2013 ANNUAL REPORT

Canada Bread Company, Limited

Canada Bread is a leading manufacturer and distributor of value-added and nutritious fresh and frozen bakery products.

Canada Bread operates two business segments:

FRESH BAKERY

Our Fresh Bakery segment includes premium white, whole grain and rye breads, tortillas, bagels, buns and rolls sold under a number of leading brands, including Dempster's®, Villaggio®, Smart®, McGavins®, POM®, Bon Matin® and Ben's®.

FROZEN BAKERY

Our Frozen Bakery segment includes operations in North America and the U.K. The North American bakery business is a major producer and distributor of frozen unbaked, par-baked and fully-baked bread products. Our U.K. bakery business is a leading specialty bakery producing bagels and croissants. Key brands include California Goldminer® frozen bakery products, Tenderflake® ready-to-bake pastry products, and New York Bakery Co.® in the U.K.

Through our Fresh Bakery and Frozen Bakery segments, we serve retail stores, in-store bakery departments and foodservice customers across North America and the U.K.

Canada Bread employs approximately 5,400 people and operates 25 facilities across Canada, the U.S. and the U.K. **The Company is 90% owned by Maple Leaf Foods Inc.**

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2013 was an inflection point in the history of Canada Bread. Our significant efforts in recent years to reduce costs and deliver innovative products to meet evolving consumer demands paid off in a very strong earnings year. We increased both our Adjusted Operating Earnings for the year by 8%, and our Adjusted Earnings per Share by 9%, driven largely by strong gains in our North American frozen and U.K. bakery businesses. We also benefited from previous capital investments to reduce costs and increase efficiencies in our Fresh Bakery Segment. The result was an Adjusted EBITDA margin of 12.1% for the year; proof that we are focused on the right strategies.

Concerns over gluten, carbohydrates' role in weight gain, and other changes in consumer purchasing patterns continue to influence the reduction in bread consumption. We are addressing these concerns head-on through proactive marketing and education programs to raise awareness and knowledge with consumers about the significant health benefits of grains. We are also focusing our product innovation to offer consumers more healthy whole grain choices that meet their needs and will firmly establish us as the market leader in these categories.

Earnings growth continued to be a challenge for the fresh bread business in 2013 due to weaker volumes, which more than offset the benefit of a price increase taken early in the year. Overhead and manufacturing cost reductions and continued simplification of the product mix to increase operating efficiencies contributed to earnings, as did the elimination of duplicative costs as we consolidated production into our new Ontario bakery and closed the remaining sub-scale bakery.

We concluded the sale of our fresh pasta business in the fourth quarter of the year. This transaction represented an excellent opportunity to optimize the value of this business. Proceeds from the sale were returned to shareholders in the form of a special dividend.

Our North American frozen bakery business delivered a record-setting year due in large part to their continued focus on reducing costs through operating improvements and a price increase taken in the year. This business supplies many leaders in the foodservice and retail sectors, and delivering innovative product solutions continues to solidify these customer relationships.

Earnings from our U.K. business also grew significantly, primarily as a result of strong volume growth. The Company closed two facilities in the last two years in order to reduce costs and concentrate production in its core bagel and croissant businesses. The fast-growing bagel business is well positioned for further growth in the U.K. and into continental Europe. We now have two bakeries in the U.K.—bagel manufacturing at Rotherham, and croissant production at Maidstone. Increased capacity in both these facilities will enable our U.K. business to meet growing customer demand.

The bakery business continues to be an excellent business – with leading market shares and brands in the majority of our segments and markets. However, accelerating top-line profitable growth has remained a challenge. To address this, a comprehensive review of opportunities was completed, focused on themes of cost reduction, enhanced efficiency, investment, and growth across the portfolio. Before committing resources to implement this strategy, the Board and management decided to explore other alternatives to maximize value for shareholders, including the potential sale of the business. After a comprehensive process, a definitive agreement was signed in February, 2014 to sell all the issued and outstanding shares of Canada Bread to Grupo Bimbo S.A.B. de C.V., the world's largest bakery company. Subject to regulatory approvals, the sale is expected to close in the second quarter of this year. This transaction will maximize value for shareholders and provide exciting opportunities for Canada Bread employees, customers, and other partners.

We have built an excellent business, the result of the hard work and dedication of our employees and franchisees. Their commitment and skills will stand them in good stead as they move forward to create the exciting next chapter in Canada Bread's history.

On behalf of the Board,

Richard A. Lan
President and
Chief Executive Officer

Michael H. McCain
Chairman

Financial Review

2013 Annual Report
Canada Bread Company, Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

FEBRUARY 26, 2014

THE BUSINESS

Canada Bread Company, Limited ("Canada Bread" or the "Company"), 90.0% owned by Maple Leaf Foods Inc. ("Maple Leaf"), is a leading manufacturer and distributor of fresh bakery products and frozen par-baked products. The Company employs approximately 5,400 people at its operations across North America and in the U.K.

OPERATING SEGMENTS

The Company reports in two segments: Fresh Bakery and Frozen Bakery.

The Fresh Bakery segment produces fresh bakery products, including breads, rolls, and bagels sold to retail, foodservice, and convenience channels. The Frozen Bakery segment is comprised of frozen par-baked bakery products sold in North America and the U.K. bakery businesses which specialize in bagels and croissants.

FINANCIAL OVERVIEW

Canada Bread sales[(i)] decreased 1.7% to $1,453.6 million, or 0.9% after adjusting for discontinued categories in the U.K. and the impact of currency translation on sales in the U.S. and U.K. Lower sales volumes in the fresh bread and North American frozen bakery businesses were partly offset by stronger volumes in the U.K. and higher pricing across all the businesses.

Adjusted Operating Earnings[(i)(ii)] increased 8.0% to $127.1 million in 2013 from $117.7 million last year driven by operating efficiencies at the fresh bread and North American frozen bakery businesses, lower selling, general, and administrative costs, higher pricing, and higher volumes in the U.K. bakery business. These benefits were partly offset by lower volumes, primarily in the fresh bread business, and rising raw material and inflationary costs.

Adjusted Earnings per Share[(i)(iii)] increased to $3.60 per share in 2013 from $3.31 per share in 2012. Net earnings from continuing operations was $85.0 million ($3.35 basic earnings per share) compared to $75.5 million ($2.97 basic earnings per share) in 2012.

Notes:

(i) *2012 figures have been restated for the classification of the Olivieri business as discontinued operations, and the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Notes 20 and 28, respectively, in the Company's audited consolidated financial statements.*

(ii) *Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of on-going operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures on page 23.*

(iii) *Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate on-going financial operating results. It is defined as basic earnings per share, adjusted for all items that are not considered representative of on-going operational activities of the business, and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Please refer to the section entitled Non-IFRS Financial Measures on page 23.*

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three years ended December 31:

($ millions except earnings per share ("EPS ") figures)	**2013**	2012 (i)	2011 (i)
Sales	**$ 1,453.6**	$ 1,479.2	$ 1,499.0
Adjusted Operating Earnings (ii)	**$ 127.1**	$ 117.7	$ 96.4
Net earnings from continuing operations	**$ 85.0**	$ 75.5	$ 42.1
Basic and diluted EPS from continuing operations	**$ 3.35**	$ 2.97	$ 1.66
Adjusted EPS (ii)	**$ 3.60**	$ 3.31	$ 3.05
Total assets	**$ 1,138.6**	$ 970.0	$ 971.2
Net Debt (Cash) (ii)	**$ (317.7)**	$ (87.1)	$ (52.0)
Total long-term liabilities	**$ 79.4**	$ 85.2	$ 78.9
Cash provided by operating activities	**$ 189.0**	$ 109.1	$ 103.1
Dividends declared per share	**$ 10.00**	$ 1.70	$ 0.66

(i) *2012 and 2011 figures have been restated for the classification of the Olivieri business as discontinued operations, and for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Notes 20 and 28, respectively, in the audited consolidated financial statements.*

(ii) *Please refer to the section entitled Non-IFRS Financial Measures starting on page 23 of this document for a description of all non-IFRS financial measures.*

RECENT DEVELOPMENTS

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") had agreed to acquire all of the issued and outstanding common shares of the Company by way of a statutory arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). Under the terms of the Arrangement, Grupo Bimbo has agreed to acquire each common share of the Company for $72.00 per share in cash or $1.83 billion in aggregate pursuant to the terms of an arrangement agreement dated February 11, 2014 between the Company and Grupo Bimbo (the "Arrangement Agreement").

Under the terms of the Arrangement Agreement, the Company is permitted to continue to pay quarterly dividends of up to $0.75 per common share until the closing of the transaction (pro-rated for the actual number of days in the quarter in which the transaction closes). The Arrangement will require the approval of at least $66^{2/3}$% of the votes cast by the shareholders of Canada Bread at a special meeting of shareholders expected to take place in early April 2014. Maple Leaf has entered into a voting support agreement with Grupo Bimbo pursuant to which Maple Leaf has agreed to vote all of its common shares of Canada Bread in favour of the Arrangement at such meeting.

The Arrangement is also subject to receipt of court approval, regulatory approvals (including Competition Act (Canada) and Investment Canada Act approvals and Hart Scott Rodino approval in the United States) and other customary closing conditions. Subject to the satisfaction or waiver of the conditions to the Arrangement, the transaction is expected to close in the second quarter of 2014.

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Fluctuating Input Prices

Changes in input prices have a significant influence on both the Company and the food industry. Wheat, dairy products, and fuel constitute the primary input costs in the Company's operations.

The price of wheat has fluctuated in the past several years. In the second half of 2010, wheat prices rose by approximately 75% and continued to stay at similar levels for 2011 and 2012. In 2013, wheat prices began to decline towards pre-2010 levels, and on average had decreased by 11% compared to 2012. As the Company utilizes forward contracts as part of its hedging strategy, the benefits of the decline in wheat costs are expected to largely be realized in the first half of 2014.

The following table outlines the changes in key commodity prices that have impacted the Company's business and financial results:

	As at December 31,	Annual averages			
	2013	2013	2012	Change	2011
Wheat (US$ per bushel) (i)	**$ 6.35**	**$ 7.70**	$ 8.67	(11.2%)	$ 9.07
Wheat (CAD per bushel) (i)	**$ 6.76**	**$ 7.92**	$ 8.66	(8.6%)	$ 8.97
Oil (US$ per barrel) (ii)	**$ 98.17**	**$ 97.91**	$ 94.11	4.0%	$ 94.88
US$ / CAD exchange rates (iii)	**$ 0.9402**	**$ 0.9715**	$ 1.0007	(2.9%)	$ 1.0117

(i) *Daily close prices (Source: Minneapolis Wheat Exchange and Bank of Canada).*

(ii) *Daily closes prices (Source: Cushing, OKWTI Spot Prices FOB).*

(iii) *Daily closes prices (Source: Bank of Canada).*

Decline in North American Commercial Bread Demand

Underlying consumer demand for commercial bread products continued to remain weak in 2013 as overall volumes decreased 1% compared to last year. The declines are largely in white and whole wheat pantry bread, as concerns regarding health, weight, nutrition, and gluten have influenced consumer demand. In response, the Company has undertaken a number of initiatives to increase profitable sales including launching healthier breads with reduced calories and carbohydrates; new consumer communication and packaging; introducing gluten-free breads; and introducing "better-for-you" breads with vegetables, higher protein, higher fibre, and "no fat no sugar" products to appeal to health conscious consumers. In addition, the Company supports the Healthy Grains Institute, established to provide the public with factual information on the benefits, for most Canadians, of eating wheat and whole grains as part of a healthy balanced diet. The Company is also focused on increasing market share in categories that are growing, such as certain specialty breads.

SUPPLY CHAIN STRATEGY

To accelerate earnings growth and support new product innovation, the Company has consolidated production from several older and smaller bakeries into scale facilities and is simplifying its product mix to increase operating efficiencies and is focusing on fewer, higher margin and higher volume products.

In the fresh bread operations, an extensive network of mid-sized facilities located across Canada created the opportunity to consolidate some bakeries to drive efficiencies and provide additional capacity to support innovation and category expansion. In January 2010, the Company announced plans to build a new efficient fresh bakery in southwestern Ontario, replacing three existing older and smaller facilities located in that region. In mid-2011, the Company commissioned this state-of-the-art 385,000 square foot fresh bakery in Hamilton, Ontario. By 2013, construction of the bakery was complete, with a total investment of approximately $110 million. Three bakeries in the Greater Toronto Area were closed to consolidate production into the Hamilton facility – two bakeries in the first quarter of 2012 and the third in the second quarter of 2013. During the fourth quarter of 2011, the fresh bread business also decommissioned and transferred production from its Delta, British Columbia location to other bakeries to increase plant network efficiencies. The Company further consolidated production in 2013 by closing its bakery in Grand Falls, New Brunswick, a bakery in Edmonton, Alberta, and its bakery in Shawinigan, Québec in the first half of the year.

The Company also streamlined operations in its North American frozen bakery and U.K. bakery businesses. In March 2011, the Company closed its frozen bakery in Laval, Québec, and transferred production to other facilities. The Company closed its bakery in Walsall, U.K. in March 2012, and its bakery in London, U.K. in April 2013, as part of a plan to focus production in its core categories of bagels and croissants. The Company is constructing an expansion to its Rotherham facility in the U.K. to meet increased demand for bagels, which is expected to be completed in early 2014.

SYSTEM CONVERSION

The Company has embarked on an initiative to consolidate its information technology systems onto a single platform in order to standardize processes, reduce costs, and enhance business intelligence. Management selected SAP software as its new platform and has since taken a rapid, yet carefully designed, approach to implementation. Successful execution has been enabled by changing existing business practices to standardized SAP processes, limiting any software modifications, and rigorous master data controls. By the end of 2013, SAP had been fully installed across the Company, with the exception of the order management system in Québec and Ontario in the fresh bread business.

OPERATING REVIEW

The following table summarizes sales by business segment:

($ Millions)	2013	2012	Change	2011
Fresh Bakery (i)	**$ 940.0**	$ 971.7	-3.3%	$ 990.6
Frozen Bakery	**513.5**	507.6	1.2%	508.4
Total Sales (ii)	**$ 1,453.6**	$ 1,479.2	-1.7%	$ 1,499.0

(i) *Figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

(ii) *May not add due to rounding.*

The following table summarizes Adjusted Operating Earnings by business segment:

($ Millions)	2013	2012 (i)	Change	2011 (i)
Fresh Bakery (ii)	**$ 88.7**	$ 93.9	-5.6%	$ 87.3
Frozen Bakery	**38.5**	23.8	61.6%	9.1
Adjusted Operating Earnings (iii)	**$ 127.1**	$ 117.7	8.0%	$ 96.4

(i) *2012 and 2011 figures have been restated for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Note 28 in the audited consolidated financial statements.*

(ii) *Figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

(iii) *May not add due to rounding.*

Fresh Bakery

Includes fresh bakery products, including breads, rolls, and bagels sold to retail, foodservice, and convenience channels. It includes the Dempster's® national brand and many leading regional brands.

Fresh Bakery sales decreased 3.3% to $940.0 million compared to $971.7 million last year, as lower volumes were partly offset by the benefit of a price increase taken in the first quarter of 2013.

Adjusted Operating Earnings decreased 5.6% to $88.7 million from $93.9 million last year, as lower volumes were largely offset by lower costs resulting from operating efficiencies at the Hamilton, Ontario bakery, simplification of the product portfolio, and reorganization of the distribution network. Lower selling, general, and administrative expenses also contributed to earnings, largely resulting from earlier restructuring initiatives. The benefit of price increases implemented earlier in the year was offset by higher raw material and inflationary costs.

Frozen Bakery

Includes frozen bakery products, including frozen par-baked bakery products, specialty and artisan breads, and bagels sold to retail, foodservice, and convenience channels in North America and the U.K. It includes national brands such as Tenderflake® and New York Bakery Co™.

Frozen Bakery sales increased 1.2% to $513.5 million, or 3.7% after adjusting for discontinued categories in the U.K. and the impact of currency translation on sales in the U.S. and U.K. The increase was due to higher pricing coupled with higher volumes in the U.K. that were partly offset by a decline in volumes in the North American Frozen bakery business.

Adjusted Operating Earnings increased 61.6% to $38.5 million compared to $23.8 million last year, primarily driven by higher pricing across the segment, operating improvements in the North American frozen bakery business, and increased volumes at the U.K. bakery business. These benefits were partly offset by the impact of lower volumes at the North American frozen bakery business and higher raw material and inflationary costs.

SALE OF OLIVIERI BUSINESS

During the fourth quarter, the Company sold its Olivieri fresh pasta business for net proceeds of $116.3 million. The operating results and gain on sale of this business have been classified as discontinued operations and prior year amounts have been presented as discontinued operations on a comparable basis. The Olivieri business was previously reported in the Fresh Bakery segment. Earnings per share from discontinued operations were $2.85 for the year ended December 31, 2013 (2012: a loss of $0.16). Included in the 2013 figure was net gain on sale of the business in the amount of $2.87 per share.

GROSS MARGIN

Gross margin increased to $305.0 million (21.0% of sales) in 2013 from $300.8 million (20.3% of sales) last year. The increase was driven by improved operating efficiencies at the fresh and North American frozen bakery businesses and higher pricing across the Company that more than offset rising raw material and inflationary costs.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses in 2013 decreased 2.9% to $177.8 million from $183.1 million in 2012, representing 12.2% and 12.4% of sales, respectively. The decrease was due to lower costs in the fresh bread business resulting from earlier restructuring initiatives.

OTHER INCOME/EXPENSE

Other income for 2013 was $6.3 million compared to $1.6 million last year. Other income in 2013 primarily consisted of an $11.4 million gain on the sale of a fresh bakery plant classified as an investment property that was previously closed in the first quarter of 2012, as well as a $1.8 million gain on sale of other property, plant, and equipment. These gains were partly offset by $5.6 million of impairment charges related to a bakery facility in the U.K. and an investment property, as well as $2.1 million in vacancy costs (net of rental income) on investment properties.

Certain items in other income are excluded from the calculation of Adjusted Earnings per Share as they are not considered representative of on-going operational activities of the business. Other income used in the calculation of Adjusted Earnings per Share for 2013 is $0.2 million compared to $1.6 million in 2012.

RESTRUCTURING AND OTHER RELATED COSTS

$ thousands	**2013**	2012
FRESH BAKERY		
Management structure changes		
Severance	**$ 7,937**	$ 69
Site closing and other costs	**–**	146
Retention	**88**	–
	$ 8,025	$ 215
Bakery closures		
Severance	**$ 2,171**	$ 702
Site closing and other costs	**330**	1,232
Asset impairment and accelerated depreciation	**1,382**	1,869
Retention	**573**	443
Pension	**(414)**	270
	$ 4,042	$ 4,516
FROZEN BAKERY		
Management structure changes		
Severance	**$ 766**	$ –
Bakery closures		
Severance	**$ –**	$ 503
Site closing and other costs	**5,126**	2,398
Asset impairment and accelerated depreciation	**(6)**	3,441
	$ 5,120	$ 6,342
Total restructuring and other related costs	**$ 17,953**	$ 11,073

Negative amounts reflect adjustments to provisions and reversals of previously recorded impairments.

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.

Bakery Closures

During the year ended December 31, 2013, the Company recorded charges in connection with the closure of bakeries in: Grand Falls, New Brunswick; Edmonton, Alberta; Toronto, Ontario; and Shawinigan, Québec.

