MAPLE LEAF FOODS INC.

Financial Statements

For the Second Quarter Ended

June 30, 2014

Consolidated Balance Sheets

(In thousands of Canadian dollars)	Notes	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
		(Unaudited)	(Unaudited)	
ASSETS				
Current assets				
Cash and cash equivalents		**$ 539,610**	$ 145,608	$ 506,670
Accounts receivable	4	**51,981**	111,732	111,034
Notes receivable	4	**119,963**	111,074	115,514
Inventories	5	**275,101**	328,905	287,786
Biological assets	6	**126,096**	75,882	95,740
Income and other taxes recoverable		**36,273**	36,657	43,300
Prepaid expenses and other assets		**27,769**	20,350	17,921
Assets held for sale	7	**634**	55,467	5,206
		$ 1,177,427	$ 885,675	$ 1,183,171
Property and equipment		**1,031,767**	1,284,416	1,323,318
Investment property		**3,204**	11,515	12,865
Employee benefits	8	**110,872**	128,378	117,615
Other long-term assets		**9,061**	13,873	16,628
Deferred tax asset		**700**	119,149	26,119
Goodwill	9	**428,236**	741,605	720,798
Intangible assets	10	**182,335**	200,246	198,578
Total assets		**$ 2,943,602**	$ 3,384,857	$ 3,599,092
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness		**$ —**	$ 7,685	$ 4,408
Accounts payable and accruals		**278,907**	509,266	649,554
Provisions	11	**52,576**	34,591	54,853
Current portion of long-term debt	12	**407**	6,749	209,780
Other current liabilities	13	**35,992**	16,196	47,927
		$ 367,882	$ 574,487	$ 966,522
Long-term debt	12	**9,911**	1,337,945	744,212
Employee benefits	8	**142,622**	298,209	174,503
Provisions	11	**27,499**	39,626	19,603
Other long-term liabilities	14	**23,193**	53,684	28,744
Deferred tax liability		**19,393**	12,376	23,516
Total liabilities		**$ 590,500**	$ 2,316,327	$ 1,957,100
Shareholders' equity				
Share capital		**$ 922,888**	$ 902,986	$ 905,216
Retained earnings		**1,344,343**	14,694	602,717
Contributed surplus		**82,994**	91,687	79,139
Accumulated other comprehensive income (loss) associated with continuing operations	15	**4,227**	(8,687)	(4,593)
Treasury stock		**(1,350)**	(1,350)	(1,350)
Total shareholders' equity		**$ 2,353,102**	$ 999,330	$ 1,581,129
Non-controlling interest		**—**	69,200	60,863
Total equity		**$ 2,353,102**	$ 1,068,530	$ 1,641,992
Total liabilities and equity		**$ 2,943,602**	$ 3,384,857	$ 3,599,092

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

Consolidated Statements of Net Earnings (Loss)

(In thousands of Canadian dollars, except share amounts) *(Unaudited)*	***Notes***	Three months ended June 30, **2014**	2013	Six months ended June 30, **2014**	2013
			(Restated)		*(Restated)*
			(Note 21)		*(Note 21)*
Sales		**$ 831,790**	$ 759,265	**$ 1,543,137**	$ 1,448,618
Cost of goods sold		**772,466**	710,677	**1,435,878**	1,360,563
Gross margin		**$ 59,324**	$ 48,588	**$ 107,259**	$ 88,055
Selling, general and administrative expenses		**79,765**	76,017	**162,425**	153,655
Loss from continuing operations before the following:		**$ (20,441)**	$ (27,429)	**$ (55,166)**	$ (65,600)
Restructuring and other related costs	***17***	**(19,996)**	(14,384)	**(41,762)**	(51,342)
Change in fair value of non-designated interest rate swaps	***18***	**1,995**	658	**3,105**	1,275
Other income	***19***	**(4,667)**	6,076	**(3,374)**	49,373
(Loss) earnings before interest and income taxes from continuing operations		**$ (43,109)**	$ (35,079)	**$ (97,197)**	$ (66,294)
Interest expense and other financing costs	***20***	**10,298**	16,545	**125,009**	32,648
Loss before income taxes from continuing operations		**$ (53,407)**	$ (51,624)	**$ (222,206)**	$ (98,942)
Income taxes		**(13,863)**	(13,258)	**(58,056)**	(29,932)
Loss from continuing operations		**$ (39,544)**	$ (38,366)	**$ (164,150)**	$ (69,010)
Net earnings from discontinued operations	***21***	**938,399**	38,375	**931,011**	54,277
Net earnings (loss)		**$ 898,855**	$ 9	**$ 766,861**	$ (14,733)
Attributed to:					
Common shareholders		**$ 897,797**	$ (2,454)	**$ 764,886**	$ (17,392)
Non-controlling interest		**1,058**	2,463	**1,975**	2,659
		$ 898,855	$ 9	**$ 766,861**	$ (14,733)
(Loss) earnings per share attributable to common shareholders:	***22***				
Basic and diluted (loss) earnings per share		**$ 6.38**	$ (0.02)	**$ 5.45**	$ (0.12)
Basic and diluted loss per share from continuing operations		**$ (0.28)**	$ (0.27)	**$ (1.17)**	$ (0.49)
Weighted average number of shares (millions)		**140.7**	139.9	**140.4**	139.9

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

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars) *(Unaudited)*	Three months ended June 30, **2014**	Three months ended June 30, 2013	Six months ended June 30, **2014**	Six months ended June 30, 2013
Net earnings (loss)	**$ 898,855**	$ 9	**$ 766,861**	$ (14,733)
Other comprehensive (loss) income				
Items that will not be reclassified to profit or loss:				
Change in actuarial gains and losses (Net of tax of $1.2 million and $1.0 million; 2013: $16.7 million and $36.1 million)	**$ (3,545)**	$ 48,110	**$ (2,831)**	$ 104,341
Total items that will not be reclassified to profit or loss	**$ (3,545)**	$ 48,110	**$ (2,831)**	$ 104,341
Items that are or may be reclassified subsequently to profit or loss:				
Change in accumulated foreign currency translation adjustment (Net of tax of nil)	**$ (560)**	$ 20	**$ (215)**	$ (219)
Change in unrealized gains and losses on cash flow hedges (Net of tax of $2.2 million and $3.0 million; 2013: $0.6 million and $0.1 million)	**6,017**	1,968	**8,236**	(147)
Total items that are or may be reclassified subsequently to profit or loss	**$ 5,457**	$ 1,988	**$ 8,021**	$ (366)
Other comprehensive income from continuing operations	**$ 1,912**	$ 50,098	**$ 5,190**	$ 103,975
Other comprehensive income from discontinued operations(i) (Net of tax of $1.2 million and $1.3 million; 2013: $2.1 million and $4.7 million)	**(5,429)**	10,241	**(569)**	18,580
Total other comprehensive (loss) income	**$ (3,517)**	$ 60,339	**$ 4,621**	$ 122,555
Comprehensive income	**$ 895,338**	$ 60,348	**$ 771,482**	$ 107,822
Attributed to:				
Common shareholders	**$ 895,187**	$ 56,650	**$ 769,751**	$ 103,165
Non-controlling interest	**$ 151**	$ 3,698	**$ 1,731**	$ 4,657

(i) The above amount includes $3.6 million for the three months ended June 30, 2014 (2013: $6.4 million) and $4.4 million for the six months ended June 30, 2014 (2013: $12.9 million) relating to actuarial gains and losses that will not subsequently be re-classified to profit or loss.

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

(In thousands of Canadian dollars) (Unaudited)	Notes	Share capital	Retained earnings	Contributed surplus	Total accumulated other comprehensive income (loss) associated with continuing operations	Total accumulated other comprehensive income associated with assets held for sale	Treasury stock	Non-controlling interest	Total equity
		Attributable to Common Shareholders							
					(Note 15)	(Note 7)			
Balance at December 31, 2013		**$ 905,216**	**$ 602,717**	**$ 79,139**	**$ (4,593)**	**$ —**	**$ (1,350)**	**$ 60,863**	**$ 1,641,992**
Net earnings			**764,886**	**—**	**—**	**—**	**—**	**1,975**	**766,861**
Re-classification to assets held for sale	*21*	**—**	**—**	**—**	**799**	**(799)**	**—**	**—**	**—**
Other comprehensive income (loss)		**—**	**(6,045)**	**—**	**8,021**	**2,889**	**—**	**(244)**	**4,621**
Dividends declared ($0.08 per share)		**—**	**(11,271)**	**—**	**—**	**—**	**—**	**(3,017)**	**(14,288)**
Stock-based compensation expense		**—**	**—**	**19,867**	**—**	**—**	**—**	**—**	**19,867**
Disposal of business	*21*	**—**	**—**	**—**	**—**	**(2,090)**	**—**	**(59,577)**	**(61,667)**
Exercise of stock options		**17,672**	**—**	**—**	**—**	**—**	**—**	**—**	**17,672**
Modification of stock compensation plan	*23*	**—**	**(5,944)**	**(16,012)**	**—**	**—**	**—**	**—**	**(21,956)**
Balance at June 30, 2014		**$ 922,888**	**$ 1,344,343**	**$ 82,994**	**$ 4,227**	**$ —**	**$ (1,350)**	**$ —**	**$ 2,353,102**

(In thousands of Canadian dollars) (Unaudited)	Notes	Share capital	Retained deficit	Contributed surplus	Total accumulated other comprehensive loss associated with continuing operations	Total accumulated other comprehensive income associated with assets held for sale	Treasury stock	Non-controlling interest	Total equity
		Attributable to Common Shareholders							
					(Note 15)				
Balance at December 31, 2012		$ 902,810	$ (72,701)	$ 75,913	$ (13,263)	$ —	$ (1,845)	$ 67,085	$ 957,999
Net earnings (loss)		—	(17,392)	—	—	—	—	2,659	(14,733)
Other comprehensive income (loss)	*15*	—	115,981	—	4,576	—	—	1,998	122,555
Dividends declared ($0.08 per share)		—	(11,194)	—	—	—	—	(2,542)	(13,736)
Stock-based compensation expense		—	—	10,761	—	—	—	—	10,761
Exercise of stock options		176	—	—	—	—	—	—	176
Issuance of treasury stock		—	—	(495)	—	—	495	—	—
Modification of stock compensation plan		—	—	3,508	—	—	—	—	3,508
Other		—	—	2,000	—	—	—	—	2,000
Balance at June 30, 2013		$ 902,986	$ 14,694	$ 91,687	$ (8,687)	$ —	$ (1,350)	$ 69,200	$ 1,068,530

