MAPLE LEAF

MAPLE LEAF FOODS INC.

Financial Statements
For the Year Ended
December 31, 2019

Independent Auditors' Report

To the Shareholders of Maple Leaf Foods Inc.

Opinion

We have audited the consolidated financial statements of Maple Leaf Foods Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2019 and December 31, 2018
- the consolidated statement of net earnings for the years then ended
- the consolidated statement of other comprehensive income (loss) for the years then ended
- the consolidated statement of changes in total equity for the years then ended
- the consolidated statement of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis and Annual Report filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and Annual Report filed with the relevant Canadian Securities Commissions. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

Independent Auditors' Report

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kristen Carscallen.

Toronto, Canada

February 26, 2020

Consolidated Balance Sheets

(In thousands of Canadian dollars)	***Notes***	**As at December 31, 2019**	As at December 31, 2018[(i)]
ASSETS			
Current assets			
Cash and cash equivalents		**$ 97,285**	$ 72,578
Accounts receivable	***4***	**154,969**	146,283
Notes receivable	***27***	**31,699**	30,504
Inventories	***5***	**385,534**	348,901
Biological assets	***6***	**119,016**	111,493
Prepaid expenses and other assets		**51,494**	38,222
Assets held for sale	***7***	**34,293**	—
		$ 874,290	$ 747,981
Property and equipment	***8***	**1,386,482**	1,283,950
Right-of-use assets	***9***	**227,426**	—
Investment property		**1,864**	5,109
Employee benefits	***10***	**—**	5,389
Other long-term assets		**14,081**	8,074
Goodwill	***11***	**657,179**	664,879
Intangible assets	***12***	**352,713**	424,616
Total assets		**$ 3,514,035**	$ 3,139,998
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals		**$ 445,774**	$ 344,460
Current portion of provisions	***13***	**3,973**	3,457
Current portion of long-term debt	***14***	**899**	80,897
Current portion of lease obligations		**39,505**	—
Income taxes payable	***22***	**205**	42,884
Other current liabilities	***16***	**44,698**	24,031
		$ 535,054	$ 495,729
Long-term debt	***14***	**538,429**	302,524
Lease obligations		**204,013**	—
Employee benefits	***10***	**116,742**	103,982
Provisions	***13***	**44,929**	49,895
Other long-term liabilities	***17***	**3,026**	53,564
Deferred tax liability	***22***	**121,972**	127,465
Total liabilities		**$ 1,564,165**	$ 1,133,159
Shareholders' equity			
Share capital	***18***	**$ 840,005**	$ 849,655
Retained earnings		**1,137,450**	1,178,389
Contributed surplus		**—**	4,649
Accumulated other comprehensive income (loss)		**2,793**	3,532
Treasury stock	***18***	**(30,378)**	(29,386)
Total shareholders' equity		**$ 1,949,870**	$ 2,006,839
Total liabilities and equity		**$ 3,514,035**	$ 3,139,998

[(i)] *Restated, see Note 29(a).*

Commitments and contingencies (Note 26)

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the Board:

MICHAEL H. MCCAIN **WILLIAM E. AZIZ**

Consolidated Statements of Net Earnings

Years ended December 31, *(In thousands of Canadian dollars, except share amounts)*	***Notes***	**2019**	2018
Sales		**$ 3,941,545**	$ 3,495,519
Cost of goods sold		**3,350,566**	2,943,722
Gross profit		**$ 590,979**	$ 551,797
Selling, general and administrative expenses		**457,681**	341,492
Earnings before the following:		**$ 133,298**	$ 210,305
Restructuring and other related costs	***13***	**11,004**	46,188
Other expense	***20***	**3,268**	12,974
Earnings before interest and income taxes		**$ 119,026**	$ 151,143
Interest expense and other financing costs	***21***	**32,031**	10,040
Earnings before income taxes		**$ 86,995**	$ 141,103
Income tax expense	***22***	**12,367**	39,755
Net earnings		**$ 74,628**	$ 101,348
Earnings per share attributable to common shareholders:	***23***		
Basic earnings per share		**$ 0.60**	$ 0.81
Diluted earnings per share		**$ 0.60**	$ 0.79
Weighted average number of shares (millions)	***23***		
Basic		**123.6**	125.0
Diluted		**125.2**	127.5

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Other Comprehensive Income (Loss)

Years ended December 31, *(In thousands of Canadian dollars)*	**2019**	2018
Net earnings	**$ 74,628**	$ 101,348
Other comprehensive income (loss)		
Actuarial (losses) and gains that will not be reclassified to profit or loss (Net of tax of $3.6 million; 2018: $3.7 million)	**$ (9,870)**	$ 11,879
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; 2018: $0.0 million)	**$ (15,992)**	$ 33,273
Change in foreign exchange on long-term debt designated as a net investment hedge (Net of tax of $2.2 million; 2018: $2.5 million)	**11,748**	(13,335)
Change in unrealized gains and (losses) on cash flow hedges (Net of tax of $1.2 million; 2018: $1.7 million)	**3,505**	(6,786)
Total items that are or may be reclassified subsequently to profit or loss	**$ (739)**	$ 13,152
Total other comprehensive (loss) income	**$ (10,609)**	$ 25,031
Comprehensive income	**$ 64,019**	$ 126,379

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

					Accumulated other comprehensive income (loss)(i)			
(In thousands of Canadian dollars)	***Notes***	**Share capital**	**Retained earnings**	**Contributed surplus**	**Foreign currency translation adjustment**	**Unrealized gains and losses on cash flow hedges**	**Treasury stock**	**Total equity**
Balance at December 31, 2018		**$ 849,655**	**1,178,389**	**4,649**	**8,518**	**(4,986)**	**(29,386)**	**$ 2,006,839**
Impact of new IFRS standards	***3(w)***	**—**	**(1,100)**	**—**	**—**	**—**	**—**	**(1,100)**
Net earnings		**—**	**74,628**	**—**	**—**	**—**	**—**	**74,628**
Other comprehensive income (loss)(ii)		**—**	**(9,870)**	**—**	**(4,244)**	**3,505**	**—**	**(10,609)**
Dividends declared ($0.58 per share)		**—**	**(71,824)**	**—**	**—**	**—**	**—**	**(71,824)**
Share-based compensation expense	***24***	**—**	**—**	**17,935**	**—**	**—**	**—**	**17,935**
Deferred taxes on share-based compensation		**—**	**—**	**460**	**—**	**—**	**—**	**460**
Repurchase of shares	***18***	**(17,410)**	**(12,310)**	**(16,016)**	**—**	**—**	**—**	**(45,736)**
Exercise of stock options		**7,760**	**—**	**—**	**—**	**—**	**—**	**7,760**
Shares purchased by RSU trust		**—**	**—**	**—**	**—**	**—**	**(14,978)**	**(14,978)**
Settlement of share-based compensation		**—**	**(20,463)**	**(7,028)**	**—**	**—**	**13,986**	**(13,505)**
Balance at December 31, 2019		**$ 840,005**	**1,137,450**	**—**	**4,274**	**(1,481)**	**(30,378)**	**$ 1,949,870**

					Accumulated other comprehensive income (loss)(i)			
(In thousands of Canadian dollars)	*Notes*	Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Treasury stock	Total equity
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		—	(3,695)	—	—	—	—	(3,695)
Net earnings		—	101,348	—	—	—	—	101,348
Issuance of shares for acquisition	*29*	28,801	—	—	—	—	—	28,801
Other comprehensive income (loss)(ii)		—	11,879	—	19,938	(6,786)	—	25,031
Dividends declared ($0.52 per share)		—	(65,119)	—	—	—	—	(65,119)
Share-based compensation expense	*24*	—	—	18,366	—	—	—	18,366
Deferred taxes on share-based compensation		—	—	(2,400)	—	—	—	(2,400)
Repurchase of shares	*18*	(30,140)	(101,495)	(10,360)	—	—	—	(141,995)
Exercise of stock options		15,840	—	—	—	—	—	15,840
Shares purchased by RSU trust		—	—	—	—	—	(13,000)	(13,000)
Settlement of share-based compensation		—	(17,564)	(957)	—	—	10,575	(7,946)
Balance at December 31, 2018		$ 849,655	1,178,389	4,649	8,518	(4,986)	(29,386)	$ 2,006,839

(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 Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended December 31, *(In thousands of Canadian dollars)*	**2019**	2018
CASH PROVIDED BY (USED IN):		
Operating activities		
Net earnings	**$ 74,628**	$ 101,348
Add (deduct) items not affecting cash:		
Change in fair value of biological assets	**5,545**	10,905
Depreciation and amortization	**176,796**	126,066
Share-based compensation	**17,935**	18,366
Deferred income taxes	**(1,323)**	10,055
Income tax current	**13,690**	29,700
Interest expense and other financing costs	**32,031**	10,040
(Gain) loss on sale of long-term assets	**(4,164)**	5,623
Change in fair value of non-designated derivatives	**5,785**	(4,657)
Change in net pension liability	**4,730**	7,378
Net income taxes paid	**(40,682)**	(6,820)
Interest paid	**(28,137)**	(7,996)
Change in provision for restructuring and other related costs	**8,144**	33,760
Change in derivatives margin	**(2,210)**	10,998
Other	**1,779**	(5,529)
Change in non-cash operating working capital	**5,633**	(39,552)
Cash provided by operating activities	**$ 270,180**	$ 299,685
Financing activities		
Dividends paid	**$ (71,824)**	$ (65,119)
Net increase in long-term debt	**169,491**	357,941
Payment of lease obligation	**(34,690)**	—
Exercise of stock options	**7,760**	15,840
Repurchase of shares	**(20,347)**	(166,526)
Payment of financing fees	**(5,635)**	(650)
Purchase of treasury stock	**(14,978)**	(13,000)
Cash provided by financing activities	**$ 29,777**	$ 128,486
Investing activities		
Additions to long-term assets	**$ (270,745)**	$ (179,865)
Acquisition of business, net of cash acquired	**(847)**	(379,556)
Proceeds from sale of long-term assets	**7,727**	403
Payment of income tax liabilities assumed on acquisition	**(11,385)**	—
Cash used in investing activities	**$ (275,250)**	$ (559,018)
Increase (decrease) in cash and cash equivalents	**$ 24,707**	$ (130,847)
Cash and cash equivalents, beginning of period	**72,578**	203,425
Cash and cash equivalents, end of period	**$ 97,285**	$ 72,578

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Years ended December 31, 2019 and 2018

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®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift®, Lightlife®, and Field Roast Grain Meat Co.™ The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, valued-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 consolidated financial statements of the Company as at and for the year ended December 31, 2019, include the accounts of the Company and its subsidiaries. The Company's results are organized into two segments: the Meat Protein Group and the Plant Protein Group. The composition of the Company is further described in Note 27.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2020.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets, defined benefit plan assets, acquisitions, and liabilities associated with certain share-based compensation, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

(c) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of Estimates and Judgements

The preparation of consolidated financial statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements included in the consolidated financial statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions related to the measurement, recognition, and disclosure of financial information.

Information about areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the consolidated financial statements, are included both below and in the statement notes relating to items subject to significant estimate uncertainty and critical judgements.

Long-Lived Assets Valuation

The Company performs impairment testing annually for goodwill and indefinite life intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units (“CGUs”) for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

The determination of the recoverable amount involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life assets recognized in future periods.

Measurement of Fair Values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company’s financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses market observable data to the extent that it is possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 6, 10, 11, 12, 19, 24, and 29.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses. Information about the nature of interest in other entities is disclosed in Note 27.

Valuation of Inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, Management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, product produced by the Company turns quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of net realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: the projected level of sales volume for the relevant period, and customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accruals, net earnings, and comprehensive income will be affected in future periods.

Employee Benefit Plans

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management’s best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan assets and liabilities and comprehensive income will be affected in future periods.

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make estimates regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management’s opinion that the Company’s tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, deferred tax assets and liabilities, net earnings, and comprehensive income will be affected in future periods.

Provisions

The Company evaluates all provisions at each reporting date. These provisions can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these provisions are no longer required or that certain provisions are insufficient as new events occur or as additional information is obtained. Provisions are separately identified and disclosed in the consolidated financial statements. Changes to these estimates may affect the value of provisions, net earnings, and comprehensive income in future periods.

Share-Based Compensation

The Company uses estimates in the calculation of the liability and expenses for certain share-based incentive plans including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, risk-free interest rates, and Company performance. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Some of the Company’s share-based payment plans may be settled in either cash or equity instruments at the option of the Company. Management uses judgement in determining the appropriate accounting treatment for these plans, based on expectations and historical settlement decisions. Changes to accounting treatment based on Management’s judgement may impact contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Depreciation and Amortization

The Company’s property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, considering the estimated useful lives of the assets and residual values. Right-of-use ("ROU") assets are depreciated on a straight-line basis, considering the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income in future periods.

Leases

The Company applies significant judgement in assessing whether a contract is or contains a lease. Such judgements include the determination of whether an asset or assets are specifically or implicitly identified in the contract, if the Company has the right to obtain substantially all the economic benefits from use of the asset or assets and whether the Company has the right to direct the use of the asset or assets. These judgements are made at the inception of a contract and may change if there are material changes to the agreement.

