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 judgements 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 directors who are not employees of the Company.

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 Commitee recommends the external auditors for appointment by the shareholders. The external auditors have unrestricted access to the Audit Commitee. The consolidated financial statements have been audited by the external auditors, Deloitte & Touche, whose report follows.

"Lino Saputo"
(signed)

LINO SAPUTO
Chairman of the Board and
Chief Executive Officer

"Louis-Philippe Carriere"
(signed)

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

Auditors' report to the Shareholders of Saputo Inc.

We have audited the consolidated balance sheets of Saputo Inc. as at March 31, 2001 and 2000 and the consolidated statements of earnings, 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, 2001 and 2000 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"
(signed)

Deloitte & Touche, LLP

Chartered Accountants
Laval, Quebec
May 11, 2001

Consolidated **statements of earnings**

Years ended March 31

(in thousands of dollars, except per share amounts)	2001	2000
REVENUES	$ 2,161,671	$ 1,860,878
Cost of sales, selling and administrative expenses	1,890,697	1,623,933
EARNINGS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND INCOME TAXES	270,974	236,945
Depreciation of fixed assets	51,763	37,785
OPERATING INCOME	219,211	199,160
Interest on long-term debt	40,703	34,184
Other interest (note 7)	(1,184)	3,397
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	179,692	161,579
Income taxes (note 9)	55,607	51,386
EARNINGS BEFORE AMORTIZATION OF GOODWILL	124,085	110,193
Amortization of goodwill	13,844	10,125
NET EARNINGS	$ 110,241	$ 100,068
EARNINGS PER SHARE (note 10)		
Earnings before amortization of goodwill		
Basic	$ 2.42	$ 2.20
Diluted	$ 2.41	$ 2.19
Net earnings		
Basic	$ 2.15	$ 2.00
Diluted	$ 2.14	$ 1.99

Consolidated **statements of retained earnings**

Years ended March 31

(in thousands of dollars)	2001	2000
RETAINED EARNINGS, BEGINNING OF YEAR	$ 177,746	$ 89,655
Net earnings	110,241	100,068
Dividends	(16,900)	(11,977)
RETAINED EARNINGS, END OF YEAR	$ 271,087	$ 177,746

Consolidated **balance sheets**

As at March 31

(in thousands of dollars)	**2001**	2000
ASSETS		
CURRENT ASSETS		
Cash	**$ 6,294**	$ 4,310
Receivables	**279,493**	147,188
Inventories	**376,447**	236,791
Income taxes	**2,866**	3,096
Future income taxes	**22,751**	13,422
Prepaid expenses and other assets	**10,628**	8,999
	698,479	413,806
FIXED ASSETS (note 3)	**675,021**	491,514
GOODWILL, UNAMORTIZED PORTION (COST OF $630,599)	**592,646**	475,229
OTHER ASSETS	**33,970**	9,534
FUTURE INCOME TAXES	**12,863**	20,919
	$ 2,012,979	$ 1,411,002
LIABILITIES		
CURRENT LIABILITIES		
Bank loans (note 4)	**$ 10,643**	$ 17,585
Accounts payable and accrued liabilities	**320,426**	162,637
Income taxes	**29,457**	22,130
Current portion of long-term debt	**95,075**	40,222
	455,601	242,574
LONG-TERM DEBT (note 5)	**700,821**	461,353
EMPLOYEE FUTURE BENEFITS	**11,574**	7,248
FUTURE INCOME TAXES	**97,082**	70,933
	1,265,078	782,108
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6)	**451,047**	450,632
RETAINED EARNINGS	**271,087**	177,746
FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**25,767**	516
	747,901	628,894
	$ 2,012,979	$ 1,411,002

On behalf of the board

"Lino Saputo"
(signed)

"Louis A. Tanguay"
(signed)

