, 2009 was 1% in cash and short-term investments, 51% in bonds and 48% in shares of Canadian, US and foreign companies.

FINANCIAL POSITION OF THE PLANS

	2011		2010	
	Defined benefit pension plans	**Other benefits plans**	Defined benefit pension plans	Other benefits plans
Changes in accrued benefit obligations				
Benefit obligations, beginning of year	**$ 199,374**	**$ 10,595**	$ 169,680	$ 11,330
Current service cost	**5,070**	**32**	4,573	24
Interest cost	**11,637**	**561**	12,302	705
Benefits paid	**(15,566)**	**(707)**	(13,689)	(1,037)
Actuarial losses (gains)	**9,092**	**106**	27,325	(43)
Foreign currency gain	**(198)**	**(33)**	(817)	(384)
Benefit obligations, end of year	**209,409**	**10,554**	199,374	10,595
Changes in fair value of plan assets				
Fair value of plan assets, beginning of year	**183,628**	**-**	166,708	-
Actual return on plan assets	**14,832**	**-**	23,847	-
Employer contributions	**8,638**	**700**	6,264	1,037
Employee contributions	**935**	**180**	1,046	-
Benefits paid	**(15,566)**	**(880)**	(13,689)	(1,037)
Foreign currency loss	**(131)**	**-**	(548)	-
Fair value of plan assets, end of year	**192,336**	**-**	183,628	-
Funded status				
Deficit, end of year	**(17,073)**	**(10,554)**	(15,746)	(10,595)
Unamortized actuarial losses	**87,169**	**969**	83,889	608
Unamortized past service cost	**544**	**108**	645	139
Valuation allowance	**(425)**	**-**	(295)	-
Unamortized transitional (asset) obligation	**(4,126)**	**385**	(5,282)	581
Asset (liability) as at the measurement date	**66,089**	**(9,092)**	63,211	(9,267)
Employer contributions made from the measurement date to the end of the year	**2,508**	**-**	1,240	11
Net asset (liability) recognized in the balance sheet	**$ 68,597**	**$ (9,092)**	$ 64,451	$ (9,256)

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

NOTE 16 EMPLOYEE PENSION AND OTHER BENEFITS PLANS (CONT'D)

EMPLOYEE BENEFITS PLANS EXPENSE

	2011		2010	
	Defined benefit pension plans	**Other benefits plans**	Defined benefit pension plans	Other benefits plans
Defined benefit plans				
Employer current service cost	**$ 4,135**	**$ 32**	$ 3,526	$ 24
Interest cost on benefit obligations	**11,637**	**562**	12,302	705
Actual return on plan assets	**(14,832)**	**-**	(23,847)	-
Actuarial losses (gains)	**9,092**	**106**	27,325	(131)
Curtailment	**-**	**-**	87	104
Unadjusted benefits expense before taking into account the long-term nature of the cost	**10,032**	**700**	19,393	702
Difference between expected return and actual return on plan assets	**1,576**	**-**	10,075	-
Difference between amortized past service costs and plan amendment for the year	**101**	**31**	121	31
Difference between net actuarial loss recognized and actuarial loss on benefit obligations	**(4,941)**	**(302)**	(25,692)	41
Transitional (asset) obligation amortization	**(1,156)**	**196**	(1,155)	196
Defined benefit plans expense before valuation allowance	**5,612**	**625**	2,742	970
Valuation allowance	**130**	**-**	(264)	-
Defined benefit plans expense	**5,742**	**625**	2,478	970
Defined contribution plans expense	**17,781**	**-**	17,997	-
Total benefit plans expense	**$ 23,523**	**$ 625**	$ 20,475	$ 970

For the year ended March 31, 2011, the Company's total expense for all its employee benefits plans was $24,148,000 ($21,445,000 in 2010) and the total Company contribution to the employee benefits plans was $27,119,000 ($25,298,000 in 2010).

For the purposes of determining the defined benefit pension cost, the assets of the plans were smoothed. The asset valuation method used is a smoothed value recognizing gains and losses over a 5-year period, at a rate of 20% per year. Those gains and losses represent the difference between the actual return and the expected long-term return of the pension fund. This method aims at reducing the effect of short-term variations in financial markets.

Weighted average assumptions

To determine benefits obligation at the end of year:				
Discount rate	**5.49%**	**5.46%**	6.00%	5.93%
Rate of compensation increase	**3.00%**	**3.00%**	3.50%	3.50%
To determine benefits plans expenses:				
Discount rate	**6.00%**	**5.93%**	7.47%	6.68%
Expected long-term rate of return on plan assets	**6.75%**	**N/A**	6.76%	N/A
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%

For measurement purposes, a 4.16% to 11.0% annual rate of increase was used for health, life insurance and dental plan costs for the year 2012 and this rate is assumed to decrease gradually to 4.74% in 2016. In comparison, during the previous year, a 5.5% to 11.0% annual rate was used for the year 2011 and that rate was assumed to decrease gradually to 5.25% in 2015.