Estimates are used to determine the incremental borrowing rate of a lease when the interest rate implicit to the lease is not readily available. The Company's incremental borrowing rate is determined using a model which incorporates the Company's credit worthiness, the nature and quality of the underlying asset, geographic environments and the duration of the lease. The inputs used in determining the incremental borrowing rate are reviewed and updated quarterly.

The Company also applies significant judgement in determining whether it is reasonably certain to exercise lease extension options or purchase options in a contract by considering all relevant factors and circumstances that may create an economic incentive for the Company to exercise the option considering such factors as past experience, the terms and conditions of the contract, and the importance of the underlying assets to the Company’s operations.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries from the date that control commences until the date that control ceases. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany accounts and transactions have been eliminated on consolidation.

(b) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity, are recognized in earnings as incurred.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter and as required if events occur that indicate that its carrying amount may not be recoverable. Goodwill is tested for impairment at the CGU group level by comparing the carrying amount to its recoverable amount, consistent with the methodology outlined in Note 3(k).

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in earnings.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting has not been finalized. These provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(c) Fair Value Measurements

The Company measures certain financial and non-financial assets and liabilities at fair value at each balance sheet date. In addition, fair value measurements are disclosed for certain financial and non-financial assets and liabilities.

Fair value is 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. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes is determined on such a basis, except for share-based payment transactions, and measurements that have some similarities to fair value but are not fair value, such as net realizable value or value in use.

Assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, are classified using a three-level fair value hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1 - inputs are unadjusted quoted prices of identical assets or liabilities 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 unobservable in determining fair values of the asset or liability

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

(d) Non-current Assets (or Disposal Groups) 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 continuing use. The criteria for held for sale classification is regarded as met when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, and Management is committed to the sale, which is expected to be completed within one year from the date of classification. 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. Non-current assets are not depreciated once classified as held for sale.

(e) Translation of Foreign Currencies

The accounts of the Company are presented in Canadian dollars. Transactions in foreign currencies are translated at the actual rates of exchange. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate for that date. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The financial statements of foreign subsidiaries whose unit of measure is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the period-end for assets and liabilities, and the average exchange rates for the period for revenue, expenses, and cash flows. Foreign exchange differences arising on translation are recognized in accumulated other comprehensive income (loss) in total equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to the non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to net earnings.

Foreign exchange gains and losses arising from a receivable or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operations, are recognized in other comprehensive income (loss) in the cumulate foreign currency translation differences.

(f) Financial Instruments

The Company's financial assets, upon initial recognition, are measured at fair value and are classified as Fair Value through Profit or Loss ("FVTPL"), Fair Value through Other Comprehensive Income ("FVOCI"), or amortized cost. The classification is determined at initial recognition and is dependent on the business model in which a financial asset is managed and the characteristics of the contractual cash flows. Subsequent reclassification may only occur on the first day of the reporting period following a change to the business model. The classification of the Company's financial assets is disclosed in Note 19.

The Company's financial liabilities, upon initial recognition, are measured at fair value and are classified as amortized cost or FVTPL. A financial liability is classified as amortized cost at initial recognition unless it is classified as held-for-trading, is a derivative instrument or is specifically designated as FVTPL. Financial liabilities classified as amortized cost are subsequently measured using the effective interest method while financial liabilities at FVTPL are subsequently measured at fair value with changes in fair value recognized in the consolidated statements of net earnings in the period in which such changes arise.

The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses.

Transaction costs, other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

(g) Hedge Accounting

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

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses both at inception and at least quarterly thereafter, whether or not the derivatives that are used in hedging transactions are effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedging relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in the consolidated statements of net earnings.

When hedge accounting is permitted, the hedging relationship may be designated as a cash flow hedge, a fair value hedge, or a net investment in foreign operation hedge. For most cash flow hedges, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income until the hedged item affects net earnings. If the cash flow hedge is a forecast transaction that results in the recognition of a non-financial asset or liability, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability. In a fair value hedge, the change in fair value of the hedging derivative is offset in the consolidated statements of net earnings by the change in fair value of the hedged item relating to the hedged risk.

Hedge ineffectiveness is measured and recorded in current period earnings in the consolidated statements of net earnings. When either a fair value hedge or cash flow hedge is discontinued, any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net earnings, as the hedged item affects net earnings, or when the hedged item is derecognized. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value through net earnings without any offset from the hedged item.

Derivatives that do not qualify for hedge accounting are carried at fair value on the consolidated balance sheets, and subsequent changes in their fair value are recorded in the consolidated statements of net earnings.

(h) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash balances, demand deposits and investments with an original maturity at the date of purchase of three months or less.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. The cost of inventory includes direct product costs, direct labour, and an allocation of variable and fixed manufacturing overhead, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in the net realizable value, the amount of a write-down previously recorded is reversed through cost of goods sold.

(j) Biological Assets

Biological assets consist of live hogs, poultry, and eggs. For the purposes of valuation, these assets are categorized as either parent stock or commercial stock. Parent stock represents animals held and bred for the purpose of generating commercial stock and to replace parent stock nearing the end of its productive cycle. Commercial stock is held for the purposes of further processing or eventual sale, at which point it becomes inventory. The fair value of commercial stock is determined based on market prices of livestock of similar age, breed, and genetic merit, less costs to sell the assets, including estimated costs necessary to transport the assets to market. Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active market exists for parent stock as they are rarely sold. Hog parent stock is depreciated on a straight-line basis over two to three years after considering residual values, whereas poultry parent stock is depreciated on a straight-line basis over six to eight months.

Biological assets are transferred into inventory at fair value less costs to sell at the point of delivery.

(k) Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets or asset groups held and used, including property and equipment and intangible assets subject to amortization, for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Asset groups referred to as CGUs include an allocation of corporate assets and are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The recoverable amount is the greater of its value in use and its fair value less cost to sell.

Value in use is based on estimates of discounted future cash flows expected to be recovered from a CGU through its use. Management develops its cash flow projections based on past performance and its expectations of future market and business developments. Once calculated, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding financing costs and income tax expense.

An impairment loss is recognized in the consolidated statements of net earnings when the carrying amount of any asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the net carrying amount of the other assets in the CGU on a pro rata basis.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

(l) Property and Equipment

Property and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. For qualifying assets, cost includes interest capitalized during the construction or development period. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Depreciation related to assets used in production is recorded in inventory and cost of goods sold. Depreciation related to non-production assets is recorded through selling, general, and administrative expense ("SG&A"). Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Buildings, including other components	10-40 years
Machinery and equipment	3-20 years

When parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment.

(m) Investment Property

Investment property is comprised of properties owned by the Company that are held to either earn rental income or for capital appreciation, or both. The Company's investment properties include land and buildings.

Investment properties are recorded at cost less accumulated depreciation and any accumulated impairment losses, except for land which is recorded at cost less any accumulated impairment losses. The depreciation policies for investment properties are consistent with those for buildings.

(n) Right-of-use Assets and Lease Obligations

At the inception of a contract, the Company assesses if the agreement is or contains a lease arrangement. A lease arrangement exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a ROU asset and lease obligation with respect to all lease arrangements with a lease term greater than 12 months. Leases with a term of 12 months or less and variable rent expenses are recognized as an expense in the consolidated statement of net earnings when performance relating to those expenses has occurred.

The Company measures its lease obligation as the present value of the outstanding lease payments, discounted using the interest rate implicit in the lease and the term of the contract adjusted for reasonably certain renewal or termination options. If the interest rate implicit in the lease is not readily available, the payments are discounted using the Company's incremental borrowing rate. The lease obligation is subsequently measured by increasing the carrying amount for interest using the effective interest method. Lease payments are recognized as reductions to the carrying amount of the lease obligation.

A ROU asset is measured at the amount of the initial lease obligation and adjusted for any lease payments made at or before the commencement date of the lease less any incentives, initial direct costs, or the estimate of costs to restore the ROU asset at the conclusion of the lease term. ROU assets are depreciated on a straight-line basis over the shorter of the useful life of the underlying asset consistent with the Company's depreciation policy for property and equipment as outlined in Note 3(l), or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset.

The Company remeasures the lease obligation and ROU asset as a result of material modifications to a lease arrangement.

(o) Intangible Assets

Intangible assets include computer software, trademarks, recipes, customer relationships and poultry production quota. Definite life intangible assets are measured at cost less accumulated amortization and any net accumulated impairment losses. Amortization is recognized in the consolidated statements of earnings on a straight-line basis over the estimated useful lives of the following assets:

Computer software	3-10 years
Customer relationships	20-25 years
Recipes	5-20 years

Indefinite life intangibles including trademarks and poultry production quota are tested for impairment annually in the fourth quarter and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

(p) Employee Benefit Plans

The Company provides post-employment benefits through defined benefit and defined contribution plans.

Defined Benefit Plans

The Company accrues obligations and costs in respect of employee defined benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of salary escalation, retirement ages of employees, mortality rates, inflation and expected health care costs. Changes in these assumptions could affect future pension expense. The fair value of plan assets and the present value of the obligation are used to calculate net interest cost or income. The discount rate used to value the defined benefit obligation is based on high-quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations. The discount rate used to value the current service cost is based on high-quality corporate bonds in the same currency in which the employer contributions are expected to be made in and with terms of maturity that, on average, match the expected remaining service period for active employees.

Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss).

When the calculation results in a net benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the “asset ceiling”). To calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the plan. Where it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in other comprehensive income (loss).

When future payment of minimum funding requirements related to past service would result in a net defined benefit asset “surplus” or an increase in a surplus, the minimum funding requirements are recognized as a liability, to the extent that the surplus would not be fully available as a refund or a reduction in future contributions. Re-measurement of this liability is recognized in other comprehensive income (loss) in the period in which the re-measurement occurs.

Defined Contribution Plans

The Company’s obligations for contributions to employee defined contribution pension plans are recognized in the consolidated statement of net earnings in the periods during which services are rendered by employees.

Multi-Employer Plans

The Company participates in multi-employer pension plans which are accounted for as defined contribution plans. The Company does not administer these plans as the administration and the investment of these assets are controlled by a board of trustees consisting of union and employer representatives. The Company’s responsibility to make contributions to these plans is established pursuant to collective bargaining agreements. The contributions made by the Company to the multi-employer plans are expensed when due.

(q) Share-Based Compensation

The Company applies the fair value method of accounting for share-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. The fair value of restricted share units (“RSUs”), including performance share units (“PSUs”), is measured based on the fair value of the underlying shares on the grant date and expected achievement of performance conditions. Compensation cost is recognized on a straight-line basis over the expected vesting period of the share-based compensation. The Company estimates the number of units expected to vest at the grant date and revises the estimate as necessary if subsequent information indicates that the actual number of units vesting differs significantly from the original estimate. The fair value of deferred share units (“DSUs”) is measured based on the fair value of the underlying shares at each reporting date.

The Company has share-based compensation plans which are able to be settled in either cash or equity instruments at the option of the Company. Each grant is accounted for based on the expected settlement method at the time of issue. The expectation is re-evaluated at the end of each reporting period.

(r) Provisions

Provisions are liabilities of the Company for which the amount and/or timing of settlement is uncertain. A provision is recognized in the consolidated financial statements when the Company has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(s) Revenue Recognition

The majority of the Company’s revenue is derived from the sale of products to retail and foodservice customers, as well as the sale of by-products to industrial and agricultural customers. The Company recognizes revenue for all sales at the fair value of the consideration received or receivable. Sales are net of a provision for variable consideration of estimated allowances and sales incentives provided to customers, such that it is highly probable that a significant reversal will not occur once the uncertainty related to the variable consideration is subsequently resolved. For all transactions, revenue is recognized when control of the goods has transferred, being at the point the customer receives and accepts the product. The customer may receive product either through delivery or by pick-up. There are no significant financing components associated with the Company's payment terms.

The Company generally does not accept returns of spoiled products from customers. For product that may not be returned, the Company, in certain cases, provides customers with allowances to cover any damage or spoilage, and such allowances are deducted from sales at the time of revenue recognition.

The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

The Company enters into repurchase agreements, which represent sales to third parties where the Company is required to buy-back the asset sold or a good containing that asset as a component. These sales and their associated costs of goods sold are not recognized in the consolidated statements of earnings until their eventual third party sale.

(t) Borrowing Costs

Borrowing costs are primarily comprised of interest on the Company's indebtedness. Borrowing costs are capitalized when they are attributable to the acquisition, construction, or production of a qualifying asset. The Company defines qualifying assets as any asset that requires more than six months to prepare for its intended use. Borrowing costs attributable to qualifying assets are calculated using the Company's average borrowing cost excluding the costs associated with the de-recognition of accounts receivables under securitization programs. Borrowing costs that are not attributable to a qualifying asset are expensed in the period in which they are incurred and reported within interest expense in the consolidated statements of net earnings.

(u) Government Incentives

Government incentives are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the incentives. Incentives that compensate the Company for expenses or losses are recognized in earnings with the same classification as the related expense or loss in the same periods in which the expenses or losses are recognized.

Government incentives received with the primary condition that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as a deduction from the associated asset on the consolidated balance sheet. The incentive is recognized in earnings over the useful life of the asset as a reduction of the related depreciation expense.