Lino Saputo, *Director*

Louis A. Tanguay, *Director*

Consolidated **statements of cash flows**

Years ended March 31

(in thousands of dollars)	2001	2000
Cash flows related to the following activities:		
OPERATING		
Net earnings	$ 110,241	$ 100,068
Items not affecting cash		
Depreciation and amortization	65,607	47,910
Future income taxes	15,232	28,069
Other items	(990)	—
	190,090	176,047
Currency loss (gain) on cash held in foreign currency	7	(82)
Changes in non-cash operating working capital items	44,310	(10,363)
	234,407	165,602
INVESTING		
Business acquisitions (note 8)	(1,432)	(2,334)
Net additions to fixed assets	(42,934)	(53,115)
Other assets	(1,694)	(2,119)
Foreign currency translation adjustment	(48,411)	22,433
	(94,471)	(35,135)
FINANCING		
Bank loans	(6,942)	(44,074)
Increase in long-term debt	—	96,287
Repayment of long-term debt	(151,140)	(145,194)
Issuance of share capital	415	1,150
Dividends	(16,900)	(11,977)
Foreign currency translation adjustment	36,622	(14,576)
	(137,945)	(118,384)
INCREASE IN CASH	1,991	12,083
CURRENCY (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY	(7)	82
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	4,310	(7,855)
CASH, END OF YEAR	$ 6,294	$ 4,310
SUPPLEMENTAL INFORMATION		
Interest paid	$ 39,165	$ 28,030
Income taxes paid	$ 31,976	$ 12,963

Notes to the Consolidated **Financial Statements**

Years ended March 31 *(in thousands of dollars)*

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles used in Canada and take into account the following significant accounting policies:

Use of estimates
In the course of the preparation of financial statements in conformity with generally accepted accounting principles, management must make estimates and assumptions 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 Saputo Inc. and all its subsidiaries. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

Inventories
Finished goods and goods in process are valued at the lower of average cost and net realizable value. Raw materials are valued at the lower of cost and replacement value, cost being determined under the first-in, first-out method.

Fixed assets
Fixed assets are stated at cost and are depreciated using the straight-line method over their estimated useful lives or by using the following methods:

Buildings	15 years to 40 years
Furniture, machinery and equipment	3 years to 15 years
Rolling stock	5 years to 10 years or based on kilometers traveled

Goodwill
Goodwill is recorded at cost and amortized under the straight-line method over a maximum period of forty years. Management reviews goodwill on a continuous basis to determine whether there has been a permanent impairment of its value by comparing the carrying amount with future undiscounted operating income.

Income taxes
The Company follows the liability method of income tax allocation. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse.

Employee future benefits
The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and using estimates of expected return on plan assets, rates of compensation increase, retirement ages of employees and expected health care costs and other post-retirement benefits.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currency translation

The balance sheet accounts of the self-sustaining companies operating in the United States were translated into Canadian dollars using the exchange rates at the balance sheet dates. Statement of earnings accounts were translated into Canadian dollars using the average monthly exchange rates in effect during the fiscal years. Canadian company debt relating to the financing of the acquisitions of the self-sustaining companies was also converted using the exchange rates at the balance sheet dates. The foreign currency translation adjustment account presented in shareholders' equity represents accumulated foreign currency gains or losses on the Company's net investments in self-sustaining companies operating in the United States. The change in the foreign currency translation account during the year ended March 31, 2001 resulted from the weakening of the Canadian dollar as compared to the US dollar.

Foreign currency accounts of Canadian companies were translated into Canadian dollars using the exchange rates at the end of the year for current assets and liabilities and the prevailing exchange rates at the time of transactions for income and expenses. Gains or losses resulting from this translation are included in the statement of earnings.