During the year ended December 31, 2012, the Company recorded charges in connection with the closure of two bakeries in the U.K.; two bakeries in Toronto, Ontario; and a bakery in Delta, British Columbia. Additionally, the Company recorded charges related to other restructuring initiatives, including the closure of two distribution centres in Québec.

Impairment

During the year ended December 31, 2013, the Company recorded $0.1 million (December 31, 2012: $0.4 million) of impairment of fixed assets through restructuring and other related costs.

During the years ended December 31, 2013 and 2012, the Company recorded no reversals of impairment through restructuring and other related costs.

INTEREST EXPENSE

Interest expense, net of interest income, for 2013 was $1.0 million compared to $1.6 million in 2012. The decrease is primarily due to interest expense capitalized in 2013, and higher interest income earned in 2013. The Company's average effective cost of borrowing for 2013 was approximately 3.3% (2012: 3.7%).

INCOME TAXES

The Company's income tax expense relating to continuing operations for 2013 results in an effective tax rate of 25.7% (2012: 29.2%). The lower effective tax rate in 2013 is the result of the proportion of earnings and losses in different tax jurisdictions. For 2013, the effective tax rate used in the computation of Adjusted Earnings per Share is 45.0% (2012: 22.0%). The higher rate in 2013 is a result of the proportion of the restructuring expenditures in different jurisdictions and the lower rate of tax applicable to the gain on the disposition of a bakery facility that was closed last year.

TRANSACTIONS WITH RELATED PARTIES

The Company's majority shareholder, Maple Leaf, and its affiliates, are related parties. Services provided by Maple Leaf to the Company under the Intercompany Management Services Agreement, as described on page 15, are generally charged on a cost recovery basis by Maple Leaf.

Fees paid to Maple Leaf in 2013 for various services under the Intercompany Management Services Agreement were $51.0 million (2012: $49.3 million). As at December 31, 2013, the total outstanding balance payable to Maple Leaf was $4.0 million (December 31, 2012: $4.8 million). These services are set out in greater detail below.

General Services

Maple Leaf provides the Company with certain management services, including treasury and cash management, taxation, internal audit, accounting, external financial reporting, investor relations, public relations, corporate secretarial, legal, insurance, human resources, provision of stock awards programs, Six Sigma continuous improvement resources, senior Maple Leaf management time for operating involvement, merger and acquisition transactions, and access to bulk purchasing programs. Fees paid to Maple Leaf in 2013 for these services pursuant to the Intercompany Management Services Agreement between the Company and Maple Leaf were $14.0 million (2012: $14.2 million).

Information Systems Services

During 2013, the Company received certain information system services from Maple Leaf for a cost of $27.9 million (2012: $26.6 million). The increase was driven by higher usage by the Company.

Engineering Services

During 2013, the Company received certain engineering services from Maple Leaf for a cost of $0.7 million (2012: $1.2 million).

Marketing Services

During 2013, the Company received certain marketing and consumer services from Maple Leaf for a cost of $4.6 million (2012: $3.5 million). The increase was driven by increased requirements by the Company.

Six Sigma Services

During 2013, Six Sigma fees charged to the Company amounted to $3.8 million (2012: $3.8 million).

Other Items

In addition to the management services agreement, the Company also is charged for the cost of certain direct services provided by Maple Leaf. This includes, but is not limited to, direct sales, supply chain management, order management, warehousing, and transportation services. These services are charged based upon time-based allocations. The occupancy costs and related direct expenses of any Company employees located at a Maple Leaf location are charged to the Company on a monthly basis based upon the proportion of the total square footage occupied by the Company.

As at December 31, 2012, the Company had a $50.0 million revolving debt facility with Maple Leaf to provide longer-term funding and surplus liquidity. This facility, described further in Note 13 of the audited consolidated financial statements, was terminated in December 2013.

The Company also has foreign exchange contracts with Maple Leaf as described in Note 16 of the audited consolidated financial statements.

The Company sponsors a number of post retirement benefit plans as described in Note 9 to the audited consolidated financial statements. The Company's contributions to these plans were $10.2 million in 2013 (2012: $12.4 million).

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any external directors of the Company. Key management personnel compensation includes amounts paid to Maple Leaf through the Intercompany Management Services Agreement.

Remuneration of key management personnel of the Company was comprised of the following expenses:

($ thousands)	**2013**	2012
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 5,027**	$ 5,446
Company car allowance	**167**	187
Other benefits	**412**	416
Total short-term employee benefits	**$ 5,606**	$ 6,049
Post-employment benefits	**442**	560
Share based benefits [(i)]	**3,144**	6,336
Total remuneration	**$ 9,192**	$ 12,945

(i) *The share-based benefits were granted by Maple Leaf, with the associated costs included in the overall management fee paid to Maple Leaf.*

During 2013, key management personnel of the Company exercised 16,800 share options granted under the Maple Leaf Foods Share Incentive Plan for an amount of $0.2 million (2012: $nil).

GOVERNMENT INCENTIVES

During the year ended December 31, 2013, the Company recorded no government incentives (2012: $0.2 million).

Additionally, during the year ended December 31, 2013, the Company recorded a $2.0 million interest-free loan from the Canadian government related to the purchase of equipment for its recently commissioned bakery in Hamilton, Ontario. The loan is repayable over a period of seven years.

ACQUISITIONS AND DIVESTITURES

During the fourth quarter of 2013, the Company sold substantially all of the net assets of its Olivieri fresh pasta business to Catelli Foods Corporation for net proceeds of $116.3 million, which resulted in a pre-tax gain of $84.0 million.

During the fourth quarter of 2013, the Company sold a fresh bakery in Toronto, Ontario that was previously closed in June 2013 for gross proceeds of $12.4 million, resulting in a pre-tax gain of $11.4 million.

CAPITAL RESOURCES

The Company is exposed to fluctuations in the prices of raw materials and by seasonal and other market-related price changes, particularly wheat costs. Due to the high sales volumes and rapid turnover of inventories, the impact of these price fluctuations is generally short-term. When commodity price increases are significant, it can increase the funding required for investments in working capital. These working capital requirements are funded from operating cash flow and from existing credit facilities. Management is of the opinion that its operating cash flow and existing credit facilities provide the Company with sufficient resources to finance ongoing business requirements and its planned capital investment program for at least the next 12 months.

Historically, the Company has generated a significant amount of operating cash flow that has more than covered financing needs related to operational capital expenditures and restructuring costs. These operating cash flows provide a strong base of underlying liquidity, which the Company has supplemented with credit facilities to provide funding and surplus liquidity.

As at December 31, 2013, the Company and its subsidiaries had aggregate undrawn credit facilities, excluding accounts receivable securitization programs, of $45.9 million (2012: $94.9 million). The reduction in undrawn credit facilities in 2013 was as a result of the Company terminating a $50.0 million revolving credit facility with Maple Leaf during the year, as part of a review of its sources of financing. As at December 31, 2013, the Company had cash of $325.1 million (2012: $90.4 million), of which $203.3 million was used to pay a special dividend of $8.00 per share on January 6, 2014. There were $14.5 million in letters of credit outstanding as at December 31, 2013 (2012: $11.2 million).

To access competitively priced financing and to further diversify its funding sources, the Company entered into a three-year committed accounts receivable securitization facility. Under the facility, the Company sells certain accounts receivable, with limited recourse, to an unconsolidated structured entity owned by an international financial institution with a long-term debt rating of AA-. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables. The structured entity finances the purchase of these receivables by issuing senior debt instruments to the financial institution, short-term mezzanine notes back to the Company and an equity interest held by the financial institution.

At December 31, 2013, the Company had $59.3 million (2012: $95.3 million) of trade accounts receivable serviced under this facility. In return for the sale of its trade receivables, the Company will receive cash of $23.3 million (2012: $52.3 million) and a note receivable in the amount of $36.0 million (2012: $43.0 million). Due to the timing of receipts and disbursements, the Company may, from time to time, record a receivable or payable related to the securitization facility. As at December 31, 2013, the Company recorded a net payable in the amount of $30.5 million (2012: receivable of $1.0 million). The maximum cash proceeds available to the Company under this program are $60.0 million. The facility was renewed during 2013 for a term of three years with substantially the same terms and conditions.

The securitization facility is subject to certain restrictions and requires the maintenance of certain covenants. The Company was in compliance with all of the requirements of the facility during the year 2013. This facility was accounted for as an off-balance sheet transaction under International Financial Reporting Standards ("IFRS"). If the facility was terminated, the Company would recognize the securitized amounts on the consolidated balance sheet and would consider alternative financing if required. The Company's maximum exposure to loss, due to its involvement with a structured entity, is equal to the current carrying value of the interest in the notes receivable due from the structured entity. The maximum potential loss that could be borne by subordinated interests in the structured entity is a $1.0 million equity interest (2012: $0.2 million).

CAPITAL EXPENDITURES

Capital expenditures in 2013 were $43.0 million, compared to $44.5 million in 2012, as higher expenditures in the U.K. bakery business, relating to increasing bagel production capacity, were more than offset by lower spending in the fresh bread and fresh pasta businesses.

CASH FLOW AND FINANCING

Cash balances, net of debt, were $317.7 million at the end of 2013, compared to $87.1 million as at December 31, 2012. The increase in cash for the year is mainly due to proceeds from divestitures, primarily from the sale of the Olivieri business, as well as lower working capital balances.

Cash Flow from Operating Activities

Cash provided by operations in 2013 increased to $189.0 million compared to $109.1 million in 2012, primarily attributable to lower working capital balances.

Cash Flow from Financing Activities

Cash used in financing activities was $51.1 million in 2013 compared to $36.5 million in 2012, due to an increase in the rate of the quarterly dividend payment compared to the prior year.

Cash Flow from Investing Activities

Cash provided by investing activities was $92.4 million in 2013 compared to cash used of $38.3 million in 2012, primarily as a result of proceeds from the sale of the Olivieri business and an investment property.

CONTRACTUAL OBLIGATIONS

The following is a summary of certain of the Company's material contractual obligations as at December 31, 2013. This table presents the undiscounted principal cash flows payable in respect of financial liabilities:

	December 31, 2013				
($Thousands)	**Due within 1 year**	**Due between 1 and 2 years**	**Due between 2 and 3 years**	**Due after 3 years**	**Total**
Non-derivative financial liabilities					
Accounts payable and accruals	$ 204,422	$ –	$ –	$ –	**$204,422**
Due to Maple Leaf Foods Inc.	4,036	–	–	–	**4,036**
Dividends payable	216,042	–	–	–	**216,042**
Long-term debt (i)	568	567	591	1,199	**2,925**
Other liabilities	100	1,782	153	50	**2,085**
	$425,168	**$ 2,349**	**$ 744**	**$ 1,249**	**$429,510**
Commitments					
Contractual obligations including operating leases (ii)	15,435	11,267	7,393	13,457	**47,552**
	$440,603	**$13,616**	**$8,137**	**$14,706**	**$477,062**

(i) *Does not include contractual interest payments.*
(ii) *Does not include purchase orders in the normal course of business.*

Additional details concerning financing are set out in Notes 13 and 16 in the consolidated financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Through the normal course of its business, the Company is exposed to financial and market risks that have the potential to affect its operating results. In order to manage these risks, the Company operates under risk management policies and guidelines which govern the hedging of price and market risk in the foreign exchange, interest rate and commodity markets, and funding and investing activities.

The Company engages in hedging to manage price and market risk associated with core operating exposures and does not engage in significant trading activity of a speculative nature.

The Company's Risk Management Committee meets frequently to discuss current market conditions, to review current hedging programs and trading activity, and to approve any new hedging or trading strategies.

In order to limit the impact of market price fluctuations on operating results, core hedging programs are designated as hedging relationships and managed as part of the Company's hedge accounting portfolio.

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
Due to Maple Leaf Foods	Other financial liabilities
Dividends payable	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 fair values and notional amounts of derivative financial instruments at December 31 are shown below:

	2013			2012		
		Fair value			Fair value	
($ Thousands)	**Notional amount [i]**	**Asset**	**Liability**	Notional amount [i]	Asset	Liability
Cash flow hedges						
Foreign exchange forward contracts [ii]	**$ 30,298**	**$ 335**	**$ –**	$ 11,263	$ –	$ 63
Derivatives not designated in a formal hedging relationship						
Foreign exchange forward contracts [ii]	**$ 17,965**	**$ –**	**$ 268**	$ 45,440	$ 39	$ –
Current		**$ 335**	**$ 268**		$ 39	$ 63
Non-current		**–**	**–**		–	–
Total		**$ 335**	**$ 268**		$ 39	$ 63

[i] *Notional amounts are stated at the contractual Canadian dollar equivalent.*
[ii] *This amount relates to related party foreign exchange contracts with Maple Leaf.*

The fair value of financial assets classified as loans and receivables and financial liabilities (excluding long-term debt) approximate their carrying value due to their short-term nature. Financial assets and liabilities designated as held for trading are recorded at fair value. The carrying value of long-term debt as at December 31, 2013, is $2.9 million (2012: $3.3 million), which approximates fair value.

For the years ended December 31, 2013 and 2012, the amount of hedge ineffectiveness recognized in earnings was nominal.

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

($Thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange forward contracts	$ –	$ 335	$ –	**$ 335**
	$ –	**$ 335**	**$ –**	**$ 335**
Liabilities:				
Foreign exchange forward contracts	$ –	$ 268	$ –	**$ 268**
	$ –	**$ 268**	**$ –**	**$ 268**

There were no transfers between levels during the years ended December 31, 2013 and 2012. 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.

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

Capital

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

The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment-grade credit pricing and terms.

The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily Net Debt to adjusted earnings before interest, tax, depreciation, and amortization ("Adjusted EBITDA") and Adjusted EBITDA to interest expense.

In addition to senior debt and equity, the Company uses operating leases and limited recourse accounts receivable securitization programs as additional sources of financing.

The Company has maintained a dividend distribution that is based on a sustainable net earnings base. During the fourth quarter of 2013, the Company declared a special dividend of an additional $8.00 per share, which was paid in January 2014.

For the year ended December 31, 2013, total equity decreased by $63.2 million to $622.3 million, as higher net earnings were more than offset by dividends declared, including the declaration of the special $8.00 per share dividend. During the same period, total cash and cash equivalents net of debt increased by $230.6 million to $317.7 million.

Credit Risk

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the grocery and foodservice markets. The Company performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectibility of its trade and other receivables in order to mitigate any possible credit losses. As at December 31, 2013 approximately $0.3 million (2012: $0.5 million) of the Company's accounts receivable were greater than 60 days past due. The Company maintains an allowance for doubtful accounts that represents its estimate of uncollectible amounts. This allowance includes a provision related to specific losses estimated on individual exposures. As at December 31, 2013 and 2012, the Company has not recorded any allowance for doubtful accounts. There are no significant impaired accounts receivable that have not been provided for in the allowance for doubtful accounts.

Management believes concentrations of credit risk, with respect to accounts receivable, is limited due to the generally high credit quality of the Company's major customers, large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as mentioned previously. The Company does, however, conduct a significant amount of business with large grocery retailers. The Company's two largest customers comprised approximately 26.6% (2012: 30.4%) of consolidated sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity, as described in Note 22 in the audited consolidated financial statements. Management believes that this credit risk is limited due to the long-term AA- debt rating held by this counterparty.

The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivatives contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of A- or better.

The Company's maximum exposure to credit risk at the balance sheet date consists primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

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

As at December 31, 2013, the Company had available undrawn credit of $45.9 million (2012: $94.9 million) under the terms of its various credit facilities. The reduction in undrawn credit facilities in 2013 was as a result of the Company terminating a $50.0 million revolving credit facility with Maple Leaf during the year, as part of a review of its sources of financing. The details of these facilities are described in Note 13 of the audited consolidated financial statements.

Market Risk

Interest Rate Risk

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

The Company uses interest rate swaps, from time to time, to mitigate the risk from variable cash flows including the interest component associated with the securitization program by effectively converting certain variable rate borrowings to fixed-rate borrowings. As at December 31, 2013, 95.2% (2012: 96.9%) of the Company's outstanding debt and revolving accounts receivable securitization program was exposed to interest rate movements.

In addition, the Company is exposed to floating interest rates on its accounts receivable securitization programs. As at December 31, 2013, the amount of cash received pursuant to this program was $53.8 million (2012: $51.3 million) at a weighted average interest rate of 2.1% (2012: 2.0%). The maximum amount available to the Company under this program is $60.0 million.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Company enters into currency derivative agreements to manage its current and anticipated exposures in the foreign exchange markets.

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars. The primary currency to which the Company is exposed is the U.S. dollar through its U.S. operations and the purchase of wheat.

The Company uses foreign exchange contracts to manage foreign exchange exposures. Qualifying derivative contracts in U.S. dollars are designated as hedges within the Company's hedge accounting portfolio, and are accounted for as cash flow hedges.

Commodity Price Risk

The Company is directly exposed to price fluctuations in commodities such as wheat, other agricultural products, and fuel. In order to minimize the impact of these price fluctuations on the Company's operating results, the Company may use fixed price contracts with suppliers, exchange-traded futures, and options.

The Company applies the "normal purchases" classification to certain contracts that are entered into for the purpose of procuring wheat to be used in production within the normal course of business.

For a comprehensive discussion on the Company's risk management practices and derivative exposures, refer to the Financial Instruments Note 16 in the consolidated financial statements.

SHARE CAPITAL AND DIVIDENDS

In 2013, the Company declared dividends of $10.00 per qualifying common share (2012: $1.70), which includes an $8.00 per share special dividend. This represents aggregate dividend declarations of $254.2 million in 2013 (2012: $43.2 million).

As of December 31, 2013 and 2012, there were 25,416,812 common shares of the Company issued and outstanding. The number of shares outstanding remains unchanged as at February 14, 2014.

OTHER MATTERS

On December 17, 2013, the Company declared a special dividend of $8.00 per share payable on January 6, 2014, to shareholders of record at the close of business on December 30, 2013. This dividend was considered an Eligible Dividend for the purposes of the "Enhanced Dividend Tax Credit System".

On February 26, 2014, the Company declared a dividend of $0.75 per share payable on April 1, 2014 to shareholders of record at the close of business on March 7, 2014. Unless indicated otherwise by the Company in writing on or before the time the dividend is paid, this dividend will be considered an Eligible Dividend for the purposes of the "Enhanced Dividend Tax Credit System".

EMPLOYEE BENEFIT PLANS

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method calculated on service and Management's best estimate of expected salary escalation, retirement ages of employees, and expected health care costs. Management employs external experts to advise them when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. These estimates are determined at the beginning of the year and re-evaluated if changes in estimates and market conditions indicate that there may be a significant effect on the Company's financial statements.

During 2013, the Company recorded a pre-tax gain of $24.7 million, through comprehensive income (2012: loss of $5.2 million) related to the re-measurement of plan assets and liabilities. This included a $10.8 million (2012: $5.2 million) gain related to returns on plan assets in excess of the discount rate, a $15.4 million gain on changes in financial assumptions (2012: $15.1 million loss), primarily due to changes in the discount rate, and a further $1.5 million loss (2012: $2.2 million gain) in experience adjustments on the plan obligation. In 2012 there was a further gain of $2.5 million on change in demographic assumptions. The Company operates both defined contribution and defined benefit plans. The assets of the defined benefit plans are invested primarily in foreign and domestic fixed income and equity securities that are subject to fluctuations in market prices. Discount rates used to measure plan liabilities are based on long-term market interest rates. Fluctuations in these market prices and rates can impact pension expense and funding requirements.