Government incentives that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs, are recognized in earnings in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government incentive, and is measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(v) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense represents the amount of income taxes payable, in respect of the taxable profit for the period, based on tax law that is enacted or substantially enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable, or paid but recoverable in respect of all periods to date.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when those temporary differences are expected to be recovered or settled and in the manner in which those temporary differences are expected to be recovered or settled through sale or continued use. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in both net earnings and comprehensive income in the period in which the enactment or substantive enactment takes place.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(w) Accounting Standards Adopted During the Period

During the year ended December 31, 2019, the Company adopted certain IFRS and amendments. As required by International Accounting Standard ("IAS 8") *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Leases

Beginning on January 1, 2019, the Company adopted IFRS 16 *Leases* using the modified retrospective approach where prior periods are not restated. The new standard replaces IAS 17 *Leases* and provides a new framework for lessee accounting that requires most ROU assets obtained through operating leases to be capitalized and a related liability to be recorded. IFRS 16 substantially carries forward the accounting requirements for lessors. The adoption of IFRS 16 results in changes to property, equipment and vehicle lease contracts which were previously classified as operating leases under IAS 17. Upon adoption, lease obligations equal to the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate are recognized. An ROU asset, representing the Company's right-to-use the underlying leased asset, will generally be equal to the lease obligation at adoption and subsequently depreciated on a straight-line basis.

Payments previously recognized in the consolidated statements of net earnings are replaced by a combination of depreciation on the ROU asset and interest expense on the lease obligations. Depreciation is classified as either SG&A expenses or cost of goods sold, depending on the leased asset's intended use. Interest expense is classified as interest expense and other financing costs.

On transition to IFRS 16, the Company elected to apply the following practical expedients:

- The practical expedient to not include initial direct costs from the measurement of the ROU asset on transition;
- The practical expedient to rely on the Company's assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. ROU assets as at January 1, 2019 have been adjusted by the amount of any provisions for onerous leases recognized on the balance sheet as at December 31, 2018; and
- The practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Existing contracts that were not identified as leases under IAS 17 or International Financial Reporting Interpretations Committee ("IFRIC") 4 *Determining Whether an Arrangement Contains a Lease*, were not reassessed under IFRS 16 to determine if a lease exists. The definition of a lease under IFRS 16 has only been applied to contracts entered into or changed on or after January 1, 2019.

The increase (decrease) to opening balances from adopting IFRS 16 on the opening consolidated balance sheet is as follows:

		As at January 1, 2019
Prepaid expenses and other assets	$	720
Property and equipment		(19,880)
Right-of-use assets		240,815
Other long-term assets		1,548
Intangible assets		(28,830)
Total assets	**$**	**194,373**
Current portion of lease obligations[(i)(ii)]	$	39,164
Current portion of provisions		(557)
Other current liabilities		(3,783)
Lease obligations[(i)(ii)]		215,362
Provisions		(3,653)
Other long-term liabilities		(52,160)
Total liabilities	**$**	**194,373**

(i) *The difference between the net present value of the commitments disclosed in Note 24 of the Company's 2018 annual audited consolidated financial statements discounted using the weighted average incremental borrowing rate and the opening lease obligation as at January 1, 2019 is a result of the impact of lease extensions assumed in the calculation of the opening lease obligation and the effect of lease make good costs previously recorded in other liabilities.*

(ii) *The weighted average incremental borrowing rate applied to the Company's portfolio of leases as at January 1, 2019 was 3.7%.*

Uncertainty over Income Tax Treatments

Beginning January 1, 2019, the Company adopted IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. Current tax liabilities increased by $1.1 million as a result of the implementation of IFRIC 23, with a corresponding decrease of $1.1 million to opening retained earnings.

Long-term Interests in Associates and Joint Ventures

Beginning January 1, 2019, the Company adopted amendments to IAS 28 *Investments in Associates and Joint Ventures*. The amendments clarify that a company applies IFRS 9 *Financial Instruments* 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 adopted 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 did not have a material impact on the consolidated financial statements.

Annual Improvements to IFRS (2015-2017) Cycle

Beginning January 1, 2019, the Company adopted 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 adopted these amendments prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of these standards did not have a material impact on the consolidated financial statements.

Employee benefits (amendment)

Beginning January 1, 2019, the Company adopted an amendment to IAS 19 *Employee Benefits*. 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. The Company adopted the amendment to IAS 19 prospectively in its consolidated financial statements for the annual period beginning January 1, 2019. The amendment to IAS 19 did not have a material impact on the consolidated financial statements.

(x) Accounting Pronouncements Issued But Not Yet Effective

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 adoption of the revised Conceptual Framework for Financial Reporting is not expected to have a material impact on the consolidated financial statements.

Definition of a Business

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment is effective on January 1, 2020 and is to be applied prospectively. The Company intends to adopt the amendment to IFRS 3 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendment to IFRS 3 is not expected to have a material impact on the consolidated financial statements.

Definition of Material

On October 31, 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020 and are to be applied prospectively. The Company intends to adopt the amendments to IAS 1 and IAS 8 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendments to IAS 1 and IAS 8 are not expected to have a material impact on the consolidated financial statements.

Interest Rate Benchmark Reform - Phase 1

On September 26, 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments Disclosures* to address the potential effects Interbank Offered Rates ("IBOR") reform could have on financial reporting. The amendments modify specific hedge accounting requirements to allow entities to assume that the interest rate benchmark on which the hedged cash flows and the cash flows of which the hedging instrument are based on, are not altered as a result of IBOR reform. The Company intends to adopt the amendments to IFRS 9, IAS 39 and IFRS 7 in its consolidated financial statements for the annual period beginning January 1, 2020. The adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 are not expected to have a material impact on the consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	As at December 31,	
	2019	2018[(i)]
Trade receivables	**$ 123,617**	$ 109,945
Less: Allowance for doubtful accounts	**(3,107)**	(1,757)
Net trade receivables	**$ 120,510**	$ 108,188
Other receivables:		
Commodity taxes receivable	**12,082**	11,394
Government receivable	**8,484**	15,753
Other	**13,893**	10,948
	$ 154,969	$ 146,283

(i) *Restated, see Note 29(a).*

The aging of trade receivables is as follows:

	As at December 31,	
	2019	2018
Current	**$ 79,284**	$ 72,605
Past due 0-30 days	**30,990**	29,830
Past due 31-60 days	**4,559**	2,677
Past due > 60 days	**8,784**	4,833
	$ 123,617	$ 109,945

Trade receivables are impaired when their estimated future cash flows 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 has sold certain of its trade accounts receivables under a securitization program as described in Note 27.

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 from the consolidated balance sheets as at December 31, 2019 and 2018.

5. INVENTORIES

	As at December 31,	
	2019	2018
Raw materials	**$ 60,190**	$ 43,455
Work in process	**33,297**	27,921
Finished goods	**223,877**	216,520
Packaging	**16,940**	15,017
Spare parts	**51,230**	45,988
	$ 385,534	$ 348,901

For the year ended December 31, 2019, inventory in the amount of $3,061.8 million (2018: $2,656.5 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

	Hog stock		Poultry stock		
	Commercial	**Parent**	**Commercial**	**Parent**	**Total**
Balance at December 31, 2018	**$ 82,590**	**22,115**	**4,789**	**1,999**	**$ 111,493**
Additions and purchases	**346,335**	**5,697**	**60,687**	**3,562**	**416,281**
Depreciation	**—**	**(4,412)**	**—**	**(3,281)**	**(7,693)**
Change in fair value realized	**5,042**	**—**	**—**	**—**	**5,042**
Change in fair value unrealized	**(10,587)**	**—**	**—**	**—**	**(10,587)**
Further processing and sales	**(335,362)**	**—**	**(60,158)**	**—**	**(395,520)**
Balance at December 31, 2019	**$ 88,018**	**23,400**	**5,318**	**2,280**	**$ 119,016**

	Hog stock		Poultry stock		
	Commercial	Parent	Commercial	Parent	Total
Balance at December 31, 2017	$ 84,587	21,369	4,400	1,379	$ 111,735
Additions and purchases	307,876	4,734	56,890	3,526	373,026
Depreciation	—	(3,988)	—	(2,906)	(6,894)
Change in fair value realized	(5,863)	—	—	—	(5,863)
Change in fair value unrealized	(5,042)	—	—	—	(5,042)
Further processing and sales	(298,968)	—	(56,501)	—	(355,469)
Balance at December 31, 2018	$ 82,590	22,115	4,789	1,999	$ 111,493

Hog stock is comprised of approximately 0.8 million animals as at December 31, 2019 (2018: 0.8 million). During the years ended December 31, 2019 and 2018, substantially all hog stock was directly transferred to the Company's primary processing operations.

Poultry stock is comprised of approximately 8.5 million eggs and 0.2 million birds as at December 31, 2019 (2018: 8.9 million eggs and 0.2 million birds).

The change in fair value of commercial hog and poultry stock for the year was a loss of $5.5 million for the year ended December 31, 2019 (2018: loss of $10.9 million) 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 for the year ended December 31, 2019.

The Company uses the market comparison approach to determine the fair value of its commercial hog stock. The valuation model is based on the market price of hog stock of similar age, weight, breed, and genetic make-up. The model is based on the U.S. dollar market price per cut weight and adjusted for foreign exchange, conversion from pounds to kilograms, and specific significant unobservable inputs, including a quality index adjustment and a market conversion factor, as defined below.

The quality index adjustment is a value adjustment based on the relative quality of a processed hog based on the lean yield (being the ratio between muscle and fat content) and total weight. Quality adjustments range from 6.5% to 7.1%. A higher (lower) quality adjustment percentage will result in an increase (decrease) to the fair market value of the commercial hog stock.

The market conversion factor is a market adjustment used to discount the formula from a U.S. market price to a Canadian pricing model. The market conversion factor experiences minimal fluctuation. A higher (lower) market conversion factor will result in an increase (decrease) to the fair market value of the commercial hog stock.

Commercial poultry stock are valued at cost as an indicator of fair value in the case where little biological transformation has taken place since initial cost occurrence or when the impact of the biological transformation on price is not expected to be material.

Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active liquid market exists for parent stock as they are rarely sold.

The Company has established environmental policies and procedures which comply with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

The Company's biological asset operations can be affected by outbreaks of disease among livestock. To mitigate this risk, the Company monitors herd health status and has strict bio-security procedures and employee training programs throughout its livestock production operation.

7. ASSETS HELD FOR SALE

Assets held for sale are those relating to a poultry plant and associated quota in Drummondville, Québec and a vacant plant located in St. Anselme, Québec.

8. PROPERTY AND EQUIPMENT

		Land	Buildings	Machinery and equipment	Under construction		Total
Cost	$	**50,374**	**989,410**	**1,370,489**	**216,360**	$	**2,626,633**
Accumulated depreciation		**—**	**(342,811)**	**(897,340)**	**—**		**(1,240,151)**
Net balance, December 31, 2019	$	**50,374**	**646,599**	**473,149**	**216,360**	$	**1,386,482**

		Land	Buildings	Machinery and equipment	Under construction		Total
Cost[(i)]	$	52,084	946,792	1,298,570	130,055	$	2,427,501
Accumulated depreciation		—	(306,799)	(836,752)	—		(1,143,551)
Net balance, December 31, 2018[(i)]	$	52,084	639,993	461,818	130,055	$	1,283,950

(i) *Restated, see Note 29(a).*

The changes in net carrying amounts of property, plant and equipment during 2019 and 2018 were as follows:

		Land	Buildings	Machinery and equipment	Under construction		Total
Net balance, December 31, 2018[(i)]	$	**52,084**	**639,993**	**461,818**	**130,055**	$	**1,283,950**
Impact of new IFRS standards[(ii)]		**(3,591)**	**(3,169)**	**(13,120)**	**—**		**(19,880)**
Additions		**—**	**—**	**—**	**251,021**		**251,021**
Transfers from under construction		**2,195**	**46,136**	**115,698**	**(164,029)**		**—**
Depreciation		**—**	**(34,297)**	**(88,531)**	**—**		**(122,828)**
Foreign currency translation		**(18)**	**(377)**	**(488)**	**(695)**		**(1,578)**
Other[(iii)]		**(296)**	**(1,687)**	**(2,228)**	**8**		**(4,203)**
Net balance, December 31, 2019	$	**50,374**	**646,599**	**473,149**	**216,360**	$	**1,386,482**

		Land	Buildings	Machinery and equipment	Under construction		Total
Net balance, December 31, 2017	$	41,238	560,557	439,102	75,412	$	1,116,309
Business combinations[(i)]		7,660	68,584	26,274	6,124		108,642
Additions		—	—	—	173,546		173,546
Transfers from under construction		3,957	41,652	79,967	(125,576)		—
Depreciation		—	(28,677)	(78,928)	—		(107,605)
Foreign currency translation		35	574	666	585		1,860
Other[(iii)]		(806)	(2,697)	(5,263)	(36)		(8,802)
Net balance, December 31, 2018[(i)]	$	52,084	639,993	461,818	130,055	$	1,283,950

(i) *Restated, see Note 29(a).*

(ii) *See Note 3(w).*

(iii) *Includes disposals, reclassifications and other adjustments.*

Borrowing Costs

For the year ended December 31, 2019, borrowing costs of $2.7 million were capitalized (2018: $0.0 million), using an average capitalization rate of 4.2% (2018: 0.0%).