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

Consolidated Statements of Cash Flow

(In thousands of Canadian dollars) (Unaudited)	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
CASH (USED IN) PROVIDED BY:					
Operating activities					
Net income (loss)		**$ 898,855**	$ 9	**$ 766,861**	$ (14,733)
Add (deduct) items not affecting cash:					
Change in fair value of biological assets		**18,884**	185	**(21,422)**	5,463
Depreciation and amortization		**23,650**	35,417	**50,293**	69,269
Stock-based compensation		**11,175**	5,201	**19,867**	10,761
Deferred income taxes		**84,453**	(7,444)	**40,439**	(22,182)
Income tax current		**7,512**	7,696	**9,943**	11,971
Interest expense and other financing costs		**10,910**	16,836	**125,795**	33,336
(Loss) gain on sale of long-term assets		**398**	(848)	**162**	(1,804)
Gain on sale of business	21	**(1,008,044)**	—	**(1,007,576)**	—
Gain on sale of assets held for sale		**—**	(168)	**(1,736)**	(45,556)
Change in fair value of non-designated interest rate swaps		**(1,994)**	(658)	**(3,104)**	(1,275)
Change in fair value of derivative financial instruments		**(26,025)**	(3,457)	**10,609**	1,510
Impairment of assets (net of reversals)		**785**	675	**785**	5,809
Increase in pension liability		**2,988**	4,881	**6,381**	12,629
Net income taxes paid		**(1,762)**	(4,963)	**(8,615)**	(12,037)
Net settlement of financial instruments		**(23,631)**	—	**(23,631)**	—
Early repayment premium		**(76,311)**	—	**(76,311)**	—
Interest paid		**(19,904)**	(16,383)	**(38,229)**	(31,814)
Change in provision for restructuring and other related costs		**16,597**	3,846	**30,257**	41,951
Other		**(33,520)**	(6,195)	**(27,970)**	(10,200)
Change in non-cash operating working capital		**(225,927)**	62,431	**(262,010)**	41,574
Cash (used in) provided by operating activities		**$ (340,911)**	$ 97,061	**$ (409,212)**	$ 94,672
Financing activities					
Dividends paid		**$ (5,658)**	$ (5,598)	**$ (11,271)**	$ (11,194)
Dividends paid to non-controlling interest		**(3,017)**	(1,271)	**(24,621)**	(2,542)
Net increase (decrease) in long-term debt		**(698,664)**	(33)	**(699,014)**	(508)
Net drawings (payments) on the credit facility		**(555,000)**	70,000	**(255,000)**	114,000
Exercise of stock options		**16,722**	—	**17,672**	176
Payment of financing fees		**(3,769)**	—	**(3,769)**	—
Other		**—**	293	**—**	293
Cash (used in) provided by financing activities		**$ (1,249,386)**	$ 63,391	**$ (976,003)**	$ 100,225
Investing activities					
Additions to long-term assets		**$ (78,259)**	$ (89,377)	**$ (175,931)**	$ (165,432)
Acquisition of business	27	**—**	—	**—**	(922)
Capitalization of interest expense		**(2,721)**	(3,945)	**(5,504)**	(7,195)
Adjustment to sale of business	21	**—**	—	**(468)**	—
Proceeds from sale of business		**1,647,015**	—	**1,647,015**	—
Transaction costs		**(28,901)**	—	**(28,901)**	—
Cash associated with divested business		**(23,011)**	—	**(23,011)**	—
Proceeds from sale of long-term assets		**905**	1,976	**3,255**	6,467
Proceeds from sale of assets held for sale		**—**	9,870	**6,108**	67,937
Cash provided by (used in) investing activities		**$ 1,515,028**	$ (81,476)	**$ 1,422,563**	$ (99,145)
Increase (decrease) in cash and cash equivalents		**$ (75,269)**	$ 78,976	**$ 37,348**	$ 95,752
Net cash and cash equivalents, beginning of period		**470,783**	58,947	**502,262**	42,171
Net cash and cash equivalent in held for sale, beginning of period		**144,096**	—	**—**	—
Net cash and cash equivalents, end of period		**$ 539,610**	$ 137,923	**$ 539,610**	$ 137,923
Net cash and cash equivalents is comprised of:					
Cash and cash equivalents		**$ 539,610**	$ 145,608	**$ 539,610**	$ 145,608
Bank indebtedness		**—**	(7,685)	**—**	(7,685)
Net cash and cash equivalents, end of period		**$ 539,610**	$ 137,923	**$ 539,610**	$ 137,923

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

Notes to the Condensed Consolidated Interim Financial Statements

In thousands of Canadian dollars unless otherwise indicated.

1. THE COMPANY

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading Canadian-based value-added meat, meals, and bakery company, serving wholesale, retail, and foodservice customers across North America and internationally. The address of the Company's registered office is Suite 1500, 30 St. Clair Avenue West, Toronto, Ontario, M4V 3A2, Canada. The condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2014, include the accounts of the Company and its subsidiaries. The Company's results are organized into three segments: Meat Products Group, Agribusiness Group, and Bakery Products Group. During the three months ended June 30, 2014 the operations of the Bakery Products Group were sold (Note 21).

2. BASIS OF PREPARATION

(a) Statement of Compliance

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein, consistent with the Company's 2013 annual audited consolidated financial statements, except for new standards adopted during the period as described in Note 3(a).

The consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2014.

(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, and liabilities associated with certain stock-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) Disposal of business

The consolidated financial statements have been prepared including the results of businesses that were disposed of during the current and prior years.

The results of businesses sold or held for sale have been presented in the Consolidated Statements of Earnings (Loss) and Consolidated Statements of Comprehensive Income separately, net of tax. All comparative information presented in the Consolidated Statements of Earnings (Loss) and related information in the notes has been re-stated to reflect this presentation. A full statement of earnings for each divested business is included in Note 21.

The Consolidated Balance Sheets include the assets of divested businesses up until the date of sale. From the point of time when management determines that the carrying amount of a business will be recovered through a sale transaction rather than continuing use, the assets and liabilities of that business are presented as assets held for sale, and liabilities associated with assets held for sale. The Consolidated Statements of Cash Flow include the cash flows of divested business up to the date of sale. Comparative balance sheet and cash flow information has not been re-stated to reflect this.

(e) Use of Estimates and Judgements

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards ("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 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 amounts.

Information about significant 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 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 their 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 Management judgement and estimation.

The values associated with intangible assets and goodwill involve 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 intangible 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 these 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 (loss), and/or comprehensive income (loss) 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 the Company's 2013 annual audited consolidated financial statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in an unconsolidated structured entity. The Company does not hold any equity interest in the structured entity and based on the terms of the agreements under which the entity is established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses.

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 product life of inventory and the profitability of recent sales of inventory. In many cases, product sold by the Company turns quickly and inventory on-hand values are lower, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of 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 (loss), and comprehensive income (loss) 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 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.

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: (i) the projected level of sales volume for the relevant period and (ii) 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, accrued liabilities, net earnings (loss), and comprehensive income (loss) will be affected in future periods.

Employee 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 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 liabilities and comprehensive income (loss) 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, future deferred tax assets and liabilities, net earnings (loss), and comprehensive income (loss) 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 Company's consolidated financial statements. Changes to these estimates may affect the value of provisions, net earnings (loss), and comprehensive income (loss) in future periods.

Stock-based Compensation

The Company uses estimates including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, risk-free interest rates, and Company performance in the calculation of the liability and expenses for certain stock-based incentive plans. 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 (loss), and comprehensive income (loss) in future periods.

Some of the Company's stock-based payment plans are settable 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 (loss), and comprehensive income (loss) 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, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings (loss), and comprehensive income (loss) in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements should be read in conjunction with the Company's 2013 annual audited consolidated financial statements. These consolidated financial statements have been prepared in accordance with IFRS using the same accounting policies as were applied in the 2013 annual consolidated financial statements, except for new accounting standards adopted during the six months ended June 30, 2014, as described below:

(a) Accounting Standards Adopted During the Period

For the first time beginning on January 1, 2014, the Company adopted certain standards and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Change in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Financial Assets and Liabilities

Beginning on January 1, 2014, the Company adopted the amendments to IAS 32 Financial Instruments: Presentation on a retrospective basis with restatement. The amendments to IAS 32 clarify when an entity has a legally enforceable right to offset, as well as clarify, when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of the amendments to IAS 32 did not have a material impact on the Company's consolidated financial statements.

Levies

Beginning January 1, 2014, the Company adopted International Financial Reporting Interpretations Committee ("IFRIC") 21 Levies on a retrospective basis with restatement. This IFRIC is applicable to all levies other than outflows that are within the scope of other standards, fines, or penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The adoption of IFRIC 21 did not have a material impact on the Company's consolidated financial statements.

Novation of Derivatives and Continuation of Hedge Accounting

Beginning January 1, 2014, the Company adopted IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement). The amendments added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when novation that was not contemplated in the original hedging documentation meets specific criteria. The adoption of the amendments to IAS 39 did not have a material impact on the Company's consolidated financial statements.

(b) Accounting Pronouncements Issued But Not Yet Effective

Revenue Recognition

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

Employee Benefits

In November 2013, the IASB published amendments to IAS 19 Employee Benefits. The effective date for these amendments is annual periods beginning on or after July 1, 2014. These amendments are to be applied retrospectively. IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments to IAS 19 provide simplified accounting in certain situations. If the amount of contribution is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to the period's service. The Company intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of the adoption of amendments to IAS 19 has not yet been determined.

Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) Cycles

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Amendments were made to clarify items including the definition of vesting conditions in IFRS 2 Share-Based Payment, disclosure on the aggregation of operating segments in IFRS 8 Operating Segments, measurement of short-term receivables and payables under IFRS 13 Fair Value Measurement, definition of related party in IAS 24 Related Party Disclosures, and other amendments. Special transitional requirements have been set for some of these amendments. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2015. The extent of the impact of the adoption of the amendments have not yet been determined.