The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future contributions. Contributions to defined benefit plans during 2013 were $5.2 million (2012: $7.3 million).

The Company plans to contribute $13.6 million to the pension plans in 2014, inclusive of defined contribution plans and the multi-employer plans.

SUBSEQUENT EVENTS

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") had agreed to acquire all of the issued and outstanding common shares of the Company by way of a statutory arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). Under the terms of the Arrangement, Grupo Bimbo has agreed to acquire from common shareholders of the Company each common share for $72.00 per share in cash or $1.83 billion in aggregate pursuant to the terms of an arrangement agreement dated February 11, 2014, between the Company and Grupo Bimbo (the "Arrangement Agreement"). The Arrangement will require the approval of at least 66⅔% of the votes cast by the shareholders of Canada Bread at a special meeting of shareholders expected to take place in early April 2014. Maple Leaf has entered into a voting support agreement with Grupo Bimbo pursuant to which Maple Leaf has agreed to vote all of its common shares of Canada Bread in favour of the Arrangement at such meeting. The Arrangement is also subject to receipt of court approval, regulatory approvals and other customary closing conditions. The transaction is expected to close in the second quarter of 2014.

On February 19, 2014, the Company sold an investment property located in the Toronto area, which was classified as an asset held for sale in the year end consolidated financial statements, for gross proceeds of $6.4 million.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information (in thousands of dollars except per share information) for each quarter in the last three fiscal years:

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales (i)	**2013**	**$ 346,867**	**$ 374,479**	**$ 372,579**	**$ 359,661**	**$ 1,453,586**
	2012	347,574	382,652	378,579	370,438	1,479,243
	2011	347,982	383,359	394,269	373,346	1,498,956
Net earnings (loss) from continuing operations (i)	**2013**	**$ 2,294**	**$ 24,487**	**$ 24,388**	**$ 33,874**	**$ 85,043**
	2012	904	26,740	23,663	24,207	75,514
	2011	(3,263)	12,656	27,591	5,132	42,116
Net earnings (loss)	**2013**	**$ 2,281**	**$ 24,529**	**$ 24,488**	**$ 106,258**	**$ 157,556**
	2012	159	26,095	23,535	21,691	71,480
	2011	(1,592)	14,278	29,630	7,131	49,447
Earnings (loss) per share from continuing operations (i)						
Basic and diluted (ii)	**2013**	**$ 0.09**	**$ 0.96**	**$ 0.96**	**$ 1.33**	**$ 3.35**
	2012	0.04	1.05	0.93	0.95	2.97
	2011	(0.13)	0.50	1.09	0.20	1.66
Adjusted EPS (ii)(iii)	**2013**	**$ 0.45**	**$ 1.06**	**$ 1.09**	**$ 1.00**	**$ 3.60**
	2012	0.22	1.09	0.94	1.07	3.31
	2011	0.47	0.88	1.13	0.57	3.05
Earnings (loss) per share						
Basic and diluted (ii)	**2013**	**$ 0.09**	**$ 0.97**	**$ 0.96**	**$ 4.18**	**$ 6.20**
	2012	0.01	1.03	0.93	0.85	2.81
	2011	(0.06)	0.56	1.17	0.28	1.95

(i) *2012 and 2011 figures have been restated for the classification of the Olivieri business as a discontinued operation, and for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Note 20 and Note 28, respectively, of the Company's 2013 audited consolidated financial statements.*

(ii) *May not add due to rounding.*

(iii) *Refer to Non-IFRS Financial Measures starting on page 23.*

Quarterly sales in 2013 were affected by the following significant items:

- price increases implemented during 2013 at the fresh bread, North American frozen bakery, and U.K. bakery businesses;
- lower sales volume in the fresh bread and North American frozen bakery business;
- higher volumes in the U.K. bakery business;
- exiting fresh and in-store bakery bread production in the U.K. in March 2012; and
- exiting speciality bread production in the U.K. in the second quarter of 2013.

Quarterly net earnings in 2013 were affected by the following significant items:

- gain on sale of the Company's Olivieri business in the fourth quarter of 2013;
- price increases implemented during 2013 at the fresh bread, North American frozen bakery, and U.K. bakery businesses;
- lower volumes in the fresh bread and North American frozen bakery business;
- higher volumes in the U.K. bakery business;
- higher inflationary costs across the Company;
- improved operating efficiencies at the fresh bread business, including lower waste, the contribution of the new Hamilton fresh bakery, simplification of the product portfolio, and reorganization of the distribution network;
- duplicative overhead costs related to the Company's new fresh bakery in Hamilton, Ontario for the first and second quarters of 2013, after which the third and final Toronto bakery was closed and production transferred;
- improved operating efficiencies at the North American frozen bakery business;
- closure of the Walsall, U.K. bakery in March 2012 related to the exit of certain bread categories in the U.K.;
- exiting speciality bread production in the U.K. in the second quarter of 2013;
- lower selling, administrative, and general management costs due to earlier restructuring initiatives;
- an impairment charge recorded on a U.K. bakery that was sold in the second quarter of 2013;
- sale of a previously closed bakery in Toronto, Ontario in the fourth quarter of 2013;
- recognition of legal and other professional fees associated with divestitures; and
- restructuring and other related costs.

Quarterly sales in 2012 were affected by the following significant items:

- price increases implemented during 2011 and the first quarter of 2012 in the North American frozen bakery operations;
- lower sales volumes in the Company's fresh bread business;
- the sale of the fresh sandwich product line at the beginning of 2011; and
- the Company's exit from fresh and in-store bakery bread production in the U.K. in March 2012.

Quarterly net earnings in 2012 were affected by the following significant items:

- lower sales volumes in the Company's fresh bread and fresh pasta businesses;
- supply chain issues experienced in the fresh pasta business;
- inventory write-downs in the fresh pasta business during the first quarter of 2012;
- duplicative overhead costs related to the Company's new fresh bakery in Hamilton, Ontario;
- closure of the Walsall, U.K. facility in March 2012 related to the exit from production of certain bread categories in the U.K.;
- lower raw material costs as a result of positive hedging activities;
- lower selling, administrative, and general management costs;
- higher inflationary costs in the business;
- restructuring and other related costs; and
- settlement of a legal claim in the second quarter of 2012 related to the Company's fresh sandwich product line which was sold in 2011.

For an explanation and analysis of quarterly results, refer to Management's Discussion and Analysis for each of the respective quarterly periods filed on SEDAR and also available on the Company's website at www.canadabread.ca.

SUMMARY OF FOURTH QUARTER RESULTS

The following is a summary of sales by business segment:

($ thousands) *(Unaudited)*	Fourth Quarter 2013	2012	Change
Fresh Bakery [(i)]	**$ 224,644**	$ 234,489	(4.2)%
Frozen Bakery	**135,017**	135,949	(0.7)%
Total Sales	**$ 359,661**	$ 370,438	(2.9)%

(i) *Figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

The following is a summary of Adjusted Operating Earnings by business segment:

($ thousands) (Unaudited)	Fourth Quarter 2013	2012 (i)	Change
Fresh Bakery (ii)	**$ 20,585**	$ 27,338	(24.7)%
Frozen Bakery	**14,245**	10,587	34.6%
Adjusted Operating Earnings	**$ 34,830**	$ 37,925	(8.2)%

(i) *2012 Adjusted Operating Earnings have been restated for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"), as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

(ii) *Figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

Sales for the fourth quarter decreased 2.9% to $359.7 million compared to $370.4 million last year, or 2.4% after adjusting for discontinued categories in the U.K., and the impact of currency translation on sales in the U.S. and U.K. as lower sales volumes, primarily in the Fresh Bakery segment, were partly offset by higher pricing.

Fourth quarter Adjusted Operating Earnings decreased 8.2% to $34.8 million from $37.9 million last year, as lower earnings in the fresh bread business were only partly offset by a stronger earnings in the U.K. bakery business.

The U.K. bakery business benefited from higher pricing and lower operating and selling, general, and administrative costs, which more than offset higher raw material and inflationary costs. North American frozen bakery business earnings decreased modestly, as inflationary costs, lower volumes, and higher selling, general, and administrative expenses were mostly offset by operating improvements. In the fresh bread business, lower volumes were partly offset by increased efficiencies at the new Hamilton, Ontario bakery, simplification of the product portfolio, and the reorganization of the distribution network, all of which contributed to lower operating costs. The benefits of earlier price increases were offset by higher trade spend and inflationary costs in the quarter.

Net earnings from continuing operations was $33.9 million ($1.33 basic earnings per share) in the fourth quarter compared to $24.2 million ($0.95 basic earnings per share) last year. Adjusted Earnings per Share was $1.00 for the fourth quarter (2012: $1.07).

ENVIRONMENT

The Company is committed to maintaining high standards of environmental responsibility and positive relationships in the communities where the Company operates. Each of its businesses operates within the framework of an environmental policy entitled "Our Environmental Commitment" that is approved by the Board of Directors' Corporate Governance and Human Resources Committee. The Company's environmental program is monitored on a regular basis by the Committee, including compliance with regulatory requirements, the use of internal environmental specialists, and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste, and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of operations on the environment. Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, there can be no assurance that certain events will not occur that will cause expenditures related to the environment to be significant and have a material adverse effect on the Company's financial condition or results of operations. Such events could include, but not be limited to, additional environmental regulation or the occurrence of an adverse event at one of the Company's locations.

As a food company, there are health, environmental, and social issues that go beyond short-term profitability that Management believes must shape its business if the Company is to realize a sustainable future. On the environmental front, the Company is undertaking multiple initiatives in conjunction with key customers, to reduce packaging and track greenhouse gas emissions and the mileage it takes to produce and deliver food products. Increasingly, sound environmental practices are becoming a key component of maintaining a competitive advantage.

As part of its sustainability initiatives, in 2013 the Company achieved LEED® Gold certification for new construction at its new bakery in Hamilton, Ontario, which opened in 2011.

RISK FACTORS

The Company operates in the food processing sector and is, therefore, subject to risks and uncertainties related to these businesses that may have adverse effects on the Company's results of operations and financial position. Some of these risks and uncertainties are outlined below. Prospective investors should carefully review and evaluate the following risk factors together with all of the other information contained in this document. The risk factors described below are not the only risk factors facing the Company. The Company may be subject to risks and uncertainties not described below that the Company is not presently aware of or that the Company may currently deem insignificant.

Risks Associated with the Acquisition by Grupo Bimbo

On February 12, 2014, and as previously noted, the Company announced that Grupo Bimbo had agreed to acquire all of the issued and outstanding common shares of the Company pursuant to the Arrangement Agreement. The Company currently expects the Arrangement to close in the second quarter of 2014. The Arrangement, however, is subject to the requirement to obtain various approvals and the satisfaction of certain closing conditions. There can be no assurance these approvals will be obtained or that these conditions will be satisfied within the time frame contemplated or at all. If these approvals are not obtained in a timely manner, or at all, or the conditions to closing are not satisfied, the Arrangement may not proceed. If the Arrangement does not proceed, the Company's business, results of operations and share price may be materially and adversely affected.

Systems Conversion and Standardization

The Company regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. The Company has largely completed an initiative to replace its legacy information systems with SAP, an integrated ERP system. The Company has dedicated considerable resources to the implementation of SAP and carefully designed an implementation plan to reduce operational disruptions. However, there cannot be any guarantee that the implementation will improve current processes or operating results, or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Intercompany Management Services Agreement with Maple Leaf

In 2012, the Company entered into an Intercompany Management Services Agreement with Maple Leaf replacing an agreement entered into in 1995. The agreement entered into during 2012 contains substantially similar terms and conditions as the pre-existing agreement. Under the agreement, Maple Leaf provides the Company with certain management services, including treasury and cash management, taxation, internal audit, accounting, external financial reporting, investor relations, marketing and consumer affairs services, product development, public relations, corporate secretarial, legal services, insurance, human resources, provision of stock awards programs, Six Sigma and access to senior Maple Leaf management for operating involvement, mergers and acquisition transactions, information system services, engineering services, and access to bulk purchasing programs. The Company believes that this arrangement enables the Company to acquire goods and services of a higher quality or lower price than would be available to the Company on a standalone basis. However, there is no assurance that these services will be more effective, that the costs will be lower, or that the Company will be more profitable as a result of this arrangement. While the agreement allows the Company to offer employment to certain management employees of Maple Leaf who were dedicated to the provision of services to the Company in the event the agreement is cancelled, there is no assurance that such employees would accept such offer of employment and in addition, there is no guarantee that if the agreement is cancelled, that such a cancellation would not be materially disruptive to the Company and its operations or result in a material financial loss.

Foreign Currencies

A significant amount of the Company's revenues and costs are either denominated in or directly linked to foreign currencies (primarily U.S. dollars). Due to the diversity of the Company's operations, normal fluctuations in other currencies do not generally have a material impact on the Company's profitability in the short-term due to either "natural hedges" and offsetting currency exposures (for example, when revenues and costs are both linked to other currencies) or ability in the near-term to change prices of its products to offset adverse currency movements. As a result, currency fluctuations would not normally be considered a material risk to the Company. However, in periods when the Canadian dollar appreciates both rapidly and materially against the U.S. dollar, revenues linked to U.S. dollars are immediately reduced while the Company's ability to change prices or realize on natural hedges may lag the immediate currency changes. The effect of such sudden changes in exchange rates can have and has had a significant impact on the Company's earnings. Over time, the Company reduces this risk by realizing natural hedges, increasing prices or, where possible or necessary, reducing costs. However, these strategies may not always be successful. The Company's U.K. operations may also be affected in a similar manner, adversely or favourably, by changes in exchange rates between the U.S. and Canadian dollars, on the one hand, and the British pound on the other. Accordingly, these exchange rate fluctuations could have a material adverse effect on the Company's financial condition and results of operations.

Commodities

The Company is a purchaser of certain commodities, such as wheat and energy (fuel, natural gas, and electricity), in the course of normal operations.

Commodity prices are subject to fluctuation and such fluctuations are sometimes severe. The Company may use commodity futures and options for hedging purposes to reduce the effect of changing prices in the short-term but such hedges may not be successful in mitigating this commodity price risk and may, in some circumstances, subject the Company to loss. On a longer-term basis, the Company manages the risk of increases in commodities and other input costs by increasing the prices it charges to its customers. Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate could have a material adverse effect on the Company's financial condition and results of operations.

Consolidating Customer Environment

As the retail grocery and foodservice trades continue to consolidate and customers grow larger, the Company is required to adjust to changes in purchasing practices and changing customer requirements, as failure to do so could result in losing sales volumes and market share. The Company's net sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in the relationship with, one or more of its major customers.

Capital Expansion Projects

The Company completed the construction of a fresh bakery in Hamilton, Ontario, designed to replace a number of smaller and older facilities. Production has been transferred from three bakeries to the new bakery in Hamilton. As a result of the construction of this facility, the Company's operations are more concentrated in a fewer number of facilities, resulting in the risk that any unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall.

The Company's products are susceptible to contamination by disease-producing organisms or pathogens. Because these pathogens are generally found in the environment, there is a risk that they, as a result of food processing, could be present in the Company's products. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such systems, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination, adverse test results, or as precautionary measures. There is also a risk that not all of the product subject to the recall will be properly identified, and that the recall will not be successful or not effected in a timely manner. Any product contamination could subject the Company to product liability claims, adverse publicity, and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Any of these events could have a material adverse impact on the Company's operations and financial results.

Business Acquisitions and Divestitures

While the Company's focus has been the integration of existing operations and supply chain optimization, the Company continues to review opportunities for strategic growth through acquisitions. These acquisitions may involve large transactions or realignment of existing investments and present financial, managerial, and operational challenges, which if not successfully overcome may reduce the Company's profitability. These risks include the diversion of Management's attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, and may cause adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of the rate of return of acquisitions or investments, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired physical and intangible assets, which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses and indemnities and potential disputes with the buyers or sellers. Any of these items could materially affect the Company's product sales, financial condition, and results of operations.

The Company may, from time to time, determine that certain of its operations are not required to be owned to support its core business operations and may seek to sell an operation if it believes it can realize sufficient value from its sale. The sale may divert Management's attention from existing core businesses during the sale process, create difficulties in separating personnel and financial and other systems and create adverse effects on existing business relationships with suppliers and customers. Any of these items could materially adversely affect the Company's financial condition and result in a reduction of earnings beyond the earnings of any operations to be sold. During 2013, the Company sold its Olivieri fresh pasta business. This sale does not have a material impact on the Company's future earnings beyond the earnings of the business that was sold.

Regulation

The Company's operations are subject to extensive regulation by government agencies in the countries in which it operates, including the Canadian Food Inspection Agency and the Ministry of Agriculture in Canada. These agencies regulate the processing, packaging, storage, distribution, advertising, and labelling of the Company's products, including food safety standards. The Company's manufacturing facilities and products are subject to inspection by federal, provincial, state, and local authorities. The Company strives to maintain compliance with all laws and regulations and maintains all permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations and permits and licenses in the future. Failure by the Company to comply with applicable laws and regulations and permits and licenses could subject the Company to civil remedies, including fines, injunctions, recalls, or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company's financial condition and results of operations. Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms, drug residues in food ingredients, food safety, and market and environmental regulation that, if adopted, may increase the Company's costs. There can be no assurance that additional regulation will not be enacted. If any of these or other proposals are enacted, the Company could experience a disruption in the supply or distribution of its products, increased operating costs, and significant additional costs for capital improvements. The Company may be unable to pass on the cost increases associated with such increased regulatory burden to its customers without incurring volume loss as a result of higher prices. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

In the normal course of its operations, the Company becomes involved in various legal actions relating to its commercial relationships, employment matters, and product liabilities, among other things. The Company believes that the resolution of these claims will not have a material effect on the Company, based in part on the availability of insurance. However, the final outcome with respect to actions outstanding, pending or with respect to future claims cannot be predicted with certainty. Therefore, there can be no assurance that their resolution will not have a material adverse effect on the Company's financial condition or results of operations.

Consumer Trends

Success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time to time, certain products are deemed more or less healthy and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate could result in declining demand for the Company's products, which in turn could cause a material adverse effect on the Company's financial condition and results of operations.

Environmental Regulation

The Company's operations are subject to extensive environmental laws and regulations pertaining to the discharge of materials into the environment and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. The Company has incurred and will continue to incur capital and operating expenditures to comply with such laws and regulations. No assurances can be given that additional environmental issues relating to presently known matters or identified sites, or to other matters or sites, will not require additional expenditures, or that requirements applicable to the Company will not be altered in ways that will require the Company to incur significant additional costs. In addition, certain of the Company's facilities have been in operation for many years and, over such time, the Company and other prior operators of such facilities may have generated and disposed of waste which is or may be considered to be hazardous. Future discovery of previously unknown contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur material unforeseen expenses. Occurrences of any such events may have a material adverse effect on the Company's financial condition and results of operations.

Employment Matters

The Company and its subsidiaries have approximately 5,400 full- and part-time employees, which includes salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions around the world, each such jurisdiction having differing employment laws and practices and differing liabilities for employment violations, which may result in punitive or extraordinary damages. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates and the market value of plan assets can affect the level of plan funding, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost and the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

Direct Store Delivery Disruptions

A significant portion of the Company's Fresh Bakery products are distributed through direct store delivery systems using independent distributors. Although appropriate contractual arrangements are in place with these distributors and the Company attempts to maintain good relations with its distributors, a negative change in the Company's relations with them, changes in regulations, an adverse ruling by regulatory agencies regarding the Company's independent distributorship program, or claims against the Company for the actions of the independent distributors, could materially affect the Company's results of operations and financial condition.