9. RIGHT-OF-USE ASSETS

The Company enters into lease arrangements for land, buildings, vehicles, machinery and equipment, and other assets as part of its daily operations.

Land and building leases include the rental of office space, manufacturing and distribution facilities and barns. These leases vary in length and are typically over 5 years and may include several renewal options.

Vehicle leases primarily include leases of employee vehicles. Employee vehicle leases have an initial term of 3 years. As part of its leasing agreement for employee vehicles, MLF is required to pay a residual value guarantee to the lessor for the value of the leased vehicle at the end of the lease term. As at December 31, 2019, the Company's residual value guarantees on employee vehicles totaled $2.6 million.

Machinery and equipment leases include the rental of manufacturing machinery and computer hardware. These leases vary in duration and structure and typically do not exceed 10 years.

Other leased assets include an indefinite life poultry supply quota from a third party, with an option to purchase the quota by 2022.

Right-of-use assets are comprised of:

	Land and Buildings	Vehicles	Machinery and Equipment	Other	Total
Cost	$ 210,324	7,488	15,115	28,830	$ 261,757
Accumulated depreciation	(28,814)	(2,530)	(2,987)	—	(34,331)
Net balance, December 31, 2019	$ 181,510	4,958	12,128	28,830	$ 227,426

Changes in the net balance of right-of-use assets during 2019 were as follows:

	Land and Buildings	Vehicles	Machinery and Equipment	Other	Total
Opening Balance, January 1, 2019(i)	$ 191,583	5,039	15,363	28,830	$ 240,815
Additions	20,635	3,418	—	—	24,053
Depreciation	(29,527)	(3,001)	(3,184)	—	(35,712)
Disposals	(1,063)	(498)	(11)	—	(1,572)
Foreign Currency Translation	(118)	—	(40)	—	(158)
Net balance, December 31, 2019	$ 181,510	4,958	12,128	28,830	$ 227,426

(i) *See Note 3(w).*

Lease obligations associated with the Company's right-of-use assets are described in Note 15.

10. EMPLOYEE BENEFITS

The Company sponsors several defined benefit pension plans for Canadian employees which are either final salary plans, career salary plans, service-based plans, or a combination thereof. The Company also sponsors a final salary defined benefit pension plan in the U.K. in which membership is closed with no members accruing benefits. These defined benefit plans require contributions to be made to separately administered funds. Certain retired employees are covered under a post-retirement benefit plan, which reimburses certain medical costs and provides life insurance coverage.

The Canadian plans are governed by the pension laws of Ontario. The U.K. plan is governed by the employment laws of the U.K.

The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements. For the Company's defined benefit pension plans, local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions considering actuarial assessments and other factors. The contributions that have been made to support ongoing plan obligations have been recorded in the respective asset or liability accounts on the consolidated balance sheet. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

Information about the Company's defined benefit plans as at December 31, in aggregate, are as follows:

	Other post-retirement benefits	**Pension**	**2019 Total**	Other post-retirement benefits	Pension	2018 Total
Plan Assets						
Fair value, beginning of year	**$ —**	**1,010,188**	**$ 1,010,188**	$ —	1,070,480	$ 1,070,480
Interest income	**—**	**37,360**	**37,360**	—	35,428	35,428
Actuarial gains (losses)[(i)]	**—**	**84,770**	**84,770**	—	(36,658)	(36,658)
Employer contributions	**—**	**9,849**	**9,849**	—	9,565	9,565
Employee contributions	**—**	**3,542**	**3,542**	—	3,609	3,609
Benefits paid	**—**	**(73,357)**	**(73,357)**	—	(69,495)	(69,495)
Administrative costs	**—**	**(2,689)**	**(2,689)**	—	(2,741)	(2,741)
Fair value, end of year	**$ —**	**1,069,663**	**$ 1,069,663**	$ —	1,010,188	$ 1,010,188
Accrued benefit obligations:						
Balance, beginning of year	**$ (50,345)**	**(1,057,903)**	**$ (1,108,248)**	$ (54,286)	(1,122,374)	$ (1,176,660)
Current service cost	**(85)**	**(13,492)**	**(13,577)**	(97)	(15,143)	(15,240)
Interest cost	**(1,844)**	**(39,550)**	**(41,394)**	(1,784)	(37,545)	(39,329)
Benefits paid from plan assets	**—**	**73,358**	**73,358**	—	69,495	69,495
Benefits paid directly from the Company	**3,162**	**2,143**	**5,305**	3,207	1,495	4,702
Actuarial gains (losses) - experience	**1,430**	**744**	**2,174**	598	(7,118)	(6,520)
Actuarial (losses) gains - financial assumptions	**(3,497)**	**(95,967)**	**(99,464)**	2,017	55,766	57,783
Employee contributions	**—**	**(3,542)**	**(3,542)**	—	(3,609)	(3,609)
Special termination benefits	**—**	**(500)**	**(500)**	—	(420)	(420)
Curtailments	**—**	**210**	**210**	—	1,550	1,550
Balance, end of year	**$ (51,179)**	**(1,134,499)**	**$ (1,185,678)**	$ (50,345)	(1,057,903)	$ (1,108,248)
Unfunded	**$ (51,179)**	**(35,945)**	**$ (87,124)**	$ (50,345)	(33,685)	$ (84,030)
Funded[(ii)]	**—**	**(1,098,554)**	**(1,098,554)**	—	(1,024,218)	(1,024,218)
Total benefit obligations	**$ (51,179)**	**(1,134,499)**	**$ (1,185,678)**	$ (50,345)	(1,057,903)	$ (1,108,248)
Other	**$ —**	**(727)**	**$ (727)**	$ —	(533)	$ (533)
Accrued net benefit obligations, end of year	**$ (51,179)**	**(65,563)**	**$ (116,742)**	$ (50,345)	(48,248)	$ (98,593)

(i) *Return on plan assets greater (less) than discount rate.*

(ii) *Includes wholly and partially funded plans.*

Amounts recognized in the consolidated balance sheet consist of:

	As at December 31, 2019	2018
Employee benefit assets	**$ —**	$ 5,389
Employee benefit obligations	**(116,742)**	(103,982)
Accrued net benefit obligations, end of year	**$ (116,742)**	$ (98,593)

Pension benefit expense recognized in net earnings:

		2019		2018
Current service cost - defined benefit	**$**	**13,492**	$	15,355
Current service cost - defined contribution and multi-employer plans		**16,450**		15,459
Net interest cost		**2,190**		2,117
Administrative costs		**2,689**		2,741
Special termination benefits[(i)]		**500**		420
Curtailments[(i)]		**(210)**		(1,550)
Net pension benefit expense	**$**	**35,111**	$	34,542

[(i)] *Included in restructuring and other related costs pertaining to organizational restructuring initiatives and plant closures - see Note 13.*

For the year ended December 31, 2019, the Company expensed salaries of $738.0 million (2018: $681.1 million), excluding pension and other post-retirement benefits.

Amounts recognized in other comprehensive income (loss) (before income taxes):

		2019		2018
Actuarial (losses) gains	**$**	**(13,419)**	$	15,625

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations were as follows:

	2019	2018
Weighted average discount rate	**3.10%**	3.80%
Rate of salary increase	**2.75%**	2.75%
Medical cost trend rates	**5.00%**	5.00%

Plan assets were comprised of:

	As at December 31,	
	2019	2018
Equity securities	**45%**	45%
Debt securities	**49%**	50%
Other investments and cash	**6%**	5%
	100%	100%

As at December 31, 2019, the Company's plans were invested in pooled funds which hold underlying equity, debt and other securities and are not quoted in an active market.

Other post-retirement benefits expense recognized in net earnings:

		2019		2018
Current service cost	**$**	**85**	$	97
Interest cost		**1,844**		1,784
Other post-retirement benefits expense	**$**	**1,929**	$	1,881

Impact of changes in major assumptions:

				Increase (decrease) in defined benefit obligations				
Actuarial Assumption			**Sensitivity**		**Total pensions**	**Other post-retirement benefits**		**Total**
Period end discount rate	3.10%	0.25%	decrease	$	35,958	1,310	$	37,268
		0.25%	increase	$	(34,838)	(1,191)	$	(36,029)
Rate of salary increase	2.75%	0.50%	increase	$	2,171	N/A	$	2,171
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using scale MI-2017	Increase of 1 year in expected lifetime of plan participants		$	35,714	743	$	36,457

Measurement dates:	
2019 expense	December 31, 2018
Balance sheet	December 31, 2019

The average expected maturity of the pension obligations is 13.2 years (2018: 13.3 years).

The Company expects to contribute $32.4 million to pension plans in 2020, inclusive of defined benefit plans, defined contribution plans and multi-employer plans.

Governance and Risk Management

The Company administers its pension plans through its Board of Directors. The Company's Board of Directors has established a governance structure and delegated to the Audit Committee and the Pension Investment Advisory Committee all aspects of the investment of the funds. The Company's Board of Directors has delegated to the Pension Policy and Administration Committee the authority to make amendments to the documents that govern the pension plans of an administrative or compliance nature, that relate to collective bargaining agreements entered into by the Company or that have a minimal financial impact on the plans.

In fulfilling their responsibilities, the Audit Committee and the Pension Investment Advisory Committee may delegate functions or responsibilities to, or otherwise utilize employees of the Company where appropriate. The Audit Committee and the Pension Investment Advisory Committee may rely on independent experts for certain aspects of the funds' operations. The Audit Committee or the Pension Investment Advisory Committee, as appropriate, retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.

The plan assets are invested primarily in well-diversified pooled funds that meet the constraints set out in legislation of the jurisdictions in which the plans operate. Further diversification criteria set out in investment funds' governing documents require the division of investments between equities and fixed income. There are no significant concentrations of risks.

Multi-Employer Plan

The Company contributes to the Canadian Commercial Workers Industry Pension Plan which is a multi-employer defined benefit plan for employees who are members of the United Food and Commercial Workers Canada union. This is a large-scale plan for union workers of multiple companies across Canada. Adequate information to account for these contributions as a defined benefit plan in the Company's statements is not available due to the size and number of contributing employers in the plan. Included in the pension benefit expense is $0.8 million (2018: $0.7 million) related to payments into this plan. The Company expects to contribute $0.8 million into this plan in 2020.

11. GOODWILL

The net carrying value for goodwill was $657.2 million as at December 31, 2019 (2018: $664.9 million). There were no impairment losses recorded for the years ended December 31, 2019 and 2018.

For the purposes of annual impairment testing, goodwill is allocated to the Meat Protein and Plant Protein CGU groups, being the groups expected to benefit from the synergies of each business combination in which the goodwill arose:

	As at December 31,	
CGU Group	**2019**	2018
Meat Protein	**$ 469,560**	$ 469,683
Plant Protein	**187,619**	195,196
	$ 657,179	$ 664,879

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on fair value less costs to sell. Where there was no market information available, fair value was determined by discounting the future cash flows generated from the continuing use of the groups. The calculation of the fair value based on discounting the future cash flows was based on the following key assumptions:

- Cash flows were projected based on the Company's long-term business plan. Cash flows for a further perpetual period were extrapolated using growth rates ranging from 2.0% to 3.0% (2018: 1.8% to 3.0%).
- The business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. While the forecast does assume some base business expansion, largely related to innovation, the primary engine of growth is strategic in nature and is consistent with the projects and expectations as articulated in the Company's strategic plan.
- Discount rates applied in determining the recoverable amount of the CGU groups were ranging from 8.8% to 11.4% (2018: 8.3% to 11.4%). The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU group and other competitors in the industry.

The values assigned to the key assumptions represent Management's assessment of future trends in the industries in which the CGU groups operate and are based on both external and internal sources and historical trend data.

