

Management's Statement **OF RESPONSIBILITY** **FOR FINANCIAL REPORTING**

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

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

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

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



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



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

May 27, 2008

Auditors' Report **TO THE SHAREHOLDERS OF SAPUTO INC.**

We have audited the consolidated balance sheets of Saputo Inc. as at March 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 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
Chartered Accountants
Montréal, Québec
May 27, 2008

Consolidated Statements OF EARNINGS

Years ended March 31 (in thousands of dollars, except per share amounts)	2008	2007
Revenues	\$ 5,058,900	\$ 4,000,980
Cost of sales, selling and administrative expenses	4,532,856	3,574,648
Earnings before interest, depreciation and income taxes	526,044	426,332
Depreciation of fixed assets (Note 3)	79,434	72,116
Operating income	446,610	354,216
Interest on long-term debt	18,806	22,603
Other interest, net (Note 12)	6,538	(3,498)
Earnings before income taxes	421,266	335,111
Income taxes (Note 13)	133,066	96,644
Net earnings	\$ 288,200	\$ 238,467
Earnings per share (Note 14)		
Net earnings		
Basic	\$ 1.40	\$ 1.15
Diluted	\$ 1.38	\$ 1.14

Consolidated Statements OF COMPREHENSIVE INCOME

Years ended March 31 (in thousands of dollars)	2008	2007
Net earnings	\$ 288,200	\$ 238,467
Net change in unrealized losses on translation of financial statements of self-sustaining operations	(63,750)	(5,398)
Comprehensive income	\$ 224,450	\$ 233,069

Consolidated Statements OF RETAINED EARNINGS

Years ended March 31 (in thousands of dollars)	2008	2007
Retained earnings, beginning of year	\$ 1,085,081	\$ 971,131
Net earnings	288,200	238,467
Dividends	(94,455)	(80,721)
Excess of purchase price of share capital over carrying value (Note 9)	(72,258)	(43,796)
Retained earnings, end of year	\$ 1,206,568	\$ 1,085,081

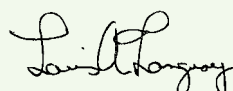
Consolidated **BALANCE SHEETS**

As at March 31 (in thousands of dollars)	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 165,710	\$ 276,894
Receivables	408,973	324,702
Inventories	533,686	445,992
Income taxes	10,252	6,413
Future income taxes (Note 13)	17,150	13,045
Prepaid expenses and other assets	43,729	23,939
	1,179,500	1,090,985
Portfolio investment (Note 2)	41,343	42,991
Fixed assets (Note 3)	871,739	691,226
Goodwill (Note 4)	522,546	547,379
Trademarks and other intangibles (Note 4)	38,043	32,340
Other assets (Note 5)	75,257	73,726
Future income taxes (Note 13)	5,048	9,720
	\$ 2,733,476	\$ 2,488,367
LIABILITIES		
Current liabilities		
Bank loans (Note 6)	\$ 222,584	\$ 139,001
Accounts payable and accrued liabilities	409,323	343,911
Income taxes	111,511	85,644
Future income taxes (Note 13)	19,790	1,294
Current portion of long-term debt (Note 7)	-	21
	763,208	569,871
Long-term debt (Note 7)	225,830	254,012
Other liabilities (Note 8)	13,972	16,413
Future income taxes (Note 13)	111,306	115,053
	1,114,316	955,349
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	536,921	511,737
Contributed surplus (Note 10)	22,085	18,864
Retained earnings	1,206,568	1,085,081
Accumulated other comprehensive loss (Note 11)	(146,414)	(82,664)
	1,619,160	1,533,018
	\$ 2,733,476	\$ 2,488,367

On behalf of the board,



Lino Saputo
Director



Louis A. Tanguay
Director

Consolidated Statements OF CASH FLOWS

Years ended March 31 (in thousands of dollars)	2008	2007
Cash flows related to the following activities:		
Operating		
Net earnings	\$ 288,200	\$ 238,467
Items not affecting cash		
Stock based compensation	8,279	7,917
Depreciation of fixed assets	79,434	72,116
Gain on disposal of fixed assets	(144)	(122)
Future income taxes	15,838	(1,525)
Deferred share units	1,265	1,173
Funding of employee plans in excess of costs	(2,019)	(3,207)
	390,853	314,819
Changes in non-cash operating working capital items	(99,791)	28,682
	291,062	343,501
Investing		
Business acquisitions (Note 15)	(254,204)	(31,794)
Portfolio investment	1,648	-
Additions to fixed assets	(101,723)	(76,127)
Proceeds on disposal of fixed assets	5,285	3,808
Other assets	(5,443)	(6,124)
	(354,437)	(110,237)
Financing		
Bank loans	91,413	93,701
Repayment of long-term debt	-	(33,828)
Issuance of share capital	28,366	20,886
Repurchase of share capital	(81,472)	(50,677)
Dividends	(94,455)	(80,721)
	(56,148)	(50,639)
(Decrease) increase in cash and cash equivalents	(119,523)	182,625
Effect of exchange rate changes on cash and cash equivalents	8,339	2,736
Cash and cash equivalents, beginning of year	276,894	91,533
Cash and cash equivalents, end of year	\$ 165,710	\$ 276,894
Supplemental information		
Interest paid	\$ 25,767	\$ 19,651
Income taxes paid	\$ 92,235	\$ 84,868