Competitive Industry Environment

The food industry is intensely competitive and in many product categories in which the Company operates there are low barriers to entry. Competition is based on product availability, product quality, price, effective promotions, and the ability to target changing consumer preferences. The Company experiences price pressure from time to time as a result of a competitor's promotional efforts and in product categories and markets characterized by low capacity utilization. Increased competition could result in reduced sales, margins, profits, and market share, all of which could have a material adverse impact on the Company's financial condition and results of operations.

Product Pricing

The Company's profitability is dependent in large part on the Company's ability to make pricing decisions regarding its products that on one hand encourage consumers to buy yet on the other hand recoup development and other costs associated with that product. Products that are priced too high will not sell and products priced too low will lower the Company's profit margins. Accordingly, any failure by the Company to properly price its products could have a material adverse effect on the Company's financial condition and results of operations.

Supply Chain Management

Successful management of the Company's supply chain is critical to the Company's success. Insufficient supply of products threatens the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate competitive profit margins. Accordingly, any failure by the Company to properly manage the Company's supply chain could have a material adverse effect on the Company's financial condition and results of operations.

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Failure to properly adapt to changes in strategic risks (such as changes in technology, the food industry, customers, consumers, and competitors, among other things) could have a material adverse effect on the Company's financial condition and results of operations.

CRITICAL ACCOUNTING ESTIMATES

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

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

Judgements included in the financial statements are decisions made by Management, based on an analysis of relevant information available at the time the decision is made. Judgements relate to 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 effect on the amounts recognized in the consolidated financial statements are included both below and in the statement notes relating to items subject to significant estimation 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 disclosure 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 as far as possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, 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 Notes 8, 9, and 16 in the Company's 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 receives none of the returns related to their operations and is exposed to limited recourse with respect to losses.

Further information about the unconsolidated structured entity is disclosed in Note 22 in the Company's audited consolidated financial statements.

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 low, thus reducing the risk of material misstatement. However, in the fresh business, 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, and comprehensive income (loss) will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include the projected level of sales volume for the relevant period and customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accrued liabilities, net earnings, 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 service costs. 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 liabilities and comprehensive income (loss) will be affected in future periods. Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and benefit plan expenses are as follows:

	2013	2012
Weighted average discount rate used to calculate net benefit plan expense	**3.75%**	4.50%
Weighted average discount rate used to calculate year-end benefit obligation	**4.50%**	3.75%
Rate of compensation increase	**3.50%**	3.50%
Medical cost trend rates	**5.50%**	6.00%

Information about the sensitivity of the plan obligations to changes in assumptions is presented below:

			Increase (decrease) in defined benefit obligation		
Actuarial Assumption		**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Discount rate	4.50%	0.25% decrease	$ 4,902	$ 40	**$ 4,942**
		0.25% increase	$ (4,747)	$ (39)	**$ (4,786)**
Rate of salary increase	3.50%	0.50% increase	$ 340	N/A	**$ 340**
Mortality	UP 94 Generational Mortality Table	Increase of 1 year in expected lifespan of plan participants	$ 4,664	$ 13	**$ 4,677**

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, and comprehensive income (loss) will be affected.

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. These 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, 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 future carrying value of these assets, net earnings, and comprehensive income (loss) in future periods.

ACCOUNTING STANDARDS ADOPTED DURING THE PERIOD

Financial Assets and Liabilities

During the year ended December 31, 2013, the Company adopted certain amendments to IFRS 7 *Financial Instruments: Disclosures* on a retrospective basis. These amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position and subject to master netting arrangements or similar arrangements. As the Company is not offsetting financial instruments and does not have relevant offsetting arrangements, the retrospective adoption of these amendments to IFRS 7 did not have any impact on the disclosures of the Company.

Consolidated Financial Statements

During the year ended December 31, 2013, the Company adopted IFRS 10 *Consolidated Financial Statements* on a retrospective basis. IFRS 10 replaces portions of IAS 27 *Consolidated and Separate Financial Statements* that addresses consolidation, and supersedes SIC-12 *Consolidation – Special Purpose Entities ("SPE")* in its entirety. IFRS 10 provides a single model to be applied in the analysis of control of all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures specified in IFRS 10 are carried forward, substantially unmodified, from IAS 27. The adoption of IFRS 10 did not have any impact on the Company's financial statements.

Joint Arrangements

During the year ended December 31, 2013, the Company adopted IFRS 11 *Joint Arrangements*. IFRS 11 supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. Investments in joint ventures are required to be accounted for using the equity method. As the Company does not have any joint arrangements, the adoption of IFRS 11 did not have any impact on the Company's financial statements.

Disclosure of Interests in Other Entities

During the year ended December 31, 2013, the Company adopted IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 12 contains disclosure requirements for companies that have interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. Additional disclosures required as a result of the adoption of IFRS 12 are included in Note 22 of the audited consolidated financial statements.

Fair Value Measurement

During the year ended December 31, 2013, the Company adopted IFRS 13 *Fair Value Measurement* on a prospective basis. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The adoption of IFRS 13 did not have a material impact on the fair value measurements carried out by the Company. Additional disclosures required as a result of the adoption of IFRS 13 are included in Notes 8, 9, and 16 of the audited consolidated financial statements.

Presentation of Financial Statements

During the year ended December 31, 2013, the Company adopted amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* on a retrospective basis. The amendment requires that a company present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Additional disclosures required as a result of the adoption of IAS 1 are presented in the consolidated statements of comprehensive income and had no impact on the financial results of the Company.

Employee Benefits

During the year ended December 31, 2013, the Company adopted the revised IAS 19 *Employee Benefits* on a retrospective basis with restatement. The revised standard requires that the calculation of expected return on assets and interest cost be replaced with a net interest charge calculated based on the discount rate as at the beginning of the year multiplied by the net position of the plan. The revised standard also requires that administrative fees of the plan be expensed by the Company as incurred rather than included in the expected return. The impact of the adoption of revised IAS 19 is further explained in Note 28 and the required additional disclosures are included in Note 9 of the audited consolidated financial statements. The standard also has other amendments clarifying the timing of recognition of termination benefits, the adoption of which had no impact on the Company.

Recoverable Amount Disclosures for Non-Financial Assets

During the year ended December 31, 2013, the Company adopted amendments to IAS 36 *Impairment of Assets* on a retrospective basis. The amendment reverses the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amounts of all cash generating units to which significant goodwill or indefinite-life intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The adoption of these amendments did not have a material impact to the disclosures made by the Company.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Financial Assets and Liabilities

In December 2011, the IASB published amendments to IAS 32 *Financial Instruments: Presentation*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. 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 Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The impact of the adoption of amendments to IAS 32 is not expected to be material to the consolidated financial statements.

Levies

In May 2013, the IASB issued IFRIC 21 *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014, and is to be applied retrospectively. The IFRIC is applicable to all levies, other than outflows, that are within the scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The Company intends to adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014. The Company is currently assessing the impact of the adoption of IFRIC 21.

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 a practical expedient for simplifying the accounting in certain situations. If the amount of contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost 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 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.

Financial Instruments – Recognition and Measurement

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)) and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional changes relating to financial liabilities. In November 2013, the IASB published amendments to IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures*, and IAS 39 *Financial Instruments: Disclosures* (collectively, "IFRS 9 (2013)") to include a new general hedge accounting model, and allow the adoption of the treatment of fair value changes due to a Company's own credit risk on financial liabilities designated at fair value through profit or loss. Special transitional requirements have been set for the application of the new general hedging model. This amendment removes the January 1, 2015, effective date. The new mandatory effective date is expected to be determined once the classification and measurement and impairment phases of IFRS 9 are finalized. Although no effective date has been issued for this standard, early adoption is permitted. The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2014. Once the IASB has issued an effective date for the standard, the Company will determine a date of adoption. The extent of the impact of adoption of IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013) has not yet been determined.

Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB issued "Novation of Derivatives and Continuation of Hedge Accounting" (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*). The amendments add 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 amendments are effective for annual periods beginning on or after January 1, 2014. The Company intends to adopt the amendments in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of the adoption of the amendments 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, disclosures 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 certain 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 financial statements for the annual period beginning January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

The Company's Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as at December 31, 2013 and have concluded that such controls and procedures are effective. There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2013 and ended on December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company utilized the Committee of Sponsoring original internal control framework ("COSO 1992").

On January 1, 2014, the Company adopted the Committee of Sponsoring Organizations new internal control framework ("COSO 2013"), which is not expected to have a material impact on the Company's internal controls over financial reporting and disclosure controls and procedures.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, and Net Debt. Management believes that these non-IFRS measures provide useful information to both Management and investors in measuring the financial performance of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted Operating Earnings

Adjusted Operating Earnings, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as earnings before income taxes adjusted for items that are not considered representative of on-going operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of net earnings as reported under IFRS in the audited consolidated statements of earnings to Adjusted Operating Earnings for the years then ended, as indicated below.

Management believes that this basis is the most appropriate on which to evaluate operating results, as they are representative of the on-going operations of the Company.

	December 31, 2013			
($ thousands)	**Fresh Bakery** (i)	**Frozen Bakery**	**Unallocated Costs**	**Consolidated**
Net earnings from continuing operations				**$ 85,043**
Income taxes				**29,405**
Earnings before income taxes				**$ 114,448**
Interest expense				**970**
Earnings before interest and income taxes	**$ 76,917**	**$ 28,184**	**$ 10,317**	**$ 115,418**
Other (income) expense	**(327)**	**4,390**	**(10,317)**	**(6,254)**
Restructuring and other related costs	**12,067**	**5,886**	**–**	**17,953**
Adjusted Operating Earnings	**$ 88,657**	**$ 38,460**	**$ –**	**$ 127,117**

(i) *Figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

	December 31, 2012 (i)			
($ thousands)	Fresh Bakery (ii)	Frozen Bakery	Unallocated Costs	Consolidated
Net earnings from continuing operations				$ 75,514
Income taxes				31,178
Earnings before income taxes				$ 106,692
Interest expense				1,562
Earnings before interest and income taxes	$ 90,844	$ 17,410	$ –	$ 108,254
Other (income) expense	(1,676)	41	–	(1,635)
Restructuring and other related costs	4,731	6,342	–	11,073
Adjusted Operating Earnings	$ 93,899	$ 23,793	$ –	$ 117,692

(i) *2012 Adjusted Operating Earnings have been restated for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"), as disclosed in Note 28 of the Company's 2013 audited consolidated financial statements.*

(ii) *2012 figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

	December 31, 2011 (i)			
($ thousands)	Fresh Bakery (ii)	Frozen Bakery	Unallocated Costs	Consolidated
Net earnings from continuing operations				$ 42,116
Income taxes				7,261
Earnings before income taxes				$ 49,377
Interest expense				1,052
Earnings before interest and income taxes	$ 72,491	$ (22,063)	$ –	$ 50,429
Other (income) expense	(44)	(365)	–	(409)
Restructuring and other related costs	14,842	31,497	–	46,339
Adjusted Operating Earnings	$ 87,289	$ 9,069	$ –	$ 96,359

(i) *2011 Adjusted Operating Earnings have been restated for the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"), as disclosed in Note 28 of the Company's 2013 audited consolidated financial statements.*

(ii) *2011 figures exclude the results of the Olivieri business in the Fresh Bakery segment. Olivieri results are reported as discontinued operations as disclosed in Note 20 of the Company's 2013 audited consolidated financial statements.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate on-going financial operating results. It is defined as basic earnings per share attributable to common shareholders. It is adjusted for items that are not considered representative of on-going operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the audited consolidated statements of earnings for the years then ended to Adjusted Earnings per Share. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the on-going operations of the Company.

	December 31,		
($ per share)	**2013**	2012 (i)	2011 (i)
Basic earnings per share from continuing operations	**$ 3.35**	$ 2.97	$ 1.66
Items included in other income not considered representative of on-going operations (ii)	**$ (0.28)**	$ –	$ –
Restructuring and other related costs (iii)	**$ 0.54**	$ 0.34	$ 1.39
Adjusted Earnings per Share (iv)	**$ 3.60**	$ 3.31	$ 3.05

(i) *2012 and 2011 basic earnings per share and Adjusted Earnings per Share have been restated for the classification of the Olivieri business as a discontinued operation and the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Notes 20 and 28, respectively, in the audited consolidated financial statements.*

(ii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, and assets held for sale, all net of tax.*

(iii) *Includes per share impact of restructuring and other related costs, net of tax.*

(iv) *May not add due to rounding.*

Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization

Adjusted EBITDA is calculated as earnings from operations and before interest and income taxes plus depreciation and intangible asset amortization (adjusted for items that are not considered representative of on-going operational activities of the business) and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. The following table provides a reconciliation of net earnings as reported under IFRS in the audited consolidated statements of earnings for the years then ended to Adjusted EBITDA. Management believes Adjusted EBITDA is useful in assessing the performance of the Company's on-going operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	December 31,		
($ thousands)	**2013**	2012 (i)	2011 (i)
Net earnings from continuing operations	**$ 85,043**	$ 75,514	$ 42,116
Income taxes	**29,405**	31,178	7,261
Earnings before income taxes from continuing operations	**$ 114,448**	$ 106,692	$ 49,377
Interest expense	**970**	1,562	1,052
Items included in other income not representative of on-going operations (ii)	**(6,079)**	–	–
Restructuring and other related costs	**17,953**	11,073	46,339
Depreciation and amortization	**48,376**	45,541	44,319
Adjusted EBITDA	**$ 175,668**	$ 164,868	$ 141,087

(i) *2012 and 2011 figures have been restated for the classification of the Olivieri business as a discontinued operation and the impact of adopting the revised International Accounting Standard 19 Employee Benefits ("IAS 19"). Refer to Notes 20 and 28, respectively, in the audited consolidated financial statements.*

(ii) *Includes gains/losses associated with non-operational activities, including gains/losses related to restructuring activities, business combinations, discontinued operations, and assets held for sale.*

Net Debt (Cash)

The following table reconciles Net Debt (Cash) as disclosed in this Management's Discussion and Analysis to IFRS amounts in the audited consolidated balance sheets as at the dates indicated below. The Company calculates Net Debt as long-term debt and bank indebtedness, less cash and cash equivalents.

	December 31,		
($ thousands)	**2013**	2012	2011
Bank indebtedness	**$ 4,408**	$ –	$ 3,153
Current portion of long-term debt	**568**	358	2,452
Long-term debt	**2,357**	2,921	1,634
Sub-total	**$ 7,333**	$ 3,279	$ 7,239
Cash and cash equivalents	**(325,062)**	(90,415)	(59,223)
Net cash	**$ (317,729)**	$ (87,136)	$ (51,984)

Forward-Looking Statements

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities laws. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates and beliefs and assumptions made by Management. Such statements include, but are not limited to, statements with respect to objectives and goals, as well as statements with respect to beliefs, plans, objectives, expectations, anticipations, estimates, and intentions. Specific forward-looking information in this document includes, but is not limited to, statements concerning the expected timing of the completion of the sale of the shares of the Company to Grupo Bimbo (there can be no assurances that any transaction will be completed), expectations regarding the use of derivatives, futures and options, expectations regarding the timing and amount of capital investments, expectations regarding the timing and cost of old facility closures and new facility openings, the expected use of cash balances, source of funds for ongoing business requirements, capital investments and debt repayment, , expectations regarding the impact of new accounting standards, expectations regarding sufficiency of the allowance for uncollectible accounts and expectations regarding pension plan performance and future pension liabilities and contributions. Words such as "expect", "anticipate", "intend", "attempt", "may", "will", "plan", "believe", "seek", "estimate" and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict.

In particular, these statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, expectations concerning the performance of the Company's business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian, U.S., and U.K. economies; the rate of exchange of the Canadian dollar to the U.S. dollar and British pound; the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of operating efficiencies; continued access to capital; the cost of compliance with environmental and health standards; no adverse results from ongoing litigation; no unexpected actions of domestic and foreign governments and the general assumption that none of the risks identified below or elsewhere will materialize. All of these assumptions have been derived from information currently available to the Company including information obtained by the Company from third-party sources. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking information, which reflect the Company's expectations only as of the date hereof.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or forecasted in such forward-looking information include, among other things:

- risks associated with the acquisition by Grupo Bimbo;
- risks associated with changes in the Company's shared systems and processes;
- risks associated with the management service agreement with Maple Leaf;
- the Company's exposure to currency exchange risks;
- ability of the Company to hedge against the effect of commodity price changes through the use of commodity futures and options;
- impact of international events on commodity prices and the free flow of goods;
- risks associated with a consolidating retail environment;
- risks related to capital expansion projects;
- risks posed by food contamination, consumer liability, and product recalls;
- risks related to acquisitions and divestitures;
- risks posed by compliance with extensive government regulation;
- risks posed by litigation;
- impact of changes in consumer tastes and buying patterns;
- impact of extensive environmental regulation and potential environmental liabilities;
- risks associated with complying with differing employment laws and practices globally, the potential for work stoppages due to non-renewal of collective agreements, and recruiting and retaining qualified personnel;
- impact on pension expense and funding requirements of fluctuations in the market prices of fixed income and equity securities and changes in interest rates;
- risks associated with the Company's independent distributors;

- risks posed by competition;
- risks associated with pricing the Company's products;
- risks associated with managing the Company's supply chain; and
- risks associated with failing to identify and manage the strategic risks facing the Company.

The Company cautions the reader that the foregoing list of factors is not exhaustive. These factors are discussed in more detail under the heading "Risk Factors" presented previously in this document. The reader should review such section in detail. The Company does not intend to, and the Company disclaims any obligation to, update any forward-looking information, whether written or oral, or whether as a result of new information, future events, or otherwise except as required by law.

Additional information concerning the Company, including the Company's Annual Information Form, will be available on SEDAR at www.sedar.com.

Canada Bread Company Limited, which is 90.0% owned by Maple Leaf Foods Inc. (TSX: MFI), is a leading manufacturer and distributor of fresh bakery products and frozen par-baked products. The Company had 2013 sales of $1.5 billion and employs approximately 5,400 people at its operations across North America and in the U.K.