2. CHANGES IN ACCOUNTING POLICIES

Income taxes

Effective April 1, 2000, the Company adopted the new Canadian Institute of Chartered Accountants accounting recommendations for income taxes. Under these new rules, income taxes must be accounted for using the liability method of income tax allocation. Future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to April 1, 2000, the Company followed the deferred tax allocation method. Under this method, timing differences between accounting income and expenses and taxable income and deductible expenses gave rise to deferred income taxes. Deferred income taxes were determined using the tax rates prevailing at the time the provisions for income taxes were recorded.

The Company adopted the new recommendations retroactively and restated the presentation of the financial statements. The adoption of the new recommendations did not affect net earnings and retained earnings of prior years and its effect on earnings for the current year was immaterial.

Employee future benefits

Effective April 1, 2000, the Company adopted on a prospective basis the new recommendations of the Canadian Institute of Chartered Accountants concerning employee future benefits.

In accordance with these new recommendations, the cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on services and using estimates of expected return on plan assets, rates of compensation increase, retirement ages of employees and expected health care costs and other post-retirement benefits. Plan obligations are discounted using current market interest rates. Previously, costs for employee future benefits other than pension were expensed as incurred and pension cost obligations were discounted using the expected long-term rate of return on plan assets.

As a result of the adoption of these new recommendations, operating income was reduced by $1,545,000 and the accrued employee future benefit liability increased by $919,000.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Earnings per share

Effective January 1, 2001, the Company adopted on a retroactive basis the new recommendations of the Canadian Institute of Chartered Accountants concerning earnings per share. Basic earnings per share is based on the weighted average of common shares issued and outstanding, and is calculated by dividing earnings by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by dividing earnings by the weighted number of shares used in the basic earnings per share calculation plus the number of shares that would be issued assuming that all potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan were issued using the treasury stock method.

Under the treasury stock method, share purchase options are assumed exercised at the beginning of the period and the proceeds from exercise are presumed to be used to purchase shares at the average market price during the period.

Diluted earnings per share for the year ended March 31, 2000 were restated in accordance with the new recommendations.

As a result of these new recommendations, diluted earnings per share before amortization of goodwill increased by $0.09 and net earnings per share increased by $0.08 for the year ended March 31, 2001 and $0.11 and $0.10 respectively for the year ended March 31, 2000.

3. FIXED ASSETS

	2001			2000
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 31,844	$ —	$ 31,844	$ 20,179
Buildings	238,237	29,033	209,204	148,470
Furniture, machinery and equipment	581,450	153,297	428,153	318,052
Rolling stock	8,720	2,900	5,820	4,813
	$ 860,251	$ 185,230	$ 675,021	$ 491,514

4. BANK LOANS

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately $235,000,000. These bank loans are available in Canadian or US dollars and bear interest at rates based on lenders' prime rates or LIBOR.

5. LONG-TERM DEBT

	2001	2000
Term bank loan, available in the form of bank advances or bankers' acceptances, repayable by quarterly variable instalments until December 2004, bearing interest at fluctuating rates based on prime rate plus a maximum of 0.6% and bankers' acceptances rates plus 0.55% up to a maximum of 1.6%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company. As at March 31, 2001, the term bank loan is comprised of advances of $770,000 and bankers' acceptances of $400,600,000	**$ 401,370**	$ —
Senior notes		
7.97%, due in November 2006 (US$30,000,000)	**47,289**	43,482
8.12%, due in November 2009 (US$170,000,000)	**267,971**	246,398
8.41%, due in November 2014 (US$50,000,000)	**78,815**	72,470
Bonds and other loans, repayable in annual variable instalments, due in 2008	**451**	1,249
Term bank loan, bearing interest at fluctuating rates based on bankers' acceptances rates plus 0.5% up to a maximum of 1.25%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company, repaid during the year	**—**	80,000
Term bank loan (US$40,000,000), bearing interest at fluctuating rates based on LIBOR rate plus 0.75% up to a maximum of 1.5% depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company, repaid during the year	**—**	57,976
	795,896	501,575
Current portion	**95,075**	40,222
	$ 700,821	$ 461,353

Estimated principal payments required in each of the next five years are as follows:

2002	**$ 95,075**
2003	**102,557**
2004	**110,105**
2005	**93,969**
2006	**50**
2007 and subsequent years	**394,140**
	$ 795,896

6. 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.