NOTE 17 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:

Less than 1 year	$	**15,978**
1-2 years		**13,339**
2-3 years		**12,037**
3-4 years		**10,045**
4-5 years		**8,738**
More than 5 years		**23,447**
	$	**83,584**

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations which mature until 2017. 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 lessors, 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, 2011, 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, 2011 and 2010, the Company has not recorded a liability associated with these indemnifications.

NOTE 18 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 value, being the market value of similar transactions.

Goods and services received were the following:

		2011		2010
Rent, travel, transport and lodging expenses	$	**3,160**	$	3,785
Management fees for compensation of the Chairman of the Board		**500**		500
	$	**3,660**	$	4,285

Goods and services provided were the following:

		2011		2010
Dairy products and services provided by the Company	$	**382**	$	384

There is an amount payable by the Company of $63,000 with respect to these transactions as at March 31, 2011 ($61,000 in 2010).

NOTE 19 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), foreign exchange risk and interest rate risk. These financial instruments are subject to normal credit conditions, financial controls, risk management as well as monitoring procedures.

CREDIT RISK

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

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.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customer's receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2011 and 2010.

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

On average, the Company will generally have 10% of receivables that is due beyond normal terms, but is not impaired. The carrying amount of receivables is reduced by an allowance account and the amount of the loss is recognized in the statement of earnings within cost of sales, selling and administrative expenses. Subsequent recoveries of amounts previously written off are credited against cost of sales, selling and administrative expenses in the statement of earnings. However, Management does not believe that these allowances are significant.

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 20 relating to 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.

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, 2011, the interest expense on long-term debt totalled $23,211,000 ($29,901,000 in March 31, 2010). The interest accrued to March 31, 2011 was an amount of $6,588,000 ($6,660,000 at March 31, 2010).

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

As at March 31, 2011, the net amount exposed to short-term rates fluctuations was approximately $170,600,000. Based on this exposure, an assumed 1 percentage point increase in interest rate would have an unfavourable impact of approximately $1,200,000 on net earnings with an equal but opposite effect for an assumed 1 percentage point decrease.

NOTE 19 FINANCIAL INSTRUMENTS (CONT'D)

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 600,000 euros (2,300,000 euros and 4,000,000 US dollars in 2010).

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

		2011		2010
Change in net earnings	**$**	**1,290**	$	895
Change in comprehensive income	**$**	**11,187**	$	10,004

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 positive fair value of approximately $2,631,000 (negative fair value of $1,119,000 in 2010). The Company does not use hedge accounting for these transactions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at March 31, 2011 and 2010. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

		2011				2010		
		Fair Value		**Carrying Value**		Fair value		Carrying value
Other assets that meet the definition of a financial asset	**$**	**1,443**	**$**	**1,469**	$	1,516	$	1,538
Long-term debt		**416,304**		**378,480**		420,922		380,790
Interest rate swaps		**-**		**-**		(372)		(372)
Currency forwards		**(5)**		**(5)**		(247)		(247)

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2011, classified using the fair value hierarchy described in Note 1.

		Level 1		**Level 2**		**Level 3**		**Total**
Cash and cash equivalents	**$**	**77,491**	**$**	**-**	**$**	**-**	**$**	**77,491**
Deferred share units		**10,077**		**-**		**-**		**10,077**
	$	**87,568**	**$**	**-**	**$**	**-**	**$**	**87,568**

Fair values of other assets, long-term debt and derivative financial instruments are determined using discounted cash flow models based on market inputs prevailing at the balance sheet date and are also obtained from financial institutions. Where applicable, these models use market-based observable inputs including interest-rate-yield curves, volatility of certain prices or rates and credit spreads. If market based observable inputs are not available, judgement is used to develop assumptions used to determine fair values. The Company does not use unobservable inputs that are significant to the fair value measurements in their entirety. The fair value estimates are significantly affected by assumptions including the amount and timing of estimated future cash flows and discount rates. The Company's derivatives transactions are accounted for on a fair value basis.

NOTE 20 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 long-term debt and bank loans, net of cash and cash equivalents. The Company's primary use of capital is to finance 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, 2011 and March 31, 2010 was as follows:

		2011		2010
Bank loans	$	**170,589**	$	61,572
Long-term debt		**378,480**		380,790
Cash and cash equivalents		**(77,491)**		(54,819)
Net debt	$	**471,578**	$	387,543
Shareholders' equity	$	**2,125,641**	$	2,028,598
Net debt-to-equity		**0.22:1**		0.19:1

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratios as at March 31, 2011.