Independent Auditors' Report

To the Shareholders of Canada Bread Company, Limited:

We have audited the accompanying consolidated financial statements of Canada Bread Company, Limited, which are comprised of the consolidated balance sheets as at December 31, 2013, December 31, 2012, and January 1, 2012, the consolidated statements of earnings, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes comprising of a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canada Bread Company, Limited as at December 31, 2013, December 31, 2012, and January 1, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2013, and December 31, 2012, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

February 26, 2014

Consolidated Balance Sheets

(In thousands of Canadian dollars)	**As at December 31, 2013**	As at December 31, 2012 *(Restated) (Note 28)*	As at January 1, 2012 *(Restated) (Note 28)*
ASSETS			
Current assets			
Cash and cash equivalents	**$ 325,062**	$ 90,415	$ 59,223
Accounts receivable *(Note 4)*	**38,480**	50,465	56,522
Notes receivable *(Note 22)*	**35,982**	43,033	52,587
Inventories *(Note 5)*	**52,371**	62,766	60,048
Income taxes recoverable	**4,725**	–	2,162
Prepaid expenses and other assets	**3,579**	4,972	5,218
Assets held for sale *(Note 6)*	**4,372**	–	–
	$ 464,571	$ 251,651	$ 235,760
Property and equipment *(Note 7)*	**372,542**	410,479	425,944
Investment property *(Note 8)*	**9,634**	9,103	8,415
Other long-term assets	**4,435**	4,994	4,456
Deferred tax asset *(Note 19)*	**9,218**	17,874	17,917
Goodwill *(Note 10)*	**268,444**	264,243	266,013
Intangible assets *(Note 11)*	**9,804**	11,647	12,710
Total assets	**$ 1,138,648**	$ 969,991	$ 971,215
LIABILITIES AND EQUITY			
Current liabilities			
Bank indebtedness *(Note 13)*	**$ 4,408**	$ –	$ 3,153
Accounts payable and accruals	**204,422**	169,431	192,551
Provisions *(Note 12)*	**7,375**	9,928	23,066
Dividends payable *(Note 16)*	**216,042**	12,708	5,083
Income taxes payable	**–**	2,008	–
Current portion of long-term debt *(Note 13)*	**568**	358	2,452
Due to Maple Leaf Foods Inc. *(Note 24)*	**4,036**	4,830	2,451
Other current liabilities	**100**	–	–
	$ 436,951	$ 199,263	$ 228,756
Long-term debt *(Note 13)*	**2,357**	2,921	1,634
Deferred tax liability *(Note 19)*	**36,954**	19,998	21,784
Employee benefits *(Note 9)*	**32,547**	56,011	50,434
Other long-term liabilities	**1,876**	–	–
Provisions *(Note 12)*	**5,630**	6,277	5,005
Total liabilities	**$ 516,315**	$ 284,470	$ 307,613
Shareholders' equity			
Share capital *(Note 14)*	**$ 142,965**	$ 142,965	$ 142,965
Retained earnings	**477,002**	555,322	530,852
Accumulated other comprehensive gain (loss) *(Note 14)*	**2,366**	(12,766)	(10,215)
Total shareholders' equity	**$ 622,333**	$ 685,521	$ 663,602
Total liabilities and shareholders' equity	**$ 1,138,648**	$ 969,991	$ 971,215

Contingencies and commitments *(Note 23)*

Subsequent events *(Note 27)*

See accompanying Notes to the Consolidated Financial Statements

On behalf of the Board:

RICHARD A. LAN
DIRECTOR

BILL AZIZ
DIRECTOR

Consolidated Statements of Earnings

Years ended December 31, (In thousands of Canadian dollars, except share amounts)	2013	2012 (Restated) (Note 20, 28)
Sales	**$ 1,453,586**	$ 1,479,243
Cost of goods sold	**1,148,633**	1,178,478
Gross margin	**$ 304,953**	$ 300,765
Selling, general, and administrative expenses	**177,836**	183,073
Earnings before the following:	**$ 127,117**	$ 117,692
Restructuring and other related costs *(Note 15)*	**(17,953)**	(11,073)
Other income *(Note 17)*	**6,254**	1,635
Earnings before interest and income taxes from continuing operations	**$ 115,418**	$ 108,254
Interest expense *(Note 18)*	**970**	1,562
Earnings before income taxes from continuing operations	**$ 114,448**	$ 106,692
Income taxes *(Note 19)*	**29,405**	31,178
Net earnings from continuing operations	**$ 85,043**	$ 75,514
Net earnings (loss) and gain on disposal of discontinued operations *(Note 20)*	**72,513**	(4,034)
Net earnings	**$ 157,556**	$ 71,480
Earnings per share attributable to common shareholders *(Note 21)*		
Basic and diluted earnings per share	**$ 6.20**	$ 2.81
Basic and diluted earnings per share from continuing operations	**$ 3.35**	$ 2.97
Weighted average number of shares (millions)	**25.4**	25.4

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, *(In thousands of Canadian dollars)*	**2013**	2012 *(Restated) (Note 20, 28)*
Net earnings	**$ 157,556**	$ 71,480
Other comprehensive income (loss)		
Item that will not be reclassified to profit or loss:		
Change in actuarial gains and losses	**18,292**	(3,812)
Total item that will not be reclassified to profit or loss	**18,292**	(3,812)
Items that are or may be reclassified subsequently to profit or loss:		
Change in accumulated foreign currency translation adjustment	**14,838**	(1,980)
Change in unrealized gains and losses on cash flow hedges	**294**	(571)
Total items that are or may be reclassified subsequently to profit or loss	**$ 15,132**	$ (2,551)
	$ 33,424	$ (6,363)
Comprehensive income	**$ 190,980**	$ 65,117

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars)	**Share capital**	**Retained earnings**	**Total accumulated other comprehensive (loss) income**	**Total shareholders' equity**
Balance at December 31, 2012				
(Restated) (Note 28)	**$ 142,965**	**$ 555,322**	**$ (12,766)**	**$ 685,521**
Net earnings	**–**	**157,556**	**–**	**157,556**
Other comprehensive income	**–**	**18,292**	**15,132**	**33,424**
Dividends declared ($10.00 per share) *(Note 16)*	**–**	**(254,168)**	**–**	**(254,168)**
Balance at December 31, 2013	**$ 142,965**	**$ 477,002**	**$ 2,366**	**$ 622,333**

	Share capital	Retained earnings	Total accumulated other comprehensive loss	Total shareholders' equity
Balance at January 1, 2012				
(Restated) (Note 28)	$ 142,965	$ 530,852	$ (10,215)	$ 663,602
Net earnings	–	71,480	–	71,480
Other comprehensive loss	–	(3,812)	(2,551)	(6,363)
Dividends declared ($1.70 per share)	–	(43,198)	–	(43,198)
Balance at December 31, 2012				
(Restated) (Note 28)	$ 142,965	$ 555,322	$ (12,766)	$ 685,521

See accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

Years ended December 31, *(In thousands of Canadian dollars)*	**2013**	2012 *(Restated) (Note 28)*
CASH PROVIDED BY (USED IN):		
Operating activities		
Net earnings	**$ 157,556**	$ 71,480
Add (deduct) items not affecting cash:		
Depreciation and amortization	**52,169**	49,525
Deferred income taxes	**18,560**	1,180
Income tax current	**21,797**	28,603
Interest expense	**970**	1,547
Gain on sale of long-lived assets	**(1,806)**	(478)
Gain on sale of investment properties	**(11,433)**	–
Gain on sale of business *(Note 20)*	**(84,042)**	–
Impairment of assets	**5,624**	–
Increase in pension liability	**1,268**	369
Net income taxes paid	**(31,043)**	(24,265)
Interest paid	**(255)**	(1,533)
Change in provision for restructuring and other related costs	**(1,780)**	(6,772)
Other	**1,147**	903
Change in non-cash operating working capital	**60,244**	(11,452)
Cash provided by operating activities	**$ 188,976**	$ 109,107
Financing activities		
Dividends paid	**$ (50,834)**	$ (35,573)
Repayment of long-term debt	**(311)**	(921)
Cash used in financing activities	**$ (51,145)**	$ (36,494)
Investing activities		
Additions to long-term assets	**$ (42,979)**	$ (44,537)
Capitalization of interest expense to long-term assets	**(323)**	–
Proceeds from sale of long-term assets	**7,076**	6,269
Proceeds from sale of investment properties	**12,365**	–
Proceeds from sale of business	**116,269**	–
Cash provided by (used in) investing activities	**$ 92,408**	$ (38,268)
Increase in cash and cash equivalents	**$ 230,239**	$ 34,345
Net cash and cash equivalents, beginning of period	**90,415**	56,070
Net cash and cash equivalents, end of period	**$ 320,654**	$ 90,415
Net cash and cash equivalents is comprised of:		
Cash and cash equivalents	**$ 325,062**	$ 90,415
Bank indebtedness	**(4,408)**	–
Net cash and cash equivalents, end of period	**$ 320,654**	$ 90,415

See accompanying Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars, unless otherwise indicated)
Years ended December 31, 2013 and 2012

1. THE COMPANY

Canada Bread Company, Limited ("Canada Bread" or the "Company") and its subsidiaries operate in the baking industry across North America and internationally. Its principal business is the manufacturing and sale of bakery and pasta products, including fresh bread, rolls, bagels, and par-baked bread. The address of the Company's registered office is 10 Four Seasons Place, Etobicoke, Ontario, M9B 6H7, Canada. The consolidated financial statements of the Company as at and for the year ended December 31, 2013, include the accounts of the Company and its subsidiaries. Canada Bread is 90.0% owned by Maple Leaf Foods Inc. ("Maple Leaf"). The principal activities and the composition of the Company are further described in Note 22.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2014.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

Judgements included in the financial statements are decisions made by Management, based on an analysis of relevant information available at the time the decision is made. Judgements relate to 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 effect on the amounts recognized in the consolidated financial statements are included both below and in the statement notes relating to items subject to significant estimation 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 disclosure 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 as far as possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, 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 Notes 8, 9, and 16.

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 receives none of the returns related to their operations and is exposed to limited recourse with respect to losses.

Further information about the unconsolidated structured entity is disclosed in Note 22.

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 low, thus reducing the risk of material misstatement. However, in the fresh business, 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, and comprehensive income (loss) will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

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

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. These 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, 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 future carrying value of these assets, net earnings, and comprehensive income (loss) in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Consolidation

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

All intercompany accounts and transactions have been eliminated on consolidation.

(b) Fair Value Measurements

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

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

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

Level 1 – inputs are unadjusted quoted prices of identical assets or liabilities in active markets

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability

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

(c) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. The criteria for held for sale classification is regarded as met when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, and management is committed to the sale, which is expected to be completed within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

A discontinued operation is a component of the Company's business, which can be clearly distinguished from the rest of the Company both operationally and for financial reporting purposes. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of earnings and comprehensive income are re-presented as if the operation has been discontinued from the start of the comparative year. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount net of tax as net earnings from discontinued operations in the statement of earnings.

(d) Translation of Foreign Currencies

The accounts of the Company are presented in Canadian dollars. Transactions in foreign currencies are translated at the actual rates of exchange. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate for that date. Foreign exchange differences arising on translation are recognized in net earnings, except for financial assets and liabilities designated as hedges of the net investment in foreign operations or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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

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

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

(e) Financial Instruments

The Company's financial assets and financial liabilities, upon initial recognition, are measured at fair value and are classified as: (i) held for trading; (ii) loans and receivables; or (iii) other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Held for trading is the required classification for all derivative financial instruments unless they are specifically designated within an effective hedge relationship. Held for trading financial instruments not designated within an effective hedging relationship are measured at fair value with changes in fair value recognized in consolidated statements of earnings in the period in which such changes arise. Loans and receivables and other financial liabilities are initially recorded at fair value and are subsequently measured at amortized cost.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, with impairment losses recognized in the consolidated statements of earnings. If, in a subsequent period, the impairment loss decreases, the previously recognized impairment is reversed to the extent of the impairment.

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

(f) Hedge Accounting

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

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

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

When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge, a fair value hedge, or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation. In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income (loss) until the hedged item affects net earnings. In a fair value hedge, the change in fair value of the hedging derivative is offset in the consolidated statements of earnings by the change in fair value of the hedged item relating to the hedged risk.

In a net investment hedge, the change in fair value of the hedging instrument is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts are recognized in earnings when the corresponding accumulated other comprehensive income (loss) from self-sustaining foreign operations is recognized in net earnings (loss).

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

Derivatives that do not qualify for hedge accounting are carried at fair value and changes in their fair value are recorded through the net earnings (loss).

(g) Cash and Cash Equivalents

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

(h) Inventories

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

(i) Impairment or Disposal of Long-Lived Assets

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

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

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

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

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

(j) Property and Equipment

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

Buildings, including other components	15-40 years
Machinery and equipment	3-10 years

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

(k) Investment Property

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

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

(l) Goodwill and Intangible Assets

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the group of CGUs that are expected to benefit from the synergies of the business combination, but no lower than the level in the Company at which goodwill is monitored for internal management purposes.

Goodwill is not amortized and is tested for impairment annually in October and otherwise as required if events occur that indicate that its carrying amount may not be recoverable. Impairment of goodwill is tested at the CGU group level by comparing the carrying amount to its recoverable amount, consistent with the methodology applied in Note 3(i).

Intangible Assets

Intangible assets include brands, trademarks, delivery routes, and customer relationships. Definite life intangible assets are measured at cost less accumulated amortization and any net accumulated impairment losses. Amortization is recognized in the consolidated statements of earnings on a straight-line basis over their estimated useful lives as follows:

Trademarks	10 years
Customer relationships	20-25 years

Indefinite life intangibles are tested for impairment annually in October and otherwise as required if events occur that indicate that the carrying value may not be recoverable.

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

(m) Employee Benefit Plans

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

Defined Benefit Plans

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

Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss). When a restructuring of a benefit plan gives rise to both curtailment and settlement of obligations, the curtailment is accounted for prior to or in conjunction with the settlement.

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

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

Defined Contribution Plans

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

Multi-Employer Plans

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

(n) Provisions

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

(o) Revenue Recognition

The majority of the Company's revenue is derived from the sale of product to retail and foodservice customers. The Company recognizes revenue from product sales at the fair value of the consideration received or receivable, net of estimated returns and an estimate of sales incentives provided to customers. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the Company has satisfied its performance obligations under the arrangement, and has no ongoing involvement with the sold product. The value of sales incentives provided to customers are estimated using rates specified in customer arrangements and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

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

(p) Borrowing Costs

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

(q) Government Incentives

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

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

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

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

(r) Income Taxes

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

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

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings and comprehensive income in the period in which the enactment or substantive enactment takes place. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable the related tax benefits will be realized.

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

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

(s) Accounting Standards Adopted During the Period

Financial Assets and Liabilities

During the year ended December 31, 2013, the Company adopted certain amendments to IFRS 7 *Financial Instruments: Disclosures* on a retrospective basis. These amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position and subject to master netting arrangements or similar arrangements. As the Company is not offsetting financial instruments and does not have relevant offsetting arrangements, the retrospective adoption of these amendments to IFRS 7 did not have any impact on the disclosures of the Company.

Consolidated Financial Statements

During the year ended December 31, 2013, the Company adopted IFRS 10 *Consolidated Financial Statements* on a retrospective basis. IFRS 10 replaces portions of IAS 27 *Consolidated and Separate Financial Statements* that addresses consolidation, and supersedes SIC-12 *Consolidation – Special Purpose Entities ("SPE")* in its entirety. IFRS 10 provides a single model to be applied in the analysis of control of all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures specified in IFRS 10 are carried forward, substantially unmodified, from IAS 27. The adoption of IFRS 10 did not have any impact on the Company's financial statements.

Joint Arrangements

During the year ended December 31, 2013, the Company adopted IFRS 11 *Joint Arrangements*. IFRS 11 supersedes IAS 31 *Interest in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement, which are classified as either joint operations or joint ventures, and provides guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. Investments in joint ventures are required to be accounted for using the equity method. As the Company does not have any joint arrangements, the adoption of IFRS 11 did not have any impact on the Company's financial statements.

Disclosure of Interests in Other Entities

During the year ended December 31, 2013, the Company adopted IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 12 contains disclosure requirements for companies that have interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. Additional disclosures required as a result of the adoption of IFRS 12 are included in Note 22.

Fair Value Measurement

During the year ended December 31, 2013, the Company adopted IFRS 13 *Fair Value Measurement* on a prospective basis. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The adoption of IFRS 13 did not have a material impact on the fair value measurements carried out by the Company. Additional disclosures required as a result of the adoption of IFRS 13 are included in Notes 8, 9, and 16.

Presentation of Financial Statements

During the year ended December 31, 2013, the Company adopted amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* on a retrospective basis. The amendment requires that a company present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Additional disclosures required as a result of the adoption of IAS 1 are presented in the consolidated statements of comprehensive income and had no impact on the financial results of the Company.

Employee Benefits

During the year ended December 31, 2013, the Company adopted the revised IAS 19 *Employee Benefits* on a retrospective basis with restatement. The revised standard requires that the calculation of expected return on assets and interest cost be replaced with a net interest charge calculated based on the discount rate as at the beginning of the year multiplied by the net position of the plan. The revised standard also requires that administrative fees of the plan be expensed by the Company as incurred rather than included in the expected return. The impact of the adoption of revised IAS 19 is further explained in Note 28 and the required additional disclosures are included in Note 9. The standard also has other amendments clarifying the timing of recognition of termination benefits, the adoption of which had no impact on the Company.

Recoverable Amount Disclosures for Non-Financial Assets

During the year ended December 31, 2013, the Company adopted amendments to IAS 36 *Impairment of Assets* on a retrospective basis. The amendment reverses the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amounts of all cash generating units to which significant goodwill or indefinite-life intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The adoption of these amendments did not have a material impact to the disclosures made by the Company.

(t) Recent Accounting Pronouncements Not Yet Adopted

Financial Assets and Liabilities

In December 2011, the IASB published amendments to IAS 32 *Financial Instruments: Presentation*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. 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 Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The impact of the adoption of amendments to IAS 32 is not expected to be material to the consolidated financial statements.

Levies

In May 2013, the IASB issued IFRIC 21 *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014, and is to be applied retrospectively. The IFRIC is applicable to all levies, other than outflows, that are within the scope of other standards and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The Company intends to adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014. The Company is currently assessing the impact of the adoption of IFRIC 21.

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 a practical expedient for simplifying the accounting in certain situations. If the amount of contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost 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 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.

Financial Instruments – Recognition and Measurement

In November 2009, the IASB issued IFRS 9, *Financial Instruments (IFRS 9 (2009))* and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional changes relating to financial liabilities. In November 2013, the IASB published amendments to IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures*, and IAS 39 *Financial Instruments: Disclosures* (collectively, "IFRS 9 (2013)") to include a new general hedge accounting model, and allow the adoption of the treatment of fair value changes due to a Company's own credit risk on financial liabilities designated at fair value through profit or loss. Special transitional requirements have been set for the application of the new general hedging model. This amendment removes the January 1, 2015, effective date. The new mandatory effective date is expected to be determined once the classification and measurement and impairment phases of IFRS 9 are finalized. Although no effective date has been issued for this standard, early adoption is permitted. The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013) in its financial statements for the annual period beginning on January 1, 2014. Once the IASB has issued an effective date for the standard, the Company will determine a date of adoption. The extent of the impact of adoption of IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013) has not yet been determined.

Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB issued "Novation of Derivatives and Continuation of Hedge Accounting" (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*). The amendments add 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 amendments are effective for annual periods beginning on or after January 1, 2014. The Company intends to adopt the amendments in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of the adoption of the amendments 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,* disclosures 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 certain 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 financial statements for the annual period beginning January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

4. ACCOUNTS RECEIVABLE

Components of accounts receivable are as follows:

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Trade receivables	**$ 18,851**	$ 34,607	$ 40,032
Less: Allowance for doubtful accounts	**–**	–	(1,914)
Net trade receivables	**$ 18,851**	$ 34,607	$ 38,118
Other receivables	**19,629**	15,858	18,404
	$ 38,480	$ 50,465	$ 56,522

The aging of trade receivables is as follows:

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Current	**$ 17,149**	$ 33,939	$ 37,790
Past due 0-30 days	**1,339**	161	1,338
Past due 31-60 days	**108**	–	287
Past due 61-90 days	**6**	205	371
Past due > 90 days	**249**	302	246
	$ 18,851	$ 34,607	$ 40,032

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

The Company has sold certain of its trade accounts receivable under revolving securitization programs as described in Note 22.

The Company recorded an amount receivable from the securitization facility of $1.0 million on December 31, 2012 (January 1, 2012: $6.7 million payable to the facility), netted against the notes receivable balance. These amounts should not have been presented on a net basis. These balances have been reclassified in the comparative figures. The Company has determined that these amounts were not material to its consolidated financial statements for any prior interim or annual periods.

