

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
Chief Financial Officer
and Secretary

June 4, 2015

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, 2015 and March 31, 2014, 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, 2015 and March 31, 2014, 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 4, 2015
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	2015		2014
Revenues	\$	10,657,712	\$ 9,232,889
Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs (Note 5)		9,595,989	8,212,544
Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes		1,061,723	1,020,345
Depreciation and amortization (Notes 6 and 7)		170,943	146,607
Gain on disposal of a business (Note 22)		(25,904)	-
Acquisition, restructuring and other costs (Note 22)		(6,546)	45,663
Interest on long-term debt		54,058	53,239
Other financial charges (Note 13)		19,267	15,846
Earnings before income taxes		849,905	758,990
Income taxes (Note 14)		237,036	225,024
Net earnings	\$	612,869	\$ 533,966
Attributable to:			
Shareholders of Saputo Inc.		607,608	533,097
Non-controlling interest (Note 16)		5,261	869
	\$	612,869	\$ 533,966
Earnings per share (Note 15)			
Net earnings			
Basic	\$	1.55	\$ 1.37
Diluted	\$	1.53	\$ 1.35

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of CDN dollars)

Years ended March 31	2015		2014
Net earnings	\$	612,869	\$ 533,966
Other comprehensive income (loss):			
<i>Items that may be reclassified to net earnings:</i>			
Exchange differences arising from foreign currency translation		373,403	189,051
Net unrealized (losses) gains on cash flow hedges ¹ (Note 20)		(3,050)	5,672
Reclassification of gains on cash flow hedges to net earnings ²		(3,975)	-
<i>Items that will not be reclassified to net earnings:</i>			
Actuarial (losses) gains ³ (Note 17)		(20,960)	12,019
Other comprehensive income (loss)		345,418	206,742
Comprehensive income	\$	958,287	\$ 740,708
Attributable to:			
Shareholders of Saputo Inc.	\$	953,510	\$ 739,355
Non-controlling interest (Note 16)		4,777	1,353
	\$	958,287	\$ 740,708

¹ Net of income taxes of \$787 (2014 - \$2,215).

² Net of income taxes of \$1,603 (2014 - nil).

³ Net of income taxes of \$8,147 (2014 - \$4,691).

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands of CDN dollars, except common shares)

For the year ended March 31, 2015										
	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
Balance, beginning of year	390,138	\$ 703,111	\$ 183,321	\$ 1,528	\$ 57,433	\$ 242,282	\$ 1,830,911	\$ 2,776,304	\$ 62,856	\$ 2,839,160
Net earnings	-	-	-	-	-	-	607,608	607,608	5,261	612,869
Other comprehensive income	-	-	373,403	(6,541)	-	366,862	(20,960)	345,902	(484)	345,418
Comprehensive income	-	-	-	-	-	-	-	953,510	4,777	958,287
Dividends declared	-	-	-	-	-	-	(197,681)	(197,681)	-	(197,681)
Stock option plan (Note 12)	-	-	-	-	18,678	18,678	-	18,678	-	18,678
Shares issued under stock option plan	3,590	54,002	-	-	-	-	-	54,002	-	54,002
Amount transferred from reserves to share capital upon exercise of options	-	11,515	-	-	(11,515)	(11,515)	-	-	-	-
Excess tax benefit that results from the excess of the deductible amount over the compensation cost recognized	-	-	-	-	4,895	4,895	-	4,895	-	4,895
Shares repurchased and cancelled	(1,503)	(2,819)	-	-	-	-	(45,967)	(48,786)	-	(48,786)
Balance, end of year	392,225	\$ 765,809	\$ 556,724	\$ (5,013)	\$ 69,491	\$ 621,202	\$ 2,173,911	\$ 3,560,922	\$ 67,633	\$ 3,628,555

For the year ended March 31, 2014										
	Share capital		Reserves				Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Common Shares (in thousands)	Amount	Foreign Currency Translation	Cash Flow Hedges	Stock Option Plan	Total Reserves				
Balance, beginning of year	393,238	\$ 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	3,404	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	(6,504)	(11,139)	-	-	-	-	(143,232)	(154,371)	-	(154,371)
Balance, end of year	390,138	\$ 703,111	\$ 183,321	\$ 1,528	\$ 57,433	\$ 242,282	\$ 1,830,911	\$ 2,776,304	\$ 62,856	\$ 2,839,160

CONSOLIDATED BALANCE SHEETS

(in thousands of CDN dollars)

As at	March 31, 2015	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 72,566	\$ 39,346
Receivables	784,519	807,409
Inventories (Note 4)	1,006,024	933,232
Income taxes (Note 14)	1,059	30,867
Prepaid expenses and other assets	98,287	84,992
	1,962,455	1,895,846
Property, plant and equipment (Note 6)	2,073,115	1,928,761
Goodwill (Note 7)	2,125,016	1,954,691
Trademarks and other intangibles (Note 7)	506,307	484,830
Other assets (Note 8)	115,779	79,968
Deferred income taxes (Note 14)	17,582	12,796
Total assets	\$ 6,800,254	\$ 6,356,892
LIABILITIES		
Current liabilities		
Bank loans (Note 9)	\$ 169,826	\$ 310,066
Accounts payable and accrued liabilities	898,124	897,222
Income taxes (Note 14)	58,346	124,206
Current portion of long-term debt (Note 10)	53,125	393,600
	1,179,421	1,725,094
Long-term debt (Note 10)	1,516,875	1,395,694
Other liabilities (Note 11)	70,201	48,396
Deferred income taxes (Note 14)	405,202	348,548
Total liabilities	\$ 3,171,699	\$ 3,517,732
EQUITY		
Share capital	765,809	703,111
Reserves	621,202	242,282
Retained earnings	2,173,911	1,830,911
Equity attributable to shareholders of Saputo Inc.	3,560,922	2,776,304
Non-controlling interest (Note 16)	67,633	62,856
Total equity	\$ 3,628,555	\$ 2,839,160
Total liabilities and equity	\$ 6,800,254	\$ 6,356,892

On behalf of the Board,

(signed) Emanuele (Lino) Saputo
Emanuele (Lino) Saputo, C.M., O.Q., D^r h.c.
Director

(signed) Tony Meti
Tony Meti
Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of CDN dollars)