NOTES to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

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

1. SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING POLICIES

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

Accounting Changes

Effective April 1, 2007, the Company adopted Section 1506 of the CICA Handbook, Accounting Changes. It revises the current standards on changes in accounting policies, estimates or errors. The adoption of this section had no impact on the consolidated financial statements.

Comprehensive Income

Effective April 1, 2007, the Company adopted Section 1530 of the CICA Handbook, Comprehensive Income. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Corporation's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations.

The adoption of this section implied that the Company now presents a consolidated statement of comprehensive income as a part of the consolidated financial statements. The comparative consolidated financial statements are restated to reflect the application of this section only for changes in the balances for foreign currency translation of self-sustaining foreign operations.

Capital Disclosures

Effective January 1, 2008, the Company adopted Section 1535 of the CICA Handbook, Capital Disclosures. It establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The presentation of our capital is in accordance with this new section.

Foreign Currency Translation

Effective April 1, 2007, the Company adopted Section 1651 of the CICA Handbook, Foreign Currency Translation. It establishes standards for the translation of transactions of a reporting company that are denominated in a foreign currency and financial statements of a foreign operation for incorporation in the financial statements of a reporting company. As a result of the adoption of this section and Section 1530, Comprehensive Income, changes in the unrealized losses in the translation of the financial statements of self-sustained foreign operations are presented in the consolidated statements of comprehensive income.

Investments

Effective April 1, 2007, the Company adopted Section 3051 of the CICA Handbook, Investments. It establishes standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The adoption of this section had no impact on the consolidated financial statements.

Equity

Effective April 1, 2007, the Company adopted Section 3251 of the CICA Handbook, Equity. It establishes standards for the presentation of equity and changes in equity during the reporting period. The presentation of our equity is in accordance with the recommendations of this new section.

Financial Instruments - Recognition and Measurement

Effective April 1, 2007, the Company adopted Section 3855 of the CICA Handbook, Financial Instruments - Recognition and Measurement. It exposes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the consolidated financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The adoption of this section had no impact on the consolidated financial statements.

Financial Instruments - Disclosures

Effective January 1, 2008, the Company adopted Section 3862 of the CICA Handbook, Financial Instruments - Disclosures, provides disclosure in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance. Also it helps users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date and how the entity manages those risks. The presentation of the financial instruments are in accordance with the recommendations of this new section.

Financial Instruments - Presentation

Effective January 1, 2008, the Company adopted Section 3863 of the CICA Handbook, Financial Instruments - Presentation, enhances financial statement users understanding of the significance of financial instruments of our entity's financial position, performance and cash flows. The presentation of the financial instruments are in accordance with the recommendations of this new section.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Hedges

On April 1, 2007, the Company adopted Section 3865 of the CICA Handbook, Hedges. This section establishes standards for when and how hedge accounting may be applied. This section requires that formal documentation, designation of specific hedging relationship components, and assessment of effectiveness are pre-requisites for the application of hedge accounting. The adoption of this section had no impact on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

In the preparation of financial statements in conformity with Canadian generally accepted accounting principles, management must make estimates such as the useful life, impairment, and depreciation of fixed assets, the valuation of goodwill, portfolio investments, trademarks and other intangibles and future income taxes and certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension benefits obligation and pension plan assets, and stock-based compensation that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses for the period. Actual results could differ from these estimates.

Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The interest on the joint venture that is jointly controlled is accounted for by the proportionate consolidation method. 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 and goods in process are valued at the lower of 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.

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.

Fixed assets

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

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

Assets held for sale are recorded at the lower of cost or net realizable value less costs to dispose, and no depreciation is recorded.

Impairment of long-lived assets

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

Goodwill, trademarks and other intangible assets

Goodwill, trademarks and quotas 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, trademarks and quotas are compared with their respective fair values, and an impairment loss is recognized for the excess, if any. Other intangibles are amortized over their useful life.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 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 generally accepted accounting principles, past service costs and the excess of the net actuarial gains or losses related to defined benefit pension plans over 10% of the greater of the benefit obligation or fair value of plan assets are amortized over the expected average remaining service period of active employees entitled to receive benefits under the plans. The Company uses five-year asset smoothing to determine the defined benefit pension costs. In the case where a plan restructuring entails both a plan curtailment and settlement of obligations from the plan, the curtailment is recorded before the settlement. The average remaining service period of active participants covered by the pension plans is 11.5 years.