The change in the carrying amount of goodwill during 2019 and 2018 was as follows:

	2019	2018[(i)]
Net balance, beginning of year	**$ 664,879**	$ 517,387
Business combinations	**—**	128,280
Foreign currency translation	**(7,700)**	19,212
Net balance, end of year	**$ 657,179**	$ 664,879

(i) *Restated, see Note 29(a).*

12. INTANGIBLE ASSETS

	As at December 31,	
	2019	2018[(i)]
Definite life	**$ 212,922**	$ 221,621
Indefinite life	**139,791**	202,995
Total intangible assets	**$ 352,713**	$ 424,616

(i) *Restated, see Note 29(a).*

	Definite life				
	Software in use	**Software in process**	**Recipes**	**Customer relationships**	**Total**
Cost	**$ 137,666**	**20,643**	**33,495**	**134,535**	**$ 326,339**
Accumulated amortization	**(93,077)**	**—**	**(6,952)**	**(13,388)**	**(113,417)**
Net balance, December 31, 2019	**$ 44,589**	**20,643**	**26,543**	**121,147**	**$ 212,922**

	Software in use	Software in process	Recipes	Customer relationships	Total
Cost[(i)]	$ 120,611	18,144	34,538	138,288	$ 311,581
Accumulated amortization	(78,996)	—	(4,027)	(6,937)	(89,960)
Net balance, December 31, 2018[(i)]	$ 41,615	18,144	30,511	131,351	$ 221,621

(i) *Restated, see Note 29(a).*

The changes in net carrying amounts of definite life intangibles during 2019 and 2018 were as follows:

	Software in use	**Software in process**	**Recipes**	**Customer relationships**	**Total**
Net balance, December 31, 2018[(i)]	**$ 41,615**	**18,144**	**30,511**	**131,351**	**$ 221,621**
Additions	**—**	**19,724**	**—**	**—**	**19,724**
Transfers	**17,225**	**(17,225)**	**—**	**—**	**—**
Amortization	**(14,053)**	**—**	**(3,127)**	**(6,792)**	**(23,972)**
Foreign currency translation	**(4)**	**—**	**(841)**	**(3,412)**	**(4,257)**
Other[(ii)]	**(194)**	**—**	**—**	**—**	**(194)**
Net balance, December 31, 2019	**$ 44,589**	**20,643**	**26,543**	**121,147**	**$ 212,922**

	Software in use	Software in process	Recipes	Customer relationships	Total
Net balance, December 31, 2017	$ 47,676	9,998	7,787	57,800	$ 123,261
Business combinations[(i)]	1,512	—	23,505	73,304	98,321
Additions	—	13,999	—	—	13,999
Transfers	5,607	(5,607)	—	—	—
Amortization	(13,401)	—	(2,672)	(4,695)	(20,768)
Foreign currency translation	221	(246)	1,891	4,942	6,808
Net balance, December 31, 2018[(i)]	$ 41,615	18,144	30,511	131,351	$ 221,621

(i) *Restated, see Note 29(a).*

(ii) *Includes disposals, reclassifications and other adjustments.*

Amortization

Amortization is recorded through cost of goods sold or SG&A depending on the nature of the asset.

Borrowing Costs

For the years ended December 31, 2019 and 2018, there were no borrowing costs capitalized on intangible assets.

Indefinite Life Intangibles

Indefinite life intangible assets are comprised of trademarks and poultry production quota. The Company expects to renew the registration of the trademarks and poultry production quota at each expiry date indefinitely and expects these assets to generate economic benefit in perpetuity. As such, the Company assessed these intangibles to have indefinite useful lives.

The changes in net carrying amounts of indefinite life intangibles during 2019 and 2018 were as follows:

	Indefinite life		
	Trademarks	**Quota**	**Total**
Net balance, December 31, 2018[(i)]	**$ 122,102**	**80,893**	**$ 202,995**
Impact of new IFRS standards[(ii)]	**—**	**(28,830)**	**(28,830)**
Other[(iii)]	**—**	**(31,910)**	**(31,910)**
Foreign Currency Translation	**(2,464)**	**—**	**(2,464)**
Net balance, December 31, 2019	**$ 119,638**	**20,153**	**$ 139,791**

	Trademarks	Quota	Total
Net balance, December 31, 2017	$ 71,783	20,153	$ 91,936
Business Combinations[(i)]	45,069	31,910	76,979
Additions	—	28,830	28,830
Foreign Currency Translation	5,250	—	5,250
Net balance, December 31, 2018[(i)]	$ 122,102	80,893	$ 202,995

(i) *Restated, see Note 29(a).*

(ii) *See Note 3(w).*

(iii) *Reclassification of quota in Drummondville, Québec to Assets Held For Sale.*

The indefinite life intangible assets are allocated between the Meat Protein and Plant Protein CGU groups as follows:

	As at December 31,	
CGU Group	**2019**	2018
Meat Protein[(i)]	**$ 36,873**	$ 97,613
Plant Protein	**102,918**	105,382
	$ 139,791	$ 202,995

(i) *Restated, see Note 29(a).*

The Company performs annual impairment testing on its indefinite life intangible assets. Annual impairment testing, consistent with the impairment testing for goodwill as described in Note 11, involves determining the recoverable amount of each indefinite life intangible asset and comparing it to the net carrying value.

Trademarks

The recoverable value of trademarks is calculated using the royalty savings approach, which involves present valuing the royalties earned by similar trademarks. The key assumptions used in this determination are:

	2019	2018
Royalty rate range	**1.0 - 3.0%**	1.5 - 3.0%
Growth rate	**1.5 - 3.0%**	1.5 - 3.0%
Discount rate	**7.7 - 10.7%**	8.3 - 11.4%

13. PROVISIONS

	Legal	Environ-mental	Lease make-good	Restructuring and related provisions: Severance and other employee related costs	Restructuring and related provisions: Site closing and other cash costs	Total
Balance at December 31, 2018	**$ 289**	**4,762**	**1,810**	**43,820**	**2,671**	**$ 53,352**
Impact of new IFRS standards[(i)]	**—**	**—**	**(1,810)**	**—**	**(2,400)**	**(4,210)**
Charges	**—**	**—**	**—**	**8,678**	**40**	**8,718**
Reversals	**—**	**(2,000)**	**—**	**(3,937)**	**—**	**(5,937)**
Cash payments	**—**	**(57)**	**—**	**(2,762)**	**(99)**	**(2,918)**
Non-cash items	**—**	**—**	**—**	**—**	**(103)**	**(103)**
Balance at December 31, 2019	**$ 289**	**2,705**	**—**	**45,799**	**109**	**$ 48,902**
Current						**$ 3,973**
Non-current						**44,929**
Total at December 31, 2019						**$ 48,902**

(i) *See Note 3(w).*

	Legal	Environ-mental	Lease make-good	Restructuring and related provisions: Severance and other employee related costs	Restructuring and related provisions: Site closing and other cash costs	Total
Balance at December 31, 2017	$ 289	4,833	2,228	10,379	2,879	$ 20,608
Charges	—	—	—	46,119	2,258	48,377
Reversals	—	—	(390)	(2,726)	(86)	(3,202)
Cash payments	—	(71)	(28)	(9,952)	(2,476)	(12,527)
Non-cash items	—	—	—	—	96	96
Balance at December 31, 2018	$ 289	4,762	1,810	43,820	2,671	$ 53,352
Current						$ 3,457
Non-current						49,895
Total at December 31, 2018						$ 53,352

Restructuring and Other Related Costs

For the year ended December 31, 2019, the Company recorded restructuring and other related costs of $11.0 million. Of this amount, $5.9 million related to accelerated depreciation and other asset write-offs, and $0.2 million related to severance and other employee related costs as a result of the announced closure of the poultry plants in St. Mary's, Brampton, and Toronto. The remaining $4.9 million related to employee related costs for other organizational restructuring initiatives.

For the year ended December 31, 2018, the Company recorded restructuring and other related costs of $46.2 million. Of this amount, $40.7 million related to accelerated depreciation and severance and other employee costs as a result of the announced closure of the poultry plants in St. Mary's, Brampton, and Toronto, $2.4 million related to costs as a result of the St. Anselme plant closure, and $2.4 million related to costs as a result of the Thamesford turkey processing plant closure. The remaining $0.7 million related to other previously announced organizational restructuring initiatives.

14. LONG-TERM DEBT

		As at December 31, 2019		As at December 31, 2018
Revolving line of credit	**$**	**—**	$	374,775
U.S. term credit		**346,461**		—
Canadian term credit		**185,000**		—
Government loans		**7,867**		8,646
Total long-term debt	**$**	**539,328**	$	383,421
Current	**$**	**899**	$	80,897
Non-current		**538,429**		302,524
Total long-term debt	**$**	**539,328**	$	383,421

On April 30, 2019, the Company entered into a new syndicated credit facility (the "Credit Facility") consisting of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility refinanced and replaced the Company's previous $250.0 million and $400.0 million unsecured committed revolving credit facilities, which were due to mature on November 7, 2019 and October 19, 2021, respectively. The Credit 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 the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments, including the construction of its two new manufacturing facilities in London, Ontario and Shelbyville, Indiana, in addition to providing appropriate levels of liquidity and for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. This reduction will not materialize until at least 2021, and there is no penalty for not achieving the targets. In addition to loans, as at December 31, 2019 the Company had drawn letters of credit of $6.2 million on the Credit Facility (2018: $6.3 million on the previous facility).

The Credit Facility requires the maintenance of certain covenants. As at December 31, 2019, the Company was in compliance with all of these covenants. The primary financial covenant requires that the Company maintain a Total Debt to Capitalization ratio below a specified threshold.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of $125.0 million (2018: $125.0 million). As at December 31, 2019, $79.5 million of letters of credit had been issued thereon (2018: $72.2 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (2018: 2.9%). These facilities are repayable over various terms from 2022 to 2024. As at December 31, 2019, $7.9 million (2018: $8.6 million) was outstanding. All of these facilities are committed.

The Company’s estimated average effective cost of borrowing for 2019 was approximately 4.1% (2018: 4.4%). Required repayments of long-term debt are as follows:

2020	$	1,083
2021		1,083
2022		5,209
2023		185,556
2024		346,831
Total required repayments of long-term debt	**$**	**539,762**

The following table reconciles the changes in cash flows from financing activities for long-term debt for the period in the respective years:

	As at December 31,	
	2019	2018
Total long-term debt, beginning of period	**$ 383,421**	$ 9,248
Revolving and term credit facilities - net drawings	**$ 170,621**	$ 358,978
Government loans - repayments	**(1,130)**	(1,037)
Total cash flow from long-term debt financing activities	**$ 169,491**	$ 357,941
Foreign exchange revaluation	**$ (13,935)**	$ 15,797
Other non-cash changes	**351**	435
Total non-cash changes	**$ (13,584)**	$ 16,232
Total long-term debt, end of period	**$ 539,328**	$ 383,421

15. LEASE OBLIGATIONS

Changes in the balance of lease obligations during 2019 were as follows:

Opening Balance, January 1, 2019[(i)]	**$ 254,526**
Payments	**(42,304)**
Interest	**9,001**
Additions	**24,053**
Disposals	**(1,487)**
Foreign currency translation	**(271)**
Balance at December 31, 2019	**$ 243,518**
Current	**$ 39,505**
Non-current	**204,013**
Total at December 31, 2019	**$ 243,518**

(i) *See Note 3(w).*

Total cash outflows arising from lease obligations are as follows:

	As at December 31,
	2019
Payment of lease obligations in financing activities	**$ 34,690**
Payment of lease interest expense in operating activities	**7,614**
Total cash outflows of leases	**$ 42,304**

The maturity of contractual undiscounted lease obligation payments are as follows:

Due within 1 year	**$ 40,769**
Due between 1 and 3 years	**102,368**
Due between 3 and 5 years	**36,556**
Due after 5 years	**105,843**
Total lease obligation payments	**$ 285,536**

The Company does not face a significant liquidity risk in regard to its lease obligations.

The following amounts were recognized in the consolidated statements of net earnings pertaining to leases:

	As at December 31, 2019
Variable rent expense(i)	$ **12,184**
Short-term rent expense(ii)	$ **5,937**

(i) *Pertains to property taxes and common area maintenance on buildings which are calculated annually. These payments make up 28.8% of fixed payments made in the year.*

(ii) *Pertains primarily to leases of property, equipment and vehicles with a contract term of less than one year.*

Right-of-use assets associated with the Company's lease obligations are described in Note 9.

16. OTHER CURRENT LIABILITIES

	Notes	As at December 31, 2019	2018
Derivative instruments	***19***	$ **4,034**	$ 7,661
Obligation for repurchase of shares	***18***	**25,389**	—
Contract liabilities		**10,983**	10,827
Other		**4,292**	5,543
		$ **44,698**	$ 24,031

17. OTHER LONG-TERM LIABILITIES

	As at December 31, 2019	2018
Step rent and lease inducements(i)	$ **—**	$ 8,369
Finance leases(i)	**—**	43,791
Other	**3,026**	1,404
	$ **3,026**	$ 53,564

(i) *See Note 3(w).*

18. SHARE CAPITAL

(Thousands of shares)	Common Shares 2019	Common Shares 2018	Treasury Stock 2019	Treasury Stock 2018
Balance, beginning of year	**123,448**	126,489	**924**	832
Distributions under share-based compensation plans	**440**	326	**(440)**	(326)
Exercise of share options	**358**	1,338	**—**	—
Shares repurchased	**(840)**	(5,258)	**—**	—
Purchase of treasury stock	**(476)**	(418)	**476**	418
Issuance of shares for acquisition (Note 29)	**—**	971	**—**	—
Balance, end of year	**122,930**	123,448	**960**	924

Common Shares

The authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting common shares, and an unlimited number of preference shares. These shares have no par value.

The holders of common shares are entitled to receive dividends as declared from time to time, and they are entitled to one vote per share at meetings of the Company.

Treasury Stock

Treasury stock is comprised of shares purchased by a trust in order to satisfy the requirements of the Company's Restricted Share Unit Plan, as described in Note 24.

Share Repurchase

On May 17, 2019, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 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, 2019 and will terminate on May 23, 2020, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2019, 0.8 million shares were purchased for cancellation for $20.3 million at a volume weighted average price paid of $24.21 per common share.

On May 22, 2018, the TSX accepted the Company's notice of intention to commence an 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 were cancelled. The program commenced on May 24, 2018 and was terminated on May 23, 2019 as the Company completed its purchase and cancellation of 4.0 million common shares for $126.6 million at a volume weighted average price of $31.82 per common share. Under this bid, during the year ended December 31, 2019, no shares were purchased for cancellation. Under this bid, during the year ended December 31, 2018, 4.0 million common shares were purchased for cancellation for $126.6 million at a volume weighted average price of $31.82 per common share.