Financial Instruments – Recognition and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments with a mandatory effective date of January 1, 2018. The new standard brings together the classification and measurements, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. In addition to the new requirements for classification and measurement of financial assets, a new general hedge accounting model and other amendments issued in previous versions of IFRS 9, the standard also introduces new impairment requirements that are based on a forward-looking expected credit loss model. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

4. ACCOUNTS AND NOTES RECEIVABLE

Components of Accounts Receivable are as follows:

		As at June 30, 2014		As at June 30, 2013		As at December 31, 2013
Trade receivables	**$**	**13,974**	$	49,285	$	37,173
Less: Allowance for doubtful accounts		**(4)**		(79)		(80)
Net trade receivables	**$**	**13,970**	$	49,206	$	37,093
Other receivables:						
Commodity taxes receivable		**11,651**		25,237		27,727
Interest rate swap receivable		**3,928**		8,154		8,446
Government receivable		**14,120**		13,794		14,727
Insurance receivable		**13**		—		1,664
Other		**8,299**		15,341		21,377
	$	**51,981**	$	111,732	$	111,034

The aging of trade receivables is as follows:

		As at June 30, 2014		As at June 30, 2013		As at December 31, 2013
Current	**$**	**11,959**	$	46,218	$	31,273
Past due 0-30 days		**1,901**		1,824		5,600
Past due 31-60 days		**103**		374		84
Past due 61-90 days		**11**		488		—
Past due > 90 days		**—**		381		216
	$	**13,974**	$	49,285	$	37,173

The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amounts based on specific losses estimated on individual exposures.

Under revolving securitization programs, the Company has sold certain of its trade accounts receivable to an entity owned by a financial institution. The Company retains servicing responsibilities for these receivables. As at June 30, 2014, trade accounts receivable being serviced under these programs amounted to $214.9 million (2013: $277.0 million). In return for the sale of its trade receivables, the Company will receive cash of $94.9 million (2013: $166.0 million) and notes receivable in the amount of $120.0 million (2013: $111.1 million). The notes receivable are non-interest bearing and are adjusted on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at June 30, 2014, the Company recorded a net receivable amount of $1.4 million (2013: $0.0 million net receivable) in accounts receivable.

The Company's securitization programs require the sale of trade receivable to be treated as a sale from an accounting perspective and as a result, trade receivables sold under these programs are derecognized in the consolidated balance sheets as at June 30, 2014 and 2013.

5. INVENTORIES

		As at June 30, 2014		As at June 30, 2013		As at December 31, 2013
Raw materials	$	**37,097**	$	41,972	$	39,302
Work in process		**23,786**		23,046		18,662
Finished goods		**171,136**		197,255		166,407
Packaging		**16,903**		22,512		22,582
Spare parts		**26,179**		44,120		40,833
	$	**275,101**	$	328,905	$	287,786

During the three months ended June 30, 2014, inventory in the amount of $677.5 million (2013: $644.2 million) was expensed through cost of goods sold.

During the six months ended June 30, 2014, inventory in the amount of $1,247.0 million (2013: $1,247.8 million) was expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

The change in fair value of commercial hog and poultry stock for the three months ended June 30, 2014, was a loss of $18.9 million (2013: loss of $0.2 million) and was recorded in cost of goods sold.

The change in fair value of commercial hog and poultry stock for the six months ended June 30, 2014, was a gain of $21.4 million (2013: loss of $5.5 million) and was recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels during the six months ended June 30, 2014.**7. ASSETS AND LIABILITIES HELD FOR SALE**

A brief description of the assets and liabilities held for sale is as follows:

Canada Bread Company, Limited

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico (“Grupo Bimbo”) agreed to acquire all of the issued and outstanding common shares of Canada Bread Company, Limited (“Canada Bread”), a subsidiary in which the Company had a 90.0% controlling interest. The assets of Canada Bread were included in the Bakery Products Group for segmented reporting. As at March 31, 2014, Canada Bread was classified as a disposal group held for sale and was de-recognized upon the closing date of the sale on May 23, 2014. The results of Canada Bread , including the related gain on sale are presented as a discontinued operation as disclosed in Note 21.

Investment Properties

The Company intends to dispose of various investment properties it no longer utilizes. Investment properties are included in non-allocated assets for segmented reporting.

Poultry Farm

These assets relate to a poultry farm and related production quotas in Brooks, Alberta, originally purchased on February 1, 2012, and immediately classified as assets held for sale. The poultry farm assets were included in the Meat Products Group for segmented reporting. During the three months ended June 30, 2013, the Company sold a portion of the poultry production quotas for $8.3 million, resulting in a pre-tax gain of $0.0 million.

Further details on the gain on disposal of assets held for sale is described in Note 19.

Turkey Agricultural Operations

Assets related to the Company's turkey agricultural operations in Thamesford, Ontario, were classified as held for sale as at June 30, 2013. The sale of these assets were completed during the third quarter ended September 30, 2013 for net proceeds of $46.3 million and final pre-tax gain of $9.7 million. Prior to their disposal, the assets of the turkey agricultural operations were included in the Meats Products Group for segmented reporting.

Further details on the gain from disposal of assets held for sale is described in Note 19.

	As at June 30, 2014		As at June 30, 2013				As at December 31, 2013	
	Investment Properties	**Total**	Poultry Farm	Turkey Agricultural Operations	Investment Properties	Total	Investment Properties	Total
ASSETS HELD FOR SALE								
Current assets								
Non-cash working capital, net	**$ —**	**$ —**	$ —	$ 151	$ —	$ 151	$ —	$ —
Biological assets	**—**	**—**	—	5,749	—	5,749	—	—
	$ —	**$ —**	$ —	$ 5,900	$ —	$ 5,900	$ —	$ —
Property and equipment	**—**	**—**	2,300	8,806	—	11,106	—	—
Investment property	**634**	**634**	—	—	6,080	6,080	5,206	5,206
Goodwill	**—**	**—**	—	13,740	—	13,740	—	—
Intangible assets	**—**	**—**	10,586	8,055	—	18,641	—	—
Total assets held for sale	**$ 634**	**$ 634**	$ 12,886	$ 36,501	$ 6,080	$ 55,467	$ 5,206	$ 5,206

8. EMPLOYEE BENEFITS

For the three months ended June 30, 2014, the Company recorded expenses of $11.2 million (2013: $16.7 million) related to pension and other post-retirement benefits, of which $2.1 million is related to discontinued operations (2013: $4.1 million).

For the six months ended June 30, 2014, the Company recorded expenses of $23.8 million (2013: $33.3 million) related to pension and other post-retirement benefits, of which $5.6 million is related to discontinued operations (2013: $8.3 million).

9. GOODWILL

The continuity of goodwill for the six months ended June 30, 2014 and 2013 is as follows:

Cost	**June 30, 2014**	June 30, 2013
Opening balance January 1	**$ 826,040**	$ 851,659
Foreign currency translation	**4,170**	2,136
Transfer to assets held for sale	**(401,617)**	(13,740)
Balance	**$ 428,593**	$ 840,055
Impairment losses		
Opening balance January 1	**$ (105,242)**	$ (98,503)
Impairment	**—**	(356)
Transfer to assets held for sale	**108,033**	—
Foreign currency translation	**(3,148)**	409
Balance	**$ (357)**	$ (98,450)
Net carrying amounts	**$ 428,236**	$ 741,605

For the purposes of annual impairment testing, goodwill is allocated to the following groups of Cash Generating Units ("CGUs"); being the groups expected to benefit from the synergies of the business combinations in which the goodwill arose:

	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
CGU Groups			
Meat Products	**$ 428,236**	$ 428,828	$ 428,236
By-product Recycling[(i)]	**—**	13,845	—
Canadian Fresh Bakery[(ii)]	**—**	173,839	173,839
North American Frozen Bakery[(ii)]	**—**	119,623	118,723
Fresh Pasta[(i)]	**—**	5,470	—
	$ 428,236	$ 741,605	$ 720,798

(i) *The goodwill related to the by-product recycling operations ("Rothsay") and fresh pasta ("Olivieri") were disposed of during the year ended December 31, 2013.*

(ii) *Reclassified to assets held for sale during the three months ended March 31, 2014, and subsequently sold during the three months ended June 30, 2014.*

10. INTANGIBLE ASSETS

	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
Indefinite life	**$ 66,853**	$ 73,678	$ 71,676
Definite life	**115,482**	126,568	126,902
Total intangible assets	**$ 182,335**	$ 200,246	$ 198,578

Indefinite Life Intangibles

The following table summarizes the indefinite life intangible assets by CGU groups:

	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
CGU Groups			
Meat Products	**$ 66,853**	$ 66,853	$ 66,853
Canadian Fresh Bakery[(i)]	**—**	6,825	4,823
	$ 66,853	$ 73,678	$ 71,676

(i) *Reclassified to Discontinued Operations, refer to Note 21.*

11. PROVISIONS

	Notes		Legal	Environ- mental	Lease make- good	Restructuring and other related costs(i)	Total
Balance at December 31, 2013[ii]		**$**	**561 $**	**12,603 $**	**4,736 $**	**56,556 $**	**74,456**
Charges			**91**	**—**	**16**	**18,998**	**19,105**
Reversals			**—**	**—**	**—**	**(1,573)**	**(1,573)**
Cash payments			**(413)**	**(3)**	**—**	**(9,983)**	**(10,399)**
Foreign currency translation			**—**	**—**	**104**	**193**	**297**
Transfer to liabilities associated with assets held for sale	*7*		**—**	**(1,316)**	**(2,517)**	**(6,959)**	**(10,792)**
Balance at March 31, 2014		**$**	**239 $**	**11,284 $**	**2,339 $**	**57,232 $**	**71,094**
Charges			**—**	**—**	**—**	**13,512**	**13,512**
Reversals			**—**	**—**	**—**	**(280)**	**(280)**
Cash payments			**—**	**(117)**	**—**	**(4,134)**	**(4,251)**
Foreign currency translation			**—**	**—**	**—**	**—**	**—**
Balance at June 30, 2014		**$**	**239 $**	**11,167 $**	**2,339 $**	**66,330 $**	**80,075**
Current						**$**	**52,576**
Non-current							**27,499**
Total at June 30, 2014						**$**	**80,075**

	Notes		Legal	Environ- mental	Lease make- good	Restructuring and other related costs(i)	Total
Balance at December 31, 2012		$	741 $	16,071 $	6,098 $	29,225 $	52,135
Charges			—	—	—	39,003	39,003
Reversals			—	(3,114)	—	(161)	(3,275)
Cash payments			(23)	(15)	—	(9,264)	(9,302)
Non-cash items			—	—	(109)	(1,811)	(1,920)
Balance at March 31, 2013		$	718 $	12,942 $	5,989 $	56,992 $	76,641
Charges			—	—	28	11,845	11,873
Reversals			—	—	—	(2,579)	(2,579)
Cash payments			(25)	(143)	—	(11,581)	(11,749)
Non-cash items			—	—	112	(81)	31
Balance at June 30, 2013		$	693 $	12,799 $	6,129 $	54,596 $	74,217
Current						$	34,591
Non-current							39,626
Total at June 30, 2013						$	74,217

(i) *For additional information on restructuring and other related costs, see the table below.*

(ii) *Balance at December 31, 2013, includes current portion of $54.9 million and non-current portion of $19.6 million.*

The following tables provide a summary of provisions recorded in respect of restructuring and other related costs as at June 30, 2014 and June 30, 2013, all on a pre-tax basis.

