Consolidated financial statements of Sollio Cooperative Group

As at October 31, 2020

Management report

The consolidated financial statements and other financial information included in the Annual Report of Sollio Cooperative Group [the "Group"] for the year ended October 31, 2020 are management's responsibility and have been approved by the Board of Directors. This responsibility involves the selection of appropriate accounting policies as well as the use of sound judgment in the establishment of reasonable and fair estimates in accordance with Canadian Accounting Standards for Private Enterprises.

Management maintains accounting and internal control systems designed to provide reasonable assurance regarding the accuracy, relevance and reliability of financial information, as well as the efficient and orderly conduct of the Group's affairs. The Internal Audit Department evaluates all its systems on an ongoing basis and regularly reports its findings and recommendations to management and the Audit Committee.

The Board of Directors ensures that management assumes its responsibilities with respect to financial reporting and the review of the consolidated financial statements and Annual Report, mainly through its Audit Committee consisting of independent directors. The Audit Committee holds regular meetings with the internal and external auditors and with management representatives to discuss the application of internal controls and reviews the consolidated financial statements and other matters related to financial reporting. The Audit Committee reports and submits its recommendations to the Board of Directors. Ernst & Young LLP, the auditors appointed by the members, have audited the consolidated financial statements and their report appearing hereinafter indicates the scope of their audit and their opinion thereon.

Gaétan DESROCHES, Agr., MBA
Chief Executive Officer

Alexandre ST-JACQUES, FRM
Chief Financial Officer

Montréal, January 25, 2021

Independent auditors' report

To the members of
Sollio Cooperative Group

Opinion

We have audited the accompanying consolidated financial statements of **Sollio Cooperative Group** and its subsidiaries [the "Group"], which comprise the consolidated balance sheet as at October 31, 2020, and the consolidated statements of earnings, reserve and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2020, and its results of consolidated operations and consolidated cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud

Independent auditors' report

or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP[1]

Montréal, Canada
January 25, 2021

[1] CPA auditor, CA, public accountancy permit no. A120803

EY

A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	8	25,765	–
Accounts receivable	9, 26	582,916	616,897
Inventories	10	1,011,763	797,542
Income taxes receivable		10,269	36,481
Prepaid expenses		49,836	21,004
Derivative financial instruments	25, 26	46,782	36,398
Future income tax asset	7	21,389	8,762
Investments – current portion	13, 26	21,439	27,999
		1,770,159	1,545,083
Non-current assets			
Interests in joint arrangements	11	269,861	233,495
Investments in entities subject to significant influence	12	40,744	35,921
Investments	13, 26	44,899	45,373
Government assistance receivable	14	8,933	–
Property, plant and equipment	14	1,566,366	1,211,692
Property, plant and equipment held for sale	14	893	3,689
Defined benefit asset	21	44,201	72,542
Intangible assets	15	465,938	390,967
Goodwill	3	516,188	341,397
		2,958,023	2,335,076
		4,728,182	3,880,159
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts		–	18,275
Bank borrowings	16	642	13,525
Accounts payable and accrued liabilities	17, 26	798,215	714,284
Deferred revenues	26	145,991	109,658
Income taxes payable		19,256	–
Derivative financial instruments	25, 26	20,545	18,264
Patronage refunds payable	6	8,760	5,280
Redeemable preferred shares – current portion	22	6,357	5,436
Obligations under capital leases – current portion	18	123	400
Long-term debt – current portion	19	108,977	255,700
		1,108,866	1,140,822
Non-current liabilities			
Obligations under capital leases	18	1,304	1,428
Long-term debt	19	1,159,694	588,246
Deferred credit	20	16,545	13,194
Defined benefit liability	21	77,761	70,904
Derivative financial instruments	25	31,234	–
Future income tax liability	7	136,250	116,019
		1,422,788	789,791
Total liabilities		2,531,654	1,930,613
EQUITY			
Share capital	22	1 163 779	992,058
Contributed surplus	4	22,079	18,000
Reserve		840,371	765,092
Equity of the Group		2,026,229	1,775,150
Non-controlling interests	4, 23	170,299	174,396
Total equity		2,196,528	1,949,546
		4,728,182	3,880,159

Commitments and contingencies *[note 23]*
Subsequent events *[note 27]*

The notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Ghislain GERVAIS, Director

Muriel Dubois, agr.

Muriel DUBOIS, Director

Consolidated statement of earnings

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
Revenues	26	8,152,114	7,282,058
Operating expenses	5		
Cost of sales and selling and administrative expenses	26	7,914,025	7,182,500
Net financial expenses		59,297	51,473
		7,973,322	7,233,973
Operating income		178,792	48,085
Other income and expenses			
Share of results of joint arrangements		50,670	34,885
Share of results of entities subject to significant influence		4,741	(2,533)
Investment income	26	3,089	2,168
Net losses on disposal and remeasurement of assets	3, 11, 13, 14	(1,206)	(3,252)
Losses on remeasurement of derivative financial instruments	25	(35,049)	–
		22,245	31,268
Earnings before patronage refunds and income taxes		201,037	79,353
Patronage refunds	6	29,200	17,600
Income taxes	7	30,850	13,149
Net earnings		140,987	48,604
Attributable to:			
Members of the Group		117,664	38,447
Non-controlling interests		23,323	10,157
		140,987	48,604

The notes are an integral part of the consolidated financial statements.

