



MAPLE LEAF FOODS INC.

Financial Statements
For the Second Quarter Ended
June 30, 2018

Consolidated Interim Balance Sheets

<i>(In thousands of Canadian dollars)</i>	<i>Notes</i>	As at June 30, 2018	As at June 30, 2017	As at December 31, 2017
		<i>(Unaudited)</i>	<i>(Unaudited)⁽ⁱ⁾</i>	
ASSETS				
Current assets				
Cash and cash equivalents	3	\$ 36,497	\$ 104,820	\$ 203,425
Accounts receivable	4	143,515	140,474	123,968
Notes receivable	4	36,452	42,410	28,918
Inventories	5	325,382	306,967	273,365
Biological assets	6	87,001	107,958	111,735
Prepaid expenses and other assets		22,327	54,225	24,393
Assets held for sale		—	5,251	—
		\$ 651,174	\$ 762,105	\$ 765,804
Property and equipment		1,138,860	1,092,603	1,116,309
Investment property		4,398	1,910	1,892
Employee benefits		36,733	1,357	9,856
Other long-term assets		7,952	5,452	6,125
Goodwill	17	670,713	520,423	517,387
Intangible assets	17	214,701	221,097	215,197
Total assets		\$ 2,724,531	\$ 2,604,947	\$ 2,632,570
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accruals		\$ 310,040	\$ 272,865	\$ 300,659
Provisions	7	6,021	13,906	9,335
Current portion of long-term debt	8	827	881	805
Income taxes payable		11,440	6,540	7,855
Other current liabilities		46,642	45,707	31,597
		\$ 374,970	\$ 339,899	\$ 350,251
Long-term debt	8	56,803	8,969	8,443
Employee benefits		112,229	118,978	117,808
Provisions	7	9,291	14,710	11,273
Other long-term liabilities		15,267	13,084	12,689
Deferred tax liability		104,475	61,215	80,498
Total liabilities		\$ 673,035	\$ 556,855	\$ 580,962
Shareholders' equity				
Share capital	9	\$ 834,814	\$ 847,326	\$ 835,154
Retained earnings		1,237,712	1,213,935	1,253,035
Accumulated other comprehensive income (loss)		356	1,792	(9,620)
Treasury stock		(21,386)	(14,961)	(26,961)
Total shareholders' equity		\$ 2,051,496	\$ 2,048,092	\$ 2,051,608
Total liabilities and equity		\$ 2,724,531	\$ 2,604,947	\$ 2,632,570

⁽ⁱ⁾ Restated, see Note 17(b).

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Net Earnings

<i>(In thousands of Canadian dollars, except share amounts)</i> <i>(Unaudited)</i>	<i>Notes</i>	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Sales	2	\$ 909,244	\$ 925,873	\$ 1,726,753	\$ 1,737,058
Cost of goods sold		769,986	778,195	1,455,326	1,455,684
Gross margin		\$ 139,258	\$ 147,678	\$ 271,427	\$ 281,374
Selling, general and administrative expenses		89,235	88,753	175,417	169,943
Earnings before the following:		\$ 50,023	\$ 58,925	\$ 96,010	\$ 111,431
Restructuring and other related costs	7	(1,916)	(4,986)	(3,971)	(11,476)
Other income (expense)	11	1,769	(1,132)	(1,085)	(3,836)
Earnings before interest and income taxes		\$ 49,876	\$ 52,807	\$ 90,954	\$ 96,119
Interest expense and other financing costs	12	1,866	1,345	3,519	2,572
Earnings before income taxes		\$ 48,010	\$ 51,462	\$ 87,435	\$ 93,547
Income taxes		13,085	14,120	24,592	26,100
Net earnings		\$ 34,925	\$ 37,342	\$ 62,843	\$ 67,447
Earnings per share:	13				
Basic earnings per share		\$ 0.28	\$ 0.29	\$ 0.50	\$ 0.52
Diluted earnings per share		\$ 0.27	\$ 0.28	\$ 0.49	\$ 0.51
Weighted average number of shares (millions)	13				
Basic		126.0	129.1	126.1	129.8
Diluted		128.3	132.9	128.5	133.1

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Other Comprehensive Income (Loss)

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net earnings	\$ 34,925	\$ 37,342	\$ 62,843	\$ 67,447
Other comprehensive income (loss)				
Actuarial gains (losses) that will not be reclassified to profit or loss (Net of tax of \$5.3 million and \$9.4 million; 2017: \$5.2 million and \$6.2 million)	\$ 14,874	\$ (14,721)	\$ 26,649	\$ (17,561)
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment (Net of tax of \$0.0 million and \$0.0 million; 2017: \$0.0 million and \$0.0 million)	\$ 7,369	\$ (5,109)	\$ 19,198	\$ (7,185)
Change in foreign exchange losses on long-term debt designated as a net investment (Net of tax of \$0.1 million and \$0.4 million; 2017: \$0.0 million and \$0.0 million)	(1,358)	—	(2,855)	—
Change in unrealized (losses) gains on cash flow hedges (Net of tax of \$0.4 million and \$0.9 million; 2017: \$2.2 million and \$2.6 million)	(1,207)	6,195	(6,367)	7,358
Total items that are or may be reclassified subsequently to profit or loss	\$ 4,804	\$ 1,086	\$ 9,976	\$ 173
Total other comprehensive income (loss)	\$ 19,678	\$ (13,635)	\$ 36,625	\$ (17,388)
Comprehensive income	\$ 54,603	\$ 23,707	\$ 99,468	\$ 50,059