5. INVENTORIES

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Raw materials	**$ 10,067**	$ 14,506	$ 14,347
Work in process	**67**	69	34
Finished goods	**15,766**	20,403	19,692
Packaging	**7,567**	9,074	9,160
Spare parts	**18,904**	18,714	16,815
	$ 52,371	$ 62,766	$ 60,048

During the year, inventory in the amount of $867.1 million (2012: $894.7 million) was expensed through cost of goods sold. There were no reversals of previous write-downs recognized.

6. ASSETS HELD FOR SALE

Assets held for sale as at December 31, 2013, relate to investment properties that the Company no longer utilizes.

There were no assets held for sale as at December 31 and January 1, 2012.

Certain assets and liabilities of the Olivieri fresh pasta business were transferred to assets held for sale and subsequently sold during the fourth quarter. Details of this transaction are described in Note 20.

7. PROPERTY AND EQUIPMENT

Cost	Land	Buildings	Machinery and equipment	Under construction	Total
Balance at December 31, 2012	**$ 22,094**	**$ 196,076**	**$ 578,184**	**$ 42,506**	**$ 838,860**
Additions	**–**	**–**	**2,621**	**37,955**	**40,576**
Disposal of business *(Note 20)*	**(955)**	**(4,115)**	**(61,091)**	**(696)**	**(66,857)**
Disposals	**(453)**	**(5,216)**	**(20,431)**	**–**	**(26,100)**
Interest capitalized	**–**	**–**	**323**	**–**	**323**
Transfers to investment properties	**(2,701)**	**(9,471)**	**–**	**–**	**(12,172)**
Transfers	**1,284**	**2,339**	**35,052**	**(38,675)**	**–**
Foreign currency translation	**269**	**3,898**	**13,992**	**1,684**	**19,843**
Balance at December 31, 2013	**$ 19,538**	**$ 183,511**	**$ 548,650**	**$ 42,774**	**$ 794,473**
Depreciation and impairment losses					
Balance at December 31, 2012	**$ –**	**$ 58,943**	**$ 369,438**	**$ –**	**$ 428,381**
Depreciation	**–**	**7,037**	**43,941**	**–**	**50,978**
Disposal of business *(Note 20)*	**–**	**(1,867)**	**(41,694)**	**–**	**(43,561)**
Disposals	**–**	**(4,248)**	**(19,255)**	**–**	**(23,503)**
Impairments	**–**	**–**	**2,862**	**–**	**2,862**
Restructuring and other related costs	**–**	**–**	**648**	**–**	**648**
Transfers to investment properties	**–**	**(4,769)**	**–**	**–**	**(4,769)**
Foreign currency translation	**–**	**1,175**	**9,720**	**–**	**10,895**
Balance at December 31, 2013	**$ –**	**$ 56,271**	**$ 365,660**	**$ –**	**$ 421,931**
Net balance, December 31, 2013	**$ 19,538**	**$ 127,240**	**$ 182,990**	**$ 42,774**	**$ 372,542**

Cost	Land	Buildings	Machinery and equipment	Under construction	Total
Balance at January 1, 2012	$ 22,176	$ 195,225	$ 510,154	$ 99,782	$ 827,337
Additions	2,429	19,656	73,181	(53,219)	42,047
Disposals	(1,038)	(3,771)	(24,261)	–	(29,070)
Other	(1,358)	(13,158)	14,450	2,951	2,885
Transfers to investment properties	(100)	(2,080)	–	–	(2,180)
Transfers	–	581	6,465	(7,046)	–
Foreign currency translation	(15)	(377)	(1,805)	38	(2,159)
Balance at December 31, 2012	$ 22,094	$ 196,076	$ 578,184	$ 42,506	$ 838,860
Depreciation and impairment losses					
Balance at January 1, 2012	$ –	$ 58,344	$ 343,049	$ –	$ 401,393
Depreciation	–	5,724	42,375	–	48,099
Disposals		(2,725)	(14,217)	–	(16,942)
Restructuring and other related costs	–	–	(4,872)	–	(4,872)
Other	–	(1,255)	4,665	–	3,410
Transfers to investment properties	–	(966)	–	–	(966)
Foreign currency translation	–	(179)	(1,562)	–	(1,741)
Balance at December 31, 2012	$ –	$ 58,943	$ 369,438	$ –	$ 428,381
Net balance, December 31, 2012	$ 22,094	$ 137,133	$ 208,746	$ 42,506	$ 410,479

8. INVESTMENT PROPERTY

Investment property is comprised of surplus land and buildings primarily resulting from restructuring activities.

During the year, the Company did not generate rental revenue (2012: $nil) from investment properties and recorded operating costs of $2.1 million (2012: $1.5 million) through other income. Impairment losses or reversals of impairment losses on investment property have been recorded through other income.

The fair value of the Company's investment properties was $14.6 million at December 31, 2013, (December 31, 2012: $17.3 million; January 1, 2012: $11.2 million) and is determined using the market comparable approach, which reflects recent transaction prices for similar properties and are categorized as a Level 3 in the fair value hierarchy. In estimating the fair value of the properties, the highest and best use of the properties is typically for either utilization in manufacturing operations or redevelopment, which differs from the current use as idle properties. The difference in use arises as these properties have become surplus land and buildings, primarily resulting from restructuring activities, and are therefore, no longer utilized in the Company's ongoing operations.

In 2013, the Company obtained external appraisals or opinions of value for a total of $nil of the fair value of the Company's investment properties (December 31, 2012: $11.2 million; January 1, 2012: $11.2 million). For other investment properties, the Company determined the fair value based on comparable market information.

The continuity of investment property for the years ended December 31, 2013, and December 31, 2012, is as follows:

Cost	Land	Buildings	Total
Balance at December 31, 2012	**$ 3,671**	**$ 13,036**	**$ 16,707**
Transfers to assets held for sale	**(2,030)**	**(4,757)**	**(6,787)**
Transfers from property and equipment	**2,701**	**9,471**	**12,172**
Disposals	**(100)**	**(2,044)**	**(2,144)**
Foreign currency translation	**87**	**53**	**140**
Balance at December 31, 2013	**$ 4,329**	**$ 15,759**	**$ 20,088**

Accumulated depreciation			
Balance at December 31, 2012	**$ –**	**$ 7,604**	**$ 7,604**
Transfers to assets held for sale	**–**	**(2,415)**	**(2,415)**
Transfers from property and equipment	**–**	**4,769**	**4,769**
Disposals	**–**	**(1,212)**	**(1,212)**
Depreciation	**–**	**148**	**148**
Impairment	**1,124**	**383**	**1,507**
Foreign currency translation	**7**	**46**	**53**
Balance at December 31, 2013	**$ 1,131**	**$ 9,323**	**$ 10,454**
Net balance, December 31, 2013	**$ 3,198**	**$ 6,436**	**$ 9,634**

Cost	Land	Buildings	Total
Balance at January 1, 2012	$ 3,580	$ 11,902	$ 15,482
Transfers from property and equipment	100	2,080	2,180
Disposals	–	(877)	(877)
Foreign currency translation	(9)	(69)	(78)
Balance at December 31, 2012	$ 3,671	$ 13,036	$ 16,707

Accumulated depreciation			
Balance at January 1, 2012	$ –	$ 7,067	$ 7,067
Transfers from property and equipment	–	966	966
Disposals	–	(679)	(679)
Depreciation	–	252	252
Foreign currency translation	–	(2)	(2)
Balance at December 31, 2012	$ –	$ 7,604	$ 7,604
Net balance, December 31, 2012	$ 3,671	$ 5,432	$ 9,103

9. EMPLOYEE BENEFITS

The Company sponsors several defined benefit pension plans for Canadian employees which are final salary plans, career salary plans, or service based plans. These defined benefit plans require contributions to be made to a separately administered fund.

The Canadian plans are governed by the pension laws of the province in which the respective plan is registered.

The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements. For the Company's defined benefit pension plans, local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. The contributions that have been made to support ongoing plan obligations have been recorded in the respective asset or liability accounts in the consolidated balance sheets.

Actuarial valuations for the Company's defined benefit plans are completed based on the regulations in place in the jurisdictions where the plans operate.

Information about the Company's defined benefit plans as at December 31, 2013, in aggregate, is as follows:

	Other post-retirement benefits	**Total pensions**	**2013 Total**	Other post-retirement benefits	Total pension	2012 Total
					(Restated) (Note 28)	*(Restated) (Note 28)*
Accrued benefit obligation:						
Balance, beginning of year	**$ 2,254**	**$ 163,837**	**$ 166,091**	$ 2,113	$ 152,164	$ 154,277
Current service cost	**7**	**4,151**	**4,158**	24	4,058	4,082
Interest cost	**82**	**6,147**	**6,229**	93	6,874	6,967
Benefits paid from plan assets	**–**	**(8,463)**	**(8,463)**	–	(9,283)	(9,283)
Benefits paid directly from the Company	**(111)**	**(292)**	**(403)**	(118)	(399)	(517)
Actuarial (gains) losses – demographic experience	**(640)**	**2,144**	**1,504**	(25)	(2,211)	(2,236)
Actuarial (gains) losses – demographic assumptions	**–**	**–**	**–**	(17)	(2,488)	(2,505)
Actuarial (gains) losses – financial assumptions	**(125)**	**(15,238)**	**(15,363)**	184	14,993	15,177
Employee contributions	**–**	**687**	**687**	–	764	764
Special termination benefits	**–**	**230**	**230**	–	270	270
Curtailments	**–**	**(980)**	**(980)**	–	–	–
Settlements	**–**	**(1,041)**	**(1,041)**	–	(905)	(905)
Balance, end of year	**$ 1,467**	**$ 151,182**	**$ 152,649**	$ 2,254	$ 163,837	$ 166,091
Unfunded	**$ 1,467**	**$ 5,849**	**$ 7,316**	$ 2,254	$ 5,972	$ 8,226
Funded [(i)]	**–**	**145,333**	**145,333**	–	157,865	157,865
Total obligation	**$ 1,467**	**$ 151,182**	**$ 152,649**	$ 2,254	$ 163,837	$ 166,091

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

	Other post-retirement benefits	**Total pensions**	**2013 Total**	Other post-retirement benefits	Total pension	2012 Total
Plan Assets						
Fair value, beginning of year	**$ –**	**$ 110,080**	**$ 110,080**	$ –	$ 103,843	$ 103,843
Interest income	**–**	**4,052**	**4,052**	–	4,661	4,661
Actuarial gains [(ii)]	**–**	**10,835**	**10,835**	–	5,229	5,229
Employer contributions	**–**	**4,782**	**4,782**	–	6,819	6,819
Employee contributions	**–**	**687**	**687**	–	764	764
Benefits paid	**–**	**(8,463)**	**(8,463)**	–	(9,283)	(9,283)
Administrative costs	**–**	**(594)**	**(594)**	–	(771)	(771)
Settlements	**–**	**(1,277)**	**(1,277)**	–	(1,182)	(1,182)
Fair value, end of year	**$ –**	**$ 120,102**	**$ 120,102**	$ –	$ 110,080	$ 110,080
Accrued benefit liability, end of the year	**$ (1,467)**	**$ (31,080)**	**$ (32,547)**	$ (2,254)	$ (53,757)	$ (56,011)

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

Pension benefit expense recognized in net income:

	2013	2012
		(Restated) (Note 28)
Current service cost – defined benefit	**$ 4,151**	$ 4,058
Current service cost – defined contribution and multi-employer plan	**8,925**	8,286
Interest cost	**2,095**	2,213
Administrative costs	**594**	771
Curtailment gain [(i)]	**(980)**	–
Special termination benefits [(i)]	**230**	270
Settlement loss	**236**	277
Net benefit plan expense	**$ 15,251**	$ 15,875

(i) *Included in Restructuring and other related costs*

Other post-retirement benefits expense recognized in net income:

	2013	2012
Current service cost	**$ 7**	$ 24
Interest cost	**82**	93
	$ 89	$ 117

During the year, the Company expensed salaries and benefits of $361.1 million (2012: $364.9 million) excluding pension and other post-retirement benefits.

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

	2013	2012
		(Restated) (Note 28)
Actuarial gains (losses)	**$ 24,695**	$ (5,207)
	$ 24,695	$ (5,207)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations and net benefit plan expense are as follows:

	2013	2012
Weighted average discount rate used to calculate the net benefit plan expense	**3.75%**	4.50%
Weighted average discount rate used to calculate year end benefit obligation	**4.50%**	3.75%
Rate of compensation increase	**3.50%**	3.50%
Medical cost trend rates	**5.50%**	6.00%

Plan assets comprise of:

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Equity securities	**62%**	60%	59%
Debt securities	**36%**	37%	38%
Other investments and cash	**2%**	3%	3%
	100%	100%	100%

Of the equity securities 30% are a level 1 on the fair value hierarchy, with the remainder being level 2. All of the debt securities are a level 2.

Information about the sensitivity of the plan obligations to changes in assumptions is presented below:

			Increase (decrease) in defined benefit obligation		
Actuarial Assumption		**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	4.50%	0.25% decrease	$ 4,902	$ 40	**$ 4,942**
		0.25% increase	$ (4,747)	$ (39)	**$ (4,786)**
Rate of salary increase	3.50%	0.50% increase	$ 340	N/A	**$ 340**
Mortality	UP 94 Generational Mortality Table	Increase of 1 year in expected lifespan of plan participants	$ 4,664	$ 13	**$ 4,677**

Measurement dates:

2013 expense	December 31, 2012
Balance sheet	December 31, 2013

The average expected maturity of the plan obligations is 13.6 years (December 31, 2012: 13.6 years, January 1, 2012: 13.7 years)

The Company expects to contribute $13.6 million to the pension plans in 2014, inclusive of defined contribution plans and the multi-employer plans.

Governance and Risk Management

The Company administers certain of the plans through its Board of Directors. The Company, through its Board of Directors, has established a governance structure and delegated to its Governance Committee, as well as the Audit Committee and the Maple Leaf Pension Investment Advisory Committee, certain aspects of the investment of the funds. The Company has delegated administrative responsibility to Maple Leaf and Maple Leaf administers the Canada Bread plans under the governance and operational structure established for the Maple Leaf plans.

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

The Supplemental Retirement Plan for the Managers of Multi-Marques Inc. is registered in Québec, Canada, and therefore, operates under the regulations established by the Régis des rentes du Québec. As required by the regulations, the plan is administered by the Multi-Marques Pension Committee and is responsible for all aspects of the operations of the Multi-Marques Plan. The Multi-Marques Pension Committee has delegated certain aspects of its responsibilities and powers, regarding the operations of the Multi-Marques Plan, to the Company.

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

Multi-Employer Plans

The Company contributes to the Canadian Bakery and Confectionary Union and Industry Canada Pension Fund, as well as a U.S. Bakery and Confectionary Union Pension Fund; both of which are multi-employer defined benefit plans for employees who are members of these unions. These are large-scale plans for union workers of multiple companies across Canada and the U.S. Adequate information to account for these contributions as defined benefit plans in the Company's statements is not available due to the size and number of contributing employers in the plans. Included in pension benefit expense is $3.9 million (December 31, 2012: $3.2 million) related to payments into these plans. The Company expects to make contributions of $3.9 million into these plans for the 2014 year. This is included in the total contributions amount above.

10. GOODWILL

	December 31, 2013	December 31, 2012
Cost		
Opening balance	**$ 378,638**	$ 378,743
Disposals *(Note 20)*	**(2,025)**	–
Foreign currency translation	**12,611**	(105)
Balance	**$ 389,224**	$ 378,638
Impairment losses		
Opening balance	**$ (114,395)**	$ (112,730)
Foreign currency translation	**(6,385)**	(1,665)
Balance	**$ (120,780)**	$ (114,395)
Carrying amounts	**$ 268,444**	$ 264,243

For the purposes of annual impairment testing, goodwill is allocated to the following groups of CGUs, which are the groups expected to benefit from the synergies of the business combinations in which the goodwill arose.

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
CGU Group			
Canadian fresh bakery	**$ 123,867**	$ 123,867	$ 123,867
North American frozen bakery	**144,577**	138,351	140,121
Fresh pasta (i)	**–**	2,025	2,025
	$ 268,444	$ 264,243	$ 266,013

(i) *The goodwill relating to Fresh Pasta and sauces business ("Olivieri") was disposed of during the year ended December 31, 2013. Refer to Note 20 for further details.*

The key assumptions used in the calculation of the recoverable amount as at October 1, 2013, and October 1, 2012, were as follows for the significant CGU groups:

	Discount Rate		Growth Rate	
CGU Group	**2013**	2012	**2013**	2012
Canadian Fresh Bakery	**10.6%**	10.7%	**2.3%**	2.2%
North American Frozen Bakery	**9.8%**	8.6%	**2.6%**	2.5%
Fresh Pasta [(i)]	**N/A**	9.1%	**N/A**	2.2%

(i) *The recoverable amount for Fresh Pasta CGU Group was determined based on anticipated net proceeds on disposal. Therefore, determination of discount rate and growth rate for discounting future cash flows was not required for 2013.*

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

- Cash flows were projected based on the Company's long-term business plan. Cash flows for a further perpetual period were extrapolated using the growth rate listed above. These rates do not exceed the long-term average growth rate for the countries in which the segments operate.
- The business plan contains forecasts up to, and including, the year 2015 and is based on past experience of actual operating results in conjunction with anticipated future growth opportunities. While the forecast does assume some base business expansion largely related to innovation, the primary engine of growth is strategic in nature and is consistent with the projects and expectations as articulated in the Company's strategic plan.
- Discount rates, as shown in the table above, were applied in determining the recoverable amount of each CGU group. The discount rate was estimated based on past experience and the weighted average cost of capital of the Company and other competitors in the industry.

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

11. INTANGIBLE ASSETS

	Indefinite life	Finite life		
Cost	**Delivery routes**	**Trademarks**	**Customer relationships**	**Total**
Balance at December 31, 2012	**$ 1,272**	**$ 8,216**	**$ 13,142**	**$ 22,630**
Additions	**2,403**	**–**	**–**	**2,403**
Dispositions	**(2,673)**	**–**	**–**	**(2,673)**
Foreign currency translation	**–**	**4**	**900**	**904**
Balance at December 31, 2013	**$ 1,002**	**$ 8,220**	**$ 14,042**	**$ 23,264**
Amortization and impairment losses				
Balance at December 31, 2012	**$ –**	**$ 7,468**	**$ 3,515**	**$ 10,983**
Amortization	**–**	**567**	**476**	**1,043**
Impairment loss	**–**	**–**	**1,255**	**1,255**
Foreign currency translation	**–**	**–**	**179**	**179**
Balance at December 31, 2013	**$ –**	**$ 8,035**	**$ 5,425**	**$ 13,460**
Net balance, December 31, 2013	**$ 1,002**	**$ 185**	**$ 8,617**	**$ 9,804**

	Indefinite life	Finite life		
Cost	**Delivery routes**	**Trademarks**	**Customer relationships**	**Total**
Balance at January 1, 2012	$ 1,350	$ 8,221	$ 12,948	$ 22,519
Additions	2,490	–	–	2,490
Dispositions	(2,568)	–	–	(2,568)
Foreign currency translation	–	(5)	194	189
Balance at December 31, 2012	$ 1,272	$ 8,216	$ 13,142	$ 22,630
Amortization and impairment losses				
Balance at January 1, 2012	$ –	$ 6,777	$ 3,032	$ 9,809
Amortization	–	691	483	1,174
Balance at December 31, 2012	$ –	$ 7,468	$ 3,515	$ 10,983
Net balance, December 31, 2012	$ 1,272	$ 748	$ 9,627	$ 11,647

Amortization

Amortization is recorded through cost of goods sold or selling, general, and administrative expenses depending on the nature of the asset.