Consolidated statement of reserve

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
Reserve, beginning of year		765,092	773,219
Premium on redemption of non-controlling interest	4	–	(16,455)
Dividends on common shares		(2,340)	(10,732)
Dividends on preferred investment shares		(39,622)	(19,387)
Refundable dividend tax on hand		(423)	–
Net earnings attributable to members of the Group		117,664	38,447
Reserve, end of year		840,371	765,092

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

Years ended October 31, 2020 and October 26, 2019

[in thousands of dollars]	Notes	2020 $	2019 $
OPERATING ACTIVITIES			
Net earnings		**140,987**	48,604
Non-cash items:			
Amortization	5	**169,942**	129,274
Amortization of transaction costs	5	**2,993**	1,348
Net losses on disposal and remeasurement of assets		**1,206**	3,252
Unrealized losses (gains) on derivative financial instruments		**23,131**	(8,010)
Future income taxes	7	**(18,320)**	165
Change in defined benefits		**35,198**	(25,884)
Share of results of joint arrangements		**(50,670)**	(34,885)
Share of results of entities subject to significant influence		**(4,741)**	2,533
Patronage refunds paid in common shares		**20,440**	12,320
		320,166	128,717
Net change in non-cash working capital items		**48,743**	52,317
Increase in deferred credit	20	**4,697**	2,673
Cash flows related to operating activities		**373,606**	183,707
INVESTING ACTIVITIES			
Business acquisitions	3	**(659,847)**	(308,795)
Disposals of subsidiaries	11	**1,900**	–
Acquisitions of units from a subsidiary's non-controlling interest	4	**–**	(38,729)
Acquisitions of investments		**(82)**	(5,252)
Acquisitions of interests in joint arrangements		**(1,631)**	(1,796)
Acquisitions of investments in entities subject to significant influence		**(1,002)**	(18,680)
Proceeds from disposal of investments		**4,918**	12,531
Proceeds from disposal of interests in joint arrangements		**310**	227
Dividends received from joint arrangements		**18,333**	31,786
Dividends received from entities subject to significant influence		**325**	674
Additions to property, plant and equipment		**(196,124)**	(220,725)
Proceeds from disposal of property, plant and equipment		**6,712**	45,703
Refund of deposits in trust		**–**	3,815
Additions to intangible assets		**(13,177)**	(14,106)
Cash flows related to investing activities		**(839,365)**	(513,347)
FINANCING ACTIVITIES			
Net change in bank borrowings		**(633)**	5,525
Repayment of obligations under capital leases		**(400)**	(423)
Proceeds from issuance of long-term debt		**781,029**	162,390
Repayment of long-term debt		**(357,036)**	(104,749)
Proceeds from issuance of preferred shares		**156,384**	305,025
Redemption of preferred shares		**(5,436)**	(4,558)
Dividends on preferred investment shares		**(39,622)**	(19,387)
Proceeds from issuance of common shares		**27**	132
Redemption of common shares		**(190)**	(10,399)
Dividends on common shares		**(1,170)**	(5,366)
Proceeds from issuance of units of a subsidiary to third parties		**9,701**	7,769
Dividends paid to non-controlling interests		**(32,855)**	(11,045)
Cash flows related to financing activities		**509,799**	324,914
Increase (decrease) in cash and cash equivalents		**44,040**	(4,726)
Bank overdrafts, beginning of year		**(18,275)**	(13,549)
Cash and cash equivalents (bank overdrafts), end of year		**25,765**	(18,275)

The notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

[All amounts are in thousands of dollars.]

1. Business description

Sollio Cooperative Group [the "Group"], previously known as La Coop fédérée, was established under a special act of the Province of Québec. It operates through three divisions: Food, Agriculture and Retail. The Food Division focuses on pork production and the processing and marketing of pork and poultry products. The Agriculture Division provides farmers with goods and services to support their farming operations. The Retail Division brings together distribution and marketing operations for hardware products, construction materials as well as services related to these product lines.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Part II of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Private Enterprises", which sets out the generally accepted accounting principles for Canadian non-publicly accountable entities, and include the significant accounting policies described below.