		Severance	Site closing and other cash costs	Retention	Restructuring and other related costs
Balance at December 31, 2013	**$**	**27,824 $**	**12,124 $**	**16,608 $**	**56,556**
Charges		**10,801**	**216**	**7,981**	**18,998**
Reversals		**(1,536)**	**(37)**	**—**	**(1,573)**
Cash payments		**(3,573)**	**(3,130)**	**(3,280)**	**(9,983)**
Foreign currency translation		**(29)**	**222**	**—**	**193**
Transfer to liabilities associated with assets held for sale		**(2,765)**	**(2,691)**	**(1,503)**	**(6,959)**
Balance at March 31, 2014	**$**	**30,722 $**	**6,704 $**	**19,806 $**	**57,232**
Charges		**8,907**	**56**	**4,549**	**13,512**
Reversals		**(280)**	**—**	**—**	**(280)**
Cash payments		**(1,916)**	**(347)**	**(1,871)**	**(4,134)**
Balance at June 30, 2014	**$**	**37,433 $**	**6,413 $**	**22,484 $**	**66,330**

		Severance	Site closing and other cash costs	Retention	Pension	Restructuring and other related costs
Balance at December 31, 2012	$	14,996 $	11,490 $	561 $	2,178 $	29,225
Charges		37,876	1,281	213	(367)	39,003
Reversals		(161)	—	—	—	(161)
Cash payments		(7,972)	(1,129)	(163)	—	(9,264)
Non-cash items		(116)	228	(112)	(1,811)	(1,811)
Balance at March 31, 2013	$	44,623 $	11,870 $	499 $	— $	56,992
Charges		2,739	22	9,084	—	11,845
Reversals		(2,171)	(392)	(16)	—	(2,579)
Cash payments		(9,271)	(1,275)	(1,035)	—	(11,581)
Non-cash items		(81)	—	—	—	(81)
Balance at June 30, 2013	$	35,839 $	10,225 $	8,532 $	— $	54,596

12. LONG-TERM DEBT

On April 14, 2014, the Company repaid notes payable for an amount of US$360.5 million (CDN$395.5 million) and CDN$400.0 million, comprising US$318.0 million (CDN$348.8 million) and CDN$354.5 million of principal, US$36.7 million (CDN$38.7 million) and CDN$37.6 million of early repayment premium, and US$5.8 million (CDN$6.4 million) and CDN$7.9 million of accrued interest.

During the three months ended March 31, 2014, the Company amended its existing revolving credit facility to include additional shorter-term financing. This facility included a revolving component with an availability of $1,050.0 million and a non-revolving component of $330.0 million. This facility can be drawn in Canadian or U.S. dollars, and bears interest at rates based on Banker's acceptance of prime rates for Canadian dollar loans, and U.S. prime rate and LIBOR for U.S. dollar loans.

Upon the closing of the Canada Bread sale on May 23, 2014, the non-revolving component of the credit facility was fully repaid and expired. The revolving component availability has been reduced to $200.0 million and will expire on March 31, 2015. As at June 30, 2014, the Company had drawn letters of credit of $87.8 million on this facility.

13. OTHER CURRENT LIABILITIES

	Notes		**As at June 30, 2014**	As at June 30, 2013	As at December 31, 2013
Derivative instruments	***18***	**$**	**27,116** $	15,541 $	43,548
Liability for stock-based compensation	***23***		**6,505**	—	—
Other			**2,371**	655	4,379
		$	**35,992** $	16,196 $	47,927

14. OTHER LONG-TERM LIABILITIES

	Notes		**As at June 30, 2014**	As at June 30, 2013	As at December 31, 2013
Derivative instruments	*18*	$	**9,626** $	40,454 $	12,728
Other			**13,567**	13,230	16,016
		$	**23,193** $	53,684 $	28,744

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS

	Attributable to Common Shareholders				
		Foreign currency translation adjustments[(i)]	**Unrealized gain (loss) on cash flow hedges[(i)]**	**Change in actuarial gains and (losses)[(ii)]**	**Total accumulated other comprehensive income (loss) associated with continuing operations**
Balance at December 31, 2013	$	**269** $	**(4,862)** $	**—** $	**(4,593)**
Other comprehensive income		**345**	**2,219**	**714**	**3,278**
Transfer to retained earnings		**—**	**—**	**(714)**	**(714)**
Transfer to held for sale		**1,025**	**(226)**	**—**	**799**
Balance at March 31, 2014	$	**1,639** $	**(2,869)** $	**—** $	**(1,230)**
Other comprehensive (loss) income		**(560)**	**6,017**	**(3,545)**	**1,912**
Transfer to retained earnings		**—**	**—**	**3,545**	**3,545**
Balance at June 30, 2014	$	**1,079** $	**3,148** $	**—** $	**4,227**

	Attributable to Common Shareholders				
		Foreign currency translation adjustments[(i)]	Unrealized gain (loss) on cash flow hedges[(i)]	Change in actuarial gains and (losses)[(ii)]	Total accumulated other comprehensive income (loss) associated with continuing operations
Balance at December 31, 2012	$	(8,976) $	(4,287) $	— $	(13,263)
Other comprehensive income (loss)		656	(1,351)	62,084	61,389
Transfer to retained earnings		—	—	(62,084)	(62,084)
Balance at March 31, 2013	$	(8,320) $	(5,638) $	— $	(13,958)
Other comprehensive income		3,662	1,609	53,897	59,168
Transfer to retained earnings		—	—	(53,897)	(53,897)
Balance at June 30, 2013	$	(4,658) $	(4,029) $	— $	(8,687)

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

(ii) *Items that will not be reclassified to profit or loss.*

The change in accumulated foreign currency translation adjustments from continuing operations attributable to common shareholders includes an income tax expense of $0.0 million for the three months ended June 30, 2014 (2013: expense of $0.0 million).

The change in accumulated foreign currency translation adjustments from continuing operations attributable to common shareholders included an income tax expense of $0.0 million for the six months ended June 30, 2014 (2013: expense of $0.0 million).

The change in unrealized gain (loss) on cash flow hedges from continuing operations attributable to common shareholders includes income tax expense of $2.2 million for the three months ended June 30, 2014 (2013: expense of $0.6 million).

The change in unrealized gain (loss) on cash flow hedges from continuing operations attributable to common shareholders includes income tax expense of $3.0 million for the six months ended June 30, 2014 (2013: recovery of $0.1 million).

The change in actuarial gains and losses from continuing operations attributable to common shareholders includes income tax recovery of $1.2 million for the three months ended June 30, 2014 (2013: expense of $16.7 million).

The change in actuarial gains and losses from continuing operations attributable to common shareholders includes income tax recovery of $1.0 million for the six months ended June 30, 2014 (2013: expense $36.1 million).

The Company estimates that $3.1 million net of tax of $1.1 million of the unrealized gain included in accumulated other comprehensive income (loss) will be reclassified into net earnings (loss) within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount. During the three months ended June 30, 2014, a loss of approximately $2.8 million, net of tax of $1.0 million was released to earnings from accumulated other comprehensive loss and is included in the net change for the period (2013: gain of approximately $0.1 million, net of tax of $0.1 million).

During the six months ended June 30, 2014, a loss of approximately $11.7 million net of tax of $4.1 million, inclusive of $7.1 million net of tax of $2.5 million related to the terminated cross-currency interest rate swaps as disclosed in Note 18, was released to earnings from accumulated other comprehensive loss and is included in the net change for the period (2013: gain of approximately $0.0 million, net of tax of $0.0 million).

16. SHARE CAPITAL

On May 1, 2014, shareholders of the Company reconfirmed the Shareholder Rights Plan (the "Rights Plan"). While the Rights Plan was entered into on December 5, 2011, it required reconfirmation by shareholders at the May 2014 annual meeting in order to remain in effect. The Rights Plan will expire if it is not reconfirmed by shareholders at the 2017 annual meeting, unless it is otherwise terminated pursuant to its terms before that time.

17. RESTRUCTURING AND OTHER RELATED COSTS

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
		(Restated)		*(Restated)*
		(Note 21)		*(Note 21)*
MEAT PRODUCTS GROUP				
Management structure changes				
Severance	**$ 85**	$ 1,436	**$ 440**	$ 2,348
Site closing and other costs	**—**	—	**(32)**	—
	$ 85	$ 1,436	**$ 408**	$ 2,348
Strategic value creation initiatives				
Severance	**$ (217)**	$ (1,497)	**$ (1,601)**	$ 23,868
Site closing and other costs	**(521)**	(107)	**(525)**	551
Asset impairment and accelerated depreciation	**7,241**	5,703	**13,263**	13,595
Retention	**4,549**	8,708	**11,064**	8,708
	$ 11,052	$ 12,807	**$ 22,201**	$ 46,722
Plant closure				
Severance	**$ (63)**	$ —	**$ (63)**	$ 103
Pension	**—**	141	**—**	424
	$ (63)	$ 141	**$ (63)**	$ 527
Total Meat Products Group	**$ 11,074**	$ 14,384	**$ 22,546**	$ 49,597
NON-ALLOCATED				
Management structure changes				
Severance	**$ —**	$ —	**$ 421**	$ 1,745
	$ —	$ —	**$ 421**	$ 1,745
Organization structure changes				
Severance	**$ 8,822**	$ —	**$ 18,695**	$ —
Pension	**100**	—	**100**	—
	$ 8,922	$ —	**$ 18,795**	$ —
Total Non-Allocated	**$ 8,922**	$ —	**$ 19,216**	$ 1,745
Total restructuring and other related costs	**$ 19,996**	$ 14,384	**$ 41,762**	$ 51,342

Amounts in the table above are net of reversals.

