CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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 independent auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the independent auditors' report. The Audit Committee recommends the independent auditors for appointment by the shareholders. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements have been audited by the independent auditors Deloitte LLP, whose report follows.

(signed) Lino A.Saputo, Jr.
Lino A. Saputo, Jr.
Chief Executive Officer
and Vice Chairman of the Board

(signed) Louis-Philippe Carrière
Louis-Philippe Carrière, FCPA, FCA
Executive Vice President
Finance and Administration, and Secretary

June 5, 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Saputo Inc.

We have audited the accompanying consolidated financial statements of Saputo Inc., which comprise the consolidated balance sheets as at March 31, 2014 and March 31, 2013, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saputo Inc. as at March 31, 2014 and March 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) Deloitte LLP [1]

June 5, 2014
Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A116207

CONSOLIDATED STATEMENTS OF **EARNINGS**

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

Years ended March 31	**2014**	2013
Revenues	**$ 9,232,889**	$ 7,297,677
Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs (Note 5)	**8,212,544**	6,436,905
Earnings before interest, depreciation, amortization, acquisition, restructuring, other costs and income taxes	**1,020,345**	860,772
Depreciation and amortization (Notes 6 and 7)	**146,607**	116,629
Acquisition, restructuring and other costs (Note 22)	**45,663**	42,277
Interest on long-term debt	**53,239**	29,896
Other financial charges (Note 13)	**15,846**	4,203
Earnings before income taxes	**758,990**	667,767
Income taxes (Note 14)	**225,024**	185,846
Net earnings	**$ 533,966**	$ 481,921
Attributable to:		
Shareholders of Saputo Inc.	**533,097**	481,921
Non-controlling interest (Note 16)	**869**	-
	$ 533,966	$ 481,921
Earnings per share (Note 15)		
Net earnings		
Basic	**$ 2.73**	$ 2.44
Diluted	**$ 2.70**	$ 2.41

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(in thousands of CDN dollars)

Years ended March 31		2014		2013
Net earnings	**$**	**533,966**	$	481,921
Other comprehensive income (loss):				
Items that may be reclassified to net earnings:				
Exchange differences arising from foreign currency translation		**189,051**		24,134
Net unrealized gains (losses) on cash flow hedges[1] (Note 20)		**5,672**		(3,660)
Items that will not be reclassified to net earnings:				
Actuarial gains (losses)[2] (Note 17)		**12,019**		(11,514)
Other comprehensive income (loss)		**206,742**		8,960
Comprehensive income	**$**	**740,708**	$	490,881
Attributable to:				
Shareholders of Saputo Inc.	**$**	**739,355**	$	490,881
Non-controlling interest (Note 16)		**1,353**		-
	$	**740,708**	$	490,881

[1] Net of income taxes (recovery) of $2,215 (2013 - $(1,272)).
[2] Net of income taxes (recovery) of $4,691 (2013 - $(4,093)).

CONSOLIDATED STATEMENTS OF **EQUITY**

(in thousands of CDN dollars, except common shares)

For the year ended March 31, 2014

	Share capital		**Reserves**							
	Common Shares (in thousands)	**Amount**	**Foreign Currency Translation**	**Cash Flow Hegdes**	**Stock Option Plan**	**Total Reserves**	**Retained Earnings**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance, beginning of year	**196,619**	**$ 663,275**	**$ (5,730)**	**$ (3,660)**	**$ 47,439**	**$ 38,049**	**$ 1,604,348**	**$ 2,305,672**	**$ -**	**$ 2,305,672**
Business acquisitions (Note 16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**61,503**	**61,503**
Net earnings	**-**	**-**	**-**	**-**	**-**	**-**	**533,097**	**533,097**	**869**	**533,966**
Other comprehensive income	**-**	**-**	**189,051**	**5,188**	**-**	**194,239**	**12,019**	**206,258**	**484**	**206,742**
Comprehensive income								**739,355**	**1,353**	**740,708**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**-**	**(175,321)**	**(175,321)**	**-**	**(175,321)**
Stock option plan (Note 12)	**-**	**-**	**-**	**-**	**15,851**	**15,851**	**-**	**15,851**	**-**	**15,851**
Shares issued under stock option plan	**1,702**	**41,861**	**-**	**-**	**-**	**-**	**-**	**41,861**	**-**	**41,861**
Amount transferred from reserves to share capital upon exercise of options	**-**	**9,114**	**-**	**-**	**(9,114)**	**(9,114)**	**-**	**-**	**-**	**-**
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	**-**	**-**	**-**	**-**	**3,257**	**3,257**	**-**	**3,257**	**-**	**3,257**
Shares repurchased and cancelled	**(3,252)**	**(11,139)**	**-**	**-**	**-**	**-**	**(143,232)**	**(154,371)**	**-**	**(154,371)**
Balance, end of year	**195,069**	**$ 703,111**	**$ 183,321**	**$ 1,528**	**$ 57,433**	**$ 242,282**	**$ 1,830,911**	**$ 2,776,304**	**$ 62,856**	**$ 2,839,160**

For the year ended March 31, 2013

	Share capital		**Reserves**							
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hegdes	Stock Option Plan	Total Reserves	Retained Earnings	Total	Non-Controlling Interest	**Total Equity**
Balance, beginning of year	199,038	$ 629,606	$ (29,864)	$ -	$ 38,836	$ 8,972	$ 1,467,108	$ 2,105,686	$ -	$ 2,105,686
Net earnings	-	-	-	-	-	-	481,921	481,921	-	481,921
Other comprehensive income	-	-	24,134	(3,660)	-	20,474	(11,514)	8,960	-	8,960
Comprehensive income								490,881	-	490,881
Dividends declared	-	-	-	-	-	-	(161,651)	(161,651)	-	(161,651)
Stock option plan (Note 12)	-	-	-	-	13,701	13,701	-	13,701		13,701
Shares issued under stock option plan	1,842	38,468	-	-	-	-	-	38,468	-	38,468
Amount transferred from reserves to share capital upon exercise of options	-	9,003	-	-	(9,003)	(9,003)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	3,905	3,905	-	3,905	-	3,905
Shares repurchased and cancelled	(4,261)	(13,802)	-	-	-	-	(171,516)	(185,318)	-	(185,318)
Balance, end of year	196,619	$ 663,275	$ (5,730)	$ (3,660)	$ 47,439	$ 38,049	$ 1,604,348	$ 2,305,672	$ -	$ 2,305,672

CONSOLIDATED **BALANCE SHEETS**

(in thousands of CDN dollars)

As at		March 31, 2014		March 31, 2013
ASSETS				
Current assets				
Cash and cash equivalents	$	**39,346**	$	43,177
Receivables		**807,409**		624,553
Inventories (Note 4)		**933,232**		770,158
Income taxes (Note 14)		**30,867**		2,786
Prepaid expenses and other assets		**84,992**		71,882
		1,895,846		1,512,556
Property, plant and equipment (Note 6)		**1,928,761**		1,617,195
Goodwill (Note 7)		**1,954,691**		1,569,592
Trademarks and other intangibles (Note 7)		**484,830**		454,876
Other assets (Note 8)		**79,968**		29,962
Deferred income taxes (Note 14)		**12,796**		9,459
Total assets	$	**6,356,892**	$	5,193,640
LIABILITIES				
Current liabilities				
Bank loans (Note 9)	$	**310,066**	$	181,865
Accounts payable and accrued liabilities		**897,222**		748,318
Income taxes (Note 14)		**124,206**		144,064
Current portion of long-term debt (Note 10)		**393,600**		152,400
		1,725,094		1,226,647
Long-term debt (Note 10)		**1,395,694**		1,395,900
Other liabilities (Note 11)		**48,396**		74,101
Deferred income taxes (Note 14)		**348,548**		191,320
Total liabilities	$	**3,517,732**	$	2,887,968
EQUITY				
Share capital		**703,111**		663,275
Reserves		**242,282**		38,049
Retained earnings		**1,830,911**		1,604,348
Equity attributable to shareholders of Saputo Inc.		**2,776,304**		2,305,672
Non-controlling interest (Note 16)		**62,856**		-
Total equity	$	**2,839,160**	$	2,305,672
Total liabilities and equity	$	**6,356,892**	$	5,193,640

On behalf of the Board,

(signed) Emanuele (Lino) Saputo
Emanuele (Lino) Saputo, C.M., O.Q., Dr h.c.
Director

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED **STATEMENTS OF CASH FLOWS**

(in thousands of CDN dollars)

Years ended March 31		**2014**		2013
Cash flows related to the following activities:				
Operating				
Net earnings	**$**	**533,966**	$	481,921
Adjustments for:				
Stock-based compensation		**22,084**		17,537
Interest and other financial charges		**69,085**		34,099
Income tax expense		**225,024**		185,846
Depreciation and amortization		**146,607**		116,629
Gain on disposal of property, plant and equipment		**(122)**		(53)
Restructuring charges related to plant closures		**22,096**		23,820
Share of joint venture earnings		**(1,406)**		-
Funding of employee plans in excess of costs		**(6,486)**		(12,485)
		1,010,848		847,314
Changes in non-cash operating working capital items		**(129,363)**		(4,425)
Cash generated from operating activities		**881,485**		842,889
Interest and other financial charges paid		**(65,837)**		(34,953)
Income taxes paid		**(159,338)**		(162,144)
Net cash generated from operating activities		**656,310**		645,792
Investing				
Business acquisition		**(449,578)**		(1,433,945)
Additions to property, plant and equipment		**(223,624)**		(178,237)
Proceeds on disposal of property, plant and equipment		**253**		901
Other		**803**		(13,719)
		(672,146)		(1,625,000)
Financing				
Bank loans		**77,810**		21,884
Proceeds from issuance of long-term debt		**390,000**		1,198,565
Repayment of long-term debt		**(175,045)**		(38,100)
Issuance of share capital		**41,861**		38,468
Repurchase of share capital		**(154,371)**		(190,404)
Dividends		**(175,321)**		(161,651)
		4,934		868,762
Decrease in cash and cash equivalents		**(10,902)**		(110,446)
Effect of exchange rate changes on cash and cash equivalents		**7,071**		9,486
Cash and cash equivalents, beginning of year		**43,177**		144,137
Cash and cash equivalents, end of year	**$**	**39,346**	$	43,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2014 and 2013
(Tabular amounts are in thousands of CDN dollars except information on options, units and shares.)

NOTE 1 CORPORATE INFORMATION

Saputo Inc. (the Company) is a publicly traded company incorporated and domiciled in Canada. The Company's shares are listed on the Toronto Stock Exchange under the symbol "SAP." The Company produces, markets and distributes a wide array of dairy products from Canada, the United States, Argentina and Australia as well as bakery products in Canada. The address of the Company's head office is 6869, Metropolitain Blvd. East, St-Léonard, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the year ended March 31, 2014 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2014 have been authorized for issuance by the Board of Directors on June 5, 2014.

NOTE 2 BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE
The consolidated annual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

BASIS OF MEASUREMENT
The Company's financial statements have been prepared on a going concern basis and applied based on the historical cost principle except for certain assets and liabilities as described in the significant accounting policies section.