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	Notes	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) ⁽ⁱ⁾		Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance as at December 31, 2017		\$ 835,154	\$ 1,253,035	\$ —	\$ (11,420)	\$ 1,800	\$ (26,961)	\$ 2,051,608
Impact of new IFRS standards	2	—	(3,695)	—	—	—	—	(3,695)
Net earnings		—	62,843	—	—	—	—	62,843
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	26,649	—	16,343	(6,367)	—	36,625
Dividends declared (\$0.26 per share)		—	(32,844)	—	—	—	—	(32,844)
Share-based compensation expense	14	—	—	9,238	—	—	—	9,238
Deferred taxes on share-based compensation		—	—	(500)	—	—	—	(500)
Repurchase of shares	9	(16,180)	(51,401)	(8,738)	—	—	—	(76,319)
Exercise of stock options		15,840	—	—	—	—	—	15,840
Settlement of share-based compensation		—	(16,875)	—	—	—	10,575	(6,300)
Shares purchased by RSU trust		—	—	—	—	—	(5,000)	(5,000)
Balance as at June 30, 2018		\$ 834,814	\$ 1,237,712	\$ —	\$ 4,923	\$ (4,567)	\$ (21,386)	\$ 2,051,496

(In thousands of Canadian dollars) (Unaudited)	Notes	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) ⁽ⁱ⁾		Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges		
Balance as at December 31, 2016		\$ 853,633	\$ 1,247,737	\$ —	\$ 2,116	\$ (497)	\$ (14,966)	\$ 2,088,023
Net earnings		—	67,447	—	—	—	—	67,447
Other comprehensive income (loss) ⁽ⁱⁱ⁾		—	(17,561)	—	(7,185)	7,358	—	(17,388)
Dividends declared (\$0.22 per share)		—	(28,530)	—	—	—	—	(28,530)
Share-based compensation expense	14	—	—	11,842	—	—	—	11,842
Deferred taxes on share-based compensation		—	—	2,750	—	—	—	2,750
Repurchase of shares	9	(11,819)	(26,340)	(14,592)	—	—	—	(52,751)
Exercise of stock options		5,512	—	—	—	—	—	5,512
Settlement of share-based compensation		—	(28,818)	—	—	—	16,005	(12,813)
Shares purchased by RSU trust		—	—	—	—	—	(16,000)	(16,000)
Balance at June 30, 2017		\$ 847,326	\$ 1,213,935	\$ —	\$ (5,069)	\$ 6,861	\$ (14,961)	\$ 2,048,092

⁽ⁱ⁾ Items that are or may be subsequently reclassified to profit or loss.

⁽ⁱⁱ⁾ Included in other comprehensive income (loss) is the change in actuarial gains and losses that will not be reclassified to profit or loss and has been reclassified to retained earnings.

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statements of Cash Flows

<i>(In thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings	\$ 34,925	\$ 37,342	\$ 62,843	\$ 67,447
Add (deduct) items not affecting cash:				
Change in fair value of biological assets	20,256	8,514	27,353	5,717
Depreciation and amortization	30,413	29,079	60,297	57,150
Share-based compensation	4,368	4,629	9,238	11,842
Deferred income taxes	9,554	12,003	15,660	22,481
Income tax current	3,531	2,117	8,932	3,619
Interest expense and other financing costs	1,866	1,345	3,519	2,572
Loss (gain) on sale of long-term assets	3,447	(831)	3,832	(510)
Change in fair value of non-designated derivative financial instruments	(12,485)	5,634	(12,300)	13,817
Change in net pension liability	1,900	(5,625)	3,605	(4,561)
Net income taxes paid	(1,802)	(3,707)	(4,270)	(6,365)
Interest paid	(1,465)	(832)	(2,639)	(1,650)
Change in provision for restructuring and other related costs	(3,702)	2,330	(4,287)	4,944
Change in derivatives margin	9,755	(11,694)	16,285	(14,124)
Other	1,579	996	(4,864)	83
Change in non-cash working capital	(31,669)	(39,168)	(80,678)	(65,322)
Cash provided by operating activities	\$ 70,471	\$ 42,132	\$ 102,526	\$ 97,140
Financing activities				
Dividends paid	\$ (16,369)	\$ (14,205)	\$ (32,844)	\$ (28,530)
Net (decrease) increase in long-term debt	(4,483)	(93)	44,854	(278)
Exercise of stock options	15,626	3,905	15,840	5,512
Repurchase of shares	(48,854)	(29,432)	(70,944)	(111,412)
Payment of deferred financing fees	(50)	(78)	(79)	(142)
Purchase of treasury stock	—	(6,000)	(5,000)	(16,000)
Cash used in financing activities	\$ (54,130)	\$ (45,903)	\$ (48,173)	\$ (150,850)
Investing activities				
Additions to long-term assets	\$ (47,541)	\$ (26,982)	\$ (82,901)	\$ (47,237)
Acquisition of business, net of cash acquired	—	(9,523)	(138,380)	(199,440)
Proceeds from sale of long-term assets	—	1,500	—	1,586
Cash used in investing activities	\$ (47,541)	\$ (35,005)	\$ (221,281)	\$ (245,091)
Decrease in cash and cash equivalents	\$ (31,200)	\$ (38,776)	\$ (166,928)	\$ (298,801)
Cash and cash equivalents, beginning of period	67,697	143,596	203,425	403,621
Cash and cash equivalents, end of period	\$ 36,497	\$ 104,820	\$ 36,497	\$ 104,820

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Three and six months ended June 30, 2018 and 2017

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a producer of food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Lightlife™, Field Roast Grain Meat Co.™ and Swift®. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, value-added fresh pork and poultry and plant protein products. The address of the Company's registered office is 6985 Financial Dr. Mississauga, Ontario, L5N 0A1, Canada. The unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2018 include the accounts of the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2017 annual audited consolidated financial statements.