Revenue recognition

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

Foreign currency translation

The balance sheet accounts of the self-sustaining companies operating in the United States, Argentina, Germany and the United Kingdom 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 losses on translation of the financial statements of self-sustaining operations account presented in accumulated other comprehensive loss represents accumulated foreign currency losses on the Company's net investments in companies operating in the United States, Argentina, Germany and the United Kingdom. The change in the unrealized losses on translation of the financial statements of self-sustaining operations account for the period resulted mainly from the increase in 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 date 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.

	2008	2007
Foreign currency (loss) gain	\$ (99)	\$ 855

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.

FUTURE ACCOUNTING POLICIES

Inventories

In June 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented companies. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

International Financial Reporting Standards ("IFRS")

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

2. PORTFOLIO INVESTMENT

	2008	2007
21% share capital interest in Dare Holdings Ltd.	\$ 41,343	\$ 42,991

The portfolio investment is recorded at cost less the excess of dividends received over the Company's share in accumulated earnings. No dividends were received in fiscal 2008 or 2007.

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

3. FIXED ASSETS

	2008			2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 34,117	\$ -	\$ 34,117	\$ 27,666	\$ -	\$ 27,666
Buildings	337,789	74,679	263,110	278,463	68,750	209,713
Furniture, machinery and equipment	997,317	431,054	566,263	824,427	383,350	441,077
Rolling stock	12,478	7,662	4,816	12,928	7,156	5,772
Held for sale	3,433	-	3,433	6,998	-	6,998
	\$ 1,385,134	\$ 513,395	\$ 871,739	\$ 1,150,482	\$ 459,256	\$ 691,226

During the year, a gain on sale of fixed assets held for sale totalling \$144,000 (\$122,000 in 2007) was recorded in cost of sales, selling and administrative expenses. These assets relate mainly to the activities of our Canada, Europe and Argentina Dairy Products Sector.

In fiscal 2007, a \$3,238,000 write down to fair value of certain buildings and machinery and equipment was recorded. This charge is included in depreciation of fixed assets.

Fixed assets held for sale represent mainly machinery, equipment and buildings in Canada and the US that will be disposed of as a result of certain plant closures.

The book value of fixed assets under construction, that are not being amortized, amounts to \$46,593,000 as at March 31, 2008 (\$22,518,000 as at March 31, 2007) and consists mainly of machinery and equipment.

4. GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

	2008			2007		
	Dairy Products Sector	Grocery Products Sector	Total	Dairy Products Sector	Grocery Products Sector	Total
Goodwill						
Balance, beginning of year	\$ 377,949	\$ 169,430	\$ 547,379	\$ 379,959	\$ 164,513	\$ 544,472
Foreign currency translation adjustment	(24,833)	-	(24,833)	(2,405)	-	(2,405)
Business acquisitions (Note 15)	-	-	-	395	4,917	5,312
Balance, end of year	\$ 353,116	\$ 169,430	\$ 522,546	\$ 377,949	\$ 169,430	\$ 547,379
Trademarks and other intangibles						
Balance, beginning of year	\$ 30,340	\$ 2,000	\$ 32,340	\$ 30,589	\$ -	\$ 30,589
Foreign currency translation adjustment	(2,863)	-	(2,863)	(249)	-	(249)
Business acquisitions (Note 15)	9,080	-	9,080	-	2,000	2,000
Amortization	(514)	-	(514)	-	-	-
Balance, end of year	\$ 36,043	\$ 2,000	\$ 38,043	\$ 30,340	\$ 2,000	\$ 32,340

5. OTHER ASSETS

	2008	2007
Net accrued pension plan assets (Note 16)	\$ 56,239	\$ 54,326
Taxes receivable	10,822	12,626
Other	8,196	6,774
	\$ 75,257	\$ 73,726

6. BANK LOANS

The Company has available short-term bank credit facilities providing for bank loans up to a maximum of approximately \$649,000,000. The North American bank loans, which expired in December 2012, are available mainly in US dollars or the equivalent in other currencies and bear interest at rates based on lenders' prime rates plus a maximum of 0.25% or LIBOR or bankers' acceptances rate plus 0.50% up to a maximum of 1.125%, depending on the interest-bearing debt to the earnings before interest, depreciation and amortization and income taxes ratio of the Company. 14% of the total short-term bank credit facilities is available for the Argentina, Germany and United Kingdom businesses and bear interest at local market rates.