FUNCTIONAL AND PRESENTATION CURRENCY
The Company's financial statements are presented in Canadian dollars, which is also the consolidated entity's functional currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED FINANCIAL STATEMENTS
The consolidated financial statements include the accounts of the Company and entities under its control. Control exists when an entity is exposed, or has rights, to variable returns from its involvement with investees and has the ability to affect those returns through its power over them. All intercompany transactions and balances have been eliminated. Investments over which the Company has effective control are consolidated. The operating results of acquired businesses, from their respective acquisition dates, are included in the consolidated statements of earnings.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist primarily of cash and short-term investments having an initial maturity of three months or less at the time of acquisition.

INVENTORIES
Finished goods, raw materials and work in process are valued at the lower of cost and net realizable value, cost being determined under the first in, first out method. Borrowing costs are allocated to qualifying inventory where inventory takes a substantial period of time to reach finished goods status.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses and are depreciated using the straight-line method over their estimated useful lives as described below:

Buildings	15 to 40 years
Furniture, machinery and equipment	3 to 20 years
Rolling stock	5 to 10 years based on estimated kilometres traveled

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where components of an item of building or furniture, machinery and equipment are individually significant, they are accounted for separately within the categories described above.

Assets held for sale are recorded at the lower of their carrying amount or fair value less costs to sell, and no depreciation is recorded. Assets under construction are not depreciated. Borrowing costs are capitalized to qualifying property, plant and equipment where the period of construction of those assets takes a substantial period of time to get ready for their intended use. Borrowing costs, if incurred, are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

For the purposes of impairment testing, property, plant and equipment are tested at the cash-generating unit (CGU) level. Write-downs are included in "depreciation and amortization" presented on the consolidated statements of earnings.

GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

Goodwill represents the excess of the consideration transferred in a given acquisition over the fair value of the identifiable net assets acquired and is initially recorded at that value. Goodwill is subsequently carried at cost less any impairment. Trademarks and other intangibles are initially recorded at their transaction fair values. Trademarks are subsequently carried at cost less any impairment losses. Other intangibles are subsequently carried at cost less accumulated amortization and less impairment losses, if any.

Goodwill and trademarks are not amortized. However they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When testing goodwill, the carrying values of the CGU's or group of CGU's including goodwill are compared with their respective recoverable amounts (higher of fair value less costs of disposal and value in use) and an impairment loss, if any, is recognized for the excess.

When testing trademarks and indefinite life intangibles for impairment, the carrying values (including the carrying value of the related CGU's or group of CGU's excluding goodwill) are also compared to their recoverable amounts.

Other intangibles are amortized using the straight-line method over their useful lives which vary from 5 to 15 years and are reviewed for indicators of impairment prior to each reporting period.

Refer to "Impairment Testing of Cash-Generating Units" in Note 7 for a discussion of the CGU levels at which goodwill, trademarks and other intangibles are tested.

IMPAIRMENT OF OTHER LONG-LIVED ASSETS

Other long-lived assets are subject to an "indicators of impairment" test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as CGU's), for which identifiable cash flows that are largely independent of the cash inflows from other assets or group of assets exist, are tested for impairment. An impairment loss is recorded in net earnings when the carrying value exceeds the recoverable amount. The recoverable amount is defined as the greater of fair value less costs of disposal and value in use.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition 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.

Significant debt issuance costs directly related to the funding of business acquisitions are included in the carrying value of the debt and are amortized over the related debt term using the effective interest rate method. Acquisition costs are expensed as incurred.

NON-CONTROLLING INTEREST

Non-controlling interests represent equity interest in acquired subsidiaries by third parties. The non-controlling shareholders claim on net assets of the subsidiary is presented as a component within equity. Any share purchases from non-controlling interests after the Company obtains control of a division are treated as transactions with equity owners of the Company. Net earnings and each component of other comprehensive income are attributed to both the owners of the Company and to the non-controlling interest.

EMPLOYEE FUTURE BENEFITS

The cost of pension and other post-retirement benefits is actuarially determined annually on March 31 using the projected benefit method prorated based on years of service and using Management's best estimates of rates of compensation increases, retirement ages of employees and expected health care costs. Current service costs,

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

interest on obligations offset by expected return on assets are expensed in the year. Actuarial gains or losses, the effect of an adjustment, if any, on the maximum amount recognized as an asset and the impact of the minimum funding requirements, are recorded in other comprehensive income (loss) and immediately recognized in retained earnings without subsequent reclassification to the consolidated statements of earnings. The net pension expenditure under defined contribution pension plans is generally equal to the contributions made by the employer.

REVENUE RECOGNITION

The Company recognizes revenue 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 Company's functional currency is the Canadian dollar. Accordingly, the balance sheet accounts of foreign operations are translated into Canadian dollars using the exchange rates at the balance sheet dates and statements of earnings accounts are translated into Canadian dollars using the average monthly exchange rates in effect during the periods. The foreign currency translation adjustment (CTA) reserve presented in the consolidated statements of comprehensive income and the consolidated statements of equity, represents accumulated foreign currency gains (losses) on the Company's net investments in companies operating outside Canada. The change in the unrealized gains (losses) on translation of the financial statements of foreign operations for the periods presented resulted mainly from the fluctuation 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 dates for monetary assets and liabilities, and at 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 operating costs.

STOCK-BASED COMPENSATION

The Company offers an equity settled stock option plan to certain employees within the organization pursuant to which options are granted over a five-year vesting period with a ten-year expiration term. The fair value of each instalment of an award is determined separately and recognized over the vesting period. When stock options are exercised, any consideration paid by employees and the related compensation expense recorded as a stock option plan reserve are credited to share capital.

The Company allocates deferred share units (DSU) to eligible Directors of the Company which are based on the market value of the Company's common shares. DSU are granted on a quarterly basis, vest upon award and entitle Directors to receive a cash payment for the value of the DSU they hold following cessation of functions as a Director of the Company. The Company recognizes an expense in its consolidated statements of earnings and a liability in its consolidated balance sheets for each grant. The liability and related expense is subsequently re-measured at each reporting period.

The Company offers performance share units (PSU) to senior management which are based on the market value of the Company's common shares. The PSU plan is non-dilutive and is settled in cash. These awards are considered cash-settled share-based payment awards. A liability is recognized for the employment service received and is measured initially, on the grant date, at the fair value of the liability. The liability is then subsequently remeasured at each reporting period with any change in value recorded in net earnings. The compensation expense is recognized over the three-year performance cycle.

EARNINGS PER SHARE

Basic earnings per share is determined by calculating the net earnings attributable to shareholders of Saputo Inc. divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated in the same manner as basic earnings per share except that the weighted average number of outstanding shares is adjusted to reflect the impact of the conversion of potential shares that may have a dilutive impact and is determined independently for each reporting period presented.

RESEARCH AND DEVELOPMENT TAX CREDITS

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

Income tax expense represents the sum of current and deferred income tax and is recognized in the consolidated statements of earnings with the exception of items that are recognized in the consolidated statements of comprehensive income or directly in equity.

Current income taxes are determined in relation to taxable earnings for the year and incorporate any adjustments to current taxes payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the carrying amount of an asset or liability in the consolidated balance sheets and its tax basis. They are measured using the enacted or substantively enacted tax rates that are expected to apply when the asset is realized or the liability is settled. A deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be used.

NON-CURRENT ASSETS HELD FOR SALE

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through their continuing use. Furthermore, to meet the requirements to be presented as held for sale, the non-current asset or disposal group must be immediately available for sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. In order for a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset or disposal group, and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and any depreciation or amortization normally taken on those items of property, plant and equipment or intangibles is halted.

FINANCIAL INSTRUMENTS

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

The Company has made the following classifications:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value.
- Receivables are classified as loans and receivables and are measured at amortized cost.
- Other assets that meet the definition of a financial asset are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost.
- Bank loans, accounts payable and accrued liabilities, other liabilities and long-term debt are classified as other liabilities and are measured at amortized cost, with the exception of the liability related to DSUs and PSUs which is measured at the fair value of common shares on the balance sheet dates.

Certain derivative instruments are utilized by the Company to manage exposure to variations in interest rate payments associated with its unsecured bank term loan facility and to manage foreign exchange rate risks, including foreign exchange forward contracts, currency swaps and interest rate swaps. Derivatives are initially recognized at fair value at the date the derivative contracts, currency swaps are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in net earnings unless the derivative is designated as a hedging instrument.

HEDGING

The Company designates certain financial instruments as cash flow hedges. At the inception of the hedging relationship, the Company formally documents its risk management objective, strategy, term, nature of risk being hedged and identifies both the hedged item and hedging instrument.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Variations in the fair value of cash flow hedges representing gains or losses on the effective portion are recorded in other comprehensive income until the hedged item affects net earnings. Variations in the fair value of cash flow hedges representing gains or losses on the ineffective portion are recorded in net earnings.

The Company formally assesses at inception and quarterly thereafter, the effectiveness of the hedging instruments ability to offset variations in the cash flow risks associated with the hedged item. Where a hedging relationship is no longer effective, hedge accounting is discontinued and any subsequent change in the fair value of the hedging instrument is recognized in net earnings.

JOINT VENTURES

Joint ventures are accounted for using the equity method and represent those entities in which the Company exercises joint control over and for which it is exposed to variable returns from its involvement in the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

INVESTMENT PROPERTIES

Investment properties represent real estate properties owned by the Company that are held to earn rental income and/or for capital appreciation. These properties are recognized initially at cost and then subsequently carried at fair value with any changes recognized in net earnings. Fair values are determined by an independent appraiser.

FAIR VALUE HIERARCHY

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Each level reflects the inputs used to measure the fair values of assets and liabilities:

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

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

USE OF ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF ACCOUNTING POLICIES

The preparation of the Company's financial statements requires Management to make certain judgements and estimates about transactions and carrying values that are fulfilled at a future date. Judgements and estimates are subject to fluctuations due to changes in internal and/or external factors and are continuously monitored by Management. A discussion of the judgements and estimates that could have a material effect on the financial statements is provided below.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Allowance for Doubtful Accounts

Management reviews its accounts receivable at the end of each reporting period and estimates balances which may be deemed to be uncollectible in the future. This review requires the use of assumptions and judgment that takes into consideration certain factors, such as historical collection trends and past due amounts for each customer balance. In the event that future collections differ from estimated provisions, future earnings will be affected.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the results for the reporting period and the respective current income tax and deferred income tax provisions in the reporting period in which such determination is made.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Income Taxes

The Company follows the liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. As a result, a projection of taxable income is required for those years, as well as an assumption of the ultimate recovery or settlement period for temporary differences. The projection of future taxable income is based on Management's best estimates and may vary from actual taxable income. On an annual basis, the Company assesses its need to establish a valuation allowance for its deferred income tax assets. Canadian, US and international tax rules and regulations are subject to interpretation and require judgement on the part of the Company that may be challenged by taxation authorities. The Company believes that it has adequately provided for deferred tax obligations that may result from current facts and circumstances. Temporary differences and income tax rates could change due to fiscal budget changes and/or changes in income tax laws.