Indefinite Life Intangibles

All indefinite life intangible assets are a part of the Fresh Bakery CGU Group.

The Company performs annual impairment testing on its indefinite life intangible assets. Annual impairment testing, involves determining the recoverable amount of each indefinite life intangible asset, and comparing it to the carrying value. The recoverable values of the Company's indefinite life intangible assets are determined based on discounted projected cash flows.

12. PROVISIONS

	Legal	Environ-mental	Lease make-good	Restructuring and other related costs [i]	Total
Balance at December 31, 2012	**$ 394**	**$ 1,495**	**$ 3,758**	**$ 10,558**	**$ 16,205**
Charges	**–**	**–**	**83**	**19,912**	**19,995**
Reversals	**(43)**	**(103)**	**(1,769)**	**(2,172)**	**(4,087)**
Cash payments	**(29)**	**(70)**	**–**	**(19,520)**	**(19,619)**
Foreign currency translation	**–**	**(6)**	**324**	**193**	**511**
Balance at December 31, 2013	**$ 322**	**$ 1,316**	**$ 2,396**	**$ 8,971**	**$ 13,005**
Current					**$ 7,375**
Non-current					**5,630**
Total at December 31, 2013					**$ 13,005**

	Legal	Environ-mental	Lease make-good	Restructuring and other related costs [i]	Total
Balance at January 1, 2012	$ 119	$ 1,495	$ 3,510	$ 22,947	$ 28,071
Charges	461	–	174	6,356	6,991
Reversals	–	–	–	(863)	(863)
Cash payments	(186)	–	–	(17,852)	(18,038)
Foreign currency translation	–	–	74	(30)	44
Balance at December 31, 2012	$ 394	$ 1,495	$ 3,758	$ 10,558	$ 16,205
Current					$ 9,928
Non-current					6,277
Total at December 31, 2012					$ 16,205

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

The following table provides a summary of provisions recorded in respect of restructuring and other related costs as at December 31, 2013, and December 31, 2012, all on a pre-tax basis:

	Severance	Site closing	Retention	Total
Balance at December 31, 2012	**$ 6,566**	**$ 3,930**	**$ 62**	**$ 10,558**
Charges	**12,536**	**6,699**	**677**	**19,912**
Reversals	**(1,662)**	**(494)**	**(16)**	**(2,172)**
Cash payments	**(13,764)**	**(4,948)**	**(808)**	**(19,520)**
Foreign currency translation	**(323)**	**516**	**–**	**193**
Other	**735**	**(888)**	**153**	**–**
Balance at December 31, 2013	**$ 4,088**	**$ 4,815**	**$ 68**	**$ 8,971**

	Severance	Site closing	Retention	Total
Balance at January 1, 2012	$ 14,975	$ 6,776	$ 1,196	$ 22,947
Charges	1,605	4,155	596	6,356
Reversals	(331)	(379)	(153)	(863)
Cash payments	(10,464)	(6,448)	(940)	(17,852)
Foreign currency translation	–	(30)	–	(30)
Other	781	(144)	(637)	–
Balance at December 31, 2012	$ 6,566	$ 3,930	$ 62	$ 10,558

13. BANK INDEBTEDNESS AND LONG-TERM DEBT

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Bank indebtedness (a)	**$ 4,408**	$ –	$ 3,153
Due to Maple Leaf (b)	**$ –**	$ 1,609	$ 2,364
Southern Ontario Development Program (c)	**1,344**	1,670	1,722
Agri Processing Initiative (d)	**1,581**	–	–
	$ 2,925	$ 3,279	$ 4,086
Less: Current portion	**568**	358	2,452
Long-term debt	**$ 2,357**	$ 2,921	$ 1,634

(a) The Company has a demand uncommitted operating line of credit of £5.0 million ($8.8 million) to provide short-term funding for its U.K. operations. The facility has interest based on LIBOR rates. As at December 31, 2013, a £2.5 million ($4.4 million) balance (December 31, 2012: £nil ($nil); January 1, 2012: £2.0 million ($3.2 million)) was outstanding and has been classified as bank indebtedness.

(b) On January 28, 2012, the Company entered into a new $50.0 million five-year revolving debt facility with Maple Leaf (the Company's controlling shareholder) to provide liquidity for general corporate purposes. The new debt facility replaced the Company's $250.0 million revolving debt facility that was due to mature on June 30, 2012. Both facilities bore interest based on Bankers' Acceptance rates for Canadian dollar loans and LIBOR for U.S. dollar and British pound loans. Both facilities were unsecured and subject to certain financial covenants. The $50.0 million facility was terminated in December 2013.

Interest incurred under these facilities with Maple Leaf was $0.1 million in 2013 (2012: $0.2 million).

(c) During 2010, the Company received a committed government loan of $2.0 million from the Southern Ontario Development Program administered by the Federal Economic Development Agency. The loan is interest free and has monthly repayment requirements from 2012 to 2017. The Company recorded the proceeds of the loan at fair value, which was calculated using a discounted cash flow analysis. The loan is carried at amortized cost on the balance sheet. At December 31, 2013, the fair value of the loan was $1.3 million (December 31, 2012: $1.7 million; January 1, 2012: $1.7 million).

(d) In January 2013, the Company received a committed federal government loan of $2.0 million from the Ministry of Agriculture and Agri-Food. The loan is interest free and has annual repayment requirements from 2013 to 2020. The Company recorded the proceeds of the loan at fair value, which was calculated using a discounted cash flow analysis. The loan is carried at amortized cost on the balance sheet. At December 31, 2013, the fair value of the loan was $1.6 million.

(e) The Company has uncommitted facilities available on demand of $39.5 million (December 31, 2012: $38.0 million; January 1, 2012: $28.1 million) which include an overdraft operating facility of £5.0 million ($8.8 million) and two operating facilities: (i) one of US$10.0 million ($10.7 million); and (ii) one of $20.0 million, which bear interest at short-term rates. At December 31, 2013, £2.0 million ($3.6 million) was utilized under these facilities (December 31, 2012: £2.1 million ($3.3 million); January 1, 2012: £4.4 million ($6.9 million)). This utilization reduced the Company's cash and cash equivalents.

(f) The Company has a demand uncommitted letter of credit facility of $20.0 million (December 31, 2012: $15.0 million; January 1, 2012: $10.0 million) of which $14.5 million as at December 31, 2013 (December 31, 2012: $11.2 million; January 1, 2012: $9.8 million) was utilized. The facility matures in 2014.

(g) The Company's weighted average cost of borrowing for 2013 was 3.3% (December 31, 2012: 3.7%; January 1, 2012: 3.8%).

Required repayments of long-term debt are as follows:

2014	$ 568
2015	567
2016	591
2017	482
2018	227
Thereafter	490
Total long-term debt	**$ 2,925**

14. CAPITAL AND OTHER COMPONENTS OF EQUITY

Common Shares

At December 31, 2013, there were 25,416,812 shares outstanding, (2012: 25,416,812). There were no share transactions during the year.

The authorized share capital consists of an unlimited number of common shares and 25,000 preference shares. These shares have no par value.

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

Accumulated Other Comprehensive Income (Loss)

	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)
Balance at December 31, 2012	**$ (12,723)**	**$ (43)**	**$ –**	**$ (12,766)**
Other comprehensive income	**14,838**	**294**	**18,292**	**33,424**
Transfer to retained earnings	**–**	**–**	**(18,292)**	**(18,292)**
Balance at December 31, 2013	**$ 2,115**	**$ 251**	**$ –**	**$ 2,366**

	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)
Balance at January 1, 2012	$ (10,743)	$ 528	$ –	$ (10,215)
Other comprehensive loss	(1,980)	(571)	(3,812)	(6,363)
Transfer to retained earnings	–	–	3,812	3,812
Balance at December 31, 2012	$ (12,723)	$ (43)	$ –	$ (12,766)

(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 includes tax of $nil for the year ended December 31, 2013 (2012: $nil).

The change in unrealized gain on cash flow hedges includes tax of $0.1 million for the year ended December 31, 2013 (2012: tax recovery of $0.2 million).

The change in actuarial gains and losses includes tax of $6.4 million for the year ended December 31, 2013 (2012: tax recovery of $1.4 million).

The Company estimates that $0.2 million of the unrealized gain included in accumulated other comprehensive income (loss) will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges and the actual amount reclassified could differ from this estimated amount. During the year ended December 31, 2013, a gain of $0.9 million after-tax was released to earnings from accumulated other comprehensive income (loss) and is included in the net change for the period (2012: gain of $0.3 million after-tax).

15. RESTRUCTURING AND OTHER RELATED COSTS

	2013	2012
FRESH BAKERY		
Management structure changes		
Severance	**$ 7,937**	$ 69
Site closing and other costs	**–**	146
Retention	**88**	–
	$ 8,025	$ 215
Bakery closures		
Severance	**$ 2,171**	$ 702
Site closing and other costs	**330**	1,232
Asset impairment and accelerated depreciation	**1,382**	1,869
Retention	**573**	443
Pension	**(414)**	270
	$ 4,042	$ 4,516
FROZEN BAKERY		
Management structure changes		
Severance	**$ 766**	$ –
Bakery closures		
Severance	**$ –**	$ 503
Site closing and other costs	**5,126**	2,398
Asset impairment and accelerated depreciation	**(6)**	3,441
	$ 5,120	$ 6,342
Total restructuring and other related costs	**$ 17,953**	$ 11,073

Negative amounts reflect adjustments to provisions and reversals of previously recorded impairments.

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.

Bakery Closures

During the year ended December 31, 2013, the Company recorded charges in connection with the closure of bakeries in: Grand Falls, New Brunswick; Edmonton, Alberta; Toronto, Ontario; and Shawinigan, Québec.

During the year ended December 31, 2012, the Company recorded charges in connection with the closure of two bakeries in the U.K.; two bakeries in Toronto, Ontario; and a bakery in Delta, British Columbia. Additionally, the Company recorded charges related to other restructuring initiatives, including the closure of two distribution centres in Québec.

Impairment

During the year ended December 31, 2013, the Company recorded $0.1 million (December 31, 2012: $0.4 million) of impairment of fixed assets through restructuring and other related costs.

During the years ended December 31, 2013 and 2012, the Company recorded no reversals of impairment through restructuring and other related costs.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Capital

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

The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily net debt to adjusted earnings before interest, tax, depreciation, and amortization ("Adjusted EBITDA") and Adjusted EBITDA to interest expense.

The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment grade credit pricing and terms. On June 28, 2012, the Company entered into a new five-year $50.0 million revolving credit facility with Maple Leaf. The new credit facility replaced the Company's $250.0 million revolving credit facility that was due to mature on June 30, 2012. This facility was terminated during December 2013. In addition to senior debt and equity, the Company uses leases and limited recourse accounts receivable securitization programs as additional sources of financing. The Company also has credit available from various other facilities as described in Note 13.

The Company has maintained a dividend distribution that is based on a sustainable net earnings base. During the fourth quarter of 2013, the Company declared a special dividend of an additional $8.00 per share, which is payable in January 2014.

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
Due to Maple Leaf Foods	Other financial liabilities
Dividends payable	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 fair values and notional amounts of derivative financial instruments at December 31 are shown below:

	2013			2012		
	Notional amount (i)	**Fair value Asset**	**Fair value Liability**	Notional amount (i)	Fair value Asset	Fair value Liability
Cash flow hedges						
Foreign exchange forward contracts (ii)	**$ 30,298**	**$ 335**	**$ –**	$ 11,263	$ –	$ 63
Derivatives not designated in a formal hedging relationship						
Foreign exchange forward contracts (ii)	**$ 17,965**	**$ –**	**$ 268**	$ 45,440	$ 39	$ –
Current	**$ –**	**$ 335**	**$ 268**	$ –	$ 39	$ 63
Non-current	**–**	**–**	**–**	–	–	–
Total	**$ –**	**$ 335**	**$ 268**	$ –	$ 39	$ 63

(i) *Notional amounts are stated at the contractual Canadian dollar equivalent.*
(ii) *This amount relates to related party foreign exchange contracts with Maple Leaf.*

The fair value of financial assets classified as loans and receivables and financial liabilities (excluding long-term debt) approximate their carrying value due to their short-term nature. Financial assets and liabilities designated as held for trading are recorded at fair value. The carrying value of long-term debt as at December 31, 2013 is $2.9 million (2012: $3.3 million), which approximates fair value.

The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. 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 are exchange-traded and fair value was determined based on exchange prices.

For the years ended December 31, 2013 and 2012, the amount of hedge ineffectiveness recognized in earnings was nominal.

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	$ –	$ 335	$ –	$ 335
	$ –	**$ 335**	**$ –**	**$ 335**
Liabilities:				
Foreign exchange forward contracts	$ –	$ 268	$ –	$ 268
	$ –	**$ 268**	**$ –**	**$ 268**

There were no transfers between levels during the years ended December 31, 2013 and 2012. 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.

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

Credit Risk

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

In the normal course of business, the Company is exposed to credit risk from its customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade and other receivables in order to mitigate any possible credit losses. As at December 31, 2013, approximately $0.3 million (December 31, 2012: $0.5 million; January 1, 2012: $0.6 million) of the Company's accounts receivable were greater than 60 days past due. The Company maintains an allowance for doubtful accounts that represents its estimate of uncollectible amounts. This allowance includes a provision related to specific losses estimated on individually significant exposures. As at December 31, 2013, the Company has recorded an allowance for doubtful accounts of $nil (December 31, 2012: $nil; January 1, 2012: $1.9 million). Average accounts receivable days sales outstanding for the year is consistent with historic trends. There are no significant impaired accounts receivable that have not been provided for in the allowance for doubtful accounts. The Company believes that the allowance for doubtful accounts sufficiently covers any credit risk related to past due or impaired accounts receivable balances.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers, and the large number and geographic dispersion of smaller customers. The Company does, however, conduct a significant amount of business with large grocery retailers. The Company's two largest customers comprise approximately 26.6% (2012: 30.4%) of consolidated sales.

The Company is exposed to credit risk on its notes receivable from a financial institution that holds an equity interest in an unconsolidated structured entity as described in Note 22. Management believes that this credit risk is limited due to the long-term AA- debt rating held by this counterparty.

The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily deposits and short-term placements with Canadian chartered banks) and non-exchange-traded derivatives contracts. The Company mitigates this credit risk by only dealing with counterparties that are major international financial institutions with long-term debt ratings of A or better.

The Company's maximum exposure to credit risk at the balance sheet date consists primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the balance sheet date are as follows:

	December 31, 2013				
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 3 years	Due after 3 years	Total
Non-derivative financial liabilities					
Accounts payable and accruals	$ 204,422	$ –	$ –	$ –	$ 204,422
Due to Maple Leaf Foods Inc.	4,036	–	–	–	4,036
Dividends payable	216,042	–	–	–	216,042
Long-term debt [(i)]	568	567	591	1,199	2,925
Other	100	1,782	153	50	2,085
Total	**$ 425,168**	**$ 2,349**	**$ 744**	**$ 1,249**	**$ 429,510**

(i) *Does not include contractual interest payments.*

The Company manages liquidity risk by monitoring forecasted and actual cash flows, maintaining sufficient undrawn committed credit facilities, and managing the maturity profiles of financial assets and financial liabilities to minimize refinancing risk.

As at December 31, 2013, the Company had available undrawn credit of $45.9 million (December 31, 2012: $94.9 million; January 1, 2012: $273.8 million) under the terms of its various credit facilities. Details of these facilities are provided in Note 13.

Market Risk

Interest Rate Risk

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

The Company's interest rate risk arises from variable rate borrowings that create cash flow interest rate risk.

At December 31, 2013, the Company had variable rate debt of $4.4 million (December 31, 2012: $1.6 million; January 1, 2012: $5.5 million) with a weighted average interest rate of 2.5% (December 31, 2012: 1.5%; January 1, 2012: 2.2%). In addition, the Company is exposed to floating interest rates on its accounts receivable securitization programs. As at December 31, 2013, the amount of cash received pursuant to this program was $53.8 million (December 31, 2012: $51.3 million; January 1, 2012: $45.3 million) at a weighted average interest rate of 2.1% (December 31, 2012: 2.0%; January 1, 2012: 2.1%). The maximum amount available to the Company under this program is $60.0 million.

It is estimated that, all else constant, a one percentage point change in interest rates would not materially impact net earnings.

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

As at December 31, 2013, 95.2% (December 31, 2012: 96.9%; January 1, 2012: 96.7%) of the Company's outstanding debt and revolving accounts receivable securitization program was exposed to interest rate movements.

Foreign Exchange Risk

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

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars and investments in foreign operations.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The primary currency to which the Company is exposed is the U.S. dollar. Qualifying foreign currency forward contracts are accounted for as cash flow hedges.

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the value of the Canadian dollar against all relevant currencies would result in a change in the fair value of the Company's foreign exchange forward contracts of $2.3 million ($1.7 million after-tax) with a gain in net earnings of $0.7 million ($0.5 million after-tax) and a loss in other comprehensive income (loss) of $3.0 million ($2.3 million after-tax).

Commodity Price Risk

The Company is exposed to price risk related to purchases of wheat and other agricultural commodities used as raw materials. The Company may use fixed price contracts with suppliers and exchange-traded futures and options to manage its exposure to price fluctuations.

17. OTHER INCOME (EXPENSE)

	2013	2012
Gain on sale of property and equipment	**$ 1,806**	$ 478
Impairment of assets	**(5,624)**	–
Gain on sale of investment properties	**11,433**	–
Legal settlements	**–**	1,400
Net investment property expenses	**(2,096)**	(1,454)
Other	**735**	1,211
	$ 6,254	$ 1,635

Impairments

Impairment recorded by the Company related to the following:

	2013	2012
Property and equipment	**$ 2,862**	$ –
Investment properties	**1,507**	–
Intangibles	**1,255**	–
Total	**$ 5,624**	$ –

18. INTEREST EXPENSE

	2013	2012
Interest expense on securitized receivables	**$ 1,023**	$ 993
Amortization of deferred finance charge	**205**	233
Interest expense on long-term debt	**159**	84
Other interest charges (income)	**(94)**	252
Interest capitalized	**(323)**	–
	$ 970	$ 1,562

19. INCOME TAXES

The components of income tax expense related to continuing operations were as follows:

	2013	2012 (Restated) (Note 28)
Current tax expense		
Current year	**$ 20,220**	$ 27,645
Adjustment for prior periods	**(144)**	58
	$ 20,076	$ 27,703
Deferred tax expense		
Origination and reversal of temporary differences	**$ 8,272**	$ 3,218
Change in tax rates	**1,057**	257
	$ 9,329	$ 3,475
Total income tax expense	**$ 29,405**	$ 31,178

Reconciliation of Effective Tax Rate

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

	2013	2012 (Restated) (Note 28)
Income tax expense according to combined statutory rate of 26.5% (2012: 26.4%)	**$ 30,314**	$ 28,194
Increase (decrease) in income tax resulting from:		
Deferred tax expense relating to changes in tax rates	**1,057**	257
Non-taxable portion of capital gains	**(2,790)**	–
Tax rate differences in other jurisdictions	**(433)**	(492)
Manufacturing and processing credit	**(743)**	(743)
Non-deductible expenses	**396**	161
Unrecognized income tax benefit of losses	**864**	3,006
Other	**740**	795
	$ 29,405	$ 31,178

Income Tax Recognized in Other Comprehensive Income

	2013	2012 (Restated) (Note 28)
Pension adjustments	**$ 6,403**	$ (1,396)
Foreign exchange forward contracts	**113**	(217)
	$ 6,516	$ (1,613)

Deferred Tax Assets and Liabilities

Recognized Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Deferred tax assets:			
Tax losses carried forward	**$ 10,784**	$ 22,484	$ 19,423
Employee benefits	**8,718**	14,682	12,870
Accrued liabilities	**1,543**	2,527	6,183
Other	**–**	229	118
	$ 21,045	$ 39,922	$ 38,594
Deferred tax liabilities:			
Property and equipment	**$ 26,210**	$ 21,657	$ 22,683
Goodwill and other intangible assets	**21,028**	18,117	17,019
Other	**1,543**	2,272	2,759
	$ 48,781	$ 42,046	$ 42,461
Classified in the consolidated financial statements as:			
Deferred tax asset: non-current	**$ 9,218**	$ 17,874	$ 17,917
Deferred tax liability: non-current	**(36,954)**	(19,998)	(21,784)
	$ (27,736)	$ (2,124)	$ (3,867)

Recognized Deferred Tax Assets

The Company has recognized deferred tax assets in the amount of approximately $10.8 million (December 31, 2012: $22.5 million; January 1, 2012: $19.4 million), relating primarily to tax losses carried forward by subsidiaries in the U.K. and Canada. These deferred tax assets are based on the Company's estimate that the relevant subsidiaries will earn sufficient taxable profits to fully utilize these tax losses in the appropriate carry over periods.