Years ended March 31	2015	2014
Cash flows related to the following activities:		
Operating		
Net earnings	\$ 612,869	533,966
Adjustments for:		
Stock-based compensation	32,616	22,084
Interest and other financial charges	73,325	69,085
Income tax expense	237,036	225,024
Depreciation and amortization	170,943	146,607
Loss (gain) on disposal of property, plant and equipment	290	(122)
Gain on disposal of a business	(25,904)	-
Restructuring charges related to plant closures	(7,246)	22,096
Share of joint venture earnings	(7,720)	(1,406)
Overfunding of employee plans in excess of costs	(1,808)	(6,486)
	1,084,401	1,010,848
Changes in non-cash operating working capital items	(14,449)	(129,363)
Cash generated from operating activities	1,069,952	881,485
Interest and other financial charges paid	(60,988)	(65,837)
Income taxes paid	(239,149)	(159,338)
Net cash generated from operating activities	769,815	656,310
Investing		
Business acquisition	(64,979)	(449,578)
Additions to property, plant and equipment	(186,919)	(223,624)
Proceeds from disposal of a business	114,305	-
Proceeds on disposal of property, plant and equipment	2,071	253
Other	(30,913)	803
	(166,435)	(672,146)
Financing		
Bank loans	(150,407)	77,810
Proceeds from issuance of long-term debt	410,000	390,000
Repayment of long-term debt	(640,021)	(175,045)
Issuance of share capital	54,002	41,861
Repurchase of share capital	(48,786)	(154,371)
Dividends	(197,681)	(175,321)
	(572,893)	4,934
Increase (decrease) in cash and cash equivalents	30,487	(10,902)
Effect of exchange rate changes on cash and cash equivalents	2,733	7,071
Cash and cash equivalents, beginning of year	39,346	43,177
Cash and cash equivalents, end of year	\$ 72,566	\$ 39,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2015 and 2014

(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. The address of the Company's head office is 6869, Metropolitan Blvd. East, Montréal, Québec, Canada, H1P 1X8. The consolidated financial statements (financial statements) of the Company for the year ended March 31, 2015 comprise the financial results of the Company and its subsidiaries.

The financial statements for the year ended March 31, 2015 have been authorized for issuance by the Board of Directors on June 4, 2015.

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.

STOCK DIVIDEND

On August 5, 2014, the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which had the same effect as a two-for-one stock split of the Company's outstanding common shares, paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The Company's shares began trading on an ex-dividend basis (split basis) on September 30, 2014 and references to common shares, options and related information made herein have been retroactively adjusted to reflect the stock dividend.

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 and interest on obligations offset by interest income on plan 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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 interest income on plan 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 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 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 expect these amendments to 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. 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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will only result in additional disclosures in the financial statements which are not material in nature.

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.

This amendment is effective for annual reporting periods beginning on or after July 1, 2014 and will not impact the Company's 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 July and August 2014 relating to the classification of financial assets and the use of a single impairment model for all financial instruments.

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 10, Consolidated Financial Statements & IAS 28, Investments in Associates

The IASB has issued a narrow-scope amendment to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The new standards now require that a full gain or loss is recognized when a transaction involves a business and that a partial gain or loss is recognized when a transaction involves assets that do not constitute a business.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016 and is not expected to impact the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

IFRS 15, Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers with its goal to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This new standard will supersede current revenue recognition guidance in IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes.

The objective of this standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue when performance obligations are satisfied. In certain instances, transfer of assets that are not related to the entity's ordinary activities will also be required to follow some of the recognition and measurement requirements of the new model. The standard also expands current disclosure requirements.

This standard is effective for annual reporting periods beginning on or after January 1, 2017. Management is currently assessing the impact of the adoption of this standard.

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 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.

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 19 has also been amended to clarify that in determining the discount rate for post-employment benefit obligations, the currency of the liability is of importance and not the country in which it arises. Furthermore, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

This amendment is effective for annual reporting periods beginning on or after January 1, 2016. Management is currently evaluating the impact of the adoption of this amendment but is not expecting it to have a significant impact on the Company's financial statements

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 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 will not impact the Company's financial statements.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The following standards were adopted by the Company on April 1, 2014:

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 did not impact the Company's financial statements for the year ended March 31, 2015.

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 did not impact the Company's financial statements for the year ended March 31, 2015.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, Levies, which provides an interpretation on the accounting for levies imposed by governments. This interpretation clarifies the obligating event that leads to the recognition of liabilities for payments made to government agencies excluding payments made in accordance with IAS 12, Income Taxes. This interpretation provides guidance on the timing of recognition of liabilities and identifies the relevant legislation as the triggering event for recognition.

This amendment did not have an impact on the financial statements of the Company for the year ended March 31, 2015.

NOTE 4 INVENTORIES

	March 31, 2015	March 31, 2014
Finished goods	\$ 692,251	\$ 651,660
Raw materials, work in progress and supplies	313,773	281,572
Total	\$ 1,006,024	\$ 933,232

The amount of inventories recognized as an expense in operating costs for the year ended March 31, 2015 is \$8,662,359,000 (\$7,419,529,000 for the year ended March 31, 2014).

During fiscal 2015, a write-down of \$9,453,000 (nil at March 31, 2014) was included as an expense in "Operating costs excluding depreciation, amortization, gain on disposal of a business, acquisition, restructuring and other costs" under the caption "Changes in inventories of finished goods and work in process" presented in Note 5.

NOTE 5 OPERATING COSTS EXCLUDING DEPRECIATION, AMORTIZATION, GAIN ON DISPOSAL OF A BUSINESS, ACQUISITION, RESTRUCTURING AND OTHER COSTS

	2015	2014
Changes in inventories of finished goods and work in process	\$ (62,421)	\$ (128,338)
Raw materials and consumables used	7,749,936	6,645,890
Foreign exchange gain	(15,241)	(1,854)
Employee benefits expense	1,069,096	928,905
Selling costs	292,345	262,558
Other general and administrative costs	562,274	505,383
Total	\$ 9,595,989	\$ 8,212,544

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2015						
	Land	Buildings	Furniture, machinery and equipment	Rolling stock	Held for sale	Total
Cost						
As at March 31, 2014	\$ 61,352	\$ 703,150	\$ 2,171,751	\$ 13,403	\$ 7,777	\$ 2,957,433
Business acquisition (Note 16)	459	6,725	8,356	2,814	-	18,354
Business disposal (Note 22)	(314)	(22,602)	(105,120)	(561)	-	(128,597)
Additions	2,204	49,032	134,245	1,438	-	186,919
Disposals	(288)	(14,979)	(33,438)	(152)	(912)	(49,769)
Transfers	(701)	(4,901)	-	-	5,602	-
Foreign currency adjustments	3,028	42,636	163,609	(432)	-	208,841
As at March 31, 2015	\$ 65,740	\$ 759,061	\$ 2,339,403	\$ 16,510	\$ 12,467	\$ 3,193,181
Accumulated depreciation						
As at March 31, 2014	-	204,763	814,551	2,428	6,930	1,028,672
Business disposal (Note 22)	-	(8,992)	(65,621)	(371)	-	(74,984)
Depreciation	-	29,982	124,305	1,719	-	156,006
Disposals	-	(13,663)	(32,775)	(58)	(912)	(47,408)
Transfers	-	(2,929)	-	-	2,929	-
Reversal of impairment	-	(147)	(2,295)	-	-	(2,442)
Foreign currency adjustments	-	9,179	49,165	1,878	-	60,222
As at March 31, 2015	\$ -	\$ 218,193	\$ 887,330	\$ 5,596	\$ 8,947	\$ 1,120,066
Net book value at March 31, 2015	\$ 65,740	\$ 540,868	\$ 1,452,073	\$ 10,914	\$ 3,520	\$ 2,073,115

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

The net book value of property, plant and equipment under construction amounts to \$61,918,000 as at March 31, 2015 (\$176,045,000 as at March 31, 2014), and consists mainly of machinery and equipment.