	2001	2000
ISSUED		
51,225,390 common shares (51,200,994 in 2000)	**$ 451,047**	$ 450,632

24,396 common shares for an amount of $414,732 were issued during the year ended March 31, 2001 pursuant to the share option plan.

2,503,000 common shares for an amount of $99,994,850 were issued during the year ended March 31, 2000 in partial consideration for the acquisition of Culinar Inc. 66,996 common shares for an amount of $1,149,850 were also issued pursuant to the share option plan.

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 will not exceed 3,000,000 common shares. Options may be exercised at a price equal to the closing quoted value of the shares on the day preceding the date of the grant. In general, the options vest at 20% per year and expire ten years from the date of the grant. No compensation expense is recognized for this plan when options are granted. The consideration paid on exercise of options is credited to share capital.

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

2001				2000	
Granting period	**Exercise price**	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
1998	$ 17.00	**321,765**	**$ 17.00**	349,787	$ 17.00
1999	from $ 32.25 to $ 37.50	**265,358**	**$ 36.48**	278,306	$ 36.43
2000	$ 39.40	**358,786**	**$ 39.40**	373,699	$ 39.40
2001	$ 27.00	**705,069**	**$ 27.00**		
		1,650,978	**$ 29.27**	1,001,792	$ 30.75
Options exercisable at year-end		**363,497**	**$ 27.09**	199,075	$ 22.39

Changes in the number of options are as follows:

	2001		2000	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	**1,001,792**	**$ 30.75**	745,502	$ 25.24
Options granted	**733,741**	**$ 27.00**	422,825	$ 39.40
Options exercised	**(24,396)**	**$ 17.00**	(66,996)	$ 17.16
Options cancelled	**(60,159)**	**$ 31.30**	(99,539)	$ 35.29
Balance at end of year	**1,650,978**	**$ 29.27**	1,001,792	$ 30.75

628,704 options to purchase common shares at a price of $38.00 were also granted on April 1, 2001.

7. OTHER INTEREST

	2001	2000
Expense	**$ 2,923**	$ 6,149
Income	**(4,107)**	(2,752)
	$ (1,184)	$ 3,397

8. BUSINESS ACQUISITIONS

Year ended March 31, 2001

On February 5, 2001, the Company completed the acquisition of the fluid milk and cheese manufacturing operations of Agrifoods International Cooperative Limited, commonly known as Dairyworld Foods. This acquisition of a total cost of $407,293,000 was financed by a term bank loan.

The acquisition was recorded using the purchase method of accounting. Goodwill resulting from the acquisition is amortized under the straight-line method over a period of forty years.

Net assets acquired were the following as at the date of acquisition:

Tangible assets	**$ 441,348**
Goodwill	**115,920**
Total assets	**557,268**
Liabilities assumed including bank indebtedness of $5,509	**149,975**
NET ASSETS ACQUIRED	**$ 407,293**

Purchase price	**$ 407,293**
Term bank loan	**(411,370)**
Bank indebtedness of the acquired business	**5,509**
CASH USED FOR THE ACQUISITION	**$ 1,432**

The final allocation of the purchase price between tangible and intangible assets is not finalized as the Company has not completed the valuation of net assets acquired. Adjustments to the allocation of the purchase price will be completed in the subsequent fiscal year.

Year ended March 31, 2000

On September 15, 1999, the Company acquired for a total consideration of $283,500,000, all of the issued shares of Culinar Inc., a manufacturer of pastry products, biscuits, fine breads and soups operating in Canada. This acquisition was paid by a cash consideration of $183,505,150 which was financed in part with a long-term credit facility of $180,000,000 and by the issuance of 2,503,000 common shares at $39.95 per share for an amount of $99,994,850.