Unrecognized Deferred Tax Assets

The Company has unrecognized deferred tax assets in the amount of approximately $39.0 million (December 31, 2012: $37.1 million; January 1, 2012: $34.8 million), relating primarily to tax losses carried forward in the U.S. and in Canada. These tax losses carried forward consist primarily of net operating losses ("NOLs") relating to a U.S. subsidiary and capital losses of the Company. The amount of NOLs is approximately $105.9 million (December 31, 2012: $102.1 million; January 1, 2012: $98.6 million). These NOLs expire in the years from 2023 to 2032. The capital loss of the Company is approximately $39.6 million (December 31, 2012: $50.0 million; January 1, 2012: $50.0 million). This capital loss does not expire.

Unrecognized Deferred Tax Liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The unrecognized temporary difference for the Company's subsidiaries at December 31, 2013, is $126.8 million (December 31, 2012: $110.7 million; January 1, 2012: $116.9 million).

20. DISCONTINUED OPERATIONS

On November 25, 2013, the Company sold substantially all of the net assets of its Olivieri fresh pasta and sauce business ("Olivieri"), a component of the Fresh Bakery Products Group, to Catelli Foods Corporation for net proceeds of $116.3 million.

The results of the Olivieri operations are presented below:

Years ended December 31,	2013	2012
Sales	**$ 78,407**	$ 88,631
Cost of goods sold	**64,749**	77,856
Gross margin	**$ 13,658**	$ 10,775
Selling, general, and administrative expenses	**14,235**	16,219
Operating Earnings before the following:	**$ (577)**	$ (5,444)
Gain on disposal of discontinued operation	**84,042**	–
Earnings before interest and income taxes from discontinued operations	**$ 83,465**	$ (5,444)
Interest income	**–**	(15)
Earnings before income taxes from discontinued operations	**$ 83,465**	$ (5,429)
Income taxes	**10,952**	(1,395)
Net earnings from discontinued operations	**$ 72,513**	$ (4,034)
Earnings per share from discontinued operations *(Note 21)*		
Basic and diluted earnings per share from discontinued operations	**$ 2.85**	$ (0.16)
Weighted average number of shares (millions)	**25.4**	25.4

There are no amounts included in comprehensive income relating to the disposal group for the years ended December 31, 2013 and 2012.

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 Olivieri operations for the year ended December 31, 2013, are as follows:

Years ended December 31,	2013	2012
Operating	**$ 1,982**	$ 1,355
Financing	**–**	–
Investing	**115,679**	(5,694)
Net cash flows	**$ 117,661**	$ (4,339)

21. EARNINGS PER SHARE

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

	2013			2012 (ii)		
Year ended December 31,	**Net earnings (loss)**	**Weighted average number of shares (i)**	**EPS**	Net earnings (loss)	Weighted average number of shares (i)	EPS
Basic and diluted						
Continuing operations	**$ 85,043**	**25.4**	**$ 3.35**	$ 75,514	25.4	$ 2.97
Discontinued operations	**72,513**	**25.4**	**2.85**	(4,034)	25.4	(0.16)
	$ 157,556	**25.4**	**$ 6.20**	$ 71,480	25.4	$ 2.81

(i) *In millions*

(ii) *Restated, see Note 20 and Note 28*

22. COMPOSITION OF THE COMPANY

Subsidiaries

The consolidated financial statements of the Company include the following material wholly owned subsidiaries:

Name	Country of Incorporation	Principal activities
Canada Bread Frozen Bakery Ltd.	Canada	Frozen par-baked bread
1864713 Ontario Inc.(i)	Canada	Discontinued operation
Maple Leaf Bakery Inc.	United States	Frozen par-baked bread
Maple Leaf Bakery UK Limited	United Kingdom	Specialty baked goods

(i) *During 2013, the Company sold substantially all of the net assets of Olivieri Foods Limited and subsequently changed the name of the corporation to 1864713 Ontario Inc. Refer to Note 20 for further details.*

Unconsolidated Structured Entity

The Company has sold certain of its trade accounts receivable to an unconsolidated structured entity owned by a financial institution, under revolving securitization programs. The Company retains servicing responsibilities for these receivables. The structured entity finances the purchase of these receivables by issuing senior debt instruments to the financial institution, short-term mezzanine notes back to the Company, and an equity interest held by the financial institution.

At December 31, 2013, trade accounts receivable being serviced under these programs amounted to $59.3 million (December 31, 2012: $95.3 million; January 1, 2012: $91.1 million). In return for the sale of its trade receivables, the Company will receive cash of $23.3 million (December 31, 2012: $52.3 million; January 1, 2012: $38.5 million) and notes receivable in the amount of $36.0 million (December 31, 2012: $43.0 million; January 1, 2012: 52.6 million). The notes receivable are non-interest bearing and are adjusted on the settlement dates of the securitized accounts receivable. Due to timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the securitization facility. As at December 31, 2013, the Company recorded a net payable amounting to $30.5 million (December 31, 2012: $1.0 million receivable; January 1, 2012: $6.7 million net payable) in accounts payable and accruals.

The Company's maximum exposure to loss, due to its involvement with a structured entity, is equal to the current carrying value of the interest in the notes receivable due from the structured entity. The maximum potential loss that could be borne by subordinated interests in the structured entity is a $1.0 million equity interest (December 31, 2012: $0.2 million; January 1, 2012: $0.2 million).

The Company has not recognized any income or losses associated with its interest in an unconsolidated structured entity for the years ended December 31, 2013 or 2012.

During the year, the securitization agreements were renewed with substantially the same terms and conditions, with an expiry date of September 2016.

23. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Company and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variable prices.

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

(c) The Company has operating lease, rent, and other commitments that require minimum annual payments as follows:

2014	$ 15,435
2015	11,267
2016	7,393
2017	4,378
2018	2,643
Thereafter	6,436
	$ 47,552

During the year ended December 31, 2013 an amount of $20.2 million was recognized as an expense in earnings in respect of operating leases (2012: $22.3 million).

24. RELATED PARTY TRANSACTIONS

Services provided to the Company by Maple Leaf under the terms of a management services agreement include, but are not limited to, treasury and cash management, taxation, internal audit, accounting, external financial reporting, investor relations, public relations, corporate secretarial, legal, insurance, human resources, and computer systems support. In addition, Maple Leaf provides senior management time for operating involvement. Fees paid by the Company for these services are based on the actual cost of providing such services and are allocated based on either activity drivers, or where not practicable to isolate such drivers, the proportion of assets employed to the total assets in the business unit, which is consistent with the allocation of such costs to other business units of Maple Leaf.

During the year ended December 31, 2012, the Company signed a new management service agreement, with substantially similar terms and conditions to the prior arrangement.

Fees paid to Maple Leaf in 2013 for these services were $51.0 million (2012: $49.3 million). At December 31, 2013, the total outstanding balance payable to Maple Leaf was $4.0 million (December 31, 2012: $4.8 million; January 1, 2012: $2.5 million).

In addition to the management services agreement, the Company also is charged for the cost of certain direct services provided by Maple Leaf. This includes, but is not limited to, direct sales, supply chain management, order management, warehousing, and transportation services. These services are charged based upon time-based allocations. The occupancy costs and related direct expenses of any Company employees located at a Maple Leaf location are charged to the Company on a monthly basis based upon the proportion of the total square footage occupied by the Company.

As at December 31, 2012, the Company has a $50.0 million revolving debt facility with Maple Leaf to provide longer-term funding and surplus liquidity. This facility, described further in Note 13, was terminated in December 2013.

The Company also has foreign exchange contracts with Maple Leaf as described in Note 16.

The Company sponsors a number of post retirement benefit plans as described in Note 9. The Company's contributions to these plans were $10.2 million in 2013 (2012: $12.4 million).

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any external directors of the Company. Key management personnel compensation includes amounts paid to Maple Leaf through the intercompany management services agreement.

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

	2013	2012
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 5,027**	$ 5,446
Company car allowance	**167**	187
Other benefits	**412**	416
Total short-term employee benefits	**$ 5,606**	$ 6,049
Post-employment benefits	**442**	560
Share based benefits [i]	**3,144**	6,336
Total remuneration	**$ 9,192**	$ 12,945

(i) *The share-based benefits were granted by Maple Leaf with the associated costs included in the overall management fee paid to Maple Leaf.*

During 2013, key management personnel of the Company exercised 16,800 (2012: none) share options granted under Maple Leaf Foods Share Incentive Plan for an amount of $0.2 million (2012: $nil).

25. GOVERNMENT INCENTIVES

During the year ended December 31, 2013, the Company recorded no government incentives (2012: $0.2 million).

Additionally, during the year ended December 31, 2013, the Company recorded a $2.0 million interest-free loan from the Canadian government related to the purchase of equipment for its recently commissioned bakery in Hamilton, Ontario. The loan is repayable over a period of seven years.

26. SEGMENTED FINANCIAL INFORMATION

Reportable Segmented Information

The Company has two 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) Fresh Bakery is comprised of fresh bakery products, sweet goods, and specialty fresh pasta and sauces. The fresh pasta and sauce business was sold during the year and has been classified as discontinued operations for the year ended December 31, 2013. Refer to Note 20 for further details. The Company also exited the artisan and sweet goods categories during 2013.

(b) Frozen Bakery is comprised of North American and U.K. frozen bakery products including frozen par-baked and speciality bakery products.

Non-allocated costs is comprised of expenses not separately identifiable to business segment groups and are not part of measures used by the Company when assessing the segment's operating results.

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

	2013	2012 *Restated (Note 20, 28)*
Sales		
Fresh Bakery [(i)]	**$ 1,018,450**	$ 1,060,301
Frozen Bakery	**513,543**	507,573
Total sales	**$ 1,531,993**	$ 1,567,874
Sales from discontinued operations *(Note 20)*	**(78,407)**	(88,631)
Sales from continuing operations	**$ 1,453,586**	$ 1,479,243
Earnings before restructuring and other related costs and other income		
Fresh Bakery [(i)]	**$ 88,080**	$ 88,455
Frozen Bakery	**38,460**	23,793
Earnings before restructuring and other related costs and other income	**$ 126,540**	$ 112,248
Loss before restructuring and other related costs and other income from discontinued operations *(Note 20)*	**577**	5,444
Earnings before restructuring and other related costs and other income from continuing operations	**$ 127,117**	$ 117,692
Capital expenditures		
Fresh Bakery [(i)]	**$ 16,707**	$ 32,695
Frozen Bakery	**26,272**	11,842
	$ 42,979	$ 44,537
Depreciation and amortization		
Fresh Bakery [(i)]	**$ 32,928**	$ 30,848
Frozen Bakery	**19,241**	18,677
	$ 52,169	$ 49,525

(i) *The results from discontinued operations from the fresh pasta and sauces businesses were included in the total results of the Fresh Bakery Products Group.*

	As at December 31, 2013	As at December 31, 2012	As at January 1, 2012
Total assets			
Fresh Bakery [(i)]	**$ 427,722**	$ 504,062	$ 522,236
Frozen Bakery	**329,631**	356,311	369,523
Non-allocated assets	**381,295**	109,618	79,456
	$ 1,138,648	$ 969,991	$ 971,215
Goodwill			
Fresh Bakery [(i)]	**$ 123,867**	$ 125,892	$ 125,892
Frozen Bakery	**144,577**	138,351	140,121
	$ 268,444	$ 264,243	$ 266,013

(i) *The prior year results from the Bakery Products Group include assets and goodwill from the Fresh Pasta and Sauces business.*

Information About Geographic Areas

Property, equipment, and investment property located outside Canada for December 31, 2013, totalled $112.6 million (December 31, 2012: $98.3 million; January 1, 2012: $105.7 million). Of this amount, $57.6 million (December 31, 2012: $59.1 million; January 1, 2012: $65.0 million) was located in the U.S. and $55.0 million (December 31, 2012: $39.2 million; January 1, 2012: $40.7 million) was located in the U.K.

Goodwill attributed to operations located outside Canada for December 31, 2013, was $91.1 million (December 31, 2012: $84.9 million; January 1, 2012: $86.7 million), all of which is attributed to operations in the U.S.

Revenues earned outside Canada for the year ended December 31, 2013, were $365.9 million (2012: $375.0 million). Of this amount, $227.7 million (2012: $230.4 million) was earned in the U.S. and $137.9 million (2012: $128.8 million) was earned in the U.K. Revenue by geographic area is determined by the shipping location.

Information About Major Customers

During the year, the Company reported sales to two customers each representing greater than 10% of total sales. Sales to one customer represented 16.2% (2012: 18.3%) of total sales, while sales to the second customer represented 10.4% (2012: 12.1%) of total sales. Sales to each customer are reported in both the Fresh Bakery and Frozen Bakery segments.

27. SUBSEQUENT EVENTS

On February 12, 2014, the Company announced that Grupo Bimbo, S.A.B. de C.V. of Mexico ("Grupo Bimbo") had agreed to acquire all of the issued and outstanding common shares of the Company by way of a statutory arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). Under the terms of the Arrangement, Grupo Bimbo has agreed to acquire from common shareholders of the Company each common share for $72.00 per share in cash or $1.83 billion in aggregate pursuant to the terms of an arrangement agreement dated February 11, 2014 between the Company and Grupo Bimbo (the "Arrangement Agreement"). The Arrangement will require the approval of at least 66⅔% of the votes cast by the shareholders of Canada Bread at a special meeting of shareholders expected to take place in early April 2014. Maple Leaf has entered into a voting support agreement with Grupo Bimbo pursuant to which Maple Leaf has agreed to vote all of its common shares of Canada Bread in favour of the Arrangement at such meeting. The Arrangement is also subject to receipt of court approval, regulatory approvals, and other customary closing conditions. The transaction is expected to close in the second quarter of 2014.

On February 19, 2014, the company sold an investment property located in the Toronto area, which was classified as an asset held for sale in the year end consolidated financial statements, for gross proceeds of $6.4 million.

28. IMPACT OF ADOPTION OF NEW ACCOUNTING STANDARDS DURING THE PERIOD

Beginning January 1, 2013, the Company adopted the revised IAS 19 *Employee Benefits*, on a retrospective basis with restatement. Under revised IAS 19, the Company is required to calculate the expected return on assets of the pension plan and its related interest costs based on the current discount rate multiplied by the net position of the plan. The revised standard also requires that administrative fees of the plan be expensed by the Company as incurred rather than included in the expected return.

The impact of the adoption of revised IAS 19 for the year is a decrease in total earnings before tax of $3.9 million (2012: $3.6 million) and $2.9 million after-tax (2012: $2.7 million after-tax).

The impact of adoption is as follows:

Impact on Consolidated Statement of Earnings (Loss)

Year ended December 31,	2013	2012
Selling, general and administrative expenses	**$ 3,875**	$ 3,620
Income taxes	**(992)**	(900)
Net earnings [(i)]	**(2,883)**	(2,720)
Decrease in earnings per share attributable to common shareholders		
Basic and diluted earnings per share	**$ (0.11)**	$ (0.11)
Weighted average number of shares (millions)	**25.4**	25.4

(i) *Increase of selling, general, and administrative expenses includes a total of $3.3 million increase (2012: $2.8 million) in pension expenses and $0.6 million increase (2012: $0.8 million) in pension administrative fees during the year due to adoption of revised IAS 19.*

Impact on Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31,	**2013**	2012
Net earnings	**$ (2,883)**	$ (2,720)
Change in actuarial gains and losses	**2,883**	2,720
Comprehensive income (loss)	**$ –**	$ –

The adoption of revised IAS 19 did not have an impact on the Company's consolidated balance sheets, consolidated statement of changes in total equity, and consolidated statements of cash flows for 2013 and 2012.

The following is a reconciliation of the 2012 restatement:

Years ended December 31, 2012	As previously reported	Discontinued Operations[i] (Note 20)	Impact of IAS 19R	**As restated**
Selling, general and administrative expenses	$ 195,672	$ (16,219)	$ 3,620	**$ 183,073**
Income taxes	30,683	1,395	(900)	**31,178**
Net earnings	74,200	4,034	(2,720)	**75,514**
Earnings per share attributable to common shareholders				
Basic and diluted earnings per share	$ 2.92	$ –	$ (0.11)	**$ 2.81**
Weighted average number of shares (millions)	25.4	–	–	**25.4**

(i) *The adoption of revised IAS 19 did not have any impact on the net earnings from discontinued operations for the year ended December 31, 2012. Included in discontinued operations is a net loss of $4.0 million and income tax recoveries of $1.4 million.*

Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31, 2012	As previously reported	Impact of IAS 19R	**As restated**
Net earnings	$ 74,200	$ (2,720)	**$ 71,480**
Change in actuarial loss	(6,532)	2,720	**(3,812)**
Comprehensive income (loss)	65,117	–	**65,117**

Corporate Information

DIRECTORS

Michael H. McCain
Chairman of the Board

Richard A. Lan
President and Chief Executive Officer

William E. Aziz (resigned March 20, 2014)
Sarah A. Everett
J. Scott McCain
John F. Petch
Michael H. Vels

CORPORATE OFFICE

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STOCK EXCHANGE LISTING AND STOCK SYMBOL

The Company's common shares are listed on The Toronto Stock Exchange and trade under the symbol "CBY".

AUDITORS

KPMG LLP

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.

SHAREHOLDER INFORMATION

Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: 514-982-7555
or 1-800-564-6253 (toll-free North America)
or service@computershare.com

COMPANY INFORMATION

Copies of the Company's annual and interim reports, Annual Information Form and other disclosure documents filed with regulatory authorities are available from the Corporate Secretary upon request. Please contact: 416-926-2000.

For Investor Relations, please call 416-926-2005.

www.canadabread.ca

Design: THE WORKS DESIGN COMMUNICATIONS www.worksdesign.com Financial Typesetting: RR Donnelley Capital Markets

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