Principles of consolidation

The Group consolidates all the subsidiaries for which it has the continuing power to determine the strategic operating, investing and financing policies without the co-operation of others. The consolidated financial statements comprise the financial statements of Sollio Cooperative Group and its subsidiaries, the most significant of which are as follows:

Consolidated subsidiaries

Name	Description	Interest
Olymel L.P.	Production, processing and marketing of pork and poultry	92.2%
Agrico Canada Limited	Distribution and marketing of agricultural inputs	100%
Agrico Canada L.P.	Distribution and marketing of agricultural inputs	100%
Agronomy Company of Canada Ltd.	Distribution and marketing of agricultural inputs	100%
Entreprise Agricole AMQ s.e.c.	Distribution and marketing of animal nutrition products	100%
Maizex Seeds Inc.	Production and marketing of seeds	87.5%[1]
OntarioGrain.AG L.P.	Marketing of grains and supply of services	77.5%
Sollio Agriculture L.P.	Supply of agriculture-related goods and services	100%
Standard Nutrition Inc.	Distribution and marketing of animal nutrition products	100%
TerminalGrains.Ag s.e.c.	Operation of a grain terminal	80%
Groupe BMR inc.	Distribution and marketing of hardware products and construction materials	100%
Énergies RC, s.e.c.	Ownership of an interest in a joint arrangement for the distribution and marketing of petroleum products	88.9%
Volailles Acadia s.e.c.	Poultry products	52.5%

[1] 75% as at October 26, 2019

Interests in joint arrangements

The Group uses the equity method to account for its interests in jointly controlled enterprises. As at October 31, 2020, the Group has no interests in joint arrangements whose share of results exceeds 10% of the Group's earnings before the share of results of joint arrangements and income taxes.

Investments in entities subject to significant influence

The Group uses the equity method to account for all entities in which it exercises significant influence over the strategic operating, investing and financing policies. As at October 31, 2020, the Group has no interests in entities subject to significant influence whose share of results exceeds 10% of the Group's earnings before the share of results of entities subject to significant influence and income taxes.

Non-controlling interests

Non-controlling interests represent the portion of the combined net earnings and net assets of a subsidiary that is not wholly owned by the Group. Non-controlling interests are presented in equity, separately from the Group's equity. Any change in the ownership interest in a subsidiary that does not affect the control of the Group gives rise to an adjustment between the Group and the non-controlling interests to reflect their respective interests. Any difference between the adjustment and the consideration paid is presented separately in the Group's equity.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the assets acquired and liabilities assumed are measured at their fair values at the date of acquisition and the excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. If the fair value of the net assets acquired exceeds the consideration paid, the excess is recognized immediately as net gains on disposal and remeasurement of assets in the consolidated statement of earnings.

Acquisition-related costs are recognized in earnings as incurred.

The results of businesses acquired are included in the consolidated financial statements as of their respective date of acquisition.

When options to purchase all or part of the non-acquired shares of the target company are held by the Group or options to sell the same shares are held by third parties, the Group recognizes a liability when such options are exercised.

The Group measures non-controlling interests in acquired businesses at fair value as at the date of acquisition.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank account balances as well as cash backed by derivative financial instruments and are recorded at fair value.

Inventories

Raw materials and supply inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value, except for grain inventories held for resale, which are measured at fair value.

Goods in process and finished goods inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value.

Live hog inventories are valued at the lower of production cost and net realizable value.

The Group recognizes amounts received under agreements with suppliers as a reduction in the price of the suppliers' products and presents them as a reduction of cost of sales in the consolidated statement of earnings and of related inventories in the consolidated balance sheet when it is probable that such discounts will be received.

Investments

Investments include shares and other securities of cooperatives measured at cost since they have no quoted market price in an active market. Notes receivable, also included in investments, are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

Property, plant and equipment

Property, buildings and equipment

Property, plant and equipment are initially recognized at cost or at fair value if acquired as part of a business combination. Grants related to property, plant and equipment are recognized as a reduction of those assets.

Assets under capital leases are capitalized when substantially all the benefits and risks incident to ownership of the leased property have been transferred to the Group. The cost of assets under capital leases represents the lower of the present value of minimum lease payments and the fair value of the leased asset.

Property, plant and equipment held for sale are measured at the lower of carrying amount or fair value less costs to sell and are not amortized.

The cost of property, plant and equipment is amortized on a straight-line basis over their estimated useful life or the lease term:

Pavement	10 to 15 years
Buildings	10 to 30 years
Machinery and equipment	3 to 20 years
Automotive equipment	3 to 15 years
Leasehold improvements	Lease term
Assets under capital leases	Lease term

Breeding livestock

Breeding livestock, namely sows, are recognized at cost and amortized, if disposal value is below cost, on a straight-line basis over their estimated useful life, which is evaluated at six litters.

Intangible assets

Intangible assets subject to amortization are initially recognized at cost, or at fair value if acquired as part of a business combination, and amortized on a straight-line basis over their estimated useful life.

Trademarks

Trademarks with finite lives are amortized over periods of two to 20 years. The Group also has trademarks with indefinite useful lives, which are not amortized.

Client lists

Client lists are amortized over periods of five to 21 years.