7. LONG-TERM DEBT

	2008	2007
Senior notes		
8.12%, due in November 2009 (US\$170,000,000)	\$ 174,505	\$ 196,282
8.41%, due in November 2014 (US\$50,000,000)	51,325	57,730
Other loans, paid in 2008	-	21
	225,830	254,033
Current portion	-	21
	\$ 225,830	\$ 254,012

Estimated principal payments required in future years are \$174,505,000 in 2010 and \$51,325,000 in 2015.

8. OTHER LIABILITIES

	2008	2007
Employee future benefits (Note 16)	\$ 9,202	\$ 9,430
Other	4,770	6,983
	\$ 13,972	\$ 16,413

9. SHARE CAPITAL

AUTHORIZED

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

STOCK DIVIDEND

On November 6, 2007, the Company declared a 100% stock dividend, whereby the shareholders of the Company received an additional share for every share held. The stock dividend was applicable to shareholders of record as of the close of business on December 10, 2007, which had the same effect as a two-for-one stock split of the Company's outstanding Common Shares. All references made to prior fiscal year's number and prices of common shares and share options have been adjusted to reflect this stock dividend.

	2008	2007
ISSUED		
205,962,964 common shares (207,353,834 in 2007)	\$ 536,921	\$ 511,737

2,314,370 common shares (1,938,124 in 2007) for an amount of \$28,366,000 (\$20,886,000 in 2007) were issued during the year ended March 31, 2008 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, 2008, the amount transferred from contributed surplus was \$6,032,000 (\$3,481,000 in 2007).

9. SHARE CAPITAL (cont'd)

Pursuant to the normal course issuer bid, which began on November 13, 2006, the Company could have purchased for cancellation up to 10,358,608 common shares until November 12, 2007. Pursuant to the new normal course issuer bid, which began on November 13, 2007, the Company may purchase for cancellation up to 10,272,848 common shares until November 12, 2008. During the year ended March 31, 2008, the Company purchased 3,705,240 (2,813,400 in 2007) common shares at prices ranging from \$21.73 to \$22.00 per share (\$17.38 to \$19.00 in 2007). The excess of the purchase price over the carrying value of the shares in the amount of \$72,258,000 (\$43,796,000 in 2007) was charged to retained earnings.

SHARE OPTION PLAN

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

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

Granting period	Exercise price	2008		2007	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
1998	\$ 4.25	-	\$ 4.25	38,000	\$ 4.25
1999	from \$8.06 to \$9.37	20,480	\$ 9.22	106,280	\$ 9.22
2000	\$ 9.85	111,404	\$ 9.85	213,898	\$ 9.85
2001	\$ 6.75	217,836	\$ 6.75	526,804	\$ 6.75
2002	from \$9.50 to \$11.50	409,246	\$ 9.52	838,410	\$ 9.52
2003	\$ 15.18	745,912	\$ 15.18	1,085,188	\$ 15.18
2004	\$ 11.25	1,203,594	\$ 11.25	1,597,510	\$ 11.25
2005	\$ 16.53	1,138,316	\$ 16.53	1,454,626	\$ 16.53
2006	\$ 18.08	1,383,476	\$ 18.08	1,655,864	\$ 18.08
2007	\$ 16.35	1,933,324	\$ 16.35	2,194,636	\$ 16.35
2008	\$ 23.09	1,729,840	\$ 23.09	-	-
		8,893,428	\$ 16.52	9,711,216	\$ 14.32
Options exercisable at end of year		3,535,818	\$ 13.56	4,023,642	\$ 12.02

Changes in the number of options are as follows:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	9,711,216	\$ 14.32	9,758,486	\$ 13.18
Options granted	1,779,172	\$ 23.09	2,282,450	\$ 16.35
Options exercised	(2,314,370)	\$ 12.25	(1,938,124)	\$ 10.78
Options cancelled	(282,590)	\$ 17.46	(391,596)	\$ 15.13
Balance at end of year	8,893,428	\$ 16.52	9,711,216	\$ 14.32

The exercise price of these options granted in fiscal 2008 is \$23.09 (\$16.35 in 2007), which corresponds to the closing quoted value of the shares on the day preceding the grant date.

The fair value of share purchase options granted in fiscal 2008 was estimated at \$7.17 per option (\$4.89 in 2007), using the Black Scholes option pricing model with the following assumptions:

	2008	2007
Risk-free interest rate:	4.0%	4.2%
Expected life of options:	5 years	5 years
Volatility:	25%	35%
Dividend rate:	2.1%	2.5%

A compensation expense of \$8,279,000 (\$7,323,000 after income taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2008 and \$7,917,000 (\$6,958,000 after income taxes) was recorded for the year ended March 31, 2007.

9. SHARE CAPITAL (cont'd)

The effect of this expense on basic and diluted earnings per share was \$0.04 for the year ended March 31, 2008, and \$0.04 for the year ended March 31, 2007.

Options to purchase 1,634,393 common shares at a price of \$27.81 were also granted on April 1, 2008.