Goodwill, Trademarks and Other Intangibles and Business Combinations

Goodwill, trademarks and other intangibles have principally arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgements, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired, including trademarks and other intangibles. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets, and specifically to trademarks and other intangibles, could differ from what is currently reported. This would then have a pervasive impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

Property, Plant and Equipment

Critical judgement is necessary in the selection and application of accounting policies and useful lives as well as the determination of which components are significant and how they are allocated. Management has determined that the use of the straight-line method of amortization is the most appropriate as its facilities are operating at a similar output potential on a year to year basis, which indicates that production is constant (please refer to the estimated useful lives table for further details on the useful lives of productive assets). It is Management's best estimate that the useful lives and policies adopted adequately reflect the flow of resources and the economic benefits required and derived in the use and servicing of these long-lived productive assets.

Impairment of Assets

Significant estimates and judgements are required in testing goodwill, trademarks and other intangibles and other long-lived assets for impairment. Management uses estimates or exercises judgement in assessing indicators of impairment, defining a CGU, forecasting future cash flows and in determining other key assumptions such as discount rates and earnings multipliers used for assessing fair value (less costs of disposal) or value in use. Estimates made for goodwill, trademarks and other intangibles can be found in Note 7. Other long-lived assets are tested only when indicators of impairment are present.

Employee Future Benefits

The Company is the sponsor to both defined benefit and defined contribution plans, which provide pension and other post-employment benefits to its employees. Several estimates and assumptions are required with regards to the determination of the defined benefit expense and its related obligation, such as the discount rate used in determining the carrying value of the obligation and the expected return on assets, the expected health care cost trend rate, the expected mortality rate, etc. Actual results will normally differ from expectations. These gains or losses are presented in the consolidated statements of comprehensive income.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET IMPLEMENTED

The International Accounting Standards Board (IASB) made several revisions as part of its continuing improvements project. Below is a summary of the relevant standards affected and a discussion of the amendments.

IFRS 2, Share-based Payment

The IASB has amended the definitions of market and vesting conditions and added definitions for performance and service conditions. Vesting conditions are now defined as either service conditions or performance conditions. The amendments also clarify certain other requirements for performance, service, market and non-vesting conditions.

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management is still evaluating the impact of these requirements but the adjustments, if any, resulting from these amendments are not likely to be material.

IFRS 3, Business Combinations

The IASB amended IFRS 3 to clarify that contingent consideration in a business combination, whether an asset or liability, should continue to be measured at fair value at each reporting date regardless of whether the contingent consideration is considered a financial instrument within the scope of IFRS 9 or IAS 39 and regardless of whether it is considered a non-financial asset or liability (changes in fair value shall be included in net earnings).

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management does not believe these amendments will have a material impact on the Company's financial statements.

IFRS 8, Operating Segments

The IASB amended IFRS 8 to require an entity to disclose the judgements in applying the aggregation criteria found in paragraph 12. The standard now requires a brief description of the operating segments that have been aggregated in the present manner and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

IFRS 8 has also been amended to clarify that an entity only needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker.

These amendments are effective for annual reporting periods beginning on or after July 1, 2014. Management is still analyzing the impact of these amendments but does not expect any significant adjustments to its financial statements.

IFRS 9, Financial Instruments

The IASB issued IFRS 9 in November 2009 with the long-term goal of replacing IAS 39, Financial Instruments: Recognition and Measurement. Several amendments have been made to this standard since that date including amendments made in February 2014 relating to hedging requirements

These amendments, along with the adoption of the standard, are effective for annual reporting periods beginning on or after January 1, 2018. Management is currently evaluating the impact of the adoption of this standard, including amendments.

IFRS 13, Fair Value

The IASB amended the basis for conclusion in IFRS 13 to clarify that the issuance of IFRS 13 (and related amendments to IAS 39, Financial Instruments Recognition and Measurement) does not require discounting of short-term receivables and payables if they are not significant.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to materially impact the Company's financial statements.

IAS 19, Employee Benefits

IAS 19 has been amended to clarify that employee (or third party) contributions that are independent of the number of years of service can be deducted from the service cost in the period that the service is rendered and not necessarily allocated over the periods of service. Other contributions made by employees (or third parties) are to be attributed to the periods of service using the plan's contribution formula or on a straight line basis.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

This amendment is effective for annual reporting periods beginning on or after July 1, 2014. Management is currently analyzing the impact of the adoption of these amendments.

IAS 24, Related Party Transactions

IAS 24 clarifies that a management entity providing key management personnel services to a reporting entity is also considered a related party of the reporting entity. Therefore the amounts paid by the reporting entity in relation to those services must also be included in the amounts disclosed in the related party transactions note. Disclosures of the components of the services provided are not required.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to impact the Company's financial statements.

IAS 36, Impairment of Assets

In May 2013, the IASB published amendments to IAS 36 no longer requiring the disclosure of the recoverable amounts of each cash generating unit or group of units to which a significant portion of the overall carrying amount of goodwill (or other intangibles with indefinite useful lives) has been allocated. The IASB clarified that this requirement is only applicable in the event of an impairment loss or reversal of an impairment loss.

This amendment is effective for annual reporting periods beginning on or after January 1, 2014 and is not expected to impact the Company's financial statements.

IAS 39, Financial Instruments: Recognition and Measurement

In June 2013, the IASB published amendments to IAS 39 providing relief from the cessation of hedge accounting where derivatives being used in hedging arrangements are novated under certain circumstances. Previously under IAS 39, novation of derivatives resulted in the cessation of hedge accounting.

This amendment is applicable retrospectively for annual reporting periods beginning on or after January 1, 2014 and is not expected to impact the Company's financial statements.

IAS 40, Investment Property

The IASB amended this standard to clarify that this standard and IFRS 3, Business Combinations are not mutually exclusive and the application of both standards may be required in the event of an asset acquisition. An entity will need to determine whether the asset acquired meets the definition of investment property while also determining whether the transaction constitutes a business acquisition under IFRS 3.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and is not expected to impact the Company's financial statements.

EFFECT OF NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING THE YEAR

The following standards were adopted by the Company on April 1, 2013:

IFRS 7, Financial Instruments Disclosures and IAS 32, Financial Instruments Presentation

The IASB issued amendments to IFRS 7 and IAS 32 in December 2011 which clarified the requirements for offsetting financial assets and financial liabilities including revised disclosure requirements for financial assets and liabilities that are offset. The effective dates of amendments to IFRS 7 and IAS 32 are for the annual reporting periods beginning on or after January 1, 2013 and January 1, 2014, respectively.

The amendments made under these standards did not affect the Company's financial statements for the year ended March 31, 2014.

IFRS 10, Consolidated Financial Statements

The IASB issued IFRS 10 in May 2011 which replaced portions of IAS 27, Consolidated and Separate Financial Statements. This new standard became effective for annual reporting periods beginning on or after January 1, 2013 and requires retroactive application. IFRS 10 establishes principles for the preparation and presentation of consolidated financial statements and specifically identifies the criteria for the inclusion of another entity into the set of consolidated financial statements by establishing control as the most relevant basis for consolidation.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The adoption of this standard did not impact the Company's financial statement consolidation methods or practices for the year ended March 31, 2014.

IFRS 12, Disclosure of Interests in Other Entities

The IASB issued IFRS 12 in May 2011 and became effective for annual reporting periods on or after January 1, 2013. This new standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities along with the effects of those interests on its financial position, financial performance and cash flows.

The adoption of this standard resulted in minimal additional disclosures in the Company's March 31, 2014 financial statements. Refer to Note 16 Business Acquisitions and Note 19 Related Party Transactions for further details.

IFRS 13, Fair Value Measurement

The IASB issued IFRS 13 in May 2011 and became effective for annual reporting periods beginning on or after January 1, 2013. This IFRS defines fair value, sets out in a single IFRS framework for measurement of fair value and requires disclosures regarding fair value measurements.

The adoption of this standard did not impact any of the calculations or methodologies used by the Company to determine fair value for the period ended March 31, 2014.

IAS 1, Presentation of Financial Statements

The IASB amended IAS 1 in June 2011 incorporating revisions reflecting requirements for the presentation of earnings and other comprehensive income within their respective statements. IAS 1 now requires items within other comprehensive income to be classified separately within that statement where they will be subsequently reclassified to the statement of earnings. These revisions became effective for annual reporting periods beginning on or after July 1, 2012.

The adoption of the amendment within this standard has resulted in the statement of comprehensive income being subdivided retrospectively into items that may be reclassified into net earnings and those that will not be.

IAS 16, Property, Plant and Equipment

The IASB amended IAS 16 in May 2012 effective for annual reporting periods on or after January 1, 2013 requiring the presentation of spare parts, servicing equipment and stand-by equipment as property, plant and equipment when they meet the definition of property, plant and equipment in accordance with IAS 16. In the event they do not meet the definition, they are required to be presented as inventory.

The adoption of the amendments within this standard did not impact the Company's March 31, 2014 financial statements.

IAS 19 (Revised), Employee Benefits

The IASB revised IAS 19 in June 2011 in order to require a company to use the same discount rate in both its calculation of the defined benefit obligation and the expected return on plan assets. These amendments also required the inclusion of administrative expenses in current service costs. Disclosure requirements were also amended to require additional disclosures for defined benefit pension plans in order to improve disclosure of risks that are assumed by a company that offers these types of plans. These revisions are effective for annual reporting periods beginning on or after January 1, 2013.

The impact of the adoption of IAS 19 (Revised) did not materially impact the Company's March 31, 2014 financial statements.

NOTE 4 INVENTORIES

	March 31, 2014	March 31, 2013
Finished goods	$ **651,660**	$ 551,733
Raw materials, work in progress and supplies	**281,572**	220,971
Inventory write-down	**-**	(2,546)
Total	$ **933,232**	$ 770,158

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2014 is $7,419,529,000 ($5,816,940,000 for the year ended March 31, 2013).

For fiscal 2014, no write-down ($2,546,000 at March 31, 2013) was included as an expense in “Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs” under the caption “Changes in inventories of finished goods and work in process” in Note 5.