The assets held for sale relate to land, building and equipment in Canada (land, building and equipment in Canada in fiscal 2014) 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

The Company reports its operations under three geographic sectors. The Canada Sector consists of Dairy Division (Canada). The USA Sector includes Cheese Division (USA) and Dairy Foods Division (USA). Finally, the International Sector combines Dairy Division (Argentina), Dairy Division (Australia) and the Dairy Ingredients Division. The Dairy Ingredients Division includes national and export ingredient sales and cheese export sales from the North American divisions.

	For the year ended March 31, 2015			
	Goodwill	Indefinite Life	Definite Life	Total trademarks and other intangibles
		Trademarks and other	Other intangibles ¹	
Cost				
As at March 31, 2014	\$ 1,954,691	\$ 302,208	\$ 221,628	\$ 523,836
Business acquisition (Note 16)	30,434	9,642	5,331	14,973
Business disposal (Note 22)	(44,430)	(2,238)	-	(2,238)
Foreign currency adjustments	184,321	8,328	18,770	27,098
As at March 31, 2015	\$ 2,125,016	\$ 317,940	\$ 245,729	\$ 563,669
Accumulated Amortization				
As at March 31, 2014	-	-	39,006	39,006
Amortization	-	-	14,937	14,937
Foreign currency adjustments	-	-	3,419	3,419
As at March 31, 2015	\$ -	\$ -	\$ 57,362	\$ 57,362
Net book value at March 31, 2015	\$ 2,125,016	\$ 317,940	\$ 188,367	\$ 506,307

	For the year ended March 31, 2014			
	Goodwill	Indefinite Life	Definite Life	Total trademarks and other intangibles
		Trademarks and other	Other intangibles ¹	
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

¹ Other intangibles consist of customer relationships and other definite life intangibles. Definite life intangibles are amortized straight-line over a period of 15 years.

IMPAIRMENT TESTING OF CASH-GENERATING UNITS

Goodwill

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.

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

Goodwill has been allocated to each CGU or group of CGUs as follows:

Allocation of goodwill	March 31, 2015	March 31, 2014
Canada	\$ 293,688	\$ 313,494
USA		
Cheese Division (USA)	986,627	861,116
Dairy Foods Division (USA)	583,245	509,082
International		
Dairy Division (Australia)	222,780	229,993
Dairy Division (Argentina)	9,669	10,250
Dairy Ingredients Division	29,007	30,756
	\$ 2,125,016	\$ 1,954,691

Recoverable amounts have been estimated using an earnings multiplier valuation model (fair value less costs of disposal). The key assumptions used in these models consist mainly of earnings multipliers for market comparables that are applied to the results of each CGU or group of CGUs tested.

The Company performed its annual goodwill impairment test on March 31, 2015 and in all cases the recoverable amounts exceeded their respective carrying values including goodwill. There are no reasonably possible changes in key assumptions 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, 2015	March 31, 2014
Neilson - Dairy Division (Canada)	\$ 223,200	\$ 223,200
Other	94,740	79,008
	\$ 317,940	\$ 302,208

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, 2015 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 2015.

NOTE 8 OTHER ASSETS

	2015		2014	
Taxes receivable	\$	9,321	\$	11,752
Investment properties		9,223		11,517
Joint ventures		42,658		38,410
Other		54,577		18,289
	\$	115,779	\$	79,968

The Company has investment properties held for rental and two joint ventures in Australia, 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 \$7,720,000 in net earnings, representing its share of earnings in the joint ventures for the year ended March 31, 2015 (\$1,406,000 for the year ended March 31, 2014).

NOTE 9 BANK LOANS

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

Credit Facilities	Maturity	Available for use			Amount drawn	
		Canadian Currency Equivalent	Base Currency		2015	2014
North America-USA	December 2019 ¹	253,320	200,000	USD	\$ 6,333	\$ 95,073
North America-Canada	December 2019 ¹	379,980	300,000	USD	614	80,285
Argentina	Yearly ²	267,180	1,858,000	ARS	113,858	79,487
Australia	Yearly ³	159,539	165,000	AUD	49,021	55,221
		1,060,019			\$ 169,826	\$ 310,066

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 the Company credit ratings.

² Bear monthly interest at local rate and can be drawn in ARS or USD.

³ Bear monthly interest at Australian Bank Bill Rate plus 0.85% (AUD drawdowns) or LIBOR plus 0.75% (USD drawdowns).

NOTE 10 LONG-TERM DEBT

	2015	2014
Unsecured bank term loan facility		
Obtained October 2013 and due in December 2019 (\$500,000,000) ¹	\$ 300,000	\$ 374,375
Obtained December 2012 and due in December 2019 (US tranche \$350,000,000) ²	-	179,644
Obtained December 2012 and due in December 2019 (CDN tranche \$850,000,000) ²	750,000	850,000
Unsecured senior notes ³		
8.41%, issued in November 1999 and due in November 2014 (US\$50,000,000)	-	55,275
5.34%, issued in June 2009 and due in June 2014	-	110,000
5.82%, issued in June 2009 and due in June 2016	220,000	220,000
2.65%, issued in November 2014 and due in November 2019	300,000	-
	\$ 1,570,000	\$ 1,789,294
Current portion	53,125	393,600
	\$ 1,516,875	\$ 1,395,694

Principal repayments are as follows:

Less than 1 year	\$ 53,125	\$ 393,600
1-2 years	432,500	213,819
2-3 years	212,500	1,181,875
3-4 years	212,500	-
4-5 years	659,375	-
More than 5 years	-	-
	\$ 1,570,000	\$ 1,789,294

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 the Company credit ratings.

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 the Company credit ratings. 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, for the period ending December 2016. 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.