On May 17, 2017, the TSX accepted the Company's notice of intention to commence an NCIB, which allowed 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 were 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 year ended December 31, 2018, 1.3 million shares were purchased for cancellation for $39.9 million at a volume weighted average price paid of $31.17 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 December 31, 2019, an obligation for the repurchase of shares of $25.4 million (2018: $0.0 million) was recognized under the ASPP.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Capital

The Company’s objective is to maintain a robust, cost-effective capital structure that ensures resilience, supports its long-term growth strategy, and maximizes operating flexibility. In allocating capital to investments to support its earnings goals, the Company establishes internal hurdle return rates for capital initiatives. Capital projects are generally financed with internal cash flows and senior debt where required.

The Company uses leverage in its capital structure to reduce the cost of capital. The Company’s goal is to maintain its primary credit ratios at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash and cash equivalents, less long-term debt and bank indebtedness (“Net Debt”) and earnings before interest, taxes, depreciation and amortization (“EBITDA”).

In addition to credit facilities and equity, the Company uses leases and a very limited recourse accounts receivable securitization program as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a long-term sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy awards under its Restricted Share Unit Plan described in Note 24.

There have been no material changes to the Company’s risk management activities during the year ended December 31, 2019.

Financial Instruments

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Accounts payable and accruals	Amortized cost
Long-term debt	Amortized cost
Derivative instruments(i)	FVTPL

(i) *These derivative instruments may be designated as cash flow hedges, fair value hedges or net investments in foreign operations hedges as appropriate.*

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

The fair values and notional amounts of derivative financial instruments as at December 31 are shown below:

	2019			2018		
	Notional amount(i)	**Fair value Asset(ii)**	**Fair value Liability(ii)**	Notional amount(i)	Fair value Asset(ii)	Fair value Liability(ii)
Cash flow hedges						
Foreign exchange contracts	**$ 29,273**	**$ 497**	**$ 40**	$ 63,204	$ 130	$ 2,271
Interest rate swaps	**$ 479,129**	**2,160**	**—**	$ —	—	—
		$ 2,657	**$ 40**		$ 130	$ 2,271
Fair value hedges(iii)						
Foreign exchange contracts	**$ 50,718**	**$ 904**	**$ —**	$ 58,156	$ —	$ 1,837
Commodity contracts	**$ 54,725**	**3,184**	**—**	$ 59,570	2,148	—
		$ 4,088	**$ —**		$ 2,148	$ 1,837
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts	**$ 251,868**	**$ 842**	**$ 3,003**	$ 126,719	$ 3,472	$ 483
Commodity contracts	**$ 242,711**	**91**	**991**	$ 135,941	2,805	3,070
		$ 933	**$ 3,994**		$ 6,277	$ 3,553
Total fair value		**$ 7,678**	**$ 4,034**		$ 8,555	$ 7,661
Current(ii)(iv)(v)		**$ 6,197**	**$ 4,034**		$ 8,555	$ 7,661
Non-current(ii)		**1,481**	**—**		—	—
Total fair value		**$ 7,678**	**$ 4,034**		$ 8,555	$ 7,661

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

(ii) *The current portion of derivative assets and liabilities are recorded in prepaid expenses and other assets and other current liabilities, respectively, in the consolidated balance sheets. The non-current portion of derivative assets and liabilities are recorded in other long-term assets and other long-term liabilities, respectively, in the consolidated balance sheets.*

(iii) *The carrying amount of the hedged items in the consolidated balance sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.*

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

(v) *As at December 31, 2019, the above fair value of current assets has been increased on the consolidated balance sheets by an amount of $1.1 million (2018: decreased by $1.1 million), which represents the excess or deficit 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.*

The Company's financial assets and liabilities include accounts receivable, notes receivable, and accounts payable and accruals for which fair value approximates the carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2019 and 2018 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

The Company's cash and cash equivalents and derivative instruments are recorded at fair value. The fair value of cash and cash equivalents approximates carrying value due to the short-term nature of the assets and has been classified as Level 1 in the fair value hierarchy. The fair values of the Company's interest rate and foreign exchange derivative instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

Net gains and losses on financial instruments recognized at fair value through profit or loss consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

For the year ended December 31, 2019, the Company recorded a gain of $5.4 million (2018: gain of $10.6 million) on financial instruments recognized at fair value through profit or loss. The gain was mainly attributed to a gain in commodity exchange traded contracts which economically hedge and offset price risk volatility inherent in the hog operational business.

The table below sets out fair value measurements of financial instruments as at December 31, 2019 using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	$ —	2,243	—	$ 2,243
Commodity contracts	3,184	91	—	3,275
Interest rate swaps	—	2,160	—	2,160
	$ 3,184	**4,494**	**—**	**$ 7,678**
Liabilities:				
Foreign exchange contracts	$ —	3,043	—	$ 3,043
Commodity contracts	991	—	—	991
	$ 991	**3,043**	**—**	**$ 4,034**

There were no transfers between levels for the year ended December 31, 2019. 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. 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 $0.8 million, net of tax of $0.3 million, of the unrealized gain 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 year ended December 31, 2019, a gain of $1.9 million, net of tax of $0.7 million, was released to earnings from accumulated other comprehensive income (loss) and included in the net change for the year (2018: gain of $0.0 million, net of tax of $0.0 million).

The risks associated with the Company's financial instruments and policies for managing these risks are detailed below.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable-rate borrowings that create cash flow interest rate risk. In addition, the Company's cash balances are typically invested in short-term interest-bearing assets.

The Company manages its interest rate risk exposure by using a mix of fixed and variable-rate debt and periodically using interest rate derivatives to achieve the desired proportion of variable to fixed-rate debt.

As at December 31, 2019, the Company had variable-rate debt of $531.5 million with a weighted average interest rate of 3.3% (2018: $374.8 million at a weighted average interest rate of 3.8%). The Company has converted $479.1 million of the variable-rate debt to fixed-rate debt using interest rate swaps with a weighted average interest rate of 3.0% (2018: $0.0 million at a weighted average interest rate of 0.0%). In addition, the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2019, the amount serviced pursuant to this program was $101.6 million at a weighted average interest rate of 1.6% (2018: $96.9 million at a weighted average interest rate of 2.0%). The maximum amount available to the Company under these programs is $120.0 million (2018: $110.0 million).

As at December 31, 2019, the Company had fixed-rate debt of $7.9 million (2018: $8.6 million) with a weighted average effective interest rate of 4.5% (2018: 4.7%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

As at December 31, 2019, 75.2% (2018: 1.8%) of the Company's outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements, after including the effect of interest rate swaps.

The Company's interest rate swaps are accounted for as cash flow hedges to reduce the variability of floating rate interest payments of variable-rate debt. The Company's designated interest rate swaps settle periodically and mature in 2023 and 2024 respectively, in line with the hedged items.

The critical terms of the interest rate swaps and the associated hedged items are closely aligned. The Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the interest rate swaps and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. Sources of hedge ineffectiveness include the effect of the counterparty and the Company's own credit risk on the fair value of the interest rate swaps and a lack of access to negative benchmark interest rates on the Company's borrowings.

The change in fair values of interest rate hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2019 and 2018 were as follows:

	2019		2018	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Cash flow hedges	**$ 2,160**	**$ (2,184)**	$ —	$ —

Amounts recognized in the consolidated statements of other comprehensive income (loss) as at December 31 consist of:

	2019		2018	
Cash flow hedges	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ —**	**$ —**	$ —	$ —
Change in fair value of interest rate swaps	**2,160**	**—**	—	—
Balance, end of year	**$ 2,160**	**$ —**	$ —	$ —

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the variable interest rate would result in a decrease in the fair value of the Company's interest rate swaps of $3.1 million, with a decrease in earnings before taxes of $0.0 million and a decrease in other comprehensive income (loss) of $3.1 million.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates.

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars, U.S. dollar-denominated borrowings, and investments in foreign operations.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen. The Company uses forward contracts which are accounted for as fair value hedges to minimize the price risk assumed under forward priced contracts with suppliers. The Company also uses forward contracts which are accounted for as cash flow hedges as well as non-designated derivative instruments to minimize the price risk of anticipated transactions.

The critical terms of foreign exchange forward contracts and the associated hedged items are similar. The Company performs a quantitative assessment of the effectiveness, and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness include differences in the underlying terms of the foreign exchange contracts and the hedged items.

The Company's designated foreign exchange forward contracts mature within one year. The average exchange rate of the Company's U.S. dollar denominated contracts is 1.32 (2018: 1.32). There were no Japanese yen denominated contracts in 2019 (2018: average exchange rate of 85.48 for Japanese yen denominated contracts).

As at December 31, 2019, the Company had US$265.0 million (2018: US$216.0 million) drawn on its Credit Facility (see Note 14) that is 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 (loss) and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income (loss). The gain on the net investment hedge recorded in other comprehensive income (loss) for the year ended December 31, 2019 was $11.7 million, net of tax of $2.2 million (2018: loss of $13.3 million, net of tax of $2.5 million).

The critical terms of the U.S. denominated drawings and the associated hedged items are the same. The Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the U.S. denominated drawings and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. There are no sources of hedge ineffectiveness.

The change in fair values of foreign exchange hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2019 and 2018 were as follows:

	2019		2018	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Cash flow hedges	**$ 457**	**$ (463)**	$ (2,141)	$ 2,122
Fair value hedges	**$ 904**	**$ (964)**	$ (1,837)	$ 1,822
Net investment in foreign operations	**$ 8,427**	**$ (8,427)**	$ (15,797)	$ 15,797

Amounts recognized in the consolidated statements of other comprehensive income (loss) as at December 31 consist of:

	2019		2018	
Cash flow hedges	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ (2,122)**	**$ (3,931)**	$ 2,436	**$ —**
Change in fair value of foreign exchange contracts	**2,579**	**—**	(4,558)	(3,931)
Balance, end of year	**$ 457**	**$ (3,931)**	$ (2,122)	$ (3,931)

	2019		2018	
Net investment in foreign operations	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ (15,797)**	**$ —**	$ —	$ —
Change in fair value of U.S. denominated drawings	**24,224**	**(10,289)**	(15,797)	—
Balance, end of year	**$ 8,427**	**$ (10,289)**	$ (15,797)	$ —

Gains (losses) related to the Company's designated derivative financial instruments recorded in the consolidated statements of net earnings as at December 31 were as follows:

	2019		2018	
	Effective portion(i)(ii)	**Ineffective portion(i)**	Effective portion(i)(ii)	Ineffective portion(i)
Cash flow hedges				
Foreign exchange contracts	**$ —**	**$ —**	$ —	$ (52)
Fair value hedges				
Foreign exchange contracts	**$ 904**	**$ (60)**	$ (1,822)	$ (15)

(i) *Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.*

(ii) *The effective portion in earnings for cash flow hedges represents the accumulated other comprehensive income (loss) released to the consolidated statements of net earnings.*

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the value of the Canadian dollar against all relevant currencies would result in a decrease in the fair value of the Company's foreign exchange forward contracts of $3.6 million, with a decrease in earnings before taxes of $5.8 million and an increase in other comprehensive income (loss) of $2.2 million.

Commodity Price Risk

The Company is exposed to price risk related to commodities such as live hogs, fuel costs, and purchases of certain other agricultural commodities used as raw materials, including feed grains. The Company uses fixed price contracts with suppliers as well as exchange-traded and over-the-counter futures and options to manage its exposure to price fluctuations.

The Company uses futures which are accounted for as fair value hedges as well as non-designated derivative instruments to minimize the price risk assumed under forward priced contracts with suppliers. The Company also uses futures which are accounted for as cash flow hedges as well as non-designated derivative instruments to minimize the price risk of anticipated transactions. The Company does not use component hedging as part of its commodity price risk management.

The critical terms of the futures contracts and the associated hedged items are similar for fair value hedges. The Company performs a quantitative assessment of the effectiveness, and it is expected that the value of the futures contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying commodity prices. Hedge ineffectiveness in these hedging relationships is due to timing differences in the term of the futures contracts and the hedged items.

The Company's designated commodity futures contracts mature within one year. The outstanding designated commodity futures contracts as at December 31 were as follows:

	2019		2018	
	Average Price	**Volume (000's cwt)**	Average Price	Volume (000's cwt)
Fair value hedges				
Hog contracts	**$ 81.92**	**514**	$ 74.34	600

The change in fair values of commodity hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2019 and 2018 were as follows:

	2019		2018	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Fair value hedges	**$ 2,956**	**$ (2,956)**	$ 2,148	$ (2,148)

Gains (losses) related to the Company's designated derivative financial instruments recorded in the consolidated statements of net earnings as at December 31 were as follows:

	2019		2018	
	Effective portion(i)	**Ineffective portion**(i)	Effective portion(i)	Ineffective portion(i)
Fair value hedges				
Commodity contracts	**$ 2,956**	**$ —**	$ 3,737	**$ —**

(i) *Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.*

It is estimated that, all else constant, an adverse hypothetical 10.0% change in market prices of the underlying commodities would result in a decrease in the fair value of underlying outstanding derivative contracts of $6.2 million, with a decrease in earnings before taxes of $6.2 million and $0.0 million in other comprehensive income (loss). The earnings before taxes excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company's customers and counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, food service, industrial, and convenience channels. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as described in Note 27. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers as at December 31, 2019 comprise approximately 21.6% (2018: two largest customers representing 22.8%) of total sales.