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, ACQUISITION, RESTRUCTURING AND OTHER COSTS

	2014	2013
Changes in inventories of finished goods and work in process	$ **(128,338)**	$ (73,306)
Raw materials and consumables used	**6,645,890**	5,209,598
Foreign exchange gain	**(1,854)**	(779)
Employee benefits expense	**928,905**	745,975
Selling costs	**262,558**	240,363
Other general and administrative costs	**505,383**	315,054
Total	$ **8,212,544**	$ 6,436,905

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	For the year ended March 31, 2014					
	Land	**Buildings**	**Furniture, machinery and equipment**	**Rolling stock**	**Held for sale**	**Total**
Cost						
As at March 31, 2013	**$ 56,186**	**$ 585,257**	**$ 1,830,466**	**$ 5,330**	**$ 24,553**	**$ 2,501,792**
Business acquisition (Note 16)	**2,530**	**23,449**	**143,514**	**8,403**	**-**	**177,896**
Additions	**726**	**74,128**	**148,800**	**(30)**	**-**	**223,624**
Disposals	**(18)**	**(1,607)**	**(12,953)**	**(711)**	**(24,553)**	**(39,842)**
Transfers	**(35)**	**(765)**	**(6,977)**	**-**	**7,777**	**-**
Foreign currency adjustments	**1,963**	**22,688**	**68,901**	**411**	**-**	**93,963**
As at March 31, 2014	**$ 61,352**	**$ 703,150**	**$ 2,171,751**	**$ 13,403**	**$ 7,777**	**$ 2,957,433**
Accumulated depreciation						
As at March 31, 2013	**-**	**166,206**	**691,378**	**2,460**	**24,553**	**884,597**
Depreciation	**-**	**25,760**	**107,588**	**715**	**-**	**134,063**
Disposals	**-**	**(1,590)**	**(12,918)**	**(650)**	**(24,553)**	**(39,711)**
Transfers	**-**	**(423)**	**(6,507)**	**-**	**6,930**	**-**
Impairment	**-**	**8,311**	**13,785**	**-**	**-**	**22,096**
Foreign currency adjustments	**-**	**6,499**	**21,225**	**(97)**	**-**	**27,627**
As at March 31, 2014	**$ -**	**$ 204,763**	**$ 814,551**	**$ 2,428**	**$ 6,930**	**$ 1,028,672**
Net book value at March 31, 2014	**$ 61,352**	**$ 498,387**	**$ 1,357,200**	**$ 10,975**	**$ 847**	**$ 1,928,761**

	For the year ended March 31, 2013					
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Held for sale	Total
Cost						
As at March 31, 2012	$ 35,841	$ 422,822	$ 1,397,380	$ 7,278	$ -	$ 1,863,321
Business acquisition (Note 16)	9,879	100,287	347,252	-	-	457,418
Additions	10,878	62,618	104,531	210	-	178,237
Disposals	(145)	(1,598)	(3,561)	(1,938)	-	(7,242)
Transfers	(634)	(2,657)	(22,819)	(118)	26,228	-
Foreign currency adjustments	367	3,785	7,683	(102)	(1,675)	10,058
As at March 31, 2013	$ 56,186	$ 585,257	$ 1,830,466	$ 5,330	$ 24,553	$ 2,501,792
Accumulated depreciation						
As at March 31, 2012	-	142,577	611,989	3,550	-	758,116
Depreciation	-	24,630	84,115	771	-	109,516
Disposals	-	(1,225)	(3,466)	(1,703)	-	(6,394)
Transfers	-	(655)	(9,343)	(118)	10,116	-
Impairment	-	-	6,035	-	15,674	21,709
Foreign currency adjustments	-	879	2,048	(40)	(1,237)	1,650
As at March 31, 2013	$ -	$ 166,206	$ 691,378	$ 2,460	$ 24,553	$ 884,597
Net book value at March 31, 2013	$ 56,186	$ 419,051	$ 1,139,088	$ 2,870	$ -	$ 1,617,195

The net book value of property, plant and equipment under construction amounts to $176,045,000 as at March 31, 2014 ($93,147,000 as at March 31, 2013), and consists mainly of machinery and equipment.

The assets held for sale relate to land, building and equipment in Canada (land and buildings for Canada and Europe for fiscal 2013) as a result of the closure of certain facilities (Note 22) and have been recorded at lower of carrying value and fair value less costs to sell.

NOTE 7 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES

				For the year ended March 31, 2014
		Indefinite Life	**Definite Life**	
	Goodwill	**Trademarks and other**	**Other intangibles[1]**	**Total trademarks and other intangibles**
Cost				
As at March 31, 2013	**$ 1,569,592**	**$ 291,166**	**$ 189,127**	**$ 480,293**
Business acquisition (Note 16)	**257,215**	**5,921**	**20,157**	**26,078**
Foreign currency adjustments	**127,884**	**5,121**	**12,344**	**17,465**
As at March 31, 2014	**$ 1,954,691**	**$ 302,208**	**$ 221,628**	**$ 523,836**
Accumulated Amortization				
As at March 31, 2013	**-**	**-**	**25,417**	**25,417**
Amortization	**-**	**-**	**12,544**	**12,544**
Foreign currency adjustments	**-**	**-**	**1,045**	**1,045**
As at March 31, 2014	**$ -**	**$ -**	**$ 39,006**	**$ 39,006**
Net book value at March 31, 2014	**$ 1,954,691**	**$ 302,208**	**$ 182,622**	**$ 484,830**

				For the year ended March 31, 2013
		Indefinite Life	Definite Life	
	Goodwill	Trademarks and other	Other intangibles[1]	Total trademarks and other intangibles
Cost				
As at March 31, 2012	$ 733,527	$ 285,454	$ 68,187	$ 353,641
Business acquisition (Note 16)	812,234	4,724	118,454	123,178
Foreign currency adjustments	23,831	988	2,486	3,474
As at March 31, 2013	$ 1,569,592	$ 291,166	$ 189,127	$ 480,293
Accumulated Amortization				
As at March 31, 2012	-	-	18,186	18,186
Amortization	-	-	7,112	7,112
Foreign currency adjustments	-	-	119	119
As at March 31, 2013	$ -	$ -	$ 25,417	$ 25,417
Net book value at March 31, 2013	$ 1,569,592	$ 291,166	$ 163,710	$ 454,876

[1] Other intangibles consists of customer relationships and other definite life intangibles.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and now reports under three geographic sectors. The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The USA Sector combines the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector combines the Dairy Division (Argentina) and the Dairy Ingredients Division and includes the operations of the recently acquired Warrnambool Cheese & Butter Factory Company Holdings Limited (Warrnambool Acquisition), refer to note 16 for further details. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions as well as cheese exports from these same divisions.

In determining whether goodwill is impaired, the Company is required to estimate the recoverable amount of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs or groups of CGUs as they represent the lowest levels at which goodwill is monitored for internal management purposes, with the exception of $44,430,000 of goodwill allocated to the Bakery Division within the Canada Sector.

NOTE 7 GOODWILL, TRADEMARKS AND OTHER INTANGIBLES (CONT'D)

Accordingly, goodwill has been allocated to each CGU or group of CGUs as follows:

Allocation of goodwill	March 31, 2014	March 31, 2013
Canada	$ 313,494	$ 313,494
USA	1,370,198	1,256,098
International	270,999	-
	$ 1,954,691	$ 1,569,592

The recoverable amounts for the Dairy Division (Canada) and the USA Sector have been estimated using an earnings multiplier valuation model (fair value less costs of disposal). The key assumptions used in this model include earnings multipliers of market comparables applied to the Company's most recent results. For the Bakery Division, the recoverable amount has been estimated using a discounted cash flow model (value in use) which includes key assumptions of forecasted cash flows (over a five-year period), estimated terminal growth rates, pre-tax discount rates and income tax rates.

The Company performed its annual goodwill impairment test at the CGU or group of CGUs level for the Dairy Division (Canada), the USA Sector and the Bakery Division on March 31, 2014. In all cases the recoverable amounts exceeded their respective carrying values including goodwill and therefore, no impairment has been recorded. There are no reasonably possible changes in key assumptions within the Dairy Division (Canada) and USA Sector that would lead to an impairment of goodwill.

Trademarks

Trademarks are included in the following CGU or group of CGUs:

Allocation of trademarks	March 31, 2014	March 31, 2013
Neilson	$ 223,200	$ 223,200
Other	79,008	67,966
	$ 302,208	$ 291,166

For purposes of trademarks and other indefinite life intangibles impairment testing, recoverable amounts of the CGU or group of CGUs to which they belong have been estimated using discounted cash flows (value in use) based on the following key assumptions:

- **Cash flows:** Cash flow forecasts for a given trademark are based on earnings before interest, income taxes, depreciation and amortization and are adjusted for a terminal growth rate and income tax rates. The cash flow forecast does not exceed a period of five years with a terminal value calculated as a perpetuity in the final year.
- **Terminal growth rate**: Management uses a terminal growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenue for the products under trademark.
- **Discount rate:** Cash flows are discounted using pre-tax discount rates.

The Company tested its trademarks and other indefinite life intangibles for impairment on March 31, 2014 using value in use (discounted cash flows) to establish recoverable amounts. The recoverable amounts for each trademark and other intangibles not subject to amortization were then compared to their carrying values. In all circumstances, the recoverable amounts exceeded carrying values and therefore no impairment losses were necessary. For definite life intangibles subject to amortization, no indicators of impairment were present for fiscal 2014.

NOTE 8 OTHER ASSETS

		2014		2013
Taxes receivable	**$**	**11,752**	$	10,058
Investment properties		**11,517**		-
Joint ventures		**38,410**		-
Other		**18,289**		19,904
	$	**79,968**	$	29,962

The Company has investment properties held for rental and two joint ventures for which it holds a 50% and 49% interest, respectively. In both joint ventures, the terms of the contract require unanimous consent of all parties in order to direct the significant operations of the ventures. The joint ventures have a June 30th year end and are accounted for under the equity method. The Company recognized, in net earnings, $1,406,000, representing its share of earnings in the joint venture for the period ended March 31, 2014.

NOTE 9 BANK LOANS

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

		Available for use			Amount drawn			
Credit Facilities	Maturity	Canadian Currency Equivalent	Base Currency			2014		2013
North America-US Currency	July 2019[1]	143,715	130,000	USD	**$**	**95,073**	$	-
North America-CDN Currency	July 2019[1]	409,035	370,000	USD		**80,285**		116,113
Argentina	Yearly[2]	193,752	1,404,000	ARS		**79,487**		61,950
Australia	Yearly[3]	128,100	125,000	AUD		**55,221**		-
Other		-	-	EUR		**-**		3,802
		874,602			**$**	**310,066**	$	181,865

[1] Bears monthly interest at rates ranging from lender's prime rates plus a maximum of 1% or LIBOR or banker's acceptance rate plus 0.85% up to a maximum of 2% depending on a financial ratio of the Company. The term of this facility was extended from July 2017 to July 2019 in April 2014.
[2] Bear monthly interest at local rate and can be drawn in ARS or USD.
[3] Bear monthly interest at local rate and can be drawn in AUD.