On November 14, 2014, Saputo Inc. filed a short form base shelf prospectus qualifying an offering of unsecured senior notes under a medium term note program for distribution to the public over a 25-month period. On November 26, 2014, the Company issued \$300,000,000 Series 1 medium term notes with an annual interest rate of 2.654% payable in equal semi-annual instalments, maturing on November 26, 2019.

The North America unsecured bank loan facility (Note 9) and the unsecured bank term loan facilities (Note 10) were amended effective December 17, 2014 to provide for an extended maturity until December 31, 2019. These amendments also include a modification of the formula that establishes the interest rates from a leverage-based grid to a credit-rating-based grid.

NOTE 11 OTHER LIABILITIES

	2015		2014	
Employee benefits (Note 17)	\$	37,693	\$	33,204
Derivative financial liabilities (Note 20)		7,887		2,671
Performance share unit liabilities and related fringe		14,934		5,810
Other		9,687		6,711
	\$	70,201	\$	48,396

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, 2015		March 31, 2014	
ISSUED				
392,225,049 common shares (390,137,824 common shares in 2014)	\$	765,809	\$	703,111

3,590,625 common shares (3,402,544 in 2014) were issued during the year ended March 31, 2015 for an amount of \$54,002,000 (\$41,861,000 in 2014) pursuant to the share option plan. For the year ended March 31, 2015, the amount transferred from stock option plan reserve was \$11,515,000 (\$9,114,000 in 2014).

Pursuant to the normal course issuer bid, which began on November 15, 2013, and expired on November 14, 2014, the Company was authorized to repurchase for cancellation up to 19,416,598 of its common shares. Under the normal course issuer bid that became effective on November 17, 2014, and expiring on November 16, 2015, the Company is authorized to repurchase, for cancellation purposes, up to 19,532,686 of its common shares. During the year ended March 31, 2015, the Company repurchased 1,503,400 common shares, at prices ranging from \$31.18 to \$33.37 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 \$45,967,000 was charged to retained earnings.

STOCK DIVIDEND

On August 5, 2014, the Board of Directors declared a stock dividend of one common share per each issued and outstanding common share, which had the same effect as a two-for-one stock split of the Company's outstanding common shares. The dividend on the common shares was paid on September 29, 2014 to shareholders of record as of the close of business on September 19, 2014. The additional common shares were issued on September 29, 2014. The total number of common shares issued presented above reflects retroactively the impact of the two-for-one stock split.

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, 2015 cannot exceed 32,281,021 common shares. As at March 31, 2015, 15,199,552 common shares are issuable under this plan in addition to the 17,081,469 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:

Granting period	Exercise price	March 31, 2015		March 31, 2014	
		Number of options	Number of exercisable options	Number of options	Number of exercisable options
2005	\$ 8.27	-	-	12,576	12,576
2006	\$ 9.04	8,088	8,088	408,540	408,540
2007	\$ 8.18	479,498	479,498	740,812	740,812
2008	\$ 11.55	699,650	699,650	896,994	896,994
2009	\$ 13.91	847,189	847,189	1,123,896	1,123,896
2010	\$ 10.70	1,277,517	1,277,517	2,037,642	1,302,714
2011	\$ 14.66	1,724,819	1,167,445	2,327,686	1,124,988
2012	\$ 21.61	1,710,493	870,233	2,065,944	711,750
2013	\$ 21.48	2,977,347	948,185	3,456,486	599,000
2014	\$ 25.55	3,442,002	590,358	3,826,386	-
2015	\$ 27.74	3,914,866	39,486	-	-
		17,081,469	6,927,649	16,896,962	6,921,270

Changes in the number of outstanding options are as follows:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	16,896,962	\$ 18.26	16,751,862	\$ 15.39
Options granted	4,125,652	\$ 27.74	4,130,538	\$ 25.55
Options exercised	(3,590,625)	\$ 15.04	(3,402,544)	\$ 12.31
Options cancelled	(350,520)	\$ 24.53	(582,894)	\$ 22.44
Balance, end of year	17,081,469	\$ 21.09	16,896,962	\$ 18.26

The exercise price of the options granted in fiscal 2015 is \$27.74, which corresponds to the weighted average market price for the five trading days immediately preceding the date of grant (\$25.55 in fiscal 2014).

The weighted average fair value of options granted in fiscal 2015 was estimated at \$5.46 per option (\$5.77 in fiscal 2014), using the Black Scholes option pricing model with the following assumptions:

	2015	2014
Weighted average:		
Risk-free interest rate	1.71%	1.34%
Expected life of options	5.3 years	5.5 years
Volatility	23.43%	26.96%
Dividend rate	1.82%	1.66%

A compensation expense of \$17,794,000 (\$14,966,000 net of taxes) relating to stock options was recorded in the statement of earnings for the year ended March 31, 2015 and \$15,851,000 (\$13,568,000 net of taxes) was recorded for the year ended March 31, 2014.

Options to purchase 3,280,395 common shares at a price of \$35.08 per share were granted on April 1, 2015.

NOTE 12 SHARE CAPITAL (CONT'D)

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, gain on disposal of a business, acquisition, restructuring and other costs".

	2015		2014	
	Units	Liability	Units	Liability
Balance, beginning of year	443,448	\$ 12,912	486,220	\$ 13,111
Annual grant	38,400	1,277	40,000	1,003
Board compensation	20,599	684	27,350	683
Payment to directors	(83,690)	(2,343)	(110,122)	(2,836)
Variation due to change in stock price	-	2,706	-	951
Balance, end of year	418,757	\$ 15,236	443,448	\$ 12,912

In fiscal 2015, the Company renewed its equity forward contracts on 440,000 Saputo Inc. common shares with a notional value of \$16,104,520 (\$12,248,874 in 2014) to mitigate the compensation costs associated with its deferred share unit plan. The Company recognized a gain of \$3,552,343 (gain of \$543,840 in fiscal 2014) upon re-measurement of equity forward contracts matured in March 2015, reducing the expense associated with the deferred share unit plan. A loss of \$688,409 was recognized on equity forward contracts maturing during fiscal 2016.

PERFORMANCE SHARE UNIT PLAN

The Company offers senior management a performance share unit (PSU) plan to form part of long-term incentive compensation, together with other plans discussed within this report. 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, gain on disposal of a business, acquisition, restructuring and other costs" caption.

	2015		2014	
	Units	Liability	Units	Liability
Balance, beginning of year	272,256	\$ 5,689	133,770	\$ 2,108
Annual grant	333,720	7,299	160,252	2,866
Cancelled	(10,386)	(270)	(21,194)	(522)
Payment	(34,594)	(1,238)	(572)	(14)
Variation due to change in stock price	-	3,432	-	1,251
Balance, end of year	560,996	\$ 14,912	272,256	\$ 5,689

On April 1, 2015, 280,930 PSUs were granted at a price of \$35.08 per unit (\$27.74 in 2014).