(a) Statement of Compliance

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and using the accounting policies, determination of significant estimates and judgments, and corresponding accounting treatments consistent with the Company's 2017 annual audited consolidated financial statements, except for new standards adopted during the six months ended June 30, 2018 as described below.

The consolidated financial statements were authorized for issue by the Board of Directors on July 25, 2018.

(b) Accounting Standards Adopted During the Fiscal Year

Beginning on January 1, 2018, the Company adopted certain IFRS standards and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Revenue Recognition

Beginning on January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers using the modified retrospective approach where prior periods are not restated. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRS standards. Refer to the Interim Report to Shareholders for the First Quarter Ended March 31, 2018 Note 2(b) for the initial impact of adoption.

The impact of adopting IFRS 15 on the consolidated statement of earnings for the three months and six months ended June 30, 2018 is as follows:

	Three months ended June 30, 2018		
	Amounts without adoption of IFRS 15	Impact of adopting IFRS 15	As reported on the consolidated financial statements
Sales	\$ 943,686	\$ (34,442)	\$ 909,244
Cost of goods sold	\$ 801,378	\$ (31,392)	\$ 769,986
Gross margin	\$ 142,308	\$ (3,050)	\$ 139,258
Selling, general and administrative expenses	\$ 92,418	\$ (3,183)	\$ 89,235
Net earnings	\$ 34,792	\$ 133	\$ 34,925

Six months ended June 30, 2018

	Amounts without adoption of IFRS 15	Impact of adopting IFRS 15	As reported on the consolidated financial statements
Sales	\$ 1,790,802	\$ (64,049)	\$ 1,726,753
Cost of goods sold	\$ 1,516,991	\$ (61,665)	\$ 1,455,326
Gross margin	\$ 273,811	\$ (2,384)	\$ 271,427
Selling, general and administrative expenses	\$ 177,896	\$ (2,479)	\$ 175,417
Net earnings	\$ 62,748	\$ 95	\$ 62,843

The impact of adopting IFRS 15 on the consolidated balance sheet as at June 30, 2018 is as follows:

	June 30, 2018		
	Amounts without adoption of IFRS 15	Impact of adopting IFRS 15	As reported on the consolidated financial statements
Inventories	\$ 317,365	\$ 8,017	\$ 325,382
Deferred tax liability	\$ 105,255	\$ (780)	\$ 104,475
Other current liabilities	\$ 35,551	\$ 11,091	\$ 46,642
Retained earnings	\$ 1,240,006	\$ (2,294)	\$ 1,237,712

IFRS 15 did not have a material impact on the consolidated statements of comprehensive income, the consolidated statements of changes in total equity, and the consolidated statements of cash flows.

Revenue recognized during the three months ended June 30, 2018 that was included in other current liabilities as at March 31, 2018 was \$11.1 million.

Revenue recognized during the six months ended June 30, 2018 that was included in other current liabilities as at January 1, 2018 was \$11.1 million.

Financial Instruments – Recognition and Measurement

Beginning on January 1, 2018, the Company adopted IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. Refer to the Interim Report to Shareholders for the First Quarter Ended March 31, 2018 Note 2(b) for the initial impact of adoption.

Share-Based Payments

Beginning on January 1, 2018, the Company adopted amendments to IFRS 2 Share-Based Payments which provides clarification on how to account for certain types of share-based payment transactions. The adoption of the amendments to IFRS 2 did not have a material impact on the consolidated financial statements.

Foreign Currency Transactions and Advance Considerations

Beginning on January 1, 2018, the Company adopted IFRIC 22 Foreign Currency Transactions and Advance Consideration which requires that when a foreign currency transaction where consideration is received or paid in advance of the recognition of the related asset, expense, or income, the exchange rate used should be based on the exchange rate as at the date when the pre-payment asset or deferred liability is recognized. The adoption of IFRIC 22 did not have a material impact on the consolidated financial statements.

(c) Accounting Pronouncements Issued But Not Yet Effective

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. A preliminary analysis has been completed and the Company is currently reviewing the relevant leases. The extent of the impact of the adoption of IFRS 16 has not yet been determined.

Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB issued Long-term interests in Associates and Joint Ventures (Amendments to IAS 28) with a mandatory effective date of January 1, 2019. The amendments clarify that a company applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The Company intends to adopt the amendments to IAS 28 retrospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of the amendments to IAS 28 is not expected to have a material impact on the consolidated financial statements.

Annual Improvements to IFRS (2015-2017) Cycle

In December 2017, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvement process. Amendments were made to clarify that a company must remeasure its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations but does not remeasure when it obtains joint control of the business under IFRS 11 Joint Arrangements. The amendments also include clarification that, all income tax consequences of dividend payments should be recognized consistently with the transactions that generated the distributable profits, under IAS 12 Income Taxes and that under IAS 23 Borrowing Costs, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale becomes part of general borrowings. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of the adoption of these standards has not yet been determined.

Employee benefits (amendment)

In February 2018, the IASB issued amendments to IAS 19 Employee Benefits with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the adoption of the amendments to IAS 19 has not yet been determined.

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2020. The extent of the adoption of the revised Conceptual Framework for Financial Reporting has not yet been determined.

3. CASH AND CASH EQUIVALENTS

As at June 30, 2018, the Company did not post any cash to collateralize its letters of credit (2017: \$15.6 million).