Rights

Rights consist of production rights and exclusive supply rights. Production rights are not amortized since they have indefinite useful lives while exclusive supply rights are amortized over periods of five to 20 years.

Software and information technology development projects

Software and information technology development project costs are capitalized and amortized on a straight-line basis over periods of three to five years. The amortization of information technology development projects begins at project completion.

Certain software and information technology development projects are developed internally. The related costs are recognized under intangible assets and are capitalized when the costs incurred allow for the use of the asset according to management's expectations.

Financial support

The different types of financial support are amortized over the terms of the related agreements of five to 10 years.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Impairment of assets

Accounts receivable and notes receivable

Accounts receivable and notes receivable are subject to continuous impairment review and are classified as impaired when, in the opinion of the Group, there is reasonable doubt that losses on accounts receivable and notes receivable have occurred taking into consideration all circumstances known at the review date, or there is a reasonable doubt as to the ultimate collectability of a portion of the principal and interest. When there are indications of possible impairment, the Group determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of the impairment loss is determined by comparing the carrying amount of the financial asset with the greatest of the following three amounts:

i. The present value of the cash flows expected to be generated from the asset, discounted using a current market rate of interest appropriate to the asset;

ii. The amount that could be realized by selling the asset at the consolidated balance sheet date;

iii. The amount the Group expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Investments, interests in joint arrangements and investments in entities subject to significant influence

Investments in shares and other securities of cooperatives, interests in joint arrangements and interests in entities subject to significant influence are written down if analyses of entities' financial reports show they are experiencing financial difficulties. At the end of each period, the Group assesses each investment for any indications of impairment. When there are indications of possible impairment, the Group determines if there has been, during the period, a significant adverse change to the expected timing or amounts of future cash flows expected from the investment. If the investment is impaired, the Group reduces the carrying amount of the investment to the higher of the following:

i. The present value of the cash flows expected to be generated from the investment, discounted using a current market rate of interest appropriate to the asset;

ii. The amount that could be realized by selling the financial asset at the consolidated balance sheet date.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Long-lived assets subject to amortization

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with its future net undiscounted cash flows expected from use together with its residual value. If the asset is considered to be impaired, the impairment charge is measured by the amount by which the carrying amount of the asset exceeds its fair value generally determined on a discounted cash flow basis. An impairment loss is recognized and presented in the consolidated statement of earnings and the carrying amount of the asset is adjusted to its fair value. An impairment loss may not be reversed if the fair value of the long-lived asset in question subsequently increases.

Intangible assets with indefinite lives

Production rights and certain trademarks must be reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment charge is calculated by comparing the carrying amount of the intangible asset with its fair value generally determined on a discounted cash flow basis. When the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to such excess. An impairment loss may not be reversed if the fair value of the intangible asset in question subsequently increases.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired as part of a business combination. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate a possible impairment. The impairment test consists in comparing the carrying amount of the reporting unit to which goodwill is assigned with its fair value. When the carrying amount of a reporting unit exceeding its fair value, a goodwill impairment loss is recognized in an amount that may not exceed the carrying amount of goodwill related to the reporting unit. Any impairment of the carrying amount in relation to the fair value is charged to consolidated earnings in the year in which the loss is incurred. Impairment losses on goodwill may not be reversed.

Deferred revenues

Deferred revenues are amounts invoiced for goods whose ownership has not yet been transferred to the buyer.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Deferred credit

Deferred credit arises from the recovery of insurance in excess over the impaired value of property, plant and equipment and is recognized as revenue at the same rate as the amortization of the related asset.

Revenue recognition

Revenues are recognized when the significant risks and rewards of ownership of the goods sold are transferred to the buyer, revenue can be reasonably estimated and collection is reasonably assured. This usually coincides with the time of receipt of goods by the buyer. Revenues correspond to the amount of consideration received net of discounts and returns.

Research and development

Research and development costs are expensed in the consolidated statement of earnings in the year in which they are incurred.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary items in the consolidated balance sheet are translated at the rates of exchange prevailing at year-end while non-monetary items are translated at the rates of exchange prevailing on the transaction dates. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Gains and losses on translation of foreign currencies are recognized in consolidated earnings under cost of sales and selling and administrative expenses.

Employee future benefits

The Group has a number of defined benefit and defined contribution plans providing pension and other post retirement benefits to most of its employees. Defined benefit pension plans are based on either average career earnings, average final earnings or a flat pension. Certain pension benefits are indexed according to economic conditions.

The cost of pensions and other post-retirement benefits earned by employees is determined using actuarial calculations based on the most recent funding valuations. The calculations are based on long-term assumptions relating to salary escalation, retirement and termination ages of employees and estimated health care cost growth.

The Group uses insurance contracts for the payment of certain employees future benefits. These contracts are excluded from plan assets and the amount of benefits provided under these contracts is deducted from the defined benefit liability when there is a transfer of significant risks to the Group.