In fiscal 2015, the Company renewed its equity forward contract on 600,000 Saputo Inc. common shares with a notional value of \$22,105,500 (\$1,223,743 in 2014) to mitigate the compensation costs associated with its performance share unit plan. The Company recognized a gain of \$3,585,250 (gain of \$142,508 in fiscal 2014) upon re-measurement of equity forward contract matured in March 2015, reducing the expense associated with the performance share unit plan. A loss of \$988,475 was recognized on the equity forward contract maturing during fiscal 2016.

NOTE 13 OTHER FINANCIAL CHARGES

	2015		2014	
Finance costs	\$	19,900	\$	16,249
Finance income		(633)		(403)
	\$	19,267	\$	15,846

NOTE 14 INCOME TAXES

Income tax expense is comprised of the following:

	2015		2014	
Current tax expense	\$	207,733	\$	122,545
Deferred tax expense		29,303		102,479
Income tax expense	\$	237,036	\$	225,024

RECONCILIATION OF THE EFFECTIVE TAX RATE

The effective income tax rate was 27.9% in 2015 (29.6% in 2014). The Company's income tax expense differs from the one calculated by applying Canadian statutory rates for the following reasons:

	2015		2014	
Earnings before tax	\$	849,905	\$	758,990
Income taxes, calculated using Canadian statutory income tax rates of 26.1% (26.3% in 2014)		221,756		199,621
Adjustments resulting from the following:				
Effect of tax rates for foreign subsidiaries and other deductions		51,235		41,383
Changes in tax laws and rates		466		819
Benefit arising from investment in subsidiaries		(17,670)		(20,073)
Manufacturing and processing deduction		(7,573)		(332)
Acquisition cost		-		2,241
Stock-based compensation		2,678		2,650
Disposal of a business		(10,931)		-
Tax losses for which no deferred income tax assets was recognized		3,260		837
Adjustments in respect of prior years		(4,419)		(1,619)
Other		(1,766)		(503)
Income tax expense	\$	237,036	\$	225,024

During the year, as a result of a reduction in the Canadian corporation tax rate, the statutory tax rate has decreased by approximately 0.2%.

INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME

Income tax on items recognized in other comprehensive income in 2015 and 2014 were as follows:

	2015		2014	
Deferred tax benefit (expense) on actuarial losses (gains) on employee benefit obligations	\$	8,147	\$	(4,691)
Deferred tax benefit (expense) on cash flow hedge losses (gains)		2,390		(2,215)
Total income tax recognized in other comprehensive income	\$	10,537	\$	(6,906)

INCOME TAX RECOGNIZED IN EQUITY

Income tax on items recognized in equity in 2015 and 2014 were as follows:

	2015		2014	
Excess tax benefit that results from the excess of the deductible amount over the stock-based compensation recognised in net earnings	\$	4,895	\$	3,257
Total income tax recognized in equity	\$	4,895	\$	3,257

NOTE 14 INCOME TAXES (CONT'D)

CURRENT TAX ASSETS AND LIABILITIES

	2015		2014	
Current tax assets	\$	1,059	\$	30,867
Current tax liabilities		(58,346)		(124,206)
Current tax liabilities (net)	\$	(57,287)	\$	(93,339)

DEFERRED TAX BALANCES

	2015		2014	
Deferred tax assets	\$	17,582	\$	12,796
Deferred tax liabilities		(405,202)		(348,548)
Deferred tax liabilities (net)	\$	(387,620)	\$	(335,752)

DEFERRED TAX ASSETS AND LIABILITIES

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

	For the year ended March 31, 2015									
	Deferred tax asset				Deferred tax liabilities					
	Accounts payable and accrued liabilities	Income tax losses	Net assets of pension plans	Total	Inventories	Property, plant and equipment	Other	Long-term debt	Total	
Balance, beginning of the year	\$ 44,934	\$ 4,791	\$ 7,456	\$ 57,181	\$ 45,044	\$ 257,942	\$ 87,447	\$ 2,500	\$ 392,933	
Charged/credited to net earnings	(3,474)	(4,791)	(4,026)	(12,291)	(30,128)	18,127	31,513	(2,500)	17,012	
Charged/credited to other comprehensive income or equity	-	-	8,147	8,147	-	-	(2,390)	-	(2,390)	
Acquisitions	-	-	-	-	-	(726)	(34)	-	(760)	
Translation and other	2,166	-	415	2,581	2,709	25,282	8,452	-	36,443	
Balance, end of the year	\$ 43,626	\$ -	\$ 11,992	\$ 55,618	\$ 17,625	\$ 300,625	\$ 124,988	\$ -	\$ 443,238	

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

NOTE 15 EARNINGS PER SHARE

	2015		2014	
Net earnings attributable to shareholders of Saputo Inc.	\$	607,608	\$	533,097
Weighted average number of common shares outstanding		391,101,412		390,246,464
Dilutive options		6,159,277		5,102,886
Weighted average diluted number of common shares outstanding		397,260,689		395,349,350
Basic earnings per share	\$	1.55	\$	1.37
Diluted earnings per share	\$	1.53	\$	1.35

Basic and diluted earnings per share have been adjusted to reflect the two-for-one stock split discussed in Note 12. When calculating diluted earnings per share for the year ended March 31, 2015, no options (3,826,386 options for the year ended March 31, 2014) were excluded from the calculation because their exercise price is lower 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

Scotsburn Co-Operative Services Limited

On April 14, 2014, the Company completed the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited based 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* (trademark used under licence) brand. The final allocation of the purchase price is presented below.

		2015	
		Scotsburn Co-Operative Services Limited	
Assets acquired	Inventories	\$	5,132
	Prepaid expenses and other assets		777
	Property, plant and equipment		22,455
	Goodwill		24,624
	Trademarks and other intangibles		14,973
Liabilities assumed	Accounts payable and accrued liabilities		(2,009)
	Deferred income taxes		(973)
Net assets acquired and total consideration paid		\$	64,979

Goodwill reflects the value assigned to expected future synergies and an assembled workforce within the Canada Sector.

Warrnambool Cheese and Butter Factory Company Holdings Limited

On October 7, 2013, the Company announced its takeover bid for the Australian dairy company Warrnambool Cheese and Butter Factory Company Holdings Limited (WCBF) 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.