On February 28, 2000, the Company also acquired for a cash consideration of $13,725,000 all of the issued shares of Groupe Cayer-JCB Inc., a Canadian producer of European cheeses. Liabilities assumed of $13,729,000 includes bank indebtedness and long-term debt of $6,689,000.

These acquisitions were recorded using the purchase method of accounting. Goodwill resulting from these acquisitions is amortized under the straight-line method over a period of forty years.

8. BUSINESS ACQUISITIONS (CONT'D)

Net assets acquired were the following as at the dates of acquisition:

	Culinar Inc.	Groupe Cayer-JCB Inc.	Total
Cash	$ 14,737	$ 159	$ 14,896
Tangible assets	118,117	14,856	132,973
Goodwill	201,721	12,439	214,160
Total assets	334,575	27,454	362,029
Liabilities assumed	51,075	13,729	64,804
NET ASSETS ACQUIRED	$ 283,500	$ 13,725	$ 297,225

Purchase price	$ 297,225
Long-term financing	(180,000)
Issuance of share capital	(99,995)
Cash of acquired businesses	(14,896)
CASH USED FOR THE ACQUISITIONS	$ 2,334

9. INCOME TAXES

The provision for income taxes is comprised of the following:

	2001	2000
Current income taxes	**$ 41,365**	$ 23,317
Future income taxes	**14,242**	28,069
	$ 55,607	$ 51,386

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

	2001	2000
Income taxes, calculated using statutory Canadian income tax rates	**$ 66,498**	$ 60,283
Adjustments resulting from the following:		
Manufacturing and processing credit	**(6,856)**	(6,440)
Other	**(4,035)**	(2,457)
Provision for income taxes	**$ 55,607**	$ 51,386

Future income taxes assets and liabilities reflect the temporary differences between the carrying amounts of balance sheet accounts and the amounts for income tax purposes.

The principal components of these differencies are as follows:

	2001	2000
Future income taxes asset		
Current		
Accounts payable and accrued liabilities	**$ 16,510**	$ 9,735
Shareholders' equity	**1,010**	1,010
Losses for income tax purposes	**5,231**	2,677
	22,751	13,422

9. INCOME TAXES (CONT'D)

	2001	2000
Long-term		
Employee future benefits and accounts payable and accrued liabilities	**5,816**	11,652
Other assets	**3,014**	2,823
Shareholders' equity	**—**	1,010
Losses for income tax purposes	**4,033**	5,434
	12,863	20,919
	$ 35,614	$ 34,341
Future income taxes liability		
Fixed assets	**$ 86,950**	$ 68,362
Other assets	**10,132**	2,571
	$ 97,082	$ 70,933

The Company and subsidiaries have accumulated losses for income tax purposes amounting to $32,000,000. These losses expire gradually up to 2018. The future tax asset corresponding to these tax losses has been recognized in the financial statements.

10. EARNINGS PER SHARE

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during each fiscal year: 51,209,763 shares in 2001 and 50,008,209 in 2000.

Diluted earnings per share for the year ended March 31, 2001 have been calculated using 51,508,669 common shares, being the sum of the weighted average number of outstanding shares as at March 31, 2001 (51,209,763 shares) and the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan (298,906 shares).

Diluted earnings per share for the year ended March 31, 2000 have been calculated using 50,356,959 common shares, being the sum of the weighted average number of outstanding shares as at March 31, 2000 (50,008,209 shares) and the potentially dilutive shares that could be issued following the exercise of options granted under the Company's share option plan (348,750 shares).

Earnings per share were calculated net of income taxes.

11. EMPLOYEE BENEFIT PLANS

The Company provides defined benefit and defined contribution pension plans as well as other benefits 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. Contributions are paid by employees and contributions by the Company are based on recommendations from independent actuaries.

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

Plan assets are principally comprised of shares of Canadian and foreign companies, mutual funds and fixed income investments.