The Company is also exposed to credit risk on its notes receivable from an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 27. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third-party trust. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The contractual undiscounted cash flows payable in respect of financial liabilities as at the balance sheet date, were as follows:

	December 31, 2019				
	Due within 1 year	**Due between 1 and 3 years**	**Due between 3 and 5 years**	**Due after 5 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 445,774	$ —	$ —	$ —	$ 445,774
Debt	1,083	6,292	532,387	—	539,762
Foreign exchange contracts	3,043	—	—	—	3,043
Commodity futures contracts	991	—	—	—	991
Other liabilities	36,515	135	—	—	36,650
Total	**$ 487,406**	**$ 6,427**	**$ 532,387**	**$ —**	**$ 1,026,220**

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize re-financing risk.

As at December 31, 2019, the Company had available undrawn committed credit of $1,465.0 million (2018: $268.9 million) under the terms of its principal banking arrangements (Note 14). These banking arrangements are subject to certain covenants and other restrictions.

20. OTHER EXPENSE

	2019	2018
Loss on disposal of property and equipment	**$ 1,049**	$ 5,623
Gain on sale of investment properties	**(5,213)**	(1,250)
Insurance proceeds	**—**	(7,292)
Net investment property expense	**1,098**	661
Interest income	**(5)**	(265)
Legal and other fees on transactions	**4,414**	13,597
Other legal expense	**1,159**	1,361
Other	**766**	539
	$ 3,268	$ 12,974

21. INTEREST EXPENSE AND OTHER FINANCING COSTS

	2019	2018
Interest on borrowings from Credit Facility	**$ 16,876**	$ 3,980
Interest on lease obligations	**9,001**	—
Interest expense on securitized receivables	**2,824**	2,467
Interest expense on government loans	**351**	435
Deferred finance charges	**1,496**	1,149
Other interest charges	**3,177**	2,009
Interest capitalized	**(2,650)**	—
Write-off of deferred finance fees	**956**	—
	$ 32,031	$ 10,040

22. INCOME TAXES

The components of income tax expense were as follows:

	2019	2018
Current tax expense		
Current year	**$ 13,690**	$ 29,700
	$ 13,690	$ 29,700
Deferred tax (recovery) expense		
Origination and reversal of temporary differences	**$ (348)**	$ 10,055
Change in tax rates	**(975)**	—
	$ (1,323)	$ 10,055
Total income tax expense	**$ 12,367**	$ 39,755

Reconciliation of Effective Tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

	2019	2018
Income tax expense according to combined statutory rate of 26.7% (2018: 26.8%)	**$ 23,228**	$ 37,813
Increase (decrease) in income tax resulting from:		
Tax rate differences in other jurisdictions	**754**	(314)
Manufacturing and processing credit	**(1,240)**	(927)
Share based compensation	**1,112**	998
Non-deductible expenses and transactional costs	**948**	2,926
Unrecognized income tax benefit of losses	**92**	113
Adjustment for favorable tax audit resolution	**(10,460)**	(1,177)
Deferred tax (recovery) expense relating to changes in tax rates	**(975)**	—
Adjustment to tax expense of prior periods	**(1,434)**	—
Other	**342**	323
	$ 12,367	$ 39,755

Income Tax Recognized in Other Comprehensive Income (Loss)

	2019	2018
Derivative instruments	**$ 3,426**	$ (4,165)
Pension adjustments	**(3,350)**	3,728
	$ 76	$ (437)

Deferred Tax Assets and Liabilities

Recognized Deferred Tax Asset and Liabilities

The Company has recognized deferred tax assets in the amount of approximately $88.9 million (2018: $67.9 million), relating primarily to future deductions for employee benefits, tax losses and deductions carried forward, and restructuring expenses. These deferred tax assets are recorded based on the Company's estimate that it will earn sufficient taxable profits to fully utilize its tax losses in the appropriate carry over periods.

The Company has recognized deferred tax liabilities in the amount of approximately $210.9 million (2018: $195.4 million), relating primarily to claims for tax depreciation in excess of accumulated book depreciation, cash basis farming adjustments, and the excess of book value over the tax cost of intangible assets.

	As at December 31,	
	2019	2018*(i)*
Deferred tax assets:		
Tax losses and deductions carried forward	**$ 38,213**	$ 15,973
Accrued liabilities	**13,172**	13,370
Employee benefits	**32,156**	31,121
Other	**5,358**	7,485
	$ 88,899	$ 67,949
Deferred tax liabilities:		
Property and equipment	**$ 129,540**	$ 110,418
Cash basis farming	**24,591**	23,732
Goodwill and other intangible assets	**56,740**	61,264
	$ 210,871	$ 195,414
Classified in the consolidated financial statements as:		
Deferred tax asset	**$ —**	$ —
Deferred tax liability	**$ 121,972**	$ 127,465

(i) *Restated, see Note 29(a).*

Unrecognized Deferred Tax Assets

The Company has no unrecognized deferred tax assets as at December 31, 2019 and 2018.

Unrecognized Deferred Tax Liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The unrecognized temporary difference at December 31, 2019 for the Company's subsidiaries was $395.5 million (2018: $303.0 million).

23. 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 year.

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 year, adjusted for the effects of potentially dilutive instruments.

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

	2019			2018		
Years ended December 31,	**Net earnings**	**Weighted average number of shares**(ii)	**EPS**	Net earnings	Weighted average number of shares(ii)	EPS
Basic	**$ 74,628**	**123.6**	**$ 0.60**	$ 101,348	125.0	$ 0.81
Stock options(i)		**1.6**			2.5	
Diluted	**$ 74,628**	**125.2**	**$ 0.60**	$ 101,348	127.5	$ 0.79

(i) *Excludes the effect of approximately 2.3 million (2018: 1.4 million) options and performance shares that are anti-dilutive.*

(ii) *In millions.*

24. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Option Plan in effect as at December 31, 2019, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock. Under the Maple Leaf Foods Restricted Share Unit Plan (adopted in 2006) ("the 2006 Plan") in effect as at December 31, 2019, the Company may grant RSUs and PSUs to its employees and employees of its subsidiaries entitling employees to receive common shares or cash at the Company's option. Options, RSUs, and PSUs are granted from time to time by the Human Resources and Compensation Committee or by the Board of Directors on the recommendation of the Human Resources and Compensation Committee. The vesting conditions for options, RSUs, and PSUs are specified by the Board of Directors and may include the continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

Under the Company's Share Purchase and Deferred Share Unit Plans, eligible Directors may elect to receive their retainer and fees in the form of DSUs or as common shares of the Company.

Stock Options

A summary of the status of the Company's outstanding stock options as at December 31, 2019 and 2018, and changes during these years are presented below:

	2019		2018	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	**3,976,300**	**$ 25.38**	4,556,400	$ 20.23
Granted	**1,060,350**	**$ 28.42**	757,500	$ 32.45
Exercised	**(358,400)**	**$ 21.65**	(1,337,600)	$ 11.84
Forfeited	**(120,000)**	**$ 29.96**	—	$ —
Outstanding, end of year	**4,558,250**	**$ 26.26**	3,976,300	$ 25.38
Options currently exercisable	**2,868,900**	**$ 24.14**	2,450,300	$ 22.44

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.

The number of options outstanding as at December 31, 2019, is as follows:

	Options outstanding			**Options currently exercisable**		**Options subject to time vesting only**	
Range of exercise prices	**Number outstanding**	**Weighted average exercise price**	**Weighted average remaining term of options (in years)**	**Number exercisable**	**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
$ 20.28 to $ 22.53	2,128,200	$ 21.61	2.3	2,128,200	$ 21.61	—	$ —
$ 28.38 to $ 30.86	1,707,400	$ 29.44	5.3	488,200	$ 30.86	1,219,200	$ 28.87
$ 31.57 to $ 32.50	722,650	$ 32.45	5.2	252,500	$ 32.45	470,150	$ 32.45
Total Options	**4,558,250**	**$ 26.26**	**3.9**	**2,868,900**	**$ 24.14**	**1,689,350**	**$ 29.87**

The number of options outstanding as at December 31, 2018, is as follows:

	Options outstanding			Options currently exercisable		Options subject to time vesting only	
Range of exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining term of options (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price
$ 20.28 to $ 22.53	2,486,600	$ 21.62	3.3	2,206,200	$ 21.50	280,400	$ 22.53
$ 30.86 to $ 30.86	732,200	$ 30.86	5.2	244,100	$ 30.86	488,100	$ 30.86
$ 31.57 to $ 32.50	757,500	$ 32.45	6.2	—	$ —	757,500	$ 32.45
Total Options	3,976,300	$ 25.38	4.2	2,450,300	$ 22.44	1,526,000	$ 30.12

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 years ended December 31, 2019 and 2018 are shown in the table below[(i)]:

	2019	2018
Share price at grant date	**$28.09**	$32.13
Exercise price	**$28.42**	$32.45
Expected volatility	**21.3%**	21.4%
Option life (in years)[(ii)]	**4.5**	4.5
Expected dividend yield	**2.1%**	1.6%
Risk-free interest rate[(iii)]	**1.8%**	2.0%

(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 year ended December 31, 2019 was $4.5 million (2018: $4.1 million). Expenses relating to current and prior year options were $4.3 million (2018: $3.8 million).

Restricted Share Units and Performance Share Units

The awards granted under the 2006 Plan are satisfied either by shares to be purchased on the open market by a trust established for that purpose, or cash at the option of the Company at the time of vesting.

Under the 2006 Plan, one common share of the Company may be distributed for each RSU, and these units vest strictly over time. The PSUs are subject to both time and performance vesting. The PSUs provide the holder with up to two RSUs based on the achievement of predetermined Company performance targets. All outstanding RSUs and PSUs under the 2006 Plan vest over a period of approximately one to three years from the date of grant.

A summary of the status of the Company's RSU plans (including PSUs) as at December 31, 2019 and 2018 and changes during these periods is presented below:

	2019		2018	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding, beginning of year	**1,471,662**	**$ 28.48**	1,561,695	$ 25.61
Granted	**541,450**	**$ 26.51**	394,600	$ 30.67
Exercised	**(671,658)**	**$ 26.33**	(455,789)	$ 20.85
Forfeited	**(95,539)**	**$ 28.26**	(28,844)	$ 24.00
Outstanding, end of year	**1,245,915**	**$ 28.80**	1,471,662	$ 28.48

On April 1, 2016, the Company communicated to its employees the intent to issue RSUs at which time the service period commenced. During the year ended December 31, 2017, the RSUs were formally granted. The service period for these units vested in 2019.

All of the Company's outstanding RSUs are accounted for as equity-settled awards.

The fair value of RSUs and PSUs granted in 2019 was $12.5 million (2018: $10.2 million). Expenses for the year ended December 31, 2019 relating to current and prior year RSUs and PSUs, were $12.2 million (2018: $13.0 million). No RSUs or PSUs were cash settled in the year (2018: $0.0 million).

The key assumptions used in the valuation of fair value of RSUs granted during the year are shown in the table below[(i)]:

	2019	2018
Expected RSU life (in years)	**3.1**	3.1
Forfeiture rate	**12.6%**	16.1%
Risk-free discount rate	**1.7%**	1.9%

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

Director Share Units

If an eligible Director elects to receive his or her retainer and fees as common shares of the Corporation, the Company purchases shares at market rates on behalf of the participating Directors.

Prior to 2013, if an eligible Director elected to receive his or her fees and retainer in the form of DSUs, each DSU had a value equal to the market value of one common share of the Company at the time the DSU is credited to the Director. DSUs attract dividends in the form of additional DSUs at the same rate as dividends on common shares of the Company. The value of each DSU is measured at each reporting date and is equivalent to the market value of a common share of the Company at the reporting date.

In 2013, the Company adopted a new Share Purchase and Deferred Share Unit Plan (the “2013 DSU Plan”), which replaced the Company’s existing Share Purchase and Deferred Share Unit Plan (the “2002 DSU Plan”). The 2002 DSU Plan only allows for DSUs to be satisfied in cash, whereas the 2013 DSU Plan allows the Company, at its discretion, the flexibility to satisfy DSUs in common shares, either issued from treasury or purchased by the Company on the open market. DSUs outstanding under the 2002 DSU Plan will be governed by the terms of the 2002 DSU Plan, unless a participant elected in writing that his or her DSUs outstanding under the 2002 DSU Plan are to be governed by the 2013 DSU Plan.

The fair value of director share units expensed during the year ended December 31, 2019 was $1.4 million (2018: $1.6 million).