NOTE 16 BUSINESS ACQUISITIONS (CONT'D)

		2014	
		Warrnambool Cheese and Butter Factory Company Holdings Limited	
Assets acquired	Cash and cash equivalents	\$	4,369
	Receivables		66,268
	Inventories		131,604
	Prepaid expenses and other assets		5
	Property, plant and equipment		173,796
	Goodwill		263,024
	Trademarks and other intangibles		26,078
	Other assets		42,015
	Deferred income taxes		6,120
Liabilities assumed	Bank loans		(71,023)
	Accounts payable and accrued liabilities		(86,964)
	Income taxes		(12,467)
	Other liabilities		(613)
	Deferred income taxes		(31,131)
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 purchase price allocation was finalized in fiscal 2015, resulting in reclassifications as follows: increases of \$5,810,000 to goodwill and \$1,723,000 to income taxes payable, reductions to property, plant and equipment of \$4,101,000, other assets of \$1,400,000, accounts payable and accrued liabilities of \$1,170,000 and deferred income taxes of \$244,000.

The non-controlling interest of \$61,503,000, recognized on the date control was obtained, was 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 consisted of an assembled workforce and expected growth opportunities in both domestic and international markets.

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 98% 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 2015, the defined contribution expenses for the Company amounted to \$37,122,000 compared to \$31,114,000 for fiscal 2014.

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 \$3,353,000 to its defined benefit plans in 2016. The Company's net liability for post-employment benefit plans comprises the following:

	Pension	Other	March 31, 2015	Pension	Other	March 31, 2014
Present value of funded obligation	\$ 74,465	\$ -	\$ 74,465	\$ 259,187	\$ -	\$ 259,187
Fair value of assets	63,488	-	63,488	254,353	-	254,353
Present value of net obligations for funded plans	10,977	-	10,977	4,834	-	4,834
Present value of unfunded obligations	19,234	5,877	25,111	12,828	10,757	23,585
Present value of net obligations	30,211	5,877	36,088	17,662	10,757	28,419
Asset ceiling test	1,605	-	1,605	4,785	-	4,785
Accrued pension/benefit cost as at March 31	31,816	5,877	37,693	22,447	10,757	33,204
Employee benefit amounts on the balance sheet as net liability	\$ 31,816	\$ 5,877	\$ 37,693	\$ 22,447	\$ 10,757	\$ 33,204

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

	Pension	Other	March 31, 2015	Pension	Other	March 31, 2014
Defined benefit obligation, beginning of year	\$ 272,015	\$ 10,757	\$ 282,772	\$ 256,907	\$ 11,252	\$ 268,159
Current service costs	7,112	8	7,120	6,447	26	6,473
Past service cost generated during the year	-	-	-	5,465	-	5,465
Contribution by plan participants	651	-	651	766	-	766
Interest cost	9,641	408	10,049	10,682	461	11,143
Actuarial losses (gains) from change in experience	5,710	8	5,718	(1,404)	(1,259)	(2,663)
Actuarial losses (gains) from change in economic assumptions	31,851	845	32,696	(547)	(2)	(549)
Actuarial losses from change in demographic assumptions	1,169	1	1,170	11,216	1,003	12,219
Business disposal, net of acquisition	(156,721)	(5,675)	(162,396)	-	-	-
Effect of settlement ¹	(66,939)	-	(66,939)	(5,137)	-	(5,137)
Exchange differences	1,907	32	1,939	877	18	895
Benefits paid	(12,697)	(507)	(13,204)	(13,257)	(742)	(13,999)
Defined benefit obligation, end of year	\$ 93,699	\$ 5,877	\$ 99,576	\$ 272,015	\$ 10,757	\$ 282,772

¹ Annuities were purchased to release the plan from its liability in regards with retirees.

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

	Pension	Other	March 31, 2015	Pension	Other	March 31, 2014
Fair value of plan assets, beginning of year	\$ 254,353	\$ -	\$ 254,353	\$ 218,808	\$ -	\$ 218,808
Interest income on plan assets	8,955	-	8,955	9,347	-	9,347
Return on plan assets, excluding interest income	7,052	-	7,052	23,461	-	23,461
Administration costs	(641)	-	(641)	(565)	-	(565)
Contributions by employer	10,849	507	11,356	20,489	742	21,231
Contributions by participants	651	-	651	766	-	766
Effects of settlement ¹	(67,386)	-	(67,386)	(5,300)	-	(5,300)
Business disposal, net of acquisition	(138,787)	-	(138,787)	-	-	-
Exchange differences	1,139	-	1,139	604	-	604
Benefits paid	(12,697)	(507)	(13,204)	(13,257)	(742)	(13,999)
Fair value of plan assets, end of year	\$ 63,488	\$ -	\$ 63,488	\$ 254,353	\$ -	\$ 254,353

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 \$15,366,000 in fiscal 2015 compared to a gain of \$32,243,000 in fiscal year 2014.

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

	March 31, 2015	March 31, 2014
Bonds	57%	39%
Equity instruments	38%	58%
Cash and short-term investments	5%	3%
	100%	100%

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

	Pension	Other	March 31, 2015	Pension	Other	March 31, 2014
Employer current service cost	\$ 7,112	\$ 8	\$ 7,120	\$ 6,447	\$ 26	\$ 6,473
Employer past service cost	-	-	-	5,465	-	5,465
Effect of settlement	448	-	448	164	-	164
Administration costs	641	-	641	565	-	565
interest costs	9,641	450	10,091	10,682	461	11,143
Interest on effect of asset ceiling	203	-	203	13	-	13
Interest on effect of liability arising from minimum funding	-	-	-	269	-	269
Interest income on plan assets	(8,955)	-	(8,955)	(9,347)	-	(9,347)
Defined benefits plans expense	\$ 9,090	\$ 458	\$ 9,548	\$ 14,258	\$ 487	\$ 14,745

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, 2015	Pension	Other	March 31, 2014
Net (losses) gains during the year	\$ (31,678)	\$ (812)	\$ (32,490)	\$ 14,196	\$ 258	\$ 14,454
Effect of the asset ceiling test	3,383	-	3,383	(4,351)	-	(4,351)
Effect of impact of additional liability arising from the minimum funding requirement	-	-	-	6,607	-	6,607
Amount recognized in other comprehensive income	\$ (28,295)	\$ (812)	\$ (29,107)	\$ 16,452	\$ 258	\$ 16,710

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

	March 31, 2015	March 31, 2014
Discount rate	3.44%	4.25%
Duration of the obligation	17.0	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 \$8,200,000 and \$9,300,000 respectively. Also, an increase or a decrease of 1% on the future salary assumptions would be approximately \$4,000,000 on the obligation and a one year increase or decrease in life expectancy would represent approximately \$1,700,000.