A brief description of the projects is as follows:

Management Structure Changes

The Company has recorded restructuring and other related costs pertaining to organizational delayering and changes to its management structure.

Strategic Value Creation Initiatives

The Company's Meat Products Group has recorded restructuring costs related to changes in its manufacturing and distribution network as part of implementing the Value Creation Plan.

Plant Closure

The Company's Meat Products Group has recorded restructuring costs related to the closure of a plant located in Ayr, Ontario.

Organizational Structure Changes

The Company has recorded restructuring and other related costs related to expected changes in corporate and management structure that will be required following the sale of Canada Bread, as further described in Note 21.

Impairment

During the three months ended June 30, 2014, the Company recorded $0.0 million (2013: $0.2 million) of impairment of fixed assets and reversals of impairment of $0.0 million (2013: $0.0 million) through restructuring and related costs.

During the six months ended June 30, 2014, the Company recorded $0.0 million (2013: $0.2 million) of impairment of fixed assets and reversals of impairment of $0.0 million (2013: $0.0 million) through restructuring and related costs.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The Company is exposed to credit risk, interest rate risk, liquidity risk, foreign exchange risk, and commodity price risk. The Company has policies for managing these risks that are aligned with its overall objective to maintain a simple cost-effective capital structure that supports a long-term growth strategy and maximizes operating flexibility.

On March 14, 2014, the Company issued a notice of repayment of its notes payable, with a subsequent repayment on April 14, 2014 (Note 12).

On the original issuance of the U.S. denominated debt, and in order to hedge against the foreign exchange risk associated with the issuance of U.S. denominated debt, the Company entered into cross-currency interest rate swaps. The cross-currency swaps converted the U.S. denominated fixed-rate notes, into fixed-rate Canadian denominated notes, and were accounted for as cash flow hedges.

As a result of the decision to accelerate the repayment of all outstanding notes, hedge accounting on all of the cross-currency interest rate swaps has been discontinued. This has resulted in a reclassification of $9.6 million from accumulated other comprehensive income, to interest expense and other financing costs, during the six months ended June 30, 2014. During the same period, the Company terminated cross-currency interest rate swaps maturing in 2021, and the remaining cross-currency swaps maturing in 2014.

During the three months ended June 30, 2014, $0.0 million was reclassified from accumulated other comprehensive income to interest and other financing costs associated with cross-currency interest rate swaps.

There have been no other material changes to the Company's risk and risk management activities since December 31, 2013.

Financial Instruments

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

Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Notes receivable	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative instruments[i]	Held for trading

[i] These derivative instruments may be designated as cash flow hedges or as fair value hedges as appropriate.

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

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

	2014			2013		
		Fair value			Fair value	
	Notional amount[(i)]	**Asset**	**Liability**	Notional amount[(i)]	Asset	Liability
Cash flow hedges						
Cross-currency interest rate swaps	**US$ —**	**$ —**	**$ —**	US$ 313,000	$ —	$ 31,042
Foreign exchange contracts[(ii)]	**222,212**	**4,290**	**—**	149,908	—	3,018
Commodity future contracts[(ii)]	**27,066**	**91**	**—**	—	—	—
Interest rate swaps	**—**	**—**	**—**	260,000	—	14,978
Fair value hedges						
Commodity contracts[(ii)]	**$ 52,742**	**$ —**	**$ 8,684**	$ 29,148	$ —	$ 826
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 1,180,000**	**$ —**	**$ 15,658**	$ 660,000	$ —	$ 4,876
Foreign exchange contracts[(ii)]	**206,803**	**214**	**1,233**	127,221	—	1,255
Commodity contracts[(ii)]	**695,135**	**2,768**	**11,167**	370,363	1,054	—
Total fair value		**$ 7,363**	**$ 36,742**		$ 1,054	$ 55,995
Current[(iii)]		**$ 7,363**	**$ 27,116**		$ 1,054	$ 15,541
Non-current		**—**	**9,626**		—	40,454
Total fair value		**$ 7,363**	**$ 36,742**		$ 1,054	$ 55,995

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

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

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities as at June 30, 2014 approximate their carrying value due to their short-term nature.

The fair value of long-term debt as at June 30, 2013 was $1,403.5 million as compared to its carrying value of $1,344.7 million on the consolidated balance sheet. 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.

Financial assets and liabilities classified as held for trading are recorded at fair value. The fair values of the Company’s interest rate and foreign exchange derivative financial instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and options contracts are exchange-traded and fair value is determined based on exchange prices.

Derivatives not designated in a formal hedging relationship are classified as held for trading. Net gains (losses) on financial instruments held for trading consist of realized and unrealized gains (losses) on derivatives that were de-designated or were otherwise not in a formal hedging relationship. During the three months ended June 30, 2014, the Company recorded a gain of $3.5 million (2013: loss of $1.1 million) on financial instruments held for trading.

During the six months ended June 30, 2014, the Company recorded a loss of $36.6 million (2013: loss of $7.3 million) on financial instruments held-for-trading.

During the three months ended June 30, 2014, the pre-tax amount of hedge ineffectiveness recognized in earnings was a loss of $0.2 million (2013: gain of $1.2 million).

During the six months ended June 30, 2014, the pre-tax amount of hedge ineffectiveness recognized in earnings was a gain of $0.1 million (2013: gain of $2.0 million).

The table below sets out fair value measurements of financial instruments using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange forward contracts	$ —	$ 4,504	$ —	$ 4,504
Commodity future contracts	2,859	—	—	2,859
	$ 2,859	**$ 4,504**	**$ —**	**$ 7,363**
Liabilities:				
Foreign exchange forward contracts	$ —	$ 1,233	$ —	$ 1,233
Commodity future contracts	19,851	—	—	19,851
Interest rate swaps	—	15,658	—	15,658
	$ 19,851	**$ 16,891**	**$ —**	**$ 36,742**

There were no transfers between levels during the six months ended June 30, 2014. 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.

Non-designated Interest Rate Swaps

The change in fair value of non-designated interest rate swaps for the three months ended June 30, 2014, was a gain of $2.0 million ($1.2 million after-tax) and was recorded in net earnings (loss) (2013: gain of $0.7 million ($0.5 million after-tax)).

The change in fair value of non-designated interest rate swaps for the six months ended June 30, 2014, was a gain of $3.1 million ($2.3 million after-tax) and was recorded in net earnings (loss) (2013: gain of $1.3 million ($0.9 million after-tax)).

19. OTHER INCOME

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2014**	2013	**2014**	2013
			(Restated)		*(Restated)*
			(Note 21)		*(Note 21)*
Loss on sale of property and equipment		**$ (515)**	$ 487	**$ (832)**	$ 127
Gain on sale of investment properties		**—**	323	**350**	323
Recovery from insurance claims		**—**	2,235	**—**	2,235
Gain on sale of assets and liabilities held for sale(i)		**—**	168	**—**	45,556
Adjustment of prior gain on acquisition	*27*	**—**	—	**—**	(985)
Net investment property (loss) income		**(403)**	369	**(449)**	134
Hedge ineffectiveness		**(163)**	1,169	**68**	2,003
Impairment of assets(ii)		**(785)**	(794)	**(785)**	(2,357)
Reversals of impairment of assets(ii)		**—**	760	**—**	760
Legal settlements		**17**	—	**170**	—
Depreciation of assets used to support divested businesses(iii)		**(1,770)**	—	**(1,770)**	—
Other		**(1,048)**	1,359	**(126)**	1,577
		$ (4,667)	$ 6,076	**$ (3,374)**	$ 49,373

(i) Gain on sale of assets and liabilities held for sale

	Three months ended June 30, 2014		Three months ended June 30, 2013	
	Net proceeds	Gain (loss)	Net proceeds	Gain (loss)
Investment properties held for sale	$ —	$ —	$ 1,587	$ 168
Total	$ —	$ —	$ 1,587	$ 168

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Net proceeds	Gain (loss)	Net proceeds	Gain (loss)
Potato processing facility	**$ —**	$ —	$ 58,067	$ 45,388
Poultry Farm	**—**	—	8,283	—
Investment properties held for sale	—	—	1,587	168
Total	$ —	$ —	$ 67,937	$ 45,556

(ii) Impairments of assets

Impairments and reversals recorded by the Company related to the following:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
		(Restated)		*(Restated)*
		(Note 21)		*(Note 21)*
Impairments:				
Property plant and equipment	**$ 570**	$ 178	**$ 570**	$ 178
Assets held for sale	**—**	260	**—**	1,823
Goodwill	**—**	356	**—**	356
Other Assets	**215**	—	**215**	—
Total impairments	**$ 785**	$ 794	**$ 785**	$ 2,357
Reversal of impairments				
Investment properties	**$ —**	$ 760	**$ —**	$ 760

(iii) Depreciation of assets used to support divested businesses

Relates to assets used to provide ongoing information systems support to divested businesses during a transitional period. As a result of divestitures during the current and previous years, the Company has revised the estimated useful life of these assets, resulting in a depreciation charge in excess of cost recoveries.