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

NOTE 21 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 States (USA).

The Grocery Products Sector consists of the production and distribution mainly of snack-cakes.

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.

NOTE 21 SEGMENTED INFORMATION (CONT'D)

Information on operating sectors

	2011			2010		
	CEA	**USA**	**Total**	CEA	USA	Total
Revenues[1]						
Dairy products	**$ 3,837,188**	**$ 2,046,993**	**$ 5,884,181**	$ 3,745,930	$ 1,906,189	$ 5,652,119
Grocery products	**141,289**	**-**	**141,289**	158,463	-	158,463
	$ 3,978,477	**$ 2,046,993**	**$ 6,025,470**	$ 3,904,393	$ 1,906,189	$ 5,810,582
Earnings before interest, depreciation, amortization, devaluation and income taxes						
Dairy products	**$ 490,143**	**$ 287,446**	**$ 777,589**	$ 457,895	$ 218,375	$ 676,270
Grocery products	**12,551**	**-**	**12,551**	15,801	-	15,801
	$ 502,694	**$ 287,446**	**$ 790,140**	$ 473,696	$ 218,375	$ 692,071
Depreciation and amortization						
Dairy products	**$ 52,582**	**$ 44,410**	**$ 96,992**	$ 54,843	$ 49,844	$ 104,687
Grocery products	**7,840**	**-**	**7,840**	8,819	-	8,819
	$ 60,422	**$ 44,410**	**$ 104,832**	$ 63,662	$ 49,844	$ 113,506
Operating income						
Dairy products	**$ 437,561**	**$ 243,036**	**$ 680,597**	$ 403,052	$ 168,531	$ 571,583
Grocery products	**4,711**	**-**	**4,711**	6,982	-	6,982
	$ 442,272	**$ 243,036**	**$ 685,308**	$ 410,034	$ 168,531	$ 578,565
Devaluation of portfolio investment			**13,600**			-
Interest, net			**23,874**			35,062
Earnings before income taxes			**647,834**			543,503
Income taxes			**196,715**			160,789
Net earnings			**$ 451,119**			$ 382,714

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

NOTE 21 SEGMENTED INFORMATION (CONT'D)

Geographic information

	2011				2010			
	Canada	**Argentina & Europe**	**United States**	**Total**	Canada	Argentina & Europe	United States	Total
Revenues[1]								
Dairy products	**$ 3,440,326**	**$ 396,862**	**$ 2,046,993**	**$ 5,884,181**	$ 3,441,501	$ 304,429	$ 1,906,189	$ 5,652,119
Grocery products	**141,289**	**-**	**-**	**141,289**	158,463	-	-	158,463
	$ 3,581,615	**$ 396,862**	**$ 2,046,993**	**$ 6,025,470**	$ 3,599,964	$ 304,429	$ 1,906,189	$ 5,810,582
Total assets								
Dairy products	**$ 1,757,040**	**$ 219,580**	**$ 1,409,578**	**$ 3,386,198**	$ 1,648,241	$ 190,868	$ 1,142,115	$ 2,981,224
Grocery products	**278,111**	**-**	**-**	**278,111**	272,227	-	-	272,227
	$ 2,035,151	**$ 219,580**	**$ 1,409,578**	**$ 3,664,309**	$ 1,920,468	$ 190,868	$ 1,142,115	$ 3,253,451
Net book value of fixed assets								
Dairy products	**$ 435,603**	**$ 69,668**	**$ 482,062**	**$ 987,333**	$ 426,913	$ 76,460	$ 497,636	$ 1,001,009
Grocery products	**39,817**	**-**	**-**	**39,817**	37,747	-	-	37,747
	$ 475,420	**$ 69,668**	**$ 482,062**	**$ 1,027,150**	$ 464,660	$ 76,460	$ 497,636	$ 1,038,756
Additions to fixed assets								
Dairy products	**$ 50,581**	**$ 5,900**	**$ 44,661**	**$ 101,142**	$ 32,050	$ 5,597	$ 63,585	$ 101,232
Grocery products	**10,958**	**-**	**-**	**10,958**	5,644	-	-	5,644
	$ 61,539	**$ 5,900**	**$ 44,661**	**$ 112,100**	$ 37,694	$ 5,597	$ 63,585	$ 106,876
Goodwill								
Dairy products	**$ 269,064**	**$ 358**	**$ 408,978**	**$ 678,400**	$ 269,064	$ 365	$ 277,836	$ 547,265
Grocery products	**169,430**	**-**	**-**	**169,430**	169,430	-	-	169,430
	$ 438,494	**$ 358**	**$ 408,978**	**$ 847,830**	$ 438,494	$ 365	$ 277,836	$ 716,695

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

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