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

	March 31, 2015	March 31, 2014
Discount rate	4.25%	4.22%
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 fiscal years 2015 and 2014.

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	\$	27,393
1-2 years		20,894
2-3 years		17,228
3-4 years		13,411
4-5 years		10,551
More than 5 years		29,054
	\$	118,531

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 disposals. 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, 2015, 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, 2015 and March 31, 2014, the Company has not recorded any significant liabilities associated with these indemnifications.

NOTE 19 RELATED PARTY TRANSACTIONS

The Company receives and provides goods and services which consist of rent, travel, publicity, 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 (short-term employee benefits, post-employment benefits, stock-based compensation and payments under the DSU plan) 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:

	2015		2014	
Entities subject to control or significant influence through ownership				
by its principal shareholder	\$	4,260	\$	3,966
Key management personnel				
Directors		2,799		2,422
Named Executive Officers		16,701		18,680
	\$	23,760	\$	25,068

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

	2015		2014	
Entities subject to control or significant influence through ownership				
by its principal shareholder	\$	389	\$	372

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

	Receivables		Accounts payable and accrued liabilities	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Entities subject to control or significant influence through ownership by its principal shareholder	\$ 40	\$ 55	\$ 32	\$ 25
Key management personnel				
Directors	-	-	15,236	12,912
Named executive officers	-	-	25,198	16,698
	\$ 40	\$ 55	\$ 40,466	\$ 29,635

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:

	2015		2014	
Directors				
Cash-settled payments	\$	838	\$	737
Stock-based compensation		1,961		1,685
	\$	2,799	\$	2,422
Named executive officers				
Short-term employee benefits		8,918		8,254
Post-employment benefits		1,779		6,520
Stock-based compensation		6,004		3,906
	\$	16,701	\$	18,680
Total compensation	\$	19,500	\$	21,102

NOTE 19 RELATED PARTY TRANSACTIONS (CONT'D)

SUBSIDIARIES

The Company's subsidiaries are wholly owned with the exception of WCBF (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 and 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, interest rate risk, foreign exchange risk and price risk (including commodity price 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 management 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, 2015 and March 31, 2014. However one customer represented more than 10% of total consolidated sales for the year ended March 31, 2015, with 10.2% (one customer with 11.4% in 2014).

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 initial term of the bank term loan facility, ending in December 2016, in which the Company agreed to exchange variable interest payments for fixed rate payments at specified intervals. In fiscal 2015, the bank term loans were extended to December 2019. The swap term will remain unchanged and the hedge is expected to continue to be effective for the remainder of its term, on \$700,000,000 of the Canadian dollar tranche. The effective fixed interest rate is 1.58% (plus applicable spread) for the Canadian 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, 2015, the cash flow hedges of interest rate risk were assessed to be highly effective and accordingly, an unrealized loss of \$3,875,000 (net of tax of \$1,341,000) was recorded in other comprehensive income. These cash flow hedges were also deemed to be highly effective on March 31, 2014 and an unrealized gain of \$1,668,000 (net of tax of \$593,000) was recorded in other comprehensive income (and an associated asset) 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, 2015, the interest expense on long-term debt totalled \$54,058,000 (\$53,239,000 in fiscal 2014). The interest accrued on March 31, 2015 was \$6,200,000 (\$6,801,000 at March 31, 2014).

As at March 31, 2015, the net amount exposed to short-term rates fluctuations was approximately \$447,260,000. Based on this exposure, an assumed 1% increase in the interest rate would have an unfavourable impact of approximately \$3,225,000 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. In 2015, the Company did not have any outstanding foreign currency contracts as at the balance sheet. In 2014, the Company had outstanding foreign currency contracts as at the balance sheet date for the purchase of A\$72,700,000 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.

	2015		2014	
Change in net earnings	\$	2,608	\$	2,094
Change in comprehensive income	\$	31,975	\$	25,723

As a result of the Warrnambool Acquisition in fiscal 2014 (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. 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). During fiscal 2015, this amount was reclassified to net earnings and no further foreign exchange hedges were used within this subsidiary.

NOTE 20 FINANCIAL INSTRUMENTS (CONT'D)

COMMODITY PRICE RISK

In certain instances, the Company enters into futures 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 \$988,000 (positive fair value of approximately \$162,000 at March 31, 2014).

The Company applies hedge accounting for certain of these transactions. On March 31, 2015, these hedges (designated as cash flow hedges) were assessed to be highly effective and accordingly, an unrealized gain of \$854,000 (net of tax of \$573,000) is recorded in other comprehensive income. The gain recorded in the statement of comprehensive income are transferred to the statement of net earnings when the related inventory is ultimately sold. Hedge accounting for commodity contracts was not elected in fiscal 2014.

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, 2015 and March 31, 2014. 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, 2015		March 31, 2014	
	Fair value	Carrying value	Fair value	Carrying value
Cash flow hedges				
Interest rate swaps	\$ (7,887)	\$ (7,887)	\$ (2,671)	\$ (2,671)
Commodity futures contracts	1,427	1,427	-	-
Foreign exchange forward contracts	-	-	140	140
Derivatives not designated in a formal hedging relationship				
Currency swaps	\$ -	\$ -	\$ 3	\$ 3
Commodity futures contracts	(439)	(439)	162	162
Long-term debt (Level 3)	1,592,610	1,570,000	1,808,190	1,789,294

The following table summarizes the financial instruments and investment properties measured at fair value in the consolidated balance sheet as at March 31, 2015 and March 31, 2014, classified using the fair value hierarchy described in Note 3.

March 31, 2015	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 72,566	\$ -	\$ -	\$ 72,566
Interest rate swaps	-	(7,887)	-	(7,887)
Commodity futures contracts	-	988	-	988
Investment properties	-	-	9,223	9,223
	\$ 72,566	\$ (6,899)	\$ 9,223	\$ 74,890
March 31, 2014	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	\$ (2,366)	\$ 11,517	\$ 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 includes a target for long-term leverage of 2.0 times net debt to earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes. From time to time, the Company may deviate from its long-term leverage target to pursue acquisitions and other strategic opportunities. Should such a scenario arise, the Company expects to deleverage over a reasonable period of time in order to seek to maintain its investment grade ratings. Also, the Company seeks to provide an adequate return to its shareholders. 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 earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes. The net debt-to-earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs, and income taxes ratios as at March 31, 2015 and March 31, 2014 are as follows:

	2015		2014	
Bank loans	\$	169,826	\$	310,066
Long-term debt, including current portion		1,570,000		1,789,294
Cash and cash equivalents		(72,566)		(39,346)
Net debt	\$	1,667,260	\$	2,060,014
Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes	\$	1,061,723	\$	1,020,345
Net debt-to-earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes		1.57		2.02

The Company has existing credit facilities which require a quarterly review of financial ratios and the Company is not in violation of any such ratio covenants as at March 31, 2015.