11. EMPLOYEE BENEFIT PLANS (CONT'D)

FINANCIAL POSITION OF THE PLANS

	Defined benefit pension plans	Other benefit plans
CHANGES IN FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 123,593	$ —
Acquisitions during the year	73,795	—
Actual return on plan assets	2,611	—
Employer contributions	267	452
Employee contributions	1,824	—
Benefits paid	(9,620)	(452)
Fair value of plan assets at end of year	192,470	—
CHANGES IN ACCRUED BENEFIT OBLIGATION		
Benefit obligation at beginning of year	92,737	13,694
Acquisitions during the year	55,135	2,890
Current service cost	3,363	504
Interest and foreign exchange	7,054	1,584
Benefits paid	(9,620)	(452)
Actuarial loss	8,917	475
Amendments and transfers	8,844	—
Benefit obligation at end of year	166,430	18,695
SURPLUS (DEFICIT)	26,040	(18,695)
Unamortized actuarial loss	15,533	1,099
Unamortized past service cost	1,321	—
Loss on foreign exchange	(271)	—
Unamortized transitional obligation	(17,571)	6,022
Asset (liability) as at the measurement date	25,052	(11,574)
Employer contributions made from the measurement date to the end of the year	69	—
Net asset (employee future benefit obligation) recognized in the balance sheet	$ 25,121	$ (11,574)

The net accrued benefit asset is included in other assets presented in the balance sheet.

	Pension plans	Other benefit plans
EMPLOYEE BENEFIT PLANS EXPENSE		
Defined benefit plans		
Current service cost	$ 1,539	$ 504
Interest cost	6,831	1,006
Expected return on plan assets	(9,589)	—
Amortization of transitional obligation	(1,294)	487
Amortization of past service cost	42	—
Amortization of actuarial gain	(23)	—
	(2,494)	1,997
Defined contribution plans	4,434	—
	$ 1,940	$ 1,997

11. EMPLOYEE BENEFIT PLANS (CONT'D)

Weighted average assumptions

	Defined benefit pension plans	Other benefit plans
Discount rate of obligation	6.75 %	7.00 %
Expected long-term rate of return on plan assets	7.75 %	n/a
Rate of compensation increase	3.50 %	3.50 %

For measurement purposes, a 5.5% to 9% annual rate of increase was used for health, life insurance and dental plan costs for the year 2001 and this rate is asssumed to decrease gradually to 5% in 2005 and remain at that level thereafter.

12. COMMITMENTS RELATED TO LEASES

The Company carries 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 five years are as follows:

2002	**$ 14,396**
2003	**12,512**
2004	**10,173**
2005	**8,341**
2006	**6,956**
	$ 52,378

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The fair value of cash and bank loans, receivables, accounts payable and accrued liabilities corresponds to their carrying value due to their short-term maturity.

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 $817,173,000.

b) Credit risk

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 does not have any credit risk concentration.

c) Interest rate risk

The short-term bank credit facilities and long-term bank loans bear interest at fluctuating rates.

The Company occasionally enters into interest swap contracts to hedge against exposures to increases in interest rates.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

c) Interest rate risk (cont'd)

No such contracts were outstanding as at March 31, 2001. In April 2001, the Company entered into an interest swap contract at 5.08% covering $150,000,000 of long-term debt. This contract expires in December 2004.

d) Currency risk

In the normal course of Canadian operations, the Company enters into certain foreign currency transactions. The Company manages its currency risks by occasionally entering into foreign currency contracts. Outstanding foreign currency contracts as at the balance sheet date are not material.

The majority of the Company's operations are carried out in the United States. The cash flows from US operations constitute a natural hedge against the exchange risk related to debt expressed in US dollars.

14. SEGMENTED INFORMATION

The dairy products segment principally includes the production and distribution of cheeses and fluid milk. The activities of this segment are carried out in Canada and the United States.