A summary of the status of the Company’s outstanding DSUs as at December 31, 2019 and 2018, and changes during these years is presented below:

	2019		2018	
Units outstanding	**2013 DSU plan**	**2002 DSU plan**	2013 DSU plan	2002 DSU plan
Outstanding, beginning of year	**245,334**	**20,004**	251,742	19,677
Additions: granted	**43,598**	**—**	43,127	—
Additions: dividends reinvested	**4,438**	**108**	4,419	327
Exercised	**(75,532)**	**(20,112)**	(53,954)	—
Outstanding, end of year	**217,838**	**—**	245,334	20,004
Value of liability at December 31[(i)]	**$ —**	**$ —**	$ —	$ 554

[(i)] *Value of liability is only applicable to the 2002 plan.*

25. SEGMENTED FINANCIAL INFORMATION

During the year ended December 31, 2019, the Company completed a comprehensive analysis of the role of its rapidly expanding plant protein business in the Company's meat and plant protein portfolios, their respective financial profiles and long-term value creation opportunities. Based on the importance of these two distinct businesses and differing strategic and financial requirements to maximize their market leadership and long-term shareholder value, the Company has disaggregated its business into two operating segments. As described below, these segments offer different products, with separate organizational structures, brands, financial, and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these businesses; performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted EBITDA, while the performance of the Plant Protein Group is based predominantly on revenue growth rates, while managing gross margins and controlling investment levels which generate high revenue growth rates. Refer to the section, Non-IFRS Financial Measures, of the Company's Management's

Discussion and Analysis for the year ended December 31, 2019, for the definitions of these non-IFRS financial measures. The operations of each segment are described as follows:

(a) The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, hog production and value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels. The Meat Protein Group includes brands such as Maple Leaf®, Maple Leaf Prime®, Schneiders®, Mina®, Greenfield Natural Meat Co.®, Swift® and many sub-brands.

(b) The Plant Protein Group is comprised of refrigerated plant protein products, premium grain-based protein and vegan cheese products sold to retail, foodservice and industrial channels. The Plant Protein Group includes the brands Lightlife® and Field Roast Grain Meat Co.™

	2019				2018[i]			
	Meat Protein Group	**Plant Protein Group**	**Non-Allocated[ii]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
Sales	**$3,778,039**	**176,415**	**(12,909)**	**$3,941,545**	$3,356,950	138,569	—	$3,495,519
Gross profit	**$ 568,045**	**34,994**	**(12,060)**	**$ 590,979**	$ 518,269	38,849	(5,321)	$ 551,797
Selling, general and administrative expenses	**$ 338,706**	**118,975**	**—**	**$ 457,681**	$ 305,488	36,004	—	$ 341,492
Earnings (loss) before income taxes	**$ 218,003**	**(84,223)**	**(46,785)**	**$ 86,995**	$ 169,346	2,748	(30,991)	$ 141,103
Interest expense and other financing costs	**—**	**—**	**32,031**	**32,031**	—	—	10,040	10,040
Other expense (income)	**332**	**242**	**2,694**	**3,268**	(2,753)	97	15,630	12,974
Restructuring and other related costs	**11,004**	**—**	**—**	**11,004**	46,188	—	—	46,188
Earnings (loss) from operations	**$ 229,339**	**(83,981)**	**(12,060)**	**$ 133,298**	$ 212,781	2,845	(5,321)	$ 210,305
Decrease in fair value of biological assets[iii]	**—**	**—**	**5,545**	**5,545**	—	—	10,905	10,905
Unrealized loss (gain) on derivative contracts[iv]	**—**	**—**	**6,515**	**6,515**	—	—	(5,584)	(5,584)
Adjusted Operating Earnings	**$ 229,339**	**(83,981)**	**—**	**$ 145,358**	$ 212,781	2,845	—	$ 215,626
Depreciation and amortization	**164,197**	**12,599**	**—**	**176,796**	116,098	9,937	—	126,035
Items included in other (expense) income representative of ongoing operations	**(332)**	**(242)**	**(392)**	**(966)**	2,753	(97)	—	2,656
Adjusted EBITDA	**$ 393,204**	**(71,624)**	**(392)**	**$ 321,188**	$ 331,632	12,685	—	$ 344,317

(i) *Comparative figures have been presented to align with current reportable segments.*

(ii) *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Refer to Note 6 for further details regarding biological assets.*

(iv) *Unrealized gains/losses on derivative contracts are reported within cost of goods sold.*

The following summarizes capital expenditures by segments:

	2019	2018
Capital expenditures		
Meat Protein Group	**$ 221,822**	$ 146,552
Plant Protein Group	**27,911**	15,776
Non-allocated capital expenditures	**21,012**	17,537
	$ 270,745	$ 179,865

Information About Geographic Areas

The following summarizes sales by country of origin:

		2019		2018
Canada	**$**	**2,927,632**	$	2,581,918
U.S.		**419,631**		363,491
Japan		**372,918**		343,418
Other		**221,364**		206,692
Sales	**$**	**3,941,545**	$	3,495,519

The following summarizes non-current assets by country:

		As at December 31, 2019		As at December 31, 2018
Canada	**$**	**2,246,146**	$	1,999,244
U.S.		**393,146**		387,215
Other		**453**		169
Total non-current assets(i)	**$**	**2,639,745**	$	2,386,628

(i) *Excludes financial instruments, employee benefits and deferred tax assets.*

Information About Major Customers

For the year ended December 31, 2019, the Company reported sales to two customers representing 11.2% and 10.4% (2018: 11.9% and 10.9%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

26. COMMITMENTS AND CONTINGENCIES

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

During the year ended December 31, 2017, the Company was added as a defendant in a class action lawsuit against a group of food retailers and bread manufacturers that are the subject of an investigation by the Competition Bureau relating to pricing practices. Maple Leaf Foods has been advised that it is not the subject of the Bureau's investigation, however, the Company believes it was added as a defendant to the class action as a result of the share ownership position it previously held in Canada Bread, and is of the view that the action does not present a material financial risk to the Company.

In the normal course of business, the Company and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variable prices. The Company believes that these contracts serve to reduce risk, and does not anticipate that losses will be incurred on these contracts.

The Company entered into a number of contracts related to the construction of new and expanded facilities. As at December 31, 2019 these contract commitments were approximately $634.0 million (2018: $0.0 million).

27. COMPOSITION OF THE COMPANY

Unconsolidated Structured Entity

On July 19, 2019, the Company amended its three-year accounts receivable securitization facility (the "Securitization Facility") by extending the maturity to July 19, 2022 and increasing the maximum cash advance available to the Company under the Securitization Facility to $120.0 million (2018: $110.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization 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 December 31, 2019, trade accounts receivable being serviced under this program amounted to $133.3 million (2018: $127.4 million). In return for the sale of its trade receivables, the Company will receive cash of $101.6 million (2018: $96.9 million) and notes receivable in the amount of $31.7 million (2018: $30.5 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 December 31, 2019, the Company recorded a net payable amount of $10.1 million (2018: $32.5 million net payable) in accounts payable and accruals.

The Company’s maximum exposure to loss due to its involvement with a structured entity is equal to the current carrying value of the interest in the notes receivable due from the structured entity. The Company has not recognized any income or losses with its interest in unconsolidated structured entities for the year ended December 31, 2019 and 2018.

28. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit and defined contribution plans. During the year ended December 31, 2019, the Company's contributions to these plans were $30.1 million (2018: $28.8 million).

Key Management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary.

Remuneration of key Management personnel of the Company is comprised of the following expenses:

	2019	2018
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 13,640**	$ 9,304
Company car allowances	**326**	291
Other benefits	**137**	111
Total short-term employee benefits	**$ 14,103**	$ 9,706
Severance benefits	**110**	—
Post-employment benefits	**805**	732
Share-based compensation	**7,700**	10,636
Total remuneration	**$ 22,718**	$ 21,074

During the year ended December 31, 2019, key Management personnel of the Company exercised 0.4 million share options (2018: 1.3 million share options) granted under the Maple Leaf Foods share option plans for an amount of $7.8 million (2018: $15.4 million).

The Company’s largest shareholder is McCain Capital Inc. (“MCI”) which is beneficially owned or controlled by Mr. Michael H. McCain, Chief Executive Officer and President of the Company. For the year ended December 31, 2019, the Company received services from MCI in the amount of $0.4 million (2018: $0.6 million), which represented the market value of the transactions with MCI. As at December 31, 2019, $0.0 million (2018: $0.4 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 year ended December 31, 2019 and 2018, the Company provided services to, and received from, MFAS for a nominal amount which represented the market value of the transactions.

29. BUSINESS COMBINATIONS

(a) 2018 Acquisitions

VIAU Food Products Inc.

On November 13, 2018, the Company acquired 100% of the outstanding shares of VIAU Food Products Inc. ("VIAU"), a privately held Canadian market leader in premium Italian cooked, dry-cured and charcuterie meats, for a purchase price of $215.0 million. The Company financed the transaction using a combination of drawings on existing credit facilities and equity.

Recognized goodwill is attributable to VIAU's assembled workforce combined with its considerable expertise, product development knowledge and skills. No portion of goodwill is deductible for tax purposes.

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

	Purchase price November 13, 2018
Agreed-upon purchase price	$ 215,000
Working capital adjustments	(12,790)
Reduction for liabilities assumed	(4,456)
Total consideration	**$ 197,754**
Consideration paid in cash	$ 168,953
Consideration paid in common shares	$ 28,801

During the second quarter of 2019, the Company finalized amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

	November 13, 2018		
	Preliminary amounts	**Adjustments**	**Final amounts**
Current Assets			
Cash	$ 6,930	—	$ 6,930
Accounts receivable	12,383	(353)	12,030
Inventories	32,096	—	32,096
Prepaid expenses and other assets	1,566	—	1,566
Non-current assets			
Property and equipment	85,579	—	85,579
Goodwill	17,601	17,599	35,200
Intangible assets	81,632	(4,800)	76,832
Current liabilities			
Accounts payable and accruals	(19,877)	—	(19,877)
Current income tax liabilities	(11,186)	(199)	(11,385)
Other current liabilities	(1,294)	—	(1,294)
Non-current liabilities			
Other long-term liabilities	(3,123)	—	(3,123)
Deferred tax liability	(5,400)	(11,400)	(16,800)
Total net assets acquired	**$ 196,907**	**847**	**$ 197,754**

The consolidated balance sheet as at December 31, 2018 has been re-stated to reflect the adjustments to the purchase price allocations above.

Cericola Farms Inc.

On October 22, 2018, the Company acquired two poultry plants and associated supply from Cericola Farms Inc. ("Cericola"), a privately held Canadian company. The purchase price of the assets was $80.0 million, with a put/call option to purchase a third processing facility for a purchase price of $40.0 million, exercisable within three years. The Company financed the transaction using existing credit facilities. The acquisition has been accounted for as a business combination.

The amount of goodwill deductible for tax purposes is $6.2 million.

The fair value of consideration transferred for the two poultry plants and associated supply acquired from Cericola Farms consists of the following:

		Purchase price
		October 22, 2018
Agreed-upon purchase price	$	80,000
Cash deposit on purchase of third processing facility		(20,185)
Working capital adjustments		226
Total consideration paid in cash	**$**	**60,041**

During the second quarter of 2019, the Company finalized amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

		October 22, 2018			
		Preliminary amounts	**Adjustments**		**Final amounts**
Current Assets					
Accounts receivable	$	5,748	(99)	$	5,649
Inventories		980	—		980
Prepaid expenses and other assets		56	—		56
Non-current assets					
Property and equipment		17,702	281		17,983
Goodwill		6,688	(441)		6,247
Intangible assets		31,910	—		31,910
Current liabilities					
Accounts payable and accruals		(3,269)	485		(2,784)
Total net assets acquired	**$**	**59,815**	**226**	**$**	**60,041**

The consolidated balance sheet as at December 31, 2018 has been re-stated to reflect the adjustments to the purchase price allocations above.

The Field Roast Grain Meat Company, SPC

On January 29, 2018, the Company acquired 100% of the outstanding shares of The Field Roast Grain Meat Company, SPC ("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, for a purchase price of $140.2 million. The Company financed the transaction using a combination of cash-on-hand and drawings on existing credit facilities.

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. No portion of goodwill is deductible for tax purposes.

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

		Purchase price
		January 29, 2018
Agreed-upon purchase price	$	147,906
Working capital adjustments		(1,787)
Reduction for liabilities assumed		(5,949)
Total consideration	**$**	**140,170**
Consideration paid in cash	$	138,755
Contingent consideration paid in cash	$	1,415

During the fourth quarter of 2018, the Company finalized amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

	January 29, 2018		
	Preliminary amounts	**Adjustments**	**Final amounts**
Current Assets			
Cash	$ 375	—	$ 375
Accounts receivable	3,302	—	3,302
Inventories	6,332	863	7,195
Income and other taxes recoverable	336	—	336
Prepaid expenses and other assets	354	—	354
Non-current assets			
Property and equipment	5,080	—	5,080
Goodwill	137,777	(50,944)	86,833
Intangible assets	—	66,558	66,558
Current liabilities			
Accounts payable and accruals	(9,634)	—	(9,634)
Other current liabilities	(638)	—	(638)
Non-current liabilities			
Other long-term liabilities	(2,212)	—	(2,212)
Deferred tax liability	(902)	(16,477)	(17,379)
Total net assets acquired	**$ 140,170**	**—**	**$ 140,170**

(b) Transaction Costs

During the year ended December 31, 2019, the Company recorded transaction costs of $0.0 million (2018: $13.6 million) that have been excluded from the consideration paid and have been recognized as an expense in other expense.