4. ACCOUNTS AND NOTES RECEIVABLE

	As at June 30, 2018	As at June 30, 2017	As at December 31, 2017
Trade receivables	\$ 109,667	\$ 99,871	\$ 90,862
Less: Allowance for doubtful accounts	(1,361)	(5)	(5)
Net trade receivables	\$ 108,306	\$ 99,866	\$ 90,857
Other receivables:			
Commodity taxes receivable	9,350	7,866	8,723
Interest rate swap receivable	—	416	—
Government receivable	12,337	14,344	13,341
Other	13,522	17,982	11,047
	\$ 143,515	\$ 140,474	\$ 123,968

The aging of trade receivables is as follows:

	As at June 30, 2018	As at June 30, 2017	As at December 31, 2017
Current	\$ 88,806	\$ 80,360	\$ 70,054
Past due 0-30 days	16,996	14,785	16,683
Past due 31-60 days	1,750	2,601	1,694
Past due > 60 days	2,115	2,125	2,431
	\$ 109,667	\$ 99,871	\$ 90,862

Trade receivables are impaired when there is objective evidence that the estimated future cash flows of the trade receivables are less than their contractual cash flows. The amount of impairment takes into account the financial condition of the customers, delinquencies in payments, collaterals and credit insurance coverage on the trade receivables.

The Company operates an accounts receivable securitization facility. The maximum cash advance available to the Company under this program is \$110.0 million. Under this facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at June 30, 2018, trade accounts receivable being serviced under this program amounted to \$146.5 million (2017: \$152.4 million). In return for the sale of its trade receivables, the Company will receive cash of \$110.0 million (2017: \$110.0 million) and notes receivable in the amount of \$36.5 million (2017: \$42.4 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at June 30, 2018, the Company recorded a net payable amount of \$0.0 million (2017: \$7.6 million net receivable) in accounts payable and accruals.

The Company's securitization program requires the sale of trade receivables to be treated as a sale from an accounting perspective and as a result, trade receivables sold under this program are derecognized in the consolidated balance sheets as at June 30, 2018, June 30, 2017 and December 31, 2017.

5. INVENTORIES

	As at June 30, 2018	As at June 30, 2017 ⁽ⁱ⁾	As at December 31, 2017
Raw materials	\$ 36,296	\$ 28,802	\$ 23,369
Work in process	26,189	21,111	18,517
Finished goods	206,388	206,686	180,843
Packaging	16,384	14,205	13,193
Spare parts	40,125	36,163	37,443
	\$ 325,382	\$ 306,967	\$ 273,365

⁽ⁱ⁾ Restated, see Note 17(b)

For the three months ended June 30, 2018, inventory in the amount of \$686.7 million (2017: \$720.5 million) was expensed through cost of goods sold.

For the six months ended June 30, 2018, inventory in the amount of \$1,310.7 million (2017: \$1,352.0 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

The change in fair value of commercial hog and poultry stock for the three months ended June 30, 2018 was a loss of \$20.3 million (2017: loss of \$8.5 million) and was recorded in cost of goods sold.

The change in fair value of commercial hog and poultry stock for the six months ended June 30, 2018 was a loss of \$27.4 million (2017: loss of \$5.7 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels during the three and six months ended June 30, 2018 and June 30, 2017.

7. PROVISIONS

	Legal	Environ- mental	Lease make- good	Restructuring and related provisions		Total
				Employee related costs	Site closing and other costs	
Balance as at December 31, 2017⁽ⁱ⁾	\$ 289	\$ 4,833	\$ 2,228	\$ 10,379	\$ 2,879	\$ 20,608
Charges	—	—	—	2,106	416	2,522
Reversals	—	—	(372)	(1,562)	—	(1,934)
Cash payments	—	(8)	—	(2,233)	(407)	(2,648)
Non-cash items	—	—	—	—	30	30
Balance as at March 31, 2018	\$ 289	\$ 4,825	\$ 1,856	\$ 8,690	\$ 2,918	\$ 18,578
Charges	—	—	—	1,532	977	2,509
Reversals	—	—	—	(59)	(86)	(145)
Cash payments	—	(15)	(27)	(4,486)	(1,131)	(5,659)
Non-cash items	—	—	—	—	29	29
Balance as at June 30, 2018	\$ 289	\$ 4,810	\$ 1,829	\$ 5,677	\$ 2,707	\$ 15,312
Current						\$ 6,021
Non-current						9,291
Total as at June 30, 2018						\$ 15,312

⁽ⁱ⁾ Balance as at December 31, 2017, includes current portion of \$9.3 million and non-current portion of \$11.3 million.

	Restructuring and related provisions					Total
	Legal	Environmental	Lease make-good	Employee related costs	Site closing and other costs	
Balance as at December 31, 2016	\$ 2,250	\$ 8,233	\$ 2,228	\$ 8,656	\$ 7,077	\$ 28,444
Charges	—	—	—	2,341	9	2,350
Reversals	—	—	—	(219)	(242)	(461)
Cash payments	—	(18)	—	(1,960)	(25)	(2,003)
Non-cash items	—	—	—	—	32	32
Balance as at March 31, 2017	\$ 2,250	\$ 8,215	\$ 2,228	\$ 8,818	\$ 6,851	\$ 28,362
Charges	288	510	—	2,505	36	3,339
Reversals	—	—	—	(424)	—	(424)
Cash payments	—	(35)	—	(2,487)	(170)	(2,692)
Non-cash items	—	—	—	—	31	31
Balance at June 30, 2017	\$ 2,538	\$ 8,690	\$ 2,228	\$ 8,412	\$ 6,748	\$ 28,616
Current						\$ 13,906
Non-current						14,710
Total as at June 30, 2017						\$ 28,616

Restructuring and Other Related Costs

During the three months ended June 30, 2018, the Company recorded restructuring and other related costs of \$1.9 million (2017: \$5.0 million). Of this amount, \$1.2 million related to accelerated depreciation and employee related costs, as a result of the announced closure of the plant in St. Anselme and \$0.3 million related to accelerated depreciation and employee related costs as a result of the Thamesford turkey processing plant closure. The remaining \$0.4 million related to ongoing management and organizational restructuring initiatives.