Remeasurements of the net defined benefit asset or liability are recognized immediately in the consolidated statement of earnings. Remeasurements comprise the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the interest cost of the plans, actuarial gains and losses and gains and losses arising from settlements and curtailments.

Plan assets are measured at fair value. Plan obligations are discounted using the long-term return on plan assets determined on an actuarial basis.

The Group also offers other post-retirement benefits to certain retired employees. Other post-retirement benefits offered by the Group to these retired employees include health care benefits and life insurance. The cost of other post-retirement benefits is calculated using the same accounting policies as used for defined benefit pension plans. The related expenses are settled by the Group as they become due.

The cost of defined benefit pension plans and the cost of other post-retirement benefits are recognized in the consolidated statement of earnings under cost of sales and selling and administrative expenses.

Patronage refunds

The amount and terms of payment of patronage refunds are determined by the Board of Directors. Patronage refunds are calculated based on members' purchased volumes and are accounted for in the year to which they relate. Where patronage refunds are paid in shares, such shares are considered to be issued at the year-end preceding the Board of Directors' resolution.

Financial instruments

The Group initially measures its financial assets and liabilities at fair value, except for related party transactions, which are accounted for at the carrying amount or at the exchange amount depending on the circumstances.

Subsequently, the Group measures its financial instruments as follows:

Accounts receivable (excluding government receivables) and notes receivable are measured at amortized cost using the effective interest method.

Shares and other securities of cooperatives included under investments are measured at cost since they have no quoted price in an active market.

Bank overdrafts, bank borrowings, accounts payable and accrued liabilities (excluding government remittances), patronage refunds payable, redeemable preferred shares and long-term debt are measured at amortized cost.

Interest income and expense from financial assets and liabilities are recognized under net financial expenses in the consolidated statement of earnings. Gains and losses related to financial assets and liabilities are recognized under cost of sales and selling and administrative expenses. When related to disposals, these gains and losses are recognized under net gains (losses) on disposal and remeasurement of assets.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

2. Significant accounting policies

Derivative financial instruments

In accordance with its risk management strategy, the Group uses derivative financial instruments to manage foreign exchange risk, and risks related to purchase and selling prices for certain commodities, as well as debt related foreign exchange and interest-rate risk. Derivative financial instruments consist of foreign exchange contracts, currency swaps, interest rate swaps and commodities forward contracts, swaps and options. The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is used where the Group documents its cash flow hedging relationships and risk management objectives and strategy, and demonstrates that they are highly effective at hedge inception and throughout the hedge period.

The derivative financial instruments that the Group chose to designate as hedging items are not recognized before their maturity. Gains and losses arising from the hedging item are recognized when the hedged item affects consolidated earnings. The gain or loss portion of a hedging item is reported as an adjustment to the revenues from or the expenses of the related hedged item. Where derivative financial instruments are used to hedge commodity price risks, the portion of gains and losses on the hedging item is recognized as an adjustment to the carrying amount of the hedged item. Realized gains and losses on these contracts are presented in cost of sales and selling and administrative expenses.

Foreign exchange contracts and currency swaps

The Group often sells and buys commodities outside Canada, mainly in US dollars, Japanese yen, Australian dollars and euros. To protect these transactions against foreign exchange fluctuations, the Group uses foreign exchange contracts and currency swaps.

Currency swaps on debt

The Group draws down a portion of its credit facility in the form of LIBOR advances and uses currency swaps to manage the risk of changes in foreign exchange rates for this debt.

A hedging relationship is terminated if the hedge ceases to be effective, and the loss or gain on discontinuation of the hedge is recognized in a separate component of equity until the future transaction occurs, at which time the loss or gain is removed from equity and recognized as an adjustment to the carrying amount of the hedged item or recorded in the consolidated statement of earnings. If the occurrence of a hedged future transaction ceases to be probable or if the hedged item ceases to exist, any gain or loss is recognized in the consolidated statement of earnings.

Derivative financial instruments that are not designated as hedges are measured at fair value, which is the approximate amount that might be obtained in the settlement of such instruments at prevailing market rates. Gains and losses resulting from remeasurement at year-end are recognized in the consolidated statement of earnings.

Commodity and currency forward contracts and swaps

The Group often buys and sells grain, sells hogs and buys fertilizer to cover certain future price risks for these commodities. The Group does not use hedge accounting for commodity and currency forward contracts and swaps. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Commodity options

The Group also uses options to manage commodity price risk. The options give the Group the right but not the obligation to exercise them at a predetermined price before the option expiry date. The Group does not use hedge accounting for commodity options. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Interest rate swaps

The Group draws down a portion of its credit facility in the form of LIBOR advances and bankers' acceptances and uses interest rate swaps to manage the risk of changes in interest rates for this debt. The Group does not use hedge accounting for interest rate swaps. Therefore, gains and losses on these contracts, realized or not, are presented in gains (losses) on remeasurement of derivative financial instruments.