DEFERRED SHARE UNITS PLAN FOR DIRECTORS

Since April 1, 2004, all eligible directors of the Company are allocated annually a fixed amount of deferred share units (annual grant) which are granted on a quarterly basis in accordance with the deferred share units plan. Also, 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.

	2008		2007	
	Units	Liability	Units	Liability
Beginning of year	85,450	\$ 2,182	55,808	\$ 1,009
Annual grant	16,000	421	16,000	309
Board compensation	11,151	367	13,642	323
Increase due to change in stock price	-	477	-	541
End of year	112,601	\$ 3,447	85,450	\$ 2,182

10. CONTRIBUTED SURPLUS

	2008	2007
Contributed surplus, beginning of year	\$ 18,864	\$ 14,428
Stock based compensation	8,279	7,917
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	974	-
Amount transferred to share capital	(6,032)	(3,481)
Contributed surplus, end of year	\$ 22,085	\$ 18,864

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2008	2007
Accumulated other comprehensive loss, beginning of year	\$ (82,664)	\$ (77,266)
Other comprehensive loss	(63,750)	(5,398)
Accumulated other comprehensive loss, end of year	\$ (146,414)	\$ (82,664)

12. OTHER INTEREST

	2008	2007
Expense	\$ 7,707	\$ 4,055
Income	(1,169)	(7,553)
	\$ 6,538	\$ (3,498)

13. INCOME TAXES

The provision for income taxes is comprised of the following:

	2008	2007
Current income taxes	\$ 117,228	\$ 98,169
Future income taxes	15,838	(1,525)
	\$ 133,066	\$ 96,644

13. INCOME TAXES (cont'd)

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

	2008	2007
Income taxes, calculated using Canadian statutory income tax rates	\$ 131,946	\$ 108,415
Adjustments resulting from the following:		
Effect of tax rates of foreign subsidiaries	6,576	685
Changes in tax laws and rates	(6,577)	(6,058)
Benefit arising from investment in subsidiaries	(12,038)	(8,033)
Stock based compensation	1,891	2,142
Effect of losses carry forward	4,480	(3,096)
Other	6,788	2,589
Provision for income taxes	\$ 133,066	\$ 96,644

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

	2008	2007
Future income tax asset		
Accounts payable and accrued liabilities	\$ 10,153	\$ 6,895
Income tax losses	904	10,681
Portfolio Investment	738	1,151
Other	8,563	7,272
	\$ 20,358	\$ 25,999

	2008	2007
Future income tax liability		
Inventories	\$ 19,390	\$ 5,863
Fixed assets	79,395	82,757
Net assets of pension plans	12,092	13,423
Other assets	7,904	6,596
Long-term debt	10,475	10,942
	\$ 129,256	\$ 119,581

Classified in the financial statements as:

Current future income tax asset	\$ 17,150	\$ 13,045
Long-term future income tax asset	5,048	9,720
Current future income tax liability	(19,790)	(1,294)
Long-term future income tax liability	(111,306)	(115,053)
Net future income tax liability	\$ (108,898)	\$ (93,582)

POTENTIAL TAX BENEFITS

As of March 31, 2008, in addition to the income tax losses recorded, the Company has income tax losses of approximately \$6,905,000 (\$26,357,000 in 2007) which may be used to reduce future years' taxable income of its foreign subsidiaries. These losses can be carried forward indefinitely.

14. EARNINGS PER SHARE

	2008	2007
Net earnings	\$ 288,200	\$ 238,467
Weighted average number of common shares outstanding	205,660,927	207,440,308
Dilutive options	2,638,598	1,455,456
Dilutive number of common shares outstanding	208,299,525	208,895,764
Basic earnings per share	\$ 1.40	\$ 1.15
Diluted earnings per share	\$ 1.38	\$ 1.14

When calculating dilutive earnings per share in 2007 and 2008, no options were excluded from the calculation due to the exercise price being lower than the average market value of the share.

Shares purchased during the year under both normal course issuer bids were excluded from the calculation of earnings per share as of the date of purchase.

15. BUSINESS ACQUISITIONS

On April 2, 2007, the Company acquired the activities of Land O'Lakes West Coast industrial cheese business in the United States for a cash consideration of \$250,904,000. The fair values attributed to the assets acquired were \$22,620,000 to working capital, \$222,504,000 to fixed assets, and \$ 5,780,000 to other intangibles.

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

On April 13, 2006, the Company acquired the activities of Spezialitäten-Kaserei De Lucia GmbH (a German cheese manufacturer producing Italian cheese specialties) for a cash consideration of \$7,086,000, which was attributed mainly to fixed assets.