During the six months ended June 30, 2018, the Company recorded restructuring and the other related costs of \$4.0 million (2017: \$11.5 million). Of this amount, \$2.2 million related to accelerated depreciation and employee related costs, as a result of the announced closure of the plant in St. Anselme and \$1.3 million related to accelerated depreciation and employee related costs as a result of the Thamesford turkey processing plant closure. The remaining \$0.5 million related to ongoing management and organizational restructuring initiatives.

8. LONG-TERM DEBT

On October 19, 2017, the Company amended its existing \$400.0 million unsecured committed revolving credit facility by extending the maturity of the facility to October 19, 2021 under similar terms and conditions using the same syndicate of Canadian, U.S. and international financial institutions. This unsecured facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and LIBOR for U.S. dollar loans. The facility is intended to meet the Company's funding requirements for general purposes, corporate development activities, and to provide appropriate levels of liquidity. As at June 30, 2018, the Company had drawn \$30.0 million in U.S. dollars (CDN\$39.4 million), \$9.0 million in Canadian dollars and letters of credit of \$6.2 million on this facility (2017: only letters of credit of \$6.3 million).

This revolving term facility requires the maintenance of certain covenants. As at June 30, 2018, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing up to a maximum of \$125.0 million (2017: \$120.0 million) letters of credit. As at June 30, 2018, \$71.4 million of letters of credit had been issued thereon (2017: \$66.8 million).

The Company has various government loans on specific projects, with interest rates ranging from non-interest bearing to 2.9% per annum (2017: 2.9%). These facilities are repayable over various terms from 2022 to 2024. As at June 30, 2018, \$9.2 million (2017: \$9.9 million) was outstanding. All of these facilities are committed.

9. SHARE CAPITAL

Share Repurchase

On May 22, 2018, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), which allows the Company to repurchase, at its discretion, up to 7.8 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 24, 2018 and will terminate on May 23, 2019, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid during the three and six months ended June 30, 2018, 1.0 million shares were purchased for cancellation for \$31.0 million at a volume weighted average price paid of \$31.11 per common share.

On May 17, 2017, the TSX accepted the Company's notice of intention to commence a NCIB, which allows the Company to repurchase, at its discretion, up to 8.2 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 23, 2017 and was terminated on May 22, 2018 as the Company completed its purchase and cancellation of 3.6 million common shares for \$117.3 million at a volume weighted average price of \$32.51 per common share. Under this bid during the three months ended June 30, 2018, 0.6 million (2017: 0.3 million) shares were purchased for cancellation for \$17.8 million (2017: \$8.8 million) at a volume weighted average price paid of \$29.26 (2017: \$32.93) per common share. During the six months ended June 30, 2018, 1.3 million shares (2017: 0.3 million) were purchased for cancellation for \$39.9 million (2017: \$8.8 million) at a volume weighted average price paid of \$31.17 (2017: \$32.93) per common share.

On May 16, 2016, the TSX accepted the Company's notice of intention to commence a NCIB, which allowed the Company to repurchase, at its discretion, up to 8.7 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The program commenced on May 19, 2016 and was terminated on May 18, 2017, as the Company completed its purchase and cancellation of 5.5 million common shares for \$163.1 million at a volume weighted average price of \$29.57 per common share. Under this bid during the three months ended June 30, 2017, 0.6 million shares were purchased for cancellation for \$20.7 million at a volume weighted average price paid of \$32.57 per common share. During the six months ended June 30, 2017, 3.4 million shares were purchased for cancellation for \$102.6 million at a volume weighted average price paid of \$30.09 per common share.

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at June 30, 2018, an obligation for the repurchase of shares of \$29.9 million (2017: \$29.7 million) was recognized under the ASPP.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The Company applies hedge accounting and uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and commodity prices.

The fair values and notional amounts of derivative financial instruments as at June 30 are shown below:

	2018			2017		
	Notional amount ⁽ⁱ⁾	Fair value		Notional amount ⁽ⁱ⁾	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedges						
Foreign exchange contracts ⁽ⁱⁱ⁾	\$ 56,235	\$ 234	\$ 1,111	\$ 257,973	\$ 9,512	\$ 99
Commodity contracts ⁽ⁱⁱ⁾	\$ 19,083	\$ —	\$ 676	\$ 5,221	\$ —	\$ 137
Fair value hedges						
Foreign exchange contracts ⁽ⁱⁱ⁾	\$ 25,327	\$ 29	\$ 517	\$ —	\$ —	\$ —
Commodity contracts ⁽ⁱⁱ⁾	\$ 24,530	\$ 1,350	\$ —	\$ 89,995	\$ —	\$ 5,455
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	\$ —	\$ —	\$ —	\$ 520,000	\$ 822	\$ 2,593
Foreign exchange contracts ⁽ⁱⁱ⁾	\$ 158,085	2,949	274	\$ 437,494	10,225	6,135
Commodity contracts ⁽ⁱⁱ⁾	\$ 289,319	7,673	—	\$ 603,126	4,170	381
Total fair value		\$ 12,235	\$ 2,578		\$ 24,729	\$ 14,800
Current ⁽ⁱⁱⁱ⁾		\$ 12,235	\$ 2,578		\$ 24,729	\$ 14,800
Non-current		—	—		—	—
Total fair value		\$ 12,235	\$ 2,578		\$ 24,729	\$ 14,800

⁽ⁱ⁾ Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.