20. INTEREST EXPENSE AND OTHER FINANCING COSTS

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013 (Restated) (Note 21)
Interest expense on long-term debt		**$ 2,116**	$ 10,318	**$ 13,104**	$ 20,216
Interest on bankers' acceptances and prime loans		**6,481**	4,800	**9,143**	8,922
Interest expense on interest rate swaps		**590**	5,388	**5,985**	10,660
Interest income on interest rate swaps		**(429)**	(4,484)	**(5,044)**	(8,724)
Net interest expense on non-designated interest rate swaps		**1,680**	2,090	**3,360**	4,133
Interest expense on securitized receivables		**457**	523	**876**	1,066
Deferred finance charges		**1,819**	788	**3,016**	1,550
Other interest charges		**113**	1,067	**1,495**	2,020
Interest capitalized		**(2,721)**	(3,945)	**(5,504)**	(7,195)
Other financing costs[(i)]		**192**	—	**98,578**	—
		$ 10,298	$ 16,545	**$ 125,009**	$ 32,648

(i) Other financing costs for the six months ended June 30, 2014 included costs associated with the repayment of all of the Company's outstanding senior notes including an early repayment premium of $76.3 million, write-off of deferred financing fees of $8.9 million, financing costs associated with the new credit facility of $3.8 million and a release from accumulated other comprehensive income on the de-designation of cross-currency interest rate swaps of $9.6 million.

21. DISCONTINUED OPERATIONS

Canada Bread Company, Limited

On May 23, 2014, Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") acquired the 90.0% of issued and outstanding shares of Canada Bread owned by the Company, by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). During the quarter, the Company received proceeds of $1,647.0 million for its 90.0% interest in Canada Bread, resulting in a pre-tax gain of $1,030.5 million for the three months ended June 30, 2014, and $999.6 million for the six months ended June 30, 2014. Upon the sale of the business, the net assets of Canada Bread have been de-recognized from assets held for sale. For the six months ended June 30, 2014, the Canada Bread operations have been classified as discontinued operations on the Consolidated Statements of Net Earnings (Loss), and are presented as part of Bakery Products Group for segmented reporting.

Olivieri Fresh Pasta and Sauce Business

On November 25, 2013, the Company sold substantially all the net assets of its Olivieri fresh pasta and sauce business ("Olivieri"), a component of the Bakery Products Group, to Catelli Foods Corporation. The purchase price was finalized during March 2014. The final net proceeds were $115.8 million, including a pre-tax adjustment in 2014 of $(0.5) million. The adjustment to the gain on disposal and its related tax impact is recognized as part of the results of discontinued operations for the six months ended June 30, 2014.

Rothsay By-product Recycling Business

On October 28, 2013 the Company sold substantially all of the net assets of its Rothsay animal by-product recycling operations ("Rothsay"), a component of the Agribusiness Group, to Darling International Inc. for net proceeds of $628.5 million, resulting in pre-tax gain of $526.5 million recognized for the year ended December 31, 2013. During the quarter ended June 30, 2014, the Company recorded an adjustment to the gain on disposal of $2.5 million relating to additional non-cash transaction costs incurred associated with the sale.

Following is a summary of earnings from discontinued operations:

		2014				2013			
Three months ended June 30,	***Notes***	**Canada Bread**	**Olivieri**	**Rothsay**	**Total[(i)]**	Canada Bread	Olivieri	Rothsay	Total
Sales		**$ 225,024**	**$ —**	**$ —**	**$ 225,024**	$ 374,479	$ 23,203	$ 60,993	$ 458,675
Cost of goods sold		**173,138**	**—**	**—**	**173,138**	297,555	19,173	40,663	357,391
Gross margin		**$ 51,886**	**$ —**	**$ —**	**$ 51,886**	$ 76,924	$ 4,030	$ 20,330	$ 101,284
Selling, general, and administrative expenses		**30,929**	**—**	**—**	**30,929**	41,322	3,173	1,716	46,211
Operating Earnings before the following:		**$ 20,957**	**$ —**	**$ —**	**$ 20,957**	$ 35,602	$ 857	$ 18,614	$ 55,073
Restructuring and other related costs		**(735)**	**—**	**—**	**(735)**	(1,043)	—	—	(1,043)
Gain on disposal of discontinued operations[(ii)(iii)]		**1,030,532**	**—**	**—**	**1,030,532**	—	—	—	—
Adjustment of prior gain on disposal of discontinued operations[(iv)]		**—**	**—**	**(2,488)**	**(2,488)**	—	—	—	—
Other income (expense)		**(3,427)**	**—**	**—**	**(3,427)**	(1,879)	—	25	(1,854)
Earnings (loss) before interest and income taxes from discontinued operations		**$ 1,047,327**	**$ —**	**$ (2,488)**	**$ 1,044,839**	$ 32,680	$ 857	$ 18,639	$ 52,176
Interest expense and other financing costs		**612**	**—**	**—**	**612**	291	—	—	291
Earnings (loss) before income taxes from discontinued operations		**$ 1,046,715**	**$ —**	**$ (2,488)**	**$ 1,044,227**	$ 32,389	$ 857	$ 18,639	$ 51,885
Income taxes		**106,470**	**—**	**(642)**	**105,828**	8,497	220	4,793	13,510
Net earnings (loss) from discontinued operations		**$ 940,245**	**$ —**	**$ (1,846)**	**$ 938,399**	$ 23,892	$ 637	$ 13,846	$ 38,375
Attributed to:									
Common shareholders		**$ 939,187**	**$ —**	**$ (1,846)**	**$ 937,341**	$ 21,443	$ 633	$ 13,846	$ 35,922
Non-controlling interest		**1,058**	**—**	**—**	**1,058**	2,449	4	—	2,453
		$ 940,245	**$ —**	**$ (1,846)**	**$ 938,399**	$ 23,892	$ 637	$ 13,846	$ 38,375
Earnings per share from discontinued operations attributable to common shareholders:	***22***								
Basic and diluted earnings per share from discontinued operations					**$ 6.66**				$ 0.25
Weighted average number of shares (millions)					**140.7**				139.9

Six months ended June 30,	Notes	2014 Canada Bread	2014 Olivieri	2014 Rothsay	2014 Total[i]	2013 Canada Bread	2013 Olivieri	2013 Rothsay	2013 Total
Sales		**$ 567,861**	**$ —**	**$ —**	**$ 567,861**	$ 721,346	$ 45,249	$ 119,128	$ 885,723
Cost of goods sold		**439,710**	**—**	**—**	**439,710**	580,550	37,183	78,858	696,591
Gross margin		**$ 128,151**	**$ —**	**$ —**	**$ 128,151**	$ 140,796	$ 8,066	$ 40,270	$ 189,132
Selling, general, and administrative expenses		**80,322**	**—**	**—**	**80,322**	88,875	6,427	3,350	98,652
Operating Earnings before the following:		**$ 47,829**	**$ —**	**$ —**	**$ 47,829**	$ 51,921	$ 1,639	$ 36,920	$ 90,480
Restructuring and other related costs		**(2,612)**	**—**	**—**	**(2,612)**	(11,454)	—	—	(11,454)
Gain on disposal of discontinued operations[(ii)(iii)]		**999,556**	**—**	**—**	**999,556**	—	—	—	—
Adjustment of prior gain on disposal of discontinued operations[(iv)]		**—**	**(468)**	**(2,488)**	**(2,956)**	—	—	—	—
Other income (expense)		**(1,582)**	**—**	**—**	**(1,582)**	(4,392)	—	52	(4,340)
Earnings (loss) before interest and income taxes from discontinued operations		**$ 1,043,191**	**$ (468)**	**$ (2,488)**	**$ 1,040,235**	$ 36,075	$ 1,639	$ 36,972	$ 74,686
Interest expense and other financing costs		**786**	**—**	**—**	**786**	688	—	—	688
Earnings (loss) before income taxes from discontinued operations		**$ 1,042,405**	**$ (468)**	**$ (2,488)**	**$ 1,039,449**	$ 35,387	$ 1,639	$ 36,972	$ 73,998
Income taxes		**108,920**	**160**	**(642)**	**108,438**	9,795	421	9,505	19,721
Net earnings (loss) from discontinued operations		**$ 933,485**	**$ (628)**	**$ (1,846)**	**$ 931,011**	$ 25,592	$ 1,218	$ 27,467	$ 54,277
Attributed to:									
Common shareholders		**$ 931,473**	**$ (591)**	**$ (1,846)**	**$ 929,036**	$ 22,914	$ 1,215	$ 27,467	$ 51,596
Non-controlling interest		**2,012**	**(37)**	**—**	**1,975**	2,678	3	—	2,681
		$ 933,485	**$ (628)**	**$ (1,846)**	**$ 931,011**	$ 25,592	$ 1,218	$ 27,467	$ 54,277
Earnings per share from discontinued operations attributable to common shareholders:	***22***								
Basic and diluted earnings per share from discontinued operations					**$ 6.62**				$ 0.37
Weighted average number of shares (millions)					**140.4**				139.9

(i) *The Rothsay and Olivieri operations were sold during 2013.*

(ii) *Included in the gain on disposal of discontinued operations is $8.5 million of stock compensation expenses for the three months and six months ended June 30, 2014.*

(iii) *Gain, net of tax, attributable to common shareholders is $926.8 million (2013: $0.0 million) for the three months ended June 30, 2014 and $899.8 million (2013: $0.0 million) for the six months ended June 30, 2014.*

(iv) *Adjustment of prior gain on disposal of discontinued operations includes $2.5 million (2013: $0.0 million) of stock-based compensation paid to Management as a result of the successful completion of the transaction.*

In order to accurately represent the continuing and discontinuing operations sales and cost of goods sold, certain intercompany eliminations have been reversed in the amounts presented above and in the statement of earnings (loss) for all periods presented.

The net cash flows provided by (used in) the discontinued operations are as follows:

Three months ended June 30,	2014 Canada Bread	2014 Olivieri	2014 Total[i]	2013 Canada Bread	2013 Olivieri	2013 Rothsay	2013 Total
Operating cash flows	**$ (83,584)**	**$ —**	**$ (83,584)**	$ 75,982	$ 555	$ 14,374	$ 90,911
Financing cash flows	**(30,192)**	**—**	**(30,192)**	(13,193)	384	—	(12,809)
Investing cash flows	**1,587,794**	**—**	**1,587,794**	(11,184)	626	(2,091)	(12,649)
Net cash flows	**$ 1,474,018**	**$ —**	**$ 1,474,018**	$ 51,605	$ 1,565	$ 12,283	$ 65,453

Six months ended June 30,	2014 Canada Bread	2014 Olivieri	2014 Total(i)	2013 Canada Bread	2013 Olivieri	2013 Rothsay	2013 Total
Operating cash flows	**$ (41,059)**	**$ (160)**	**$ (41,219)**	$ 93,265	$ 285	$ 23,793	$ 117,343
Financing cash flows	**(246,583)**	**—**	**(246,583)**	(24,630)	763	—	(23,867)
Investing cash flows	**1,585,730**	**(468)**	**1,585,262**	(13,934)	(556)	(3,438)	(17,928)
Net cash flows	**$ 1,298,088**	**$ (628)**	**$ 1,297,460**	$ 54,701	$ 492	$ 20,355	$ 75,548

(i) *The Rothsay operation was sold during 2013. Activity for the three months and six months ended June 30, 2014 had no cash flow impact. As such, no results are reported for 2014.*

22. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the quarter.