Income taxes

The Group follows the future income tax method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying value and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using income tax rates applicable in the years in which the temporary differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of future income tax assets, when it is more likely than not that such assets will not be realized.

Year-end

The Group's year-end is the last Saturday of October. The year ended October 31, 2020 included 53 weeks and the year ended October 26, 2019 included 52 weeks.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Food Division

On January 6, 2020, the Group acquired, via its subsidiary Olymel L.P., most of the assets and assumed certain liabilities of a company operating in the agri-food sector for a consideration of $605,442.

The total value of net assets acquired and the consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	109,630
Investments	514
Property, plant and equipment	281,797
Intangible assets	95,224
Goodwill	147,170
Total assets acquired	634,335
Current liabilities	2,424
Deferred revenues	262
Long-term debt	2,839
Non-current future income tax liability	23,368
Total liabilities assumed	28,893
Total net assets acquired	605,442
Consideration paid	
Cash	605,442

On November 26, 2018, the Group acquired, via its subsidiary Olymel L.P., 100% of the shares of a business operating in the meat sector for a consideration of $225,726, net of cash acquired.

The total value of net assets acquired and the consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	32,230
Property, plant and equipment	47,364
Intangible assets	134,170
Goodwill	92,984
Total assets acquired	306,748
Current liabilities	18,975
Long-term debt	20,065
Non-current future income tax liability	41,982
Total liabilities assumed	81,022
Total net assets acquired	225,726
Consideration paid	
Cash consideration, net of cash acquired of $724	225,726

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Agriculture Division

On January 6, 2020, the Group acquired most of the assets and assumed certain liabilities of a company operating in the agriculture sector for a consideration of $49,708. On June 29, 2020, the Group also acquired 100% of the shares of a business operating in the same sector for a consideration of $3,147.

The total value of net assets acquired and the considerations paid were as follows:

	Total $
Net assets acquired	
Current assets	9,229
Property, plant and equipment	22,587
Intangible assets	3,204
Goodwill	26,071
Total assets acquired	61,091
Current liabilities	5,680
Non-current future income tax liability	2,556
Total liabilities assumed	8,236
Total net assets acquired	52,855
Considerations paid	
Cash	52,855

On November 19, 2018, the Group and two of its subsidiaries acquired the assets and assumed certain liabilities of a business operating in the agriculture sector for a consideration of $35,521.

The gain on acquisition is presented as a reduction of net losses on disposal and remeasurement of assets in the consolidated statement of earnings.

The total value of net assets acquired and the consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	23,241
Interest in a joint arrangement	5,987
Property, plant and equipment	9,466
Property, plant and equipment held for sale	1,584
Total assets acquired	40,278
Current liabilities assumed	1,342
Total net assets acquired	38,936
Consideration	
Cash	35,521
Gain on acquisition	3,415
Total	38,936

On November 19, 2018, the Group repaid the debts of the joint arrangement acquired in exchange for a note receivable in the amount of $39,853.

On November 30, 2018, a subsidiary of the Group resold current assets acquired as part of this business combination at their carrying amount to joint arrangements in which it has interests for a consideration of $13,924. No gains or losses were recognized following this transaction.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

3. Business acquisitions

Agriculture Division [cont'd]

Following a reorganization of the activities of the acquired joint arrangement, the note receivable by the Group was transferred to two entities: an amount of $14,166 was assumed by another joint arrangement and an amount of $25,687 by a subsidiary. Accordingly, on November 30, 2018 and September 4, 2019, the joint arrangement in which an interest was acquired as part of this transaction sold to a Group subsidiary current assets at their carrying amount of $37,750 and non-current assets in the amount of $8,313. In consideration, a $25,687 note payable to the Group and current liabilities with a carrying amount of $13,529 were assumed and shares of this subsidiary were issued for a value of $6,847. The issuance of shares generated a non-controlling interest for the Group in the amount of $3,424. On the same dates, the joint arrangement in which an interest was acquired as part of this transaction sold assets to another joint arrangement of the Group at their carrying amount in exchange for the assumption of the $14,166 note.

As part of this reorganization, the assets transferred by the joint arrangement acquired were retroactively measured during fiscal 2020. This remeasurement resulted in a $2,712 increase in the value of non-current assets acquired by the subsidiary as well as a decrease in the note receivable from a joint arrangement of the Group in the same amount.

Retail Division

On September 1, 2019, the Group acquired, via its subsidiary, a 55% interest in a business operating in the distribution and marketing of construction materials for a consideration of $47,548.

In accordance with the terms of the contract, adjustments were made to the acquisition cost related to excess current assets during the year ended October 31, 2020. As these adjustments were made before the end of the measurement period, goodwill was increased by $1,550, which is the amount of the consideration paid.