The grocery products segment includes all non-dairy products manufactured by the Company. These products are classified in four categories, snack cakes, cookies, fine breads and soups. The activities of this segment are carried out in Canada.

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

The accounting policies of the segments are the same as those described in note 1 relating to significant accounting policies. The Company does not make any intersegment sales.

Information on operating segments

	2001			2000		
	Canada	**United States**	**Total**	Canada	United States	Total
Revenues						
Dairy products	**$ 803,970**	**$ 1,106,039**	**$ 1,910,009**	$ 528,466	$ 1,186,136	$ 1,714,602
Grocery products	**251,662**	**—**	**251,662**	146,276	—	146,276
	$ 1,055,632	**$ 1,106,039**	**$ 2,161,671**	$ 674,742	$ 1,186,136	$ 1,860,878
Earnings before interest, depreciation, amortization and income taxes						
Dairy products	**$ 96,912**	**$ 131,555**	**$ 228,467**	$ 81,539	$ 134,188	$ 215,727
Grocery products	**42,507**	**—**	**42,507**	21,218	—	21,218
	$ 139,419	**$ 131,555**	**$ 270,974**	$ 102,757	$ 134,188	$ 236,945
Depreciation of fixed assets						
Dairy products	**$ 14,165**	**$ 28,078**	**$ 42,243**	$ 9,108	$ 23,739	$ 32,847
Grocery products	**9,520**	**—**	**9,520**	4,938	—	4,938
	$ 23,685	**$ 28,078**	**$ 51,763**	$ 14,046	$ 23,739	$ 37,785

14. SEGMENTED INFORMATION (CONT'D)

	2001			2000		
	Canada	**United States**	**Total**	Canada	United States	Total
Operating income						
Dairy products	**$ 82,747**	**$ 103,477**	**$ 186,224**	$ 72,431	$ 110,449	$ 182,880
Grocery products	**32,987**	**—**	**32,987**	16,280	—	16,280
	$ 115,734	**$ 103,477**	**$ 219,211**	$ 88,711	$ 110,449	$ 199,160
Interest			**39,519**			37,581
Earnings before income taxes and amortization of goodwill			**179,692**			161,579
Income taxes			**55,607**			51,386
Earnings before amortization of goodwill			**124,085**			110,193
Amortization of goodwill			**13,844**			10,125
Net earnings			**$ 110,241**			$ 100,068
Total assets						
Dairy products	**$ 825,458**	**$ 887,181**	**$ 1,712,639**	$ 255,352	$ 828,662	$1,084,014
Grocery products	**300,340**	**—**	**300,340**	326,988	—	326,988
	$ 1,125,798	**$ 887,181**	**$ 2,012,979**	$ 582,340	$ 828,662	$1,411,002
Net book value of fixed assets						
Dairy products	**$ 259,199**	**$ 345,954**	**$ 605,153**	$ 97,636	$ 316,714	$ 414,350
Grocery products	**69,868**	**—**	**69,868**	77,164	—	77,164
	$ 329,067	**$ 345,954**	**$ 675,021**	$ 174,800	$ 316,714	$ 491,514
Net additions to fixed assets						
Dairy products	**$ 9,776**	**$ 30,933**	**$ 40,709**	$ 13,278	$ 36,742	$ 50,020
Grocery products	**2,225**	**—**	**2,225**	3,095	—	3,095
	$ 12,001	**$ 30,933**	**$ 42,934**	$ 16,373	$ 36,742	$ 53,115
Goodwill, unamortized portion						
Dairy products	**$ 133,216**	**$ 270,347**	**$ 403,563**	$ 20,980	$ 255,373	$ 276,353
Grocery products	**189,083**	**—**	**189,083**	198,876	—	198,876
	$ 322,299	**$ 270,347**	**$ 592,646**	$ 219,856	$ 255,373	$ 475,229

15. COMPARATIVES FIGURES

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