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the quarter, adjusted for the effects of potentially dilutive stock options.

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

	Attributable to Common Shareholders					
	2014			2013(iii)		
Three months ended June 30,	**Net earnings (loss)**	**Weighted average number of shares(ii)**	**EPS**	Net earnings (loss)	Weighted average number of shares(ii)	EPS
Basic						
Continuing operations	**$ (39,544)**	**140.7**	**$ (0.28)**	$ (38,376)	139.9	$ (0.27)
Gain on sale of business, net of tax	**926,783**	**140.7**	**6.58**	—	—	—
Discontinued operations before gain on sale of business	**10,558**	**140.7**	**0.08**	35,922	139.9	0.25
	$ 897,797	**140.7**	**$ 6.38**	$ (2,454)	139.9	$ (0.02)
Stock options(i)	**—**	**—**	**—**	—	—	—
Diluted						
Continuing operations	**$ (39,544)**	**140.7**	**$ (0.28)**	$ (38,376)	139.9	$ (0.27)
Gain on sale of business	**926,783**	**140.7**	**6.58**	—	—	—
Discontinued operations before gain on sale of business	**10,558**	**140.7**	**0.08**	35,922	139.9	0.25
	$ 897,797	**140.7**	**$ 6.38**	$ (2,454)	139.9	$ (0.02)

(i) *Excludes the effect of approximately 4.8 million options and restricted share units (2013: 9.9 million) to purchase common shares that are anti-dilutive.*

(ii) *In millions.*

(iii) *Restated, see Note 21.*

Six months ended June 30,		**2014**			2013 (iii)		
		Net earnings (loss)	**Weighted average number of shares(ii)**	**EPS**	Net earnings (loss)	Weighted average number of shares(ii)	EPS
Basic							
Continuing operations	**$**	**(164,150)**	**140.4 $**	**(1.17) $**	(68,988)	139.9 $	(0.49)
Gain on sale of business, net of tax		**899,820**	**140.4**	**6.41**	—	—	—
Discontinued operations before gain on sale of business		**29,216**	**140.4**	**0.21**	51,596	139.9	0.37
	$	**764,886**	**140.4 $**	**5.45 $**	(17,392)	139.9 $	(0.12)
Stock options(i)		**—**	**—**	**—**	—	—	—
Diluted							
Continuing operations	**$**	**(164,150)**	**140.4 $**	**(1.17) $**	(68,988)	139.9 $	(0.49)
Gain on sale of business		**899,820**	**140.4**	**6.41**	—	—	—
Discontinued operations before gain on sale of business		**29,216**	**140.4**	**0.21**	51,596	139.9	0.37
	$	**764,886**	**140.4 $**	**5.45 $**	(17,392)	139.9 $	(0.12)

Attributable to Common Shareholders

(i) *Excludes the effect of approximately 4.8 million options and restricted share units (2013: 9.9 million) to purchase common shares that are anti-dilutive.*

(ii) *In millions.*

(iii) *Restated, see Note 21.*

23. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Incentive Plan in effect as at June 30, 2014, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock and may grant Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") 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 Board of Directors on the recommendation of the Human Resources Compensation Committee. The vesting conditions 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 Plan ("DSU Plan"), eligible Directors may elect to receive their retainer and fees in the form of Deferred Share Units ("DSUs") or as common shares of the Company.

During March 2014, as a result the planned sale of Canada Bread, the Company modified the terms of the plan to allow for all currently outstanding RSUs and PSUs, to be cash settled. The Company also made changes to the performance criteria and vesting period of all RSUs, PSUs, and stock options outstanding. This resulted in an additional expense of $6.7 million on vesting date and $2.0 million on market value adjustment to current share price. This additional expense was reflected in selling, general, and administrative expenses. Additionally, $23.4 million was re-classified from equity to liabilities.

Stock Options

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

	2014		2013	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding at January 1	**4,679,800**	**$ 11.60**	2,601,000	$ 11.36
Granted	**—**	**—**	2,345,500	11.85
Exercised	**(82,800)**	**11.48**	(15,700)	11.36
Forfeited	**—**	**—**	—	—
Expired	**—**	**—**	—	—
Outstanding at March 31	**4,597,000**	**$ 11.60**	4,930,800	$ 11.59
Granted	**—**	**—**	—	—
Exercised	**(1,440,900)**	**11.61**	—	—
Forfeited	**—**	**—**	—	—
Expired	**—**	**—**	—	—
Outstanding at June 30	**3,156,100**	**$ 11.60**	4,930,800	$ 11.59
Options currently exercisable	**3,156,100**	**$ 11.60**	854,000	$ 11.37

All outstanding share options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant and/or upon the achievement of specified performance targets (based on return on net assets, earnings, share price, or total stock return relative to an index). The options have a term of seven years.

At grant date, each option series is measured for fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the six months ended June 30, 2013, are shown in the table below. No options were granted during the six months ended June 30, 2014.

	2013
Share price at grant date	$ 11.82
Exercise price	$ 11.85
Expected volatility(i)	26.53 %
Option life (in years)(ii)	4.5
Expected dividends	1.35 %
Risk-free interest rate(iii)	1.42 %

(i) *Weighted average volatility.*

(ii) *Expected weighted average life.*

(iii) *Based on Government of Canada bonds.*

There were no share options issued during the three or six months ended June 30, 2014. Amortization charges relating to current and prior year options during the three and six months ended June 30, 2014 were $1.6 million and $2.6 million respectively.

There were no options granted during the three months ended June 30, 2013. The fair value of options granted during the six months ended June 30, 2013 was $5.1 million. Amortization charges relating to current and prior year options for the three and six months ended June 30, 2013 were $1.2 million and $2.4 million respectively.

Restricted Share Units

A summary of the status of the Company's RSU plans (including PSUs) as at June 30, 2014 and 2013 and changes during these periods is presented below:

	2014		2013	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding at January 1	**2,746,000 $**	**11.17**	3,587,172 $	11.23
Granted	**—**	**—**	1,303,500	11.32
Exercised	**—**	**—**	—	—
Forfeited	**(23,800)**	**11.17**	—	—
Expired	**—**	**—**	(83,250)	10.18
Outstanding at March 31	**2,722,200 $**	**11.17**	4,807,422 $	11.27
Granted	**642,230**	**17.17**	—	—
Exercised	**(1,215,394)**	**11.15**	(73,475)	10.18
Forfeited	**(156,843)**	**11.23**	(17,967)	10.91
Expired	**(686,910)**	**10.99**	—	—
Outstanding at June 30	**1,305,283 $**	**14.21**	4,715,980 $	11.29

The fair value of RSUs and PSUs granted during the three months ended June 30, 2014, was $11.0 million (2013: $0.0 million). Expenses for the three months ended June 30, 2014, relating to current and prior year RSUs and PSUs, including the modification impacts and a mark-to-market adjustment on the related liability outlined above, were $12.2 million (2013: $4.4 million), of this amount $11.0 million was included in discontinued operations (Note 21).

The fair value of RSUs and PSUs granted during the six months ended June 30, 2014, was $11.0 million (2013: $13.3 million). Expenses for the six months ended June 30, 2014, relating to current and prior year RSUs and PSUs, including the modification impacts and a mark-to-market adjustment on the related liability outlined above, were $21.6 million (2013: $8.8 million), of this amount $11.0 million was included in discontinued operations (Note 21).

The key assumptions used in the valuation of fair value of RSUs granted during the six months ended June 30, 2014 and 2013 are shown in the table below[(i)].

	2014	2013
Expected RSU life (in years)	0.50	3.31
Forfeiture rate	0.0 %	8.6 %
Risk-free discount rate	1.0 %	1.2 %

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

Director Share Units

The fair value of director share units expensed during the three and six months ended June 30, 2014 was $0.3 million and $0.5 million respectively.

24. RELATED PARTY TRANSACTIONS

The Company had a 90.0% controlling interest in Canada Bread, a publicly traded subsidiary that was consolidated into the Company's results and presented as a discontinued operation, until its sale in May 2014. Transactions between the Company and its consolidated entities have been eliminated in these consolidated financial statements. Subsequent to the sale of this controlling interest, Canada Bread ceased to be a related party of the Company and the Company is no longer consolidating the results and the related balance sheet of Canada Bread, as discussed in Note 21.

The Company sponsors a number of defined benefit and defined contribution plans. During the three months ended June 30, 2014, the Company received $0.2 million (2013: $0.3 million) from the defined benefit pension plans for the reimbursement of expenses incurred by the Company to provide services to these plans. During the three months ended June 30, 2014, the Company's contributions to these plans were $6.9 million (2013: $9.8 million), which includes $1.5 million (2013: $2.5 million) made by Canada Bread, which has been presented as discontinued operations.

During the six months ended June 30, 2014, the Company received $0.4 million (2013: $0.5 million) from the defined benefit pension plans for reimbursement of expenses incurred by the Company to provide services to these plans. During the six months ended June 30, 2014, the Company's contributions to these plans were $17.0 million (2013: $19.1 million) which includes $3.7 million (2013: $4.9 million) made by Canada Bread, which has been presented as discontinued operations.

25. GOVERNMENT INCENTIVES

During the three months ended June 30, 2014, the Company recorded government incentives totalling $0.9 million. Of this amount, the Company recorded $0.8 million in incentives from the Government of Manitoba for a pilot project converting one of the Company's sow barns to loose housing. The Company also recorded other incentives totalling $0.1 million.

Also during the three months ended June 30, 2014, the Company recorded a $4.8 million interest free loan from the Canadian government to support the upgrade of the Company's prepared meats manufacturing network and supply chain. The loan is repayable over a period of 10 years beginning in 2015.