NOTE 10 LONG-TERM DEBT

		2014		2013
Unsecured bank term loan facility				
Obtained October 2013 and due in December 2016 ($500,000,000)[1]	$	**374,375**	$	-
Obtained December 2012 and due in December 2016 (US tranche $350,000,000)[2]		**179,644**		317,500
Obtained December 2012 and due in December 2016 (CDN tranche $850,000,000)[2]		**850,000**		850,000
Unsecured senior notes[3]				
8.41%, issued in November 1999 and due in November 2014 (US$50,000,000)		**55,275**		50,800
5.34%, issued in June 2009 and due in June 2014		**110,000**		110,000
5.82%, issued in June 2009 and due in June 2016		**220,000**		220,000
	$	**1,789,294**	$	1,548,300
Current portion		**393,600**		152,400
	$	**1,395,694**	$	1,395,900

Principal repayments are as follows:

Less than 1 year	**$**	**393,600**	$	152,400
1-2 years		**213,819**		313,200
2-3 years		**1,181,875**		150,000
3-4 years		**-**		932,700
4-5 years		**-**		-
More than 5 years		**-**		-
	$	**1,789,294**	$	1,548,300

[1] Bears monthly interest at rates ranging from lender's prime plus a maximum of 1%, or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on a financial ratio of the Company. $110,000,000 is available for drawdown until December 2014.
[2] Bear monthly interest at rates ranging from lender's prime plus a maximum of 1% or LIBOR or bankers' acceptance rates plus 0.85% up to a maximum of 2%, depending on a financial ratio of the Company. Effective February 4, 2013, the Company entered into an interest rate swap to fix its rate for the total term of the US dollar tranche and for $700,000,000 of the Canadian dollar tranche unsecured bank term loan facility. The effective fixed interest rate is 1.58% (plus applicable spread) for the Canadian dollar tranche and 0.31% (plus applicable spread) on the US dollar tranche.
[3] Interest payments are semi-annual.

NOTE 11 OTHER LIABILITIES

	2014	2013
Employee benefits (Note 17)	**$ 33,204**	$ 56,110
Derivative financial liabilities (Note 20)	**2,671**	4,932
Other	**12,521**	13,059
	$ 48,396	$ 74,101

NOTE 12 SHARE CAPITAL

AUTHORIZED

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

	March 31, 2014	March 31, 2013
ISSUED		
195,068,912 common shares (196,619,440 common shares in 2013)	**$ 703,111**	$ 663,275

1,701,272 common shares (1,843,275 in 2013) were issued during the year ended March 31, 2014 for an amount of $41,861,000 ($38,468,000 in 2013) pursuant to the share option plan. For the year ended March 31, 2014, the amount transferred from stock option plan reserve was $9,114,000 ($9,003,000 in 2013).

Pursuant to the normal course issuer bid, which began on November 15, 2012, and expired on November 14, 2013, the Company was authorized to repurchase for cancellation up to 9,850,532 of its common shares. Under the new normal course issuer bid that became effective on November 15, 2013, and expiring on November 14, 2014, the Company is authorized to repurchase, for cancellation purposes, up to 9,708,299 of its common shares. During the year ended March 31, 2014, the Company repurchased 3,251,800 common shares, at prices ranging from $46.46 to $49.55 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $143,232,000 was charged to retained earnings. During the year ended March 31, 2013, the Company repurchased 4,261,400 common shares, at prices ranging from $39.44 to $49.01 per share, relating to the normal course issuer bids. The excess of the purchase price over the carrying value of the shares in the amount of $171,516,000 was charged to retained earnings.

SHARE OPTION PLAN

The Company has an equity settled share option plan to allow for the purchase of common shares by key employees and officers of the Company. The total number of common shares which may be issued pursuant to this plan as at March 31, 2014 cannot exceed 17,935,823 common shares. As at March 31, 2014, 9,487,342 common shares are issuable under this plan in addition to the 8,448,481 common shares underlying options outstanding. Options granted prior to July 31, 2007 may be exercised at a price equal to the closing quoted value of the common 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.

NOTE 12 SHARE CAPITAL (CONT'D)

Options issued and outstanding as at year end are as follows:

		March 31, 2014		March 31, 2013	
Granting period	Exercise price	**Number of options**	**Number of exercisable options**	Number of options	Number of exercisable options
2005	$ 16.53	**6,288**	**6,288**	205,006	205,006
2006	$ 18.08	**204,270**	**204,270**	325,312	325,312
2007	$ 16.35	**370,406**	**370,406**	517,401	517,401
2008	$ 23.09	**448,497**	**448,497**	659,563	659,563
2009	$ 27.81	**561,948**	**561,948**	886,992	613,624
2010	$ 21.40	**1,018,821**	**651,357**	1,379,093	595,818
2011	$ 29.32	**1,163,843**	**562,494**	1,374,698	421,162
2012	$ 43.22	**1,032,972**	**355,875**	1,165,370	215,574
2013	$ 42.96	**1,728,243**	**299,500**	1,862,496	-
2014	$ 51.10	**1,913,193**	**-**	-	-
		8,448,481	**3,460,635**	8,375,931	3,553,460

Changes in the number of outstanding options are as follows:

	2014		2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of year	**8,375,931**	**$ 30.78**	8,484,524	$ 25.92
Options granted	**2,065,269**	**$ 51.10**	1,884,991	$ 42.96
Options exercised	**(1,701,272)**	**$ 24.61**	(1,843,275)	$ 20.87
Options cancelled	**(291,447)**	**$ 44.88**	(150,309)	$ 30.93
Balance, end of year	**8,448,481**	**$ 36.51**	8,375,931	$ 30.78

The exercise price of the options granted in fiscal 2014 is $51.10, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant ($42.96 in fiscal 2013).

The weighted average fair value of options granted in fiscal 2014 was estimated at $11.53 per option ($10.26 in fiscal 2013), using the Black Scholes option pricing model with the following assumptions:

	2014	2013
Weighted average:		
Risk-free interest rate	**1.34%**	1.63%
Expected life of options	**5.5 years**	5.5 years
Volatility	**26.96%**	28.28%
Dividend rate	**1.66%**	1.76%

A compensation expense of $15,851,000 ($13,568,000 net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2014 and $13,701,000 ($12,029,000 net of taxes) was recorded for the year ended March 31, 2013.

Options to purchase 2,062,826 common shares at a price of $55.48 per share were granted on April 1, 2014.

DEFERRED SHARE UNIT PLAN FOR DIRECTORS

In accordance with the deferred share unit plan, all eligible Directors of the Company are allocated annually a fixed amount of deferred share units which are granted on a quarterly basis. Additionally, Directors receive quarterly remuneration either in cash or deferred share units, at the choice of each Director. If a Director elects to receive deferred share units, the number of deferred share units varies as it is based on the market value of the Company's common shares. When they cease to be a 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 under "Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs".

	2014			2013		
	Units		**Liability**	Units		Liability
Balance, beginning of year	**243,110**	**$**	**13,111**	255,349	$	11,533
Annual grant	**20,000**		**1,003**	19,333		904
Board compensation	**13,675**		**683**	14,320		663
Payment to directors	**(55,061)**		**(2,836)**	(45,892)		(1,961)
Variation due to change in stock price	**-**		**951**	-		1,972
Balance, end of year	**221,724**	**$**	**12,912**	243,110	$	13,111

In fiscal 2014, the Company renewed its equity forward contract on 220,000 Saputo Inc. common shares with a notional value of $12,248,874 ($11,348,436 in 2013) to mitigate the compensation costs associated with its deferred share unit plan. The Company recognized a gain of $543,840 (gain of $1,632,389 in fiscal 2013) reducing the expense associated with the deferred share unit plan upon the re-measurement of the equity forward contract ended in March 2014 and a gain of $144,383 on the equity forward contract renewed until March 2015.

PERFORMANCE SHARE UNIT PLAN

In fiscal 2013, the Company established a PSU plan to form part of long-term incentive compensation, together with the options for senior management. The PSU plan is non-dilutive and is settled in cash only. Under the PSU plan, each performance cycle shall consist of three fiscal years of the Company. At the time of the grant of a PSU, the Company determines the performance criteria which must be met. Following completion of a three-year performance cycle, the PSUs for which the performance criteria have been achieved will vest and the value that will be paid out is the price of the common shares at such time, multiplied by the number of PSUs for which the performance criteria have been achieved. The amount potentially payable to eligible employees is recognized as a payable and is revised at each reporting period. The expense is included in employee benefits under the "Operating costs excluding depreciation, amortization, acquisition, restructuring and other costs" caption.

	2014			2013		
	Units		**Liability**	Units		Liability
Balance, beginning of year	**66,885**	**$**	**2,108**	-	$	-
Annual grant	**80,126**		**2,866**	67,392		2,120
Cancelled	**(10,597)**		**(522)**	(507)		(12)
Payment	**(286)**		**(14)**	-		-
Variation due to change in stock price	**-**		**1,251**	-		-
Balance, end of year	**136,128**	**$**	**5,689**	66,885	$	2,108

On April 1, 2014, 166,860 PSU's were granted at a price of $55.48 per unit ($51.10 in 2013).

During the first quarter of fiscal 2014, the Company entered into an equity forward contract on 25,000 Saputo Inc. common shares with a notional value of $1,223,743 to mitigate the compensation costs associated with its performance share unit plan. The Company recognized a gain of $142,508 reducing the expense associated with the performance share unit plan upon the settlement of the equity forward contract ending in March 2014. In March 2014, the Company renewed this equity forward contract with a notional value of $1,391,918 and entered into a new equity forward contract on an additional 150,000 Saputo Inc. common shares with a notional value of $8,215,395. Gains of $16,407 and $232,981 were recognized on the equity forward contracts of 25,000 and 150,000 Saputo Inc. commons shares, respectively.

NOTE 13 OTHER FINANCIAL CHARGES

		2014		2013
Finance costs	**$**	**16,249**	$	4,719
Finance income		**(403)**		(516)
	$	**15,846**	$	4,203

NOTE 14 INCOME TAXES

Income tax expense is comprised of the following:

		2014		2013
Current tax expense	**$**	**122,545**	$	150,127
Deferred tax expense		**102,479**		35,719
Income tax expense	**$**	**225,024**	$	185,846

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 29.6% in 2014 (27.8% in 2013). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

		2014		2013
Earnings before tax	**$**	**758,990**	$	667,767
Income taxes, calculated using Canadian statutory income tax rates of 26.3% (26% in 2013)		**199,621**		173,532
Adjustments resulting from the following:				
Effect of tax rates for foreign subsidiaries and other deductions		**41,383**		30,103
Changes in tax laws and rates		**819**		143
Benefit arising from investment in subsidiaries		**(20,073)**		(14,781)
Manufacturing and processing deduction		**(332)**		(2,842)
Acquisition cost		**2,241**		-
Stock-based compensation		**2,650**		2,566
Effect of loss on restructuring cost		**-**		(7,154)
Tax losses for which no deferred income tax assets was recognized		**837**		7,043
Adjustments in respect of prior years		**(1,619)**		(2,670)
Other		**(503)**		(94)
Income tax expense	**$**	**225,024**	$	185,846

During the year, as a result of the increase in the Canadian corporation tax rate, the statutory tax rate has increased by approximately 0.3%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2014 and 2013 were as follows:

		2014		2013
Deferred tax benefit (expense) on actuarial losses (gains) on employee benefit obligations	**$**	**(4,691)**	$	4,093
Deferred tax benefit (expense) on cash flow hedges loss (gain)		**(2,215)**		1,272
Total income tax recognized in other comprehensive income	**$**	**(6,906)**	$	5,365

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2014 and 2013 were as follows:

		2014		2013
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognised in net earnings	**$**	**3,257**	$	3,905
Total income tax recognized in equity	**$**	**3,257**	$	3,905

CURRENT TAX ASSETS AND LIABILITIES

		2014		2013
Current tax assets	**$**	**30,867**	$	2,786
Current tax liabilities		**(124,206)**		(144,064)
Current tax liabilities (net)	**$**	**(93,339)**	$	(141,278)

NOTE 14 INCOME TAXES (CONT'D)

DEFERRED TAX BALANCES

	2014	2013
Deferred tax assets	**$ 12,796**	$ 9,459
Deferred tax liabilities	**(348,548)**	(191,320)
Deferred tax liabilities (net)	**$ (335,752)**	$ (181,861)

DEFERRED TAX ASSETS AND LIABILITIES

The movement of deferred tax assets and liabilities are shown below:

	Balance April 1, 2013	Charged/ Credited to net earnings	Charged/ Credited to other comprehensive income or equity	Acquisitions	Translation and other	Balance March 31, 2014
Deferred tax asset						
Accounts payable and accrued liabilities	**$ 28,375**	**$ 2,951**	**$ -**	**$ 13,327**	**$ 281**	**$ 44,934**
Income tax losses	**5,218**	**(528)**	**-**	**-**	**101**	**4,791**
Net assets of pension plans	**13,670**	**(1,606)**	**(4,691)**	**-**	**83**	**7,456**
	$ 47,263	**$ 817**	**$ (4,691)**	**$ 13,327**	**$ 465**	**$ 57,181**
Deferred tax liabilities						
Inventories	**$ 14,109**	**$ 28,415**	**$ -**	**$ 320**	**$ 2,200**	**$ 45,044**
Property, plant and equipment	**175,762**	**39,838**	**-**	**29,147**	**13,195**	**257,942**
Other	**36,753**	**35,043**	**2,215**	**9,116**	**4,320**	**87,447**
Long-term debt	**2,500**	**-**	**-**	**-**	**-**	**2,500**
	$ 229,124	**$ 103,296**	**$ 2,215**	**$ 38,583**	**$ 19,715**	**$ 392,933**

	Balance April 1, 2012	Charged/ Credited to net earnings	Charged/ Credited to other comprehensive income or equity	Acquisitions	Translation and other	Balance March 31, 2013
Deferred tax asset						
Accounts payable and accrued liabilities	$ 19,953	$ 5,396	$ -	$ 3,583	$ (557)	$ 28,375
Income tax losses	12,210	(7,058)	-	-	66	5,218
Net assets of pension plans	13,017	(3,462)	4,093	-	22	13,670
	$ 45,180	$ (5,124)	$ 4,093	$ 3,583	$ (469)	$ 47,263
Deferred tax liabilities						
Inventories	$ 5,099	$ 8,934	$ -	$ -	$ 76	$ 14,109
Property, plant and equipment	166,861	7,259	-	-	1,642	175,762
Other	19,911	14,402	(1,272)	3,583	129	36,753
Long-term debt	2,500	-	-	-	-	2,500
	$ 194,371	$ 30,595	$ (1,272)	$ 3,583	$ 1,847	$ 229,124

NOTE 15 EARNINGS PER SHARE

		2014		2013
Net earnings attributable to shareholders of Saputo Inc.	$	**533,097**	$	481,921
Weighted average number of common shares outstanding		**195,123,232**		197,589,714
Dilutive options		**2,551,443**		2,731,407
Weighted average diluted number of common shares outstanding		**197,674,675**		200,321,121
Basic earnings per share	$	**2.73**	$	2.44
Diluted earnings per share	$	**2.70**	$	2.41

When calculating diluted earnings per share for the year ended March 31, 2014, 1,913,193 options (no options for the year ended March 31, 2013) were excluded from the calculation because their exercise price is higher than the average market value for the year.

Shares purchased under the normal course issuer bid were excluded from the calculation of earnings per share as of the date of purchase.

NOTE 16 BUSINESS ACQUISITIONS

Warrnambool Cheese & Butter Factory Company Holdings

On October 7, 2013, the Company announced its takeover bid for the Australian dairy company Warrnambool Cheese & Butter Factory Company Holdings Limited in order to expand its international footprint. Warrnambool is an Australian public company, listed on the Australian Securities Exchange (ASX) and is one of the largest milk processors in Australia. Warrnambool produces a range of dairy products for domestic and export markets. Its products include cheese, butter and butter blends, milk, cream and dairy ingredients.

On January 21, 2014, the Company reached a controlling interest of 52.702% and began consolidating Warrnambool's results into its International Sector as its Dairy Division (Australia).

The Company continued to increase its ownership interest in Warrnambool shares subsequent to the control date and pursuant to the terms of the takeover bid culminating in a relevant interest of 87.92% on February 12, 2014 when the offer closed and reflecting a total cash consideration of $449,577,800.

The purchase price, funded out of the Company's committed bank term loan and bank loan, was allocated to the identifiable assets acquired and liabilities assumed based on the fair values presented below. The final allocation of the purchase price will be completed in the next fiscal year.

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

		2014 Warrnambool Cheese & Butter Factory Company Holdings
Assets acquired	Cash and cash equivalents	$ 4,369
	Receivables	66,268
	Inventories	131,604
	Prepaid expenses and other assets	5
	Property, plant and equipment	177,896
	Goodwill	257,215
	Trademarks and other intangibles	26,078
	Other assets	43,416
Liabilities assumed	Bank loans	(71,023)
	Accounts payable and accrued liabilities	(88,134)
	Income taxes	(10,744)
	Other liabilities	(613)
	Deferred income taxes	(25,256)
Net assets acquired		$ 511,081
	Non-controlling interest	(61,503)
		$ 449,578
Consideration	Cash	$ 59,578
	Long-term debt	390,000
	Total consideration	$ 449,578

The non-controlling interest of $61,503,000, recognized on the date control was obtained, has been measured based on fair value and represents the number of shares owned by third parties multiplied by the share price of AU$9.40 paid by the Company.

Recognized goodwill consists of an assembled workforce and expected growth opportunities in both domestic and international markets.

Morningstar Foods, LLC

On January 3, 2013, the Company completed the purchase of Morningstar Foods, LLC (Morningstar) for a total cash consideration of $1,433,945,000 pursuant to the terms and conditions of a Membership Interest Purchase Agreement.

Morningstar produces a variety of dairy and non-dairy extended shelf-life (ESL) products, including creams and creamers, ice cream mixes, whipping cream, aerosol whipped toppings, iced coffee, half and half, value-added milks, as well as cultured products such as sour cream and cottage cheese. These products are manufactured under a wide array of company-owned or customer brand names, and are sold throughout the US via an internal sales force and independent brokers. Morningstar serves the needs of retailers, national quick-serve restaurant chains, grocery stores, mass merchandisers and distributors across the United States.

The acquisition of Morningstar complements the activities of the Cheese Division (USA). Through this acquisition, the Company benefits from Morningstar's national manufacturing and distribution footprint. This transaction expands product offerings to customers in the United States and broadens the range of the Company's future acquisition opportunities. These expected synergies, along with the benefits associated with an assembled workforce represent the major qualitative factors comprising goodwill.

The purchase price was allocated based on the fair values of the identifiable assets acquired and liabilities assumed as follows:

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

			2013 Morningstar Foods, LLC
Assets acquired	Cash and cash equivalents	$	7
	Receivables		71,264
	Inventories		64,985
	Prepaid expenses and other assets		6,661
	Property, plant and equipment		457,418
	Goodwill		812,234
	Trademarks and other intangibles		123,178
	Other assets		3,200
Liabilities assumed	Accounts payable and accrued liabilities		(96,268)
	Other liabilities		(8,734)
Net assets acquired		$	1,433,945
Consideration	Cash	$	235,380
	Long-term debt		1,198,565
	Total consideration	$	1,433,945

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS

The Company sponsors various post-employment benefit plans. These include pension plans, both defined contribution and defined benefit plans, and other post-employment benefits. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans.

Defined Contribution Plans

The Company offers and participates in defined contribution pension plans of which 92% of its active employees are members. The net pension expense under these types of plans is generally equal to the contributions made by the employer and constitutes an expense for the year in which they are due. For fiscal 2014, the defined contribution expenses for the Company amounted to $31,114,000 compared to $22,434,000 for fiscal 2013.

Defined Benefit Plans

The Company participates in defined benefit pension plans in which the remaining active employees are members. 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.

The registered pension plans must comply with statutory funding requirements in the province or state in which they are registered. Funding valuations are required on an annual or triennial basis, depending on the jurisdiction, and employer contributions must include amortization payments for any deficit, over a period of 5 to 15 years. Contribution holidays are allowed and subject to certain thresholds. Other non-registered pension plans and benefits other than pension are not subject to any minimum funding requirements.

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS (CONT'D)

The cost of these pension benefits earned by employees is actuarially determined using the projected benefits method prorated on services and using a discount rate based on high quality corporate bonds and Management's assumptions bearing on, among other things, rates of compensation increase and retirement age of employees. All of these estimates and assessments are formulated with the help of external consultants. The plan assets and benefit obligations were valued as at March 31 with the assistance of the Company's external actuaries. The Company also offers complementary retirement benefits programs, such as health insurance, life insurance and dental plans to eligible employees and retired employees. The Company expects to contribute approximately $5,682,000 to its defined benefit plans in 2015. The Company's net liability for post-employment benefit plans comprises the following:

	Pension	Other	March 31, 2014	Pension	Other	March 31, 2013
Present value of funded obligation	**$ 259,187**	**$ -**	**$ 259,187**	$ 251,003	$ -	$ 251,003
Fair value of assets	**254,353**	**-**	**254,353**	218,808	-	218,808
Present value of net obligations for funded plans	**4,834**	**-**	**4,834**	32,195	-	32,195
Present value of unfunded obligations	**12,828**	**10,757**	**23,585**	5,904	11,252	17,156
Present value of net obligations	**17,662**	**10,757**	**28,419**	38,099	11,252	49,351
Asset ceilling test	**4,785**	**-**	**4,785**	421	-	421
Impact of minimum funding requirement	**-**	**-**	**-**	6,338	-	6,338
Accrued pension/benefit cost as at March 31	**22,447**	**10,757**	**33,204**	44,858	11,252	56,110
Employee benefit amounts on the balance sheet:						
Liabilities	**22,447**	**10,757**	**33,204**	44,858	11,252	56,110
Assets	**-**	**-**	**-**	-	-	-
Net liability	**$ 22,447**	**$ 10,757**	**$ 33,204**	$ 44,858	$ 11,252	$ 56,110

The changes in the present value of the defined benefit obligations are as follows:

	Pension	Other	March 31, 2014	Pension	Other	March 31, 2013
Defined benefit obligation, beginning of year	**$ 256,907**	**$ 11,252**	**$ 268,159**	$ 233,789	$ 10,666	$ 244,455
Current service costs	**6,447**	**26**	**6,473**	5,204	24	5,228
Past service cost generated during the year[1]	**5,465**	**-**	**5,465**	-	-	-
Contribution by plan participants	**766**	**-**	**766**	789	-	789
Interest cost	**10,682**	**461**	**11,143**	10,905	488	11,393
Actuarial (gains) losses from change in experience	**(1,404)**	**(1,259)**	**(2,663)**	1,762	(52)	1,710
Actuarial (gains) losses from change in economic assumptions	**(547)**	**(2)**	**(549)**	15,530	691	16,221
Actuarial losses from change in demographic assumptions	**11,216**	**1,003**	**12,219**	-	126	126
Business acquisition	**-**	**-**	**-**	2,927	-	2,927
Effect of settlement[2]	**(5,137)**	**-**	**(5,137)**	-	-	-
Exchange differences	**877**	**18**	**895**	177	8	185
Benefits paid	**(13,257)**	**(742)**	**(13,999)**	(14,176)	(699)	(14,875)
Defined benefit obligation, end of year	**$ 272,015**	**$ 10,757**	**$ 282,772**	$ 256,907	$ 11,252	$ 268,159

[1] An amendment was made to pension plans for executive officers in fiscal 2014.
[2] In December 2013, two plans with inactive employees only were terminated and annuities were purchased to release the plan from its liability.