The total value of net assets acquired and the consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	86,638
Property, plant and equipment	11,945
Intangible assets	45,377
Goodwill	42,683
Other non-current assets	2,125
Total assets acquired	188,768
Current liabilities	26,078
Long-term debt	62,000
Non-current future income tax liability	7,006
Total liabilities assumed	95,084
Total net assets acquired	93,684
Consideration	
Cash	49,098
Non-controlling interest	44,586
Total	93,684

The group of non-controlling shareholders holding 45% of the interests in the newly acquired business has an option to sell a portion of its interests to the Group when the financial statements of the Group's subsidiary for the fiscal year ending in 2021 are approved, under the terms of the agreement.

In addition, this same group of non-controlling shareholders has an option to sell, after the fiscal year ending in 2026, all or a portion of its interests to the Group. In the event the option is partially exercised, the repurchase of the remaining interests may be carried out over several fiscal years up to a maximum of three times.

Via its subsidiary, the Group has an option to purchase all or a portion of the interests, on or after October 31, 2026, under the terms of the agreement.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

4. Adjustments relating to non-controlling interests

On January 13, 2020, the Group entered into a supply agreement with a subsidiary allowing it to benefit from the use of a client list. In consideration, the Group's interest in this subsidiary increased by 12.5% to 87.5%. This transaction resulted in a $4,079 decrease in the carrying amount of the non-controlling interest and an increase in the contributed surplus in the same amount.

On October 28, 2018, the Group exercised its option to purchase all of the units of a group of non-controlling unitholders of a subsidiary of the Group for a total consideration of $38,729. The excess of fair value of the consideration paid over the carrying amount of the non-controlling interest was recognized as a reduction of the reserve in the amount of $16,455 and the non-controlling interest was reduced by $22,274.

5. Operating expenses

Operating expenses include the following items:

	2020 $	2019 $
Cost of sales and selling and administrative expenses		
Cost of inventories	7,225,354	6,582,545
Research and development tax credits	(1,281)	(1,350)
Government assistance credited to earnings	(24,038)	–
Amortization of property, plant and equipment	134,675	100,600
Amortization of intangible assets	36,613	29,874
Amortization of deferred credit	(1,346)	(1,200)
Net financial expenses		
Interest on bank borrowings	442	1,437
Interest on obligations under capital leases	58	81
Interest on long-term debt	55,181	49,675
Interest on preferred shares	1,169	1,041
Amortization of transaction costs	2,993	1,348
Interest income	(546)	(2,109)

6. Patronage refunds

In accordance with the provisions of the act governing the Group, at their January 18th, 2021 meeting, the directors declared patronage refunds of $29,200 to be paid from earnings for the year. They authorized the patronage refunds to be paid in the following proportions:

	2020 $	2019 $
Cash	8,760	5,280
Class D-1 common shares	20,440	12,320
	29,200	17,600

These consolidated financial statements reflect the directors' resolution.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

7. Income taxes

The significant components of the income tax expense recorded in the consolidated statement of earnings are as follows:

	2020 $	2019 $
Current	49,170	12,984
Future	(18,320)	165
Income taxes	30,850	13,149

The significant components of future income tax assets and liabilities are as follows:

	2020 $	2019 $
Non-deductible provisions and reserves for tax purposes	11,973	5,163
Losses carried forward	11,258	4,047
Other items – net	(1,842)	(448)
Current future income tax asset	21,389	8,762
Excess of carrying amount over tax basis:		
Property, plant and equipment	(103,241)	(65,390)
Intangible assets	(51,434)	(58,576)
Investments	(9,239)	(5,670)
Losses carried forward	15,094	12,887
Employee future benefits	11,799	(671)
Other	771	1,401
Non-current future income tax liability	(136,250)	(116,019)

8. Cash and cash equivalents

Cash and cash equivalents included an amount of $23,273 used to secure positions relating to derivative financial instruments.

9. Accounts receivable

	2020 $	2019 $
Trade receivables	572,369	610,576
Allowance for doubtful accounts	(12,612)	(10,713)
	559,757	599,863
Government receivables	18,935	17,034
Government assistance receivable	4,224	–
	582,916	616,897

On September 23, 2020, a subsidiary of the Group renewed an agreement that resulted in an assignment of a portion of the accounts receivable portfolio.

10. Inventories

Inventories are as follows:

	2020 $	2019 $
Inventories – Food Division	435,045	303,024
Inventories – Agriculture Division	418,441	329,109
Inventories – Retail Division	158,277	165,409
	1,011,763	797,542

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

11. Interests in joint arrangements

	2020 $	2019 $
Food Division - 50% and 67.7% interests	**79,707**	73,338
Agriculture Division - 50% interest [50%-60% in 2019]	**116,130**	99,315
Retail Division - 50% interest	**757**	–
Oil sector company – 50% interest	**73,267**	60,842
	269,861	233,495

Agriculture Division

On March 20, 2020, a subsidiary of the Group sold 50% of the shares of one of its subsidiaries, reducing its interest to 50% and losing control over it. On November 1, 2019, the same subsidiary sold 40% of the shares of another of its subsidiaries, reducing its interest to 50% and also losing control over it.