⁽ⁱⁱ⁾ Derivatives are short-term and will impact profit or loss at various dates within the next 12 months.

⁽ⁱⁱⁱ⁾ As at June 30, 2018, the above fair value of current assets has been decreased on the consolidated balance sheet by an amount of \$6.4 million (2017: increase of \$10.8 million), which represents the excess of the fair market value of exchange traded commodities contracts over the initial margin requirements. The excess or deficit in maintenance margin requirements with the futures exchange is net settled in cash each day and is therefore presented as cash and cash equivalents.

During the three months ended June 30, 2018, the Company recorded a gain of \$9.4 million (2017: gain of \$8.0 million) on non-designated financial instruments held for trading.

During the six months ended June 30, 2018, the Company recorded a gain of \$8.1 million (2017: gain of \$11.1 million) on non-designated financial instruments held for trading.

During the three months ended June 30, 2018, the pre-tax amount of hedge ineffectiveness recognized in other income was a loss of \$0.2 million (2017: gain of \$0.1 million).

During the six months ended June 30, 2018, the pre-tax amount of hedge ineffectiveness recognized in other income was a gain of \$0.0 million (2017: gain of \$0.2 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy as at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$ —	\$ 3,212	\$ —	\$ 3,212
Commodity contracts	9,023	—	—	9,023
	\$ 9,023	\$ 3,212	\$ —	\$ 12,235
Liabilities:				
Foreign exchange contracts	\$ —	\$ 1,902	\$ —	\$ 1,902
Commodity contracts	676	—	—	676
	\$ 676	\$ 1,902	\$ —	\$ 2,578

There were no transfers between levels during the six months ended June 30, 2018 and June 30, 2017. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available and is consistent with the methodology used in the 2017 annual audited consolidated financial statements. 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. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Accumulated other comprehensive income (loss)

The Company estimates that \$1.1 million, net of tax of \$0.4 million, of unrealized losses included in accumulated other comprehensive income (loss) will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

During the three months ended June 30, 2018, a loss of approximately \$0.0 million, net of tax of \$0.0 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2017: gain of approximately \$0.2 million, net of tax of \$0.1 million).

During the six months ended June 30, 2018, a gain of approximately \$0.4 million, net of tax of \$0.1 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the period (2017: loss of approximately \$0.1 million, net of tax of \$0.0 million).

As at June 30, 2018, the Company had US\$30.0 million (2017: US\$0.0 million) drawn on its revolving credit facility (see Note 8) that are designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in shareholder's equity in the foreign currency translation adjustment component of accumulated other comprehensive income and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income (loss).

During the three months ended June 30, 2018, the loss on the net investment hedge recorded in other comprehensive income (loss) was \$1.4 million, net of tax recovery of \$0.1 million (2017: \$0.0 million, net of tax \$0.0 million).

During the six months ended June 30, 2018, the loss on the net investment hedge recorded in other comprehensive income (loss) was \$2.9 million, net of tax of \$0.4 million (2017: \$0.0 million, net of tax \$0.0 million).

11. OTHER INCOME (EXPENSE)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Loss on disposal of property and equipment	\$ (3,454)	\$ (522)	\$ (4,051)	\$ (843)
Gain on sale of investment properties	—	1,353	—	1,353
Net investment property expense	(238)	(425)	(225)	(749)
Interest income	8	98	146	778
Net expense on non-designated interest rate swaps	—	(1,005)	—	(2,009)
Change in fair value of non-designated interest rate swaps	—	997	—	1,994
Legal and other fees on acquisition	(832)	(664)	(3,231)	(4,959)
Insurance proceeds	6,923	—	6,923	—
Other	(638)	(964)	(647)	599
	\$ 1,769	\$ (1,132)	\$ (1,085)	\$ (3,836)

12. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest expense on long-term debt	\$ 535	\$ 108	\$ 961	\$ 216
Interest expense on securitized receivables	597	352	1,048	658
Amortization of deferred finance charges	287	313	575	615
Other interest charges	447	572	935	1,083
	\$ 1,866	\$ 1,345	\$ 3,519	\$ 2,572

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the quarter.

Diluted earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the quarter, adjusted for the effects of potentially dilutive instruments.

The following table sets forth the calculation of basic and diluted earnings per share ("EPS"):

	2018			2017		
	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS	Net earnings	Weighted average number of shares ⁽ⁱⁱ⁾	EPS
<i>Three months ended June 30,</i>						
Basic	\$ 34,925	126.0	\$ 0.28	\$ 37,342	129.1	\$ 0.29
Stock options ⁽ⁱ⁾		2.3			3.8	
Diluted	\$ 34,925	128.3	\$ 0.27	\$ 37,342	132.9	\$ 0.28
<i>Six months ended June 30,</i>						
Basic	\$ 62,843	126.1	\$ 0.50	\$ 67,447	129.8	\$ 0.52
Stock options ⁽ⁱ⁾		2.4			3.3	
Diluted	\$ 62,843	128.5	\$ 0.49	\$ 67,447	133.1	\$ 0.51

⁽ⁱ⁾ Excludes the effect of approximately 1.5 million (2017: 0.0 million) options and performance shares for the three months ended June 30, 2018 and 0.5 million (2017: 0.0 million) for the six months ended June 30, 2018 that are anti-dilutive.