On July 28, 2006, the Company acquired the activities of Boulangerie Rondeau Inc. and Biscuits Rondeau Inc. (a fresh tart and cookie manufacturer operating in Canada) for a cash consideration of \$12,545,000. The fair values attributed to the assets acquired were \$1,218,000 to working capital, \$4,410,000 to fixed assets, \$4,917,000 to goodwill, and \$2,000,000 to trademarks.

On March 23, 2007, the Company acquired the activities of Dansco Dairy Products Limited (a United Kingdom manufacturer producing mainly mozzarella) for a cash consideration of \$12,163,000. The fair values attributed to the assets acquired were \$3,935,000 to working capital, and \$8,228,000 to fixed assets.

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The Company provides benefit and defined contribution pension plans as well as other benefit plans such as health insurance, life insurance and dental plans to be 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 paid by employees and contributions by the Company are based on recommendations from independent actuaries. Actuarial valuations were performed in December 2006 and July 2007. The measurement date of pension plan assets and liabilities is December 31.

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

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

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (cont'd)

FINANCIAL POSITION OF THE PLANS

	2008		2007	
	Defined benefit pension plans	Other benefit plans	Defined benefit pension plans	Other benefit plans
Changes in accrued benefit obligations				
Benefits obligation at beginning of year	\$ 199,938	\$ 13,143	\$ 200,370	\$ 13,001
Addition during the year	-	588	-	-
Current service cost	7,756	224	7,096	256
Interest cost	10,361	667	10,339	658
Benefits paid	(12,690)	(1,368)	(14,612)	(1,144)
Actuarial (gains) losses	(8,805)	(278)	(3,225)	406
Foreign currency gain	(390)	(292)	(30)	(34)
Benefits obligation at end of year	196,170	12,684	199,938	13,143
Changes in fair value of plan assets				
Fair value of plan assets at beginning of year	193,146	-	175,819	-
Actual return on plan assets	657	-	19,254	-
Employer contributions	10,101	1,196	11,563	944
Employee contributions	1,125	172	1,150	200
Benefits paid	(12,690)	(1,368)	(14,613)	(1,144)
Foreign currency loss	(279)	-	(27)	-
Fair value of plan assets at end of year	192,060	-	193,146	-
Funded status				
Deficit, end of year	(4,111)	(12,684)	(6,792)	(13,143)
Unamortized actuarial losses	65,903	2,223	67,104	2,251
Unamortized past service cost	963	201	1,081	231
Valuation allowance	(573)	-	(181)	-
Unamortized transitional obligation	(7,593)	973	(8,749)	1,169
Asset (liability) as at the measurement date	54,589	(9,287)	52,463	(9,492)
Employer contributions made from the measurement date to the end of the year	1,650	85	1,863	62
Net asset (liability) recognized in the balance sheet	\$ 56,239	\$ (9,202)	\$ 54,326	\$ (9,430)

16. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (cont'd)

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

EMPLOYEE BENEFIT PLANS EXPENSE

	2008		2007	
	Pension plans	Other benefit plans	Pension plans	Other benefit plans
Defined benefit plans				
Employer current service cost	\$ 6,631	\$ 52	\$ 5,946	\$ 56
Interest cost on benefits obligation	10,361	667	10,339	658
Actual return on plan assets	(657)	-	(19,254)	-
Actuarial (gains) losses	(8,805)	(278)	(3,225)	406
Unadjusted benefits (income)/expense before taking into account the long-term nature of the cost	7,530	441	(6,194)	1,120
Difference between expected return and actual return on plan assets	(12,765)	-	6,538	-
Difference between amortized past service costs and plan amendments for the year	115	31	115	31
Difference between net actuarial loss recognized and actual actuarial loss on benefits obligation	13,858	636	8,608	(140)
Transitional obligation amortization	(1,156)	196	(1,156)	196
Defined benefit plan expense before valuation allowance	7,582	1,304	7,911	1,207
Valuation allowance	392	-	181	-
Defined benefit plan expense	7,974	1,304	8,092	1,207
Defined contribution plan expense	12,733	-	11,929	-
Total benefit plan expense	\$ 20,707	\$ 1,304	\$ 20,021	\$ 1,207

For the year ended March 31, 2008, the Company's total expense for all its employee benefits plans was \$22,011,000 (\$21,228,000 in 2007) and the total Company contributions to the employee benefits plans was \$24,030,000 (\$24,436,000 in 2007).

Weighted average assumptions

To determine benefits obligation at the end of year:				
Discount rate	5.61%	5.44%	5.26%	5.35%
Rate of compensation	3.50%	3.50%	3.50%	3.50%
To determine benefit plans expense:				
Discount rate	5.26%	5.35%	5.26%	5.31%
Expected long-term rate of return on plan assets	7.30%	N/A	7.31%	N/A
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For measurement purposes, a 6.6% to 9% annual rate of increase was used for health, life insurance and dental plan costs for the year 2009 and this rate is assumed to decrease gradually to 6% in 2013. In comparison, during the previous year, a 7% to 10% annual rate was used for the year 2008 and that rate was assumed to decrease gradually to 5.1% in 2012.