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

NOTE 22 GAIN ON DISPOSAL OF A BUSINESS, ACQUISITION, RESTRUCTURING AND OTHER COSTS

Gain on disposal of a business, acquisition, restructuring and other costs are summarized as follows:

	2015		2014	
Gain on disposal of a business	\$	(25,904)	\$	-
Acquisition costs		700		9,459
Restructuring costs (cost reversal)		(7,246)		30,739
Other costs		-		5,465
Total	\$	(32,450)	\$	45,663

Gain on disposal of a business

On February 2, 2015, the Company completed the transaction announced on December 18, 2014 and sold Saputo Bakery Inc., its Bakery Division which was classified within the Canada Sector, to Canada Bread Company, Limited, a subsidiary of Grupo Bimbo S.A.B. de C.V. for a selling price of \$114,305,000 on a debt-free basis. The Company recorded a gain of \$25,904,000 on disposal. The Bakery Division's revenues (approximately \$107,000,000) represented approximately 1% of Saputo's consolidated revenues.

Acquisition Costs

In fiscal 2015, the Company incurred acquisition costs of \$700,000 (\$490,000 after tax) in relation to the everyday cheese business ("EDC Business") of Lion-Dairy & Drinks Pty Ltd (Note 25). In fiscal 2014, the Company incurred acquisition costs of \$9,459,000 (\$9,189,000 after tax) resulting from the Warrnambool Acquisition (Note 16) and the acquisition of the fluid milk activities of Scotsburn Co-Operative Services Limited (Note 16).

NOTE 22 GAIN ON DISPOSAL OF A BUSINESS ACQUISITION, RESTRUCTURING AND OTHER COSTS (CONT'D)

Restructuring Costs

In fiscal 2014, the Company announced the closures of four facilities. Three of these facilities closed in the first quarter of fiscal 2015. The fourth facility scheduled for closure will remain operational.

Reversal of costs in fiscal 2015 and costs incurred in 2014 regarding these restructuring activities are summarized in the table below.

	2015	2014
Write down of non-current assets	(4,523)	22,096
Severance	(1,117)	7,796
Other	(1,606)	847
Total cost (reversal)	(7,246)	30,739

Reversal of costs in fiscal 2015 are due to the cancellation of a planned plant closure and lower than anticipated closure costs. Amounts due to the cancellation of the plant closure were reversed back to property, plant and equipment. The total after tax effect is \$4,191,000.

The write down of non-current assets recorded in fiscal 2014 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 are \$19,888,000.

The restructuring costs recorded in fiscal 2014 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

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

NOTE 23 SEGMENTED INFORMATION

The Company reports under three geographic sectors. The Canada Sector consists of Dairy Division (Canada). The USA Sector aggregates 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). 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 reportable sectors are managed separately as each sector represents a strategic business unit that offers different products and serves different markets. The Company measures geographic and sector performance based on earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes.

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 reportable sectors

Years ended March 31	2015		2014	
Revenues				
Canada	\$	3,835,766	\$	3,653,512
USA		5,279,656		4,489,938
International		1,542,290		1,089,439
	\$	10,657,712	\$	9,232,889
Earnings before interest, depreciation, amortization, gain on disposal of a business, acquisition, restructuring, other costs and income taxes				
Canada	\$	404,499	\$	457,375
USA		534,880		469,814
International		122,344		93,156
	\$	1,061,723	\$	1,020,345
Depreciation and amortization				
Canada	\$	59,482	\$	53,734
USA		92,713		85,027
International		18,748		7,846
	\$	170,943	\$	146,607
Gain on disposal of a business		(25,904)		-
Acquisition, restructuring and other costs		(6,546)		45,663
Financial charges, net		73,325		69,085
Earnings before income taxes		849,905		758,990
Income taxes		237,036		225,024
Net earnings	\$	612,869	\$	533,966

NOTE 23 SEGMENTED INFORMATION (CONT'D)

Geographic information

	March 31, 2015	March 31, 2014
Total Assets		
Canada	\$ 1,810,070	\$ 1,832,350
USA	3,875,676	3,491,056
International	1,114,508	1,033,486
	\$ 6,800,254	\$ 6,356,892
Net book value of property, plant and equipment		
Canada	\$ 579,486	\$ 584,443
USA	1,227,860	1,075,784
International	265,769	268,534
	\$ 2,073,115	\$ 1,928,761
Total liabilities		
Canada	\$ 2,008,965	\$ 2,151,568
USA	675,189	919,097
International	487,545	447,067
	\$ 3,171,699	\$ 3,517,732

NOTE 24 DIVIDENDS

During the year ended March 31, 2015, the Company paid dividends totalling \$197,680,750, or \$0.52 per share (\$175,321,820, or \$0.46 per share for the year ended March 31, 2014).

NOTE 25 SUBSEQUENT EVENTS

On March 2, 2015 the Company announced that its Australian subsidiary, Warrnambool Cheese and Butter Factory Company Holdings Limited (WCBF), entered into an agreement to acquire the everyday cheese business ("EDC Business") of Lion-Dairy & Drinks Pty Ltd ("Lion") based in Victoria, Australia.

The purchase price of \$134,400,000 (A\$137,500,000), on a debt-free basis, includes \$104,100,000 which represents the value of inventory net of a minimal amount of assumed liabilities, and is subject to the final determination of the inventory amount and assumed liabilities amount at closing. The purchase price was paid in cash at closing on May 25, 2015, through new bank term loans.

The EDC Business' operations include cutting and wrapping, distribution, sales & marketing and intellectual property associated with the *COON*, *Cracker Barrel* (trademark used under licence), *Mil LeI* and *Fred Walker* brands. The EDC Business generates annual sales of approximately \$156,000,000 (A\$160,000,000) and employs approximately 170 people. The cut and wrap operations of the EDC Business are located in a building owned by WCBF, which is adjacent to WCBF's cheese manufacturing facility at Allansford.

The transaction will enable WCBF to increase its presence in consumer branded everyday cheese products segment in Australia with strong market positions in this segment, and is consistent with Saputo's stated strategy to invest in WCBF to accelerate its growth in Australia.

EXHIBIT TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Calculation of Earnings Coverage Ratio

The following table sets forth the earnings coverage ratio for the 12-month period ended March 31, 2015:

Earnings coverage ratio	12.54 times
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The earnings coverage ratio is equal to net earnings (before interest on long-term debt and other financial charges and incomes taxes) for the applicable period divided by interest on long-term debt and other financial charges for the applicable period.