⁽ⁱⁱ⁾ In millions.

14. SHARE-BASED PAYMENT**Stock Options**

A summary of the status of the Company's outstanding stock options and changes during the six months ended June 30 are presented below:

	2018		2017	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at January 1	4,556,400	\$ 20.23	4,260,000	\$ 17.73
Granted	717,300	32.50	732,200	30.86
Exercised	(10,200)	20.95	(137,700)	11.67
Forfeited	—	—	—	—
Outstanding at March 31	5,263,500	\$ 21.90	4,854,500	\$ 19.88
Granted	—	—	—	—
Exercised	(1,327,400)	11.77	(271,000)	14.41
Forfeited	—	—	—	—
Outstanding at June 30	3,936,100	\$ 25.32	4,583,500	\$ 20.21
Options currently exercisable	2,450,000	\$ 22.44	2,668,100	\$ 16.57

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant. The outstanding options have a term of seven years.

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the six months ended June 30, 2018 and 2017 are shown in the table below⁽ⁱ⁾:

	Six months ended June 30,	
	2018	2017
Share price at grant date	\$32.20	\$31.41
Exercise price	\$32.50	\$30.86
Expected volatility	21.43%	23.36%
Option life (in years) ⁽ⁱⁱ⁾	4.5	4.5
Expected dividend yield	1.61%	1.40%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	1.96%	1.15%

⁽ⁱ⁾ Weighted average based on number of units granted.

⁽ⁱⁱ⁾ Expected weighted average life.

⁽ⁱⁱⁱ⁾ Based on Government of Canada bonds.

The fair value of options granted during the three months ended June 30, 2018 was \$0.0 million (2017: \$0.0 million). Amortization charges relating to current and prior year options during the three months ended June 30, 2018 were \$1.0 million (2017: \$1.0 million).

The fair value of options granted during the six months ended June 30, 2018 was \$3.9 million (2017: \$4.2 million). Amortization charges relating to current and prior year options during the six months ended June 30, 2018 were \$1.8 million (2017: \$1.8 million).

Restricted Share Units and Performance Share Units

A summary of the status of the Company's Restricted Share Units ("RSUs") plans (including Performance Share Units ("PSUs")) and changes during the six months ended June 30 are presented below:

	2018		2017	
	RSUs outstanding	Weighted average fair value at grant	RSUs outstanding	Weighted average fair value at grant
Outstanding at January 1	1,561,695	\$ 25.61	1,570,669	\$ 20.79
Granted	355,770	30.65	328,650	30.03
Exercised	(69,537)	22.45	(69,537)	22.81
Forfeited	(3,290)	25.86	(4,000)	21.18
Outstanding at March 31	1,844,638	\$ 26.70	1,825,782	\$ 22.36
Granted	—	—	355,663	31.13
Exercised	(386,252)	20.56	(597,184)	19.45
Forfeited	(21,854)	23.29	(44,142)	23.89
Outstanding at June 30	1,436,532	\$ 28.41	1,540,119	\$ 25.47

The fair value of RSUs and PSUs granted during the three months ended June 30, 2018 was \$0.0 million (2017: \$10.1 million). Expenses for the three months ended June 30, 2018 relating to current and prior year RSUs and PSUs were \$3.1 million (2017: \$3.3 million).

The fair value of RSUs and PSUs granted during the six months ended June 30, 2018 was \$9.1 million (2017: \$18.0 million). Expenses for the six months ended June 30, 2018 relating to current and prior year RSUs and PSUs were \$6.6 million (2017: \$9.3 million).

The key assumptions used in the valuation of RSUs granted during the six months ended June 30, 2018 and 2017 are shown in the table below⁽ⁱ⁾:

	2018	2017
Expected RSU life (in years)	3.17	2.56
Forfeiture rate	16.3%	14.2%
Risk-free discount rate	1.9%	0.9%

⁽ⁱ⁾ Weighted average based on number of units granted.

Director Share Units

The fair value of director share units expensed during the three and six months ended June 30, 2018 were \$0.4 million and \$0.8 million (2017: \$0.4 million and \$0.7 million) respectively.

15. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the three and six months ended June 30, 2018, the Company's contributions to these plans were \$7.1 million and \$14.6 million (2017: \$16.2 million and \$21.4 million) respectively.

The Company's largest shareholder is McCain Capital Inc. ("MCI") which is beneficially owned and controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the three and six months ended June 30, 2018, the Company received services from MCI in the amount of \$0.1 million and \$0.2 million (2017: \$0.1 million and \$0.3 million) respectively, which represent the market value of the transactions with MCI. As at June 30, 2018, \$0.1 million (2017: \$0.3 million) was owing to MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS") is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the three and six months ended June 30, 2018 and 2017, the Company provided services to MFAS for a nominal amount, which represented the market value of the transactions.

16. GEOGRAPHIC AND CUSTOMER PROFILE

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was \$18.1 million as at June 30, 2018 (2017: \$9.2 million). Of this amount, \$17.9 million (2017: \$9.0 million) was located in the U.S. and \$0.2 million (2017: \$0.2 million) was located in Japan. Goodwill of \$242.5 million (2017: \$92.1 million) was attributed to operations outside of Canada.

Revenues earned outside of Canada for the three months ended June 30, 2018, were \$238.2 million (2017: \$227.1 million). Of the total amount earned outside of Canada, \$90.4 million (2017: \$79.9 million) was earned in the U.S. and \$90.2 million (2017: \$85.5 million) was earned in Japan. Revenue by geographic area is determined based on the shipping location.