17. COMMITMENTS AND CONTINGENCIES

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 are as follows:

2009	\$ 11,864
2010	9,241
2011	7,417
2012	5,455
2013	4,359
Subsequent years	8,672
	\$ 47,008

The Company is defendant to certain claims arising from the normal course of its business. The Company believes that the final resolution of these claims will not have a material adverse effect on its earnings or financial position. During fiscal 2007, a proposed change with retroactive effect to Canadian provincial tax legislation was effectively enacted. A tax assessment for an amount of approximately \$12,000,000 was issued as a result of the enactment. The Company has legal basis to believe that it will not have to pay such tax assessment. Therefore, no amount has been included in the financial statements.

17. COMMITMENTS AND CONTINGENCIES (cont'd)

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, 2008, 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, 2008 and 2007, the Company has not recorded a liability associated with these indemnifications.

LEASES

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

18. RELATED PARTY TRANSACTIONS

The Company receives and provides services from companies subject to significant influence through ownership by its principal shareholder. These transactions were made in the normal course of business and have been recorded at the exchange amount which corresponds to the fair market value. All amounts are included in cost of sales, selling and administrative expenses on the statement of earnings.

Services received were the following:

	2008	2007
Rent, travel and lodging expenses	\$ 2,135	\$ 2,164
Management fees for compensation of the Chairman of the Board	500	500
	\$ 2,635	\$ 2,664

Services provided were the following:

Management fees for services provided by the Company	\$ 175	\$ 175
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There are no amounts receivable or payable with respect to these transactions as at March 31, 2008 and 2007.

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, and quoted market price risk), foreign exchange risk, and interest rate risk. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. The following analysis provides a measurement of risks as at the balance sheet dates.

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has made the following classifications in its determination of estimates for fair values of each of its financial instruments:

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

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

Portfolio Investment is classified as available for sale, and is carried at amortized 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 are classified as financial liabilities held for trading and are measured at fair value.

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

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

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 \$251,598,000 (\$277,500,000 in 2007).

19. FINANCIAL INSTRUMENTS (cont'd)

B) CREDIT RISK

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

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

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

The Company considers that it has no exposure to concentration of credit risk with respect to accounts receivable from customers due to its large and diverse customer base operating and its geographic diversity. There are no accounts receivable from any individual customer that exceeds 10% of the total balance of accounts receivable as of March 31, 2008.

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

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

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 20 to the audited consolidated financial statements ("Capital Disclosures"). It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at March 31, 2008, the Company was holding cash and cash equivalents of \$165,710,000. The Company also has available \$649,000,000 in short-term bank credit facilities (Note 6). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

D) INTEREST RATE RISK

The short-term bank credit facilities bear interest at fluctuating rates. The long-term debt is at a fixed rate therefore no interest rate risk exists.

For the fiscal year ended March 31, 2008, the interest expense on long-term debt totalled \$18,806,000 (\$22,603,000 in March 31, 2007). The interest accrued to March 31, 2008 was an amount of \$7,049,000 (\$7,929,000 at March 31, 2007).

Based on the balance outstanding during the year ended March 31, 2008, a 1% increase in the interest rate index would have resulted in a decrease of \$2,200,000 in earnings before income taxes. For a 1% decrease in the interest rate index there would be an equal and opposite impact on earnings before income taxes.

E) FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk arising 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 2,400,000 euros (1,300,000 euros and \$5,500,000 US in 2007).

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

	2008
	US dollar impact
Increase in net earnings	\$ 681
Increase in comprehensive income	\$ 5,070

19. FINANCIAL INSTRUMENTS (cont'd)

F) COMMODITY PRICE RISK

The Company occasionally enters into hedging contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a positive fair value of \$600,000 (negative fair value of \$756,000 in 2007).

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 interest-bearing debt and bank loans, net of cash and cash equivalents. The Company's primary uses of capital is to finance increases in non-cash working capital and for capital expenditures such as capacity expansion and business 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, 2008 and March 31, 2007 was as follows:

	2008	2007
Bank loans	\$ 222,584	\$ 139,001
Current portion of long-term debt	-	21
Long-term debt	225,830	254,012
Cash and cash equivalents	(165,710)	(276,894)
Net debt	282,704	116,140
Shareholders' equity	1,619,160	1,533,018
Net debt to equity	0.17:1	0.08:1

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

The Company has existing credit facilities which require a quarterly review and the Company is not in violation of any such ratios as of March 31, 2008.

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

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 and fluid milk. The activities of this sector are carried out in Canada, Europe, Argentina (CEA) and United States (USA).