During the three months ended June 30, 2013, the Company recorded government incentives totalling $1.7 million. Of this amount, the Company recorded $1.2 million in incentives from the Canadian government to support the development of renewable energies related to the Rothsay by-product recycling business, which has been presented in discontinued operations. Additionally, the Company received $0.4 million related to incentives from the Government of Manitoba supporting an employment and training program. The Company also recorded other incentives totalling $0.1 million.

During the six months ended June 30, 2014, the Company recorded government incentives totalling $1.1 million. Of this amount, the Company recorded $0.8 million in incentives from the Government of Manitoba for a pilot project converting one of the Company's sow barns to loose housing. The Company also recorded other incentives totalling $0.3 million.

Also during the six months ended June 30, 2014, the Company recorded a $4.8 million interest free loan from the Canadian government to support the upgrade of the Company's prepared meats manufacturing network and supply chain. The loan is repayable over a period of 10 years beginning in 2015.

During the six months ended June 30, 2013, the Company recorded government incentives totalling $5.6 million. Of this amount, the Company recorded $3.2 million in incentives from the Canadian government to support the development of renewable energies related to the Rothsay by-product recycling business, which has been presented in discontinued operations. Additionally, the Company received $2.0 million related to incentives from the Government of Manitoba supporting an employment and training program. The Company also recorded other incentives totalling $0.4 million.

Also during the six months ended June 30, 2013, the Company recorded a $2.0 million interest free loan from the Canadian government for the purchase of equipment for the bakery in Hamilton, Ontario, related to the Canada Bread operation. The loan was sold as part of the sale of Canada Bread.

26. SEGMENTED FINANCIAL INFORMATION

Reportable Segmented Information

The Company has three reportable segments, as described below, which are groupings of the Company's CGUs. These segments offer different products, have separate management structures and have their own marketing strategies and brands. The Company's Management regularly reviews internal reports for these segments. The following describes the operations of each segment:

(a) The Meat Products Group is comprised of value-added processed packaged meat, chilled meal entrées and lunch kits, and primary pork and poultry processing.

(b) The Agribusiness Group is comprised of the Company's hog production. In prior year, the Agribusiness Group also comprised of the animal by-product recycling operations which were sold during the fourth quarter of 2013. The Company has presented the animal by-product recycling operations as a discontinued operation for the comparative periods. Refer to Note 21 for further details.

(c) The Bakery Products Group was comprised of the Company's 90.0% (2013: 90.0%) ownership in Canada Bread Company, Limited; a producer of fresh and frozen par-baked bakery products including breads, rolls, bagels, and artisan goods. In the prior year, the Bakery Products Group also included a fresh pasta and sauces business, which was sold during the fourth quarter of 2013. Additionally, during the first quarter of 2014, the Company reached an agreement to sell its 90.0% ownership interest in Canada Bread, which was disposed of during the three months ended June 30, 2014. As a result, the Bakery Products Group has been classified as discontinued operations as at and for the three months ended June 30, 2014 and for the six months ended June 30, 2014. Refer to Note 7 and Note 21 for further details on the disposal activity of the Bakery Products Group. The Bakery segment information for comparative periods has also been re-stated to show allocations of corporate costs outside of Canada Bread as non-allocated costs.

(d) Non-allocated costs are comprised of expenses not separately identifiable to business segment groups and are not part of the measures used by the Company when assessing the segment's operating results. These costs include general expenses related to the bakery business, changes in fair value of biological assets, unrealized gains or losses on commodity contracts, and realized gains on commodity contracts that relate to delivery in future periods. As a result of the Company's decision to sell its 90.0% interest in Canada Bread, prior year segments have been restated to show costs associated with the Bakery Products Group that are not charged to Canada Bread as non-allocated costs.

Non-allocated assets are comprised of corporate assets not separately identifiable to business segment groups. These include, but are not limited to, corporate property and equipment, software, investment properties, and tax balances.

	Notes	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
			(Restated) *(Note 21)*		*(Restated)* *(Note 21)*
Sales					
Meat Products Group		**$ 825,553**	$ 752,471	**$ 1,530,952**	$ 1,430,537
Agribusiness Group(i)		**6,237**	67,787	**12,185**	137,209
Bakery Products Group(i)		**225,024**	397,682	**567,861**	766,595
Total sales		**$ 1,056,814**	$ 1,217,940	**$ 2,110,998**	$ 2,334,341
Sales from discontinued operations	*21*	**(225,024)**	(458,675)	**(567,861)**	(885,723)
Sales from continuing operations		**$ 831,790**	$ 759,265	**$ 1,543,137**	$ 1,448,618
Earnings before restructuring and other related costs and other income					
Meat Products Group		**$ (15,644)**	$ (11,492)	**$ (43,091)**	$ (21,944)
Agribusiness Group(i)		**5,208**	1,726	**4,862**	7,106
Bakery Products Group(i)		**20,957**	36,459	**47,829**	53,560
Non-allocated costs		**(10,005)**	951	**(16,937)**	(13,842)
Total earnings before restructuring and other related costs and other income		**$ 516**	$ 27,644	**$ (7,337)**	$ 24,880
Earnings before restructuring and other related costs and other income from discontinued operations	*21*	**(20,957)**	(55,073)	**(47,829)**	(90,480)
Earnings before restructuring and other related costs and other income from continuing operations		**$ (20,441)**	$ (27,429)	**$ (55,166)**	$ (65,600)
Capital expenditures					
Meat Products Group		**$ 72,809**	$ 73,062	**$ 140,623**	$ 139,206
Agribusiness Group(i)		**1,146**	5,401	**1,969**	7,845
Bakery Products Group(i)		**7,589**	10,914	**17,789**	18,381
		$ 81,544	$ 89,377	**$ 160,381**	$ 165,432
Depreciation and amortization					
Meat Products Group		**$ 18,206**	$ 16,851	**$ 38,187**	$ 32,419
Agribusiness Group(i)		**904**	4,096	**2,424**	8,252
Unallocated(ii)		**4,540**	—	**4,540**	**—**
Bakery Products Group(i)		**—**	14,470	**5,142**	28,598
		$ 23,650	$ 35,417	**$ 50,293**	$ 69,269

(i) The prior year results of the animal by-product recycling operations, Fresh Pasta and Sauces businesses and Canada Bread are included in the comparative results of the Agribusiness Group and Bakery Products Group respectively.

(ii) Includes depreciation on assets used to service divested business.

		As at June 30, 2014	As at June 30, 2013(i)	As at December 31, 2013
Total assets				
Meat Products Group	**$**	**1,989,717** $	1,756,916 $	1,823,866
Agribusiness Group(i)		**219,558**	274,898	195,537
Bakery Products Group(i)		**—**	1,021,971	1,169,669
Non-allocated assets		**734,327**	331,072	410,020
	$	**2,943,602** $	3,384,857 $	3,599,092
Goodwill				
Meat Products Group	**$**	**428,236** $	428,828 $	428,236
Agribusiness Group(i)		**—**	13,845	—
Bakery Products Group(i)		**—**	298,932	292,562
	$	**428,236** $	741,605 $	720,798

(i) The prior year results as at June 30, 2013, of the Agribusiness Group and Bakery Products Group include assets and goodwill from the animal by-product recycling operations, Fresh Pasta and Sauces, and Canada Bread businesses, respectively.

Information About Geographic Areas

Property and equipment and investment property located outside of Canada was $0.3 million at June 30, 2014 (2013: $97.7 million). Of the total amount located outside of Canada, $0.0 million (2013: $55.8 million) was located in the U.S and $0.0 million (2013: $41.6 million) was located in the U.K. Goodwill attributed to operations located outside of Canada was $0.0 million (2013: $61.0 million), all of which was attributed to operations in the U.S.

Revenues earned outside of Canada for the three months ended June 30, 2014, were $249.9 million (2013: $247.1 million), of which $54.8 million (2013: $84.4 million) has been reclassified to net earnings (loss) from discontinued operations. Of the total amount earned outside of Canada, $102.4 million (2013: $117.3 million) was earned in the U.S., $79.1 million (2013: $52.4 million) was earned in Japan, and $21.2 million (2013: $34.0 million) was earned in the U.K. Revenue by geographic area is determined based on the shipping location.

Revenues earned outside of Canada for the six months ended June 30, 2014, were $480.9 million (2013: $492.4 million), of which $144.4 million (2013: $185.6 million) has been reclassified to net earnings (loss) from discontinued operations. Of the total amount earned outside of Canada, $210.7 million (2013: $231.9 million) was earned in the U.S., $136.0 million (2013: $107.3 million) was earned in Japan, and $56.4 million (2013: $70.4 million) was earned in the U.K.

Information About Major Customers

During the three months ended June 30, 2014, the Company reported sales to two customers representing 12.8% and 12.6% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to two customers representing 14.5% and 10.6% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the three months ended June 30, 2013, the Company reported sales to two customers representing 11.4% and 10.6% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to one customer representing 14.6% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the six months ended June 30, 2014, the Company reported sales to two customers representing 13.3% and 12.3% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to two customers representing 14.8% and 11.0% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

During the six months ended June 30, 2013, the Company reported sales to two customers representing 11.1% and 10.3% of total sales before adjustments for discontinued operations. These revenues were reported in both the Meat Products Group and Bakery Products Group. The Company reported sales to one customer representing 14.1% of total sales from continuing operations. No other sales were made to any one customer that represented in excess of 10% of total sales.

27. BUSINESS COMBINATION

On December 14, 2012, the Company acquired specific assets and liabilities held by The Puratone Corporation, Pembina Valley Pigs Ltd., and Niverville Swine Breeders Ltd., (collectively “Puratone”), privately held entities engaged in hog production. The net assets recognized in the December 31, 2012, financial statements were based on a provisional assessment of the fair value while the Company negotiated the final purchase price and finalized the valuation of the assets and liabilities acquired. The valuation was completed in March 2013 and the Company agreed on a final acquisition purchase price of $45.4 million, an increase of $0.9 million from the provisional amount of $44.5 million recorded for the year ended December 31, 2012. The Company settled the transaction in cash. The acquisition date fair value of the net identifiable assets remains consistent with the provisional value.

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