Following these two transactions, $23,378 in current assets, $1,818 in non-current assets, $18,788 in current liabilities, $800 in non-current liabilities, and a $186 non-controlling interest were derecognized. The retained interests, now considered as interests in joint arrangements, were accounted for using the equity method, in the total amount of $2,765. The $757 difference between these items and the fair values of considerations received of $1,900 was recognized as net losses on the disposal and remeasurement of assets in the consolidated statement of earnings.

12. Investments in entities subject to significant influence

	2020 $	2019 $
Food Division - 26.3% interest	**2,606**	2,099
Agriculture Division - 7.6%–40.9% interests	**17,472**	14,731
Retail Division - 20%–40% interests	**20,666**	19,091
	40,744	35,921

Retail Division

A reorganization carried out during the year increased the ownership interests in two entities and changed the degree of influence exercised over them. Accordingly, a balance amount of $595 was transferred from investments in entities subject to significant influence to interests in joint arrangements.

On February 18, 2019, the Group acquired, via its Retail Division, a 40% interest in a business operating in the maple syrup industry for a consideration of $17,215.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

13. investments

	2020 $	2019 $
Shares and other securities of cooperatives	12,811	13,057
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024[1]	11,744	14,177
Note receivable, non-interest bearing, repayable on demand	11,454	14,166
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	4,618	4,618
Other notes receivable	25,711	27,354
	66,338	73,372
Investments – current portion	21,439	27,999
	44,899	45,373

1. During the year ended October 26, 2019, the Group wrote down a note receivable in the amount of $45,000. It was and still is the opinion of the Group that there is a reasonable doubt as to the ultimate collectability of a portion of the principal. Accordingly, an impairment loss of $30,823 was recorded and presented as net losses on the disposal and remeasurement of assets in the consolidated statement of earnings.

14. Property, plant and equipment

		2020	
	Cost $	Accumulated amortization $	Net carrying amount $
Land	166,570	–	166,570
Pavement	57,220	20,582	36,638
Buildings	1,142,161	302,637	839,524
Machinery and equipment	1,205,943	750,109	455,834
Automotive equipment	63,229	36,459	26,770
Leasehold improvements	27,912	10,747	17,165
Breeding livestock	34,666	13,760	20,906
Assets under capital leases			
Buildings	2,596	396	2,200
Machinery and equipment	1,886	1,127	759
	2,702,183	1,135,817	1,566,366
Property, plant and equipment held for sale	–	–	893

		2019	
	Cost $	Accumulated amortization $	Net carrying amount $
Land	91,431	–	91,431
Pavement	48,468	17,185	31,283
Buildings	910,732	264,938	645,794
Machinery and equipment	1,066,358	677,811	388,547
Automotive equipment	49,490	31,354	18,136
Leasehold improvements	26,081	9,251	16,830
Breeding livestock	23,477	7,022	16,455
Assets under capital leases			
Buildings	2,596	313	2,283
Machinery and equipment	2,208	1,275	933
	2,220,841	1,009,149	1,211,692
Property, plant and equipment held for sale	–	–	3,689

During the fiscal year, the Group received government assistance of $13,675 [$4,500 in 2019] as support for investments in property, plant and equipment. No specific conditions are attached to these amounts once they are received.

The Group's property, plant and equipment under construction are not subject to amortization. Their net carrying amount totalled $150,504 [$73,495 in 2019].

On December 20, 2018, the Group sold the building housing the head office, generating a net gain of $13,285, presented as a reduction of net losses on disposal and remeasurement of assets in the consolidated statement of earnings.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

15. Intangible assets

	2020		
	Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	**124,182**	**13,386**	**110,796**
Client lists	**263,519**	**50,849**	**212,670**
Exclusive supply rights	**104,455**	**38,718**	**65,737**
Production rights	**44,922**	**–**	**44,922**
Software and information technology development projects	**51,906**	**21,672**	**30,234**
Financial support	**2,275**	**696**	**1,579**
	591,259	**125,321**	**465,938**

	2019		
	Cost $	Accumulated amortization $	Net carrying amount $
Trademarks	122,453	11,610	110,843
Client lists	167,898	32,774	135,124
Exclusive supply rights	128,201	51,384	76,817
Production rights	44,922	–	44,922
Software and information technology development projects	40,579	18,141	22,438
Financial support	1,034	211	823
	505,087	114,120	390,967

The carrying amount of trademarks with indefinite lives, not subject to amortization, was $94,292 [$91,788 in 2019].

16. Bank borrowings

Bank borrowings consist of subsidiaries' demand credit facilities.

For one of the subsidiaries, the demand credit facility, renewable annually, authorized for bank borrowings, advances, letters of credit and standby letters of credit, totalled $17,000 in 2020 and 2019, subject to a maximum of $6,000 in 2020 and 2019 for letters of credit and standby letters of credit. The overdraft facility was undrawn as at October 31, 2