Revenues earned outside of Canada for the six months ended June 30, 2018, were \$453.0 million (2017: \$425.0 million). Of the total amount earned outside of Canada, \$171.7 million (2017: \$137.4 million) was earned in the U.S. and \$169.1 million (2017: \$168.1 million) was earned in Japan. Revenue by geographic area is determined based on the shipping location.

Information About Major Customers

For the three months ended June 30, 2018, the Company reported sales to two customers representing 12.6% and 10.6% (2017: one customer representing 12.8%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

For the six months ended June 30, 2018, the Company reported sales to two customers representing 12.4% and 11.1% (2017: two customers representing 12.5% and 10.1%) of total sales. No other sales were made to any one customer that represented in excess of 10% of total sales.

17. BUSINESS COMBINATION

(a) 2018 Acquisitions

On June 27, 2018, the Company signed a definitive agreement to acquire two processing plants and associated supply from Cericola Farms, a privately held company. The transaction will be financed through a combination of cash-on-hand and drawings under the existing credit facility and is expected to close in August, subject to normal closing requirements including Competition Bureau review.

On January 29, 2018, the Company acquired 100% of the outstanding shares of Field Roast Grain Meat Co., a privately held U.S. based corporation engaged in the production and distribution of premium grain-based protein and vegan cheese products. The Company financed the transaction through a combination of \$89.5 million (US\$72.6 million) of cash-on-hand, \$49.3 million (US\$40.0 million) of drawings under its unsecured revolving credit facility, and \$1.4 million (US\$1.1 million) of contingent consideration payable to the seller.

Recognized goodwill is attributable to Field Roast Grain Meat Co.'s leadership position in the fast growing plant protein market combined with its considerable expertise, product development knowledge and skills. There is no goodwill expected to be deductible for tax purposes.

The Company has not yet finalized the amounts recorded for the Field Roast Grain Meat Co. acquisition.

The preliminary fair value of consideration transferred for the acquisition of Field Roast Grain Meat Co. consists of the following:

	Preliminary fair value	
	January 29, 2018	January 29, 2018
	US\$	CDN\$
Agreed-upon purchase price	\$ 120,000	\$ 147,906
Working capital adjustments ⁽ⁱ⁾	(1,450)	(1,787)
Reduction for liabilities assumed	(4,827)	(5,949)
Total consideration	\$ 113,723	\$ 140,170
Consideration paid in cash	\$ 112,575	\$ 138,755
Contingent consideration	\$ 1,148	\$ 1,415

⁽ⁱ⁾ Subject to change until the net assets acquired are finalized.

The preliminary fair values of the assets acquired and liabilities recognized at the date of acquisition are as follows:

	Preliminary fair value	
	January 29, 2018	January 29, 2018
	US\$	CDN\$
Current Assets		
Cash	\$ 304	\$ 375
Accounts receivable ⁽ⁱ⁾	2,679	3,302
Inventories	5,137	6,332
Income and other taxes recoverable	273	336
Prepaid expenses and other assets	287	354
Non-current assets		
Property and equipment	4,122	5,080
Goodwill	111,782	137,777
Current liabilities		
Accounts payable and accruals	(7,816)	(9,634)
Other current liabilities	(518)	(638)
Non-current liabilities		
Other long-term liabilities	(1,795)	(2,212)
Deferred tax liability	(732)	(902)
Total net assets acquired	\$ 113,723	\$ 140,170

⁽ⁱ⁾ Contractual cash flows not expected to be collected are not significant.

(b) 2017 Acquisition

On March 10, 2017, the Company acquired 100% of the outstanding shares of Lightlife Foods Holdings, Inc. ("Lightlife"), a privately held U.S. based corporation engaged in the production and distribution of refrigerated plant protein products.

Recognized goodwill is attributable to the skills, talent and artisanal expertise of Lightlife's work force and the Company's leadership position in the fast growing plant protein market. The amount of goodwill deductible for tax purposes is \$6.1 million.

The fair value of consideration transferred for the acquisition of Lightlife consists of the following:

	Purchase Price	
	March 10, 2017	
Agreed-upon purchase price	\$	188,566
Working capital adjustments		2,117
Total consideration paid in cash	\$	190,683

During the fourth quarter of 2017, the Company finalized the amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

	March 10, 2017		
	Preliminary Amounts	Adjustments	Final Amounts
Current assets			
Cash	\$ 766	\$ —	\$ 766
Accounts receivable ⁽ⁱ⁾	3,968	—	3,968
Inventories	4,539	1,065	5,604
Income and other taxes recoverable	50	—	50
Prepaid expenses and other assets	626	—	626
Non-current assets			
Property and equipment	14,536	(4,825)	9,711
Goodwill	133,854	(38,215)	95,639
Intangible assets	37,709	63,224	100,933
Current liabilities			
Accounts payable and accruals	(3,043)	—	(3,043)
Non-current liabilities			
Deferred tax liability	(2,322)	(21,249)	(23,571)
Total net assets acquired	\$ 190,683	\$ —	\$ 190,683

⁽ⁱ⁾ Contractual cash flows not expected to be collected are not significant.

The consolidated interim balance sheet as at June 30, 2017 has been re-stated to reflect the adjustments to the purchase price allocation above.

(c) Transaction Costs

During the three months ended June 30, 2018, the Company recorded transaction costs of \$0.8 million (2017: \$0.7 million) that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).

During the six months ended June 30, 2018, the Company recorded transaction costs of \$3.2 million (2017: \$5.0 million) that have been excluded from the consideration paid and have been recognized as an expense in other income (expense).