The changes in the fair value of plan assets are as follows:

	Pension	Other	March 31, 2014	Pension	Other	March 31, 2013
Fair value of plan assets, beginning of year	**$ 218,808**	**$ -**	**$ 218,808**	$ 193,221	$ -	$ 193,221
Expected return	**9,347**	**-**	**9,347**	9,217	-	9,217
Actuarial gains	**23,461**	**-**	**23,461**	12,694	-	12,694
Administration costs	**(565)**	**-**	**(565)**	(588)	-	(588)
Contributions by employer	**20,489**	**742**	**21,231**	15,750	699	16,449
Contributions by participants	**766**	**-**	**766**	789	-	789
Effects of settlement[1]	**(5,300)**	**-**	**(5,300)**	-	-	-
Business acquisition	**-**	**-**	**-**	1,780	-	1,780
Exchange differences	**604**	**-**	**604**	121	-	121
Benefits paid	**(13,257)**	**(742)**	**(13,999)**	(14,176)	(699)	(14,875)
Fair value of plan assets, end of year	**$ 254,353**	**$ -**	**$ 254,353**	$ 218,808	$ -	$ 218,808

[1] In December 2013, two plans with inactive employees only were terminated and annuities were purchased to release the plan from its liability.

NOTE 17 EMPLOYEE PENSION AND OTHER BENEFITS PLANS (CONT'D)

Actual return on plans assets amounted to a gain of $32,243,000 in fiscal 2014 compared to a gain of $21,323,000 in fiscal year 2013.

The fair value of plan assets, which do not include assets of the Company, consist of the following:

	March 31, 2014	March 31, 2013
Bonds	**39%**	42%
Equity instruments	**58%**	55%
Cash and short–term investments	**3%**	3%
	100%	100%

The expenses recognized below are included in "Operating costs excluding depreciation, amortization, acquisition, restructuring, and other costs" within employee benefits expense (refer to Note 5) and are detailed as follows:

	Pension	Other	March 31, 2014	Pension	Other	March 31, 2013
Employer current service cost	**$ 6,447**	**$ 26**	**$ 6,473**	$ 5,204	$ 24	$ 5,228
Employer past service cost	**5,465**	**-**	**5,465**	-	-	-
Effect of settlement	**164**	**-**	**164**	-	-	-
Administration costs	**565**	**-**	**565**	588	-	588
interest costs	**10,682**	**461**	**11,143**	10,905	488	11,393
Interest on effect of asset ceiling	**13**	**-**	**13**	14	-	14
Interest on effect of liability arising from minimum funding	**269**	**-**	**269**	12	-	12
Expected return on plan assets	**(9,347)**	**-**	**(9,347)**	(9,217)	-	(9,217)
Defined benefits plans expense	**$ 14,258**	**$ 487**	**$ 14,745**	$ 7,506	$ 512	$ 8,018

The Company recognizes actuarial gains and losses in the period in which they occur, for all its defined benefit plans. These actuarial gains and losses are recognized in other comprehensive income and are presented below:

	Pension	Other	March 31, 2014	Pension	Other	March 31, 2013
Net gains (losses) during the year	**$ 14,196**	**$ 258**	**$ 14,454**	$ (4,598)	$ (765)	$ (5,363)
Effect of the asset ceiling test	**(4,351)**	**-**	**(4,351)**	(124)	-	(124)
Effect of impact of additional liability arising from the minimum funding requirement	**6,607**	**-**	**6,607**	(6,066)	-	(6,066)
Amount recognized in other comprehensive income	**16,452**	**258**	**16,710**	(10,788)	(765)	(11,553)

Weighted average assumptions used in computing the benefit obligations at the balance sheet date are as follows:

	March 31, 2014	March 31, 2013
Discount rate	**4.25%**	4.22%
Duration of the obligation	**12.3**	12.3
Future salary increases	**3.00%**	3.00%

The impact of an increase and a decrease of 0.5% on the discount rate would be $19,300,000 and $17,300,000 respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately $3,000,000 on the obligation and a one year increase or decrease in life expectancy would represent approximately $6,700,000.

Weighted average assumptions used in computing the net periodic pension cost for the year are as follows:

	March 31, 2014	March 31, 2013
Discount rate	**4.22%**	4.74%
Future salary increases	**3.00%**	3.00%

For measurement purposes, a 3.5% to 7% annual rate of increase was used for health, life insurance and dental plan costs for the year. In comparison, during the previous year, a 5.23% to 9% annual rate was used.

Assumed medical cost trend rates have an effect on the amounts recognized in profit or loss. A one percentage point change in the assumed medical cost trend rates would have marginal impact on cost and obligations.

NOTE 18 COMMITMENTS AND CONTINGENCIES

LEASES

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

Less than 1 year	$	**24,558**
1-2 years		**17,395**
2-3 years		**11,755**
3-4 years		**8,919**
4-5 years		**6,816**
More than 5 years		**16,494**
	$	**85,937**

The Company guarantees to certain lessors a portion of the residual value of certain leased assets with respect to operations which mature until 2017. If the market value of leased assets, at the end of the respective operating lease term, is inferior to the guaranteed residual value, the Company is obligated to indemnify the lessors, specific to certain conditions, for the shortfall up to a maximum value. The Company believes that the potential indemnification will not have a significant effect on the financial statements.

CLAIMS

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

INDEMNIFICATIONS

The Company from time to time offers indemnifications to third parties in the normal course of its business, in connection with business or asset acquisitions or dispositions. These indemnification provisions may be in connection with breach of representations and warranties, and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration. At March 31, 2014, 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, 2014 and March 31, 2013, the Company has not recorded a liability associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

The Company receives and provides goods and services which consist of rent, travel, transport, lodging and management services from and to companies subject to control or significant influence through ownership by its principal shareholder. These transactions, which are not significant to the Company's financial position or financial results, are made in the normal course of business and have been recorded at the fair value, consistent with market values for similar transactions.

Transactions with key management personnel (salaries, bonuses, options, and payments under the PSU and DSU plans) are also considered related party transactions. Management defines key management personnel as named executive officers: the CEO, CFO and the three most highly compensated executive officers of the Company whom are among those persons having responsibility and authority for controlling, overseeing and planning the activities of the Company, as well as the Company's Directors.

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties are as follows:

	2014	2013
Entities subject to control or significant influence through ownership by its principal shareholder	$ 2,742	$ 19,497
Key management personnel		
Directors	2,422	2,355
Named Executive Officers	18,680	11,944
	$ 23,844	$ 33,796

Included in the transactions with related parties for fiscal 2013 was a purchase of land and building from a related party totalling $16,400,000. The acquired property is the site for the consolidated distribution activities of the Greater Montreal area as well as the administrative offices of the Dairy Division (Canada). The transaction was recorded at fair value.

Dairy products and other services provided by the Company were the following:

	2014	2013
Entities subject to control or significant influence through ownership by its principal shareholder	$ 372	$ 370

Outstanding receivables and accounts payable and accrued liabilities for the transactions above are the following:

	Receivables		Accounts payable and accrued liabilities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Entities subject to control or significant influence through ownership by its principal shareholder	$ 55	$ 43	$ 25	$ 32
Key management personnel				
Directors	-	-	12,912	13,111
Named executive officers	-	-	16,698	9,397
	$ 55	$ 43	$ 29,635	$ 22,540

The amounts payable to the Directors consist entirely of balances payable under the Company's DSU plan. Refer to Note 12 for further details. The amounts payable to named executive officers consist of short-term employee benefits, share-based awards and post-retirement benefits.

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation expense for transactions with the Company's key management personnel consists of the following:

	2014	2013
Directors		
Cash-settled payments	$ 737	$ 788
Stock-based compensation	1,685	1,567
	$ 2,422	$ 2,355
Named executive officers		
Short-term employee benefits	8,254	7,931
Post-employment benefits	6,520	808
Stock-based compensation	3,906	3,205
	$ 18,680	$ 11,944
Total compensation	$ 21,102	$ 14,299

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

The Company's subsidiaries are wholly owned with the exception of Warrnambool (Note 16) for which a 12.08% non-controlling interest exists. The following information summarizes the Company's significant subsidiaries which produce a wide array of dairy products including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients:

	Percentage Owned	Location
Saputo Cheese USA Inc.	100.00%	USA
Saputo Dairy Products Canada G.P.	100.00%	Canada
Saputo Dairy Foods USA, LLC	100.00%	USA
Warrnambool Cheese & Butter Factory Company Holdings Limited	87.92%	Australia
Molfino Hermanos S.A.	100.00%	Argentina

NOTE 20 FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including credit risk, liquidity risk, price risk (including commodity price risk), foreign exchange risk and interest rate risk. These financial instruments are subject to normal credit conditions, financial controls and risk management and monitoring strategies.

Occasionally, the Company may enter into derivative financial instrument transactions in order to mitigate or hedge risks in accordance with risk objectives and strategies. The Company does not enter into these arrangements for speculative purposes.

CREDIT RISK

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

Cash equivalents consist mainly of short-term investments. The Company has deposited these cash equivalents in reputable financial institutions.

The Company also offers credit to its customers in the normal course of business for trade receivables. Credit valuations are performed on a regular basis and reported results take into account allowances for potential bad debts.

Due to its large and diverse customer base and its geographic diversity, the Company has low exposure to credit risk concentration with respect to customer's receivables. There are no receivables from any individual customer that exceeded 10% of the total balance of receivables as at March 31, 2014 and March 31, 2013. However one customer represented more than 10% of total consolidated sales for the year ended March 31, 2014, with 11.4% (two customers with 11.2% and 10.7% in 2013).

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

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

LIQUIDITY RISK

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

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

INTEREST RATE RISK

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

Bank loans bear interest at fluctuating rates and thereby expose the Company to interest rate risk on cash flows associated to interest payments. The senior notes bear interest at fixed rates and, as a result, no interest rate risk exists on these cash flows.