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

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

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

21. SEGMENTED INFORMATION (cont'd)

Information on operating sectors

	2008			2007		
	CEA	USA	Total	CEA	USA	Total
Revenues ¹						
Dairy products	\$ 2,966,293	\$ 1,927,983	\$ 4,894,276	\$ 2,794,099	\$ 1,036,830	\$ 3,830,929
Grocery products	164,624	-	164,624	170,051	-	170,051
	\$ 3,130,917	\$ 1,927,983	\$ 5,058,900	\$ 2,964,150	\$ 1,036,830	\$ 4,000,980
Earnings before interest, depreciation and income taxes						
Dairy products	\$ 363,365	\$ 145,478	\$ 508,843	\$ 317,086	\$ 82,890	\$ 399,976
Grocery products	17,201	-	17,201	26,356	-	26,356
	\$ 380,566	\$ 145,478	\$ 526,044	\$ 343,442	\$ 82,890	\$ 426,332
Depreciation of fixed assets						
Dairy products	\$ 36,810	\$ 34,780	\$ 71,590	\$ 36,163	\$ 29,849	\$ 66,012
Grocery products	7,844	-	7,844	6,104	-	6,104
	\$ 44,654	\$ 34,780	\$ 79,434	\$ 42,267	\$ 29,849	\$ 72,116
Operating income						
Dairy products	\$ 326,555	\$ 110,698	\$ 437,253	\$ 280,923	\$ 53,041	\$ 333,964
Grocery products	9,357	-	9,357	20,252	-	20,252
	\$ 335,912	\$ 110,698	\$ 446,610	\$ 301,175	\$ 53,041	\$ 354,216
Interest			25,344			19,105
Earnings before income taxes			421,266			335,111
Income taxes			133,066			96,644
Net earnings			\$ 288,200			\$ 238,467

¹ Revenues are attributable to countries based upon manufacturing origin.

21. SEGMENTED INFORMATION (cont'd)

Geographic information

	2008				2007			
	Canada	Argentina & Europe	United States	Total	Canada	Argentina & Europe	United States	Total
Revenues ¹								
Dairy products	\$ 2,700,962	\$ 265,331	\$ 1,927,983	\$ 4,894,276	\$ 2,566,645	\$ 227,454	\$ 1,036,830	\$ 3,830,929
Grocery products	164,624	-	-	164,624	170,051	-	-	170,051
	\$ 2,865,586	\$ 265,331	\$ 1,927,983	\$ 5,058,900	\$ 2,736,696	\$ 227,454	\$ 1,036,830	\$ 4,000,980
Total assets								
Dairy products	\$ 1,075,228	\$ 237,687	\$ 1,114,556	\$ 2,427,471	\$ 1,014,705	\$ 206,145	\$ 961,923	\$ 2,182,773
Grocery products	306,005	-	-	306,005	305,594	-	-	305,594
	\$ 1,381,233	\$ 237,687	\$ 1,114,556	\$ 2,733,476	\$ 1,320,299	\$ 206,145	\$ 961,923	\$ 2,488,367
Net book value of fixed assets								
Dairy products	\$ 342,908	\$ 91,645	\$ 391,537	\$ 826,090	\$ 332,980	\$ 102,073	\$ 209,666	\$ 644,719
Grocery products	45,649	-	-	45,649	46,507	-	-	46,507
	\$ 388,557	\$ 91,645	\$ 391,537	\$ 871,739	\$ 379,487	\$ 102,073	\$ 209,666	\$ 691,226
Additions to fixed assets								
Dairy products	\$ 42,113	\$ 7,674	\$ 42,594	\$ 92,381	\$ 24,264	\$ 28,588	\$ 15,699	\$ 68,551
Grocery products	9,342	-	-	9,342	7,576	-	-	7,576
	\$ 51,455	\$ 7,674	\$ 42,594	\$ 101,723	\$ 31,840	\$ 28,588	\$ 15,699	\$ 76,127
Goodwill								
Dairy products	\$ 156,324	\$ 395	\$ 196,397	\$ 353,116	\$ 156,324	\$ 395	\$ 221,230	\$ 377,949
Grocery products	169,430	-	-	169,430	169,430	-	-	169,430
	\$ 325,754	\$ 395	\$ 196,397	\$ 522,546	\$ 325,754	\$ 395	\$ 221,230	\$ 547,379

¹ Revenues are attributable to countries based upon manufacturing origin.

22. SUBSEQUENT EVENTS

On April 1, 2008, the Company acquired the activities of Alto Dairy Cooperative in the US for a cash consideration of \$163,000,000. The fair values attributed to the assets acquired were \$27,000,000 to working capital, \$72,500,000 to fixed assets and \$63,500,000 to goodwill. The final allocation of the purchase price will be completed in the next fiscal year.

23. COMPARATIVE AMOUNTS

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