The bank term loan bears interest at variable rates and thereby exposes the Company to interest rate risk on cash flows associated to interest payments. As a result of such interest rate risk, the Company entered into interest rate swap agreements on February 4, 2013 for the total term of the bank term loan facility in which the Company agreed to exchange variable interest payments for fixed rate payments at specified intervals. The notional amount upon which the swaps are based represent equal amounts to those outstanding with regards to the unsecured bank term loan facility. The effective fixed interest rate is 1.58% (plus applicable spread) for the Canadian dollar tranche and 0.31% (plus applicable spread) on the US dollar tranche. Refer to Note 10 for further details on the unsecured bank term loan facility. The Company has designated these interest rate swaps as cash flow hedges of interest rate risk in accordance with its risk management strategy.

On March 31, 2014, the cash flow hedges of interest rate risk were assessed to be highly effective and accordingly, an unrealized gain of $1,668,000 (net of tax of $593,000) was recorded in other comprehensive income. These cash flow hedges were also deemed to be highly effective in March 31, 2013 and an unrealized loss of $3,660,000 (net of tax of $1,272,000) was recorded in other comprehensive income (and an associated liability) as a result. The amounts recorded in the statement of comprehensive income are transferred to the statement of net earnings to offset interest on long-term debt when the interest expense is recorded in net earnings.

For the fiscal year ended March 31, 2014, the interest expense on long-term debt totalled $53,239,000 ($29,896,000 in March 31, 2013). The interest accrued on March 31, 2014 was $6,801,000 ($6,836,000 at March 31, 2013).

As at March 31, 2014, the net amount exposed to short-term rates fluctuations was approximately $834,446,000. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately $5,875,000 on net earnings with an equal but opposite effect for an assumed 1% decrease.

FOREIGN EXCHANGE RISK

The Company operates internationally and is exposed to foreign exchange risk resulting from various foreign currency transactions. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Company's business unit that is party to the transaction. The Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of 72,700,000 Australian dollars (700,000 Euros in 2013) and an outstanding currency swap contract of US$8,700,000.

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

	2014	2013
Change in net earnings	**$ 2,094**	$ 1,599
Change in comprehensive income	**$ 25,723**	$ 22,852

As a result of the Warrnambool Acquisition (Note 16), Saputo Inc. became party to cash flow hedges that were entered into by the Company's subsidiary in order to reduce exposure to fluctuations in foreign currency risk. Warrnambool entered into forward exchange contracts to sell US dollars and buy Australian dollars. The cash flows associated to these currency swaps are expected to come due within the next 12 months. As at March 31, 2014, the cash flow hedges were highly effective and accordingly, the Company recognized a gain of $4,004,000 (net of tax of $1,622,000) in other comprehensive income (and an associated asset).

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

COMMODITY PRICE RISK

The Company occasionally enters into contracts to hedge against fluctuations in the price of commodities. Outstanding contracts as at the balance sheet date had a positive fair value of approximately $162,000 (positive fair value of approximately $175,000 at March 31, 2013). The Company does not use hedge accounting for these transactions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has determined that the fair value of its financial assets and financial liabilities with short-term maturities approximates their carrying value. These financial instruments include cash and cash equivalents, receivables, bank loans, accounts payable and accrued liabilities. The table below shows the fair value and the carrying value of other financial instruments as at March 31, 2014 and March 31, 2013. Since estimates are used to determine fair value, they must not be interpreted as being realizable in the event of a settlement of the instruments.

	March 31, 2014		March 31, 2013	
	Fair value	**Carrying value**	Fair value	Carrying value
Cash flow hedges				
Interest rate swaps	**$ (2,671)**	**$ (2,671)**	$ (4,932)	$ (4,932)
Foreign exchange forward contracts	**140**	**140**	-	-
Derivatives not designated in a formal hedging relationship				
Currency swaps	**$ 3**	**$ 3**	$ -	$ -
Commodity futures contracts	**162**	**162**	-	-
Long-term debt (Level 3)	**1,808,190**	**1,789,294**	1,583,380	1,548,300

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at March 31, 2014, classified using the fair value hierarchy described in Note 3.

	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 39,346**	**$ -**	**$ -**	**$ 39,346**
Interest rate swaps	**-**	**-**	**(2,671)**	**(2,671)**
Foreign exchange forward contracts	**-**	**-**	**140**	**140**
Currency swaps	**-**	**3**	**-**	**3**
Commodity futures contracts	**-**	**162**	**-**	**162**
Investment properties	**-**	**-**	**11,517**	**11,517**
	$ 39,346	**$ 165**	**$ 8,986**	**$ 48,497**

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

NOTE 21 CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategies 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 equity. Net debt consists of long-term debt and bank loans, net of cash and cash equivalents. The Company's primary use of capital is to finance acquisitions.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to equity. The net debt-to-equity ratios as at March 31, 2014 and March 31, 2013 are as follows:

		2014		2013
Bank loans	**$**	**310,066**	$	181,865
Long-term debt		**1,789,294**		1,548,300
Cash and cash equivalents		**(39,346)**		(43,177)
Net debt	**$**	**2,060,014**	$	1,686,988
Equity	**$**	**2,839,160**	$	2,305,673
Net debt-to-equity		**0.73:1**		0.73:1

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratios as at March 31, 2014.

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

NOTE 22 ACQUISITION, RESTRUCTURING AND OTHER COSTS

Acquisition, restructuring and other costs are summarized as follows:

		2014		2013
Acquisition costs	**$**	**9,459**	$	9,646
Restructuring costs		**30,739**		32,631
Other costs		**5,465**		-
Total	**$**	**45,663**	$	42,277

Acquisition Costs

As a result of the Warrnambool Acquisition (Note 16) and the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Note 25), the Company incurred acquisition costs of $9,459,000 ($9,189,000 after tax) in fiscal 2014.

In fiscal 2013, the Company incurred acquisition costs of $9,646,000 ($6,115,000 after tax) in relation to the Morningstar Acquisition.

NOTE 22 ACQUISITION, RESTRUCTURING AND OTHER COSTS (CONT'D)

Restructuring Costs

In fiscal 2014, the Company announced the closures of four facilities. The first facility was closed in May 2014 and the final closures will occur in June 2014 and December 2015.

Costs associated with the closures recorded in fiscal 2014 and 2013 are summarized in the table below.

	2014	2013
Write down of non-current assets	**22,096**	21,709
Severance	**7,796**	7,776
Other	**847**	3,146
Total	**30,739**	32,631

The write down of non-current assets consists mainly of impairment charges to property, plant and equipment to bring them to the lower of carrying value and fair value less costs of disposal. The total after tax costs for fiscal 2014 are $19,888,000 ($22,597,000 in fiscal 2013).

The restructuring costs represent Management's best estimates of the expenses required to restructure these operations. Liabilities related to severance expenditures have been classified as provisions and grouped within current and non-current liabilities on the balance sheet.

Other Costs

Effective April 1, 2014, amendments to the supplementary retirement plans for executive officers were made and the Company incurred $5,465,000 ($3,931,000 after tax) of additional costs.

NOTE 23 SEGMENTED INFORMATION

As of April 1, 2013, the Company realigned its reporting structure consistent with its operating structure and reports under three geographic sectors. The Canada Sector includes the Dairy Division (Canada) and the Bakery Division. The USA Sector combines the Cheese Division (USA) and the Dairy Foods Division (USA). Finally, the International Sector combines the Dairy Division (Argentina), the Dairy Ingredients Division and the Dairy Division (Australia), refer to note 16 for further details. The Dairy Ingredients Division includes national and export ingredients sales from the North American divisions, as well as cheese exports from these same divisions.

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 3 relating to significant accounting policies. The Company does not have any intersector sales.

Information on operating sectors

Years ended March 31	2014	2013 *(Reclassified)*
Revenues		
Canada	**$ 3,653,512**	$ 3,578,083
USA	**4,489,938**	2,849,244
International	**1,089,439**	870,350
	$ 9,232,889	$ 7,297,677
Earnings before interest, depreciation, amortization, acquisition, restructuring, other costs and income taxes		
Canada	**$ 457,375**	$ 476,176
USA	**469,814**	344,256
International	**93,156**	40,340
	$ 1,020,345	$ 860,772
Depreciation and amortization		
Canada	**$ 53,734**	$ 57,940
USA	**85,027**	53,901
International	**7,846**	4,788
	$ 146,607	$ 116,629
Acquisition, restructuring and other costs	**45,663**	42,277
Financial charges, net	**69,085**	34,099
Earnings before income taxes	**758,990**	667,767
Income taxes	**225,024**	185,846
Net earnings	**$ 533,966**	$ 481,921

NOTE 23 SEGMENTED INFORMATION (CONT'D)

Geographic information

		March 31, 2014		March 31, 2013 (reclassified)
Changes to non-current assets				
Canada	$	**54,003**	$	28,666
USA		**192,145**		1,436,995
International		**533,814**		15,767
	$	**779,962**	$	1,481,428
Total Assets				
Canada	$	**1,832,350**	$	1,772,537
USA		**3,491,056**		3,151,454
International		**1,033,486**		269,649
	$	**6,356,892**	$	5,193,640
Net book value of property, plant and equipment				
Canada	$	**584,443**	$	523,570
USA		**1,075,784**		1,005,942
International		**268,534**		87,683
	$	**1,928,761**	$	1,617,195
Total liabilities				
Canada	$	**2,151,568**	$	1,896,512
USA		**919,097**		850,468
International		**447,067**		140,988
	$	**3,517,732**	$	2,887,968

NOTE 24 DIVIDENDS

During the year ended March 31, 2014, the Company paid dividends totalling $175,321,820, or $0.92 per share ($161,651,170, or $0.84 per share for the year ended March 31, 2013).

NOTE 25 SUBSEQUENT EVENTS

On January 17, 2014, the Company announced that it had entered into an agreement to acquire the fluid milk activities of Scotsburn Co-Operative Services Limited based in Atlantic Canada ("Scotsburn Fluid Milk Business"). Scotsburn Fluid Milk Business is a Nova Scotia cooperative that will continue its other activities such as its frozen ice cream and frozen novelties business.

The purchase price of $61 million, on a debt-free basis excludes approximately $8 million of working capital items and was paid in cash by drawing on available credit lines. The acquisition was finalized on April 14, 2014.

The Scotsburn Fluid Milk Business operates two fluid milk processing facilities located in Sydney, Nova Scotia, and Mount Pearl, Newfoundland and employs an aggregate of approximately 400 people in Atlantic Canada. Its operations consist of manufacturing, selling, marketing, distributing and merchandising of products such as fluid milk, cream, sour cream, ice cream mix and cottage cheese, mainly under the *Scotsburn* brand. The Scotsburn Fluid Milk Business generates annual sales of approximately $160 million and about $8 million of earnings before interest, taxes, depreciation and amortization. This transaction will enable Saputo's Dairy Division (Canada) to increase its presence in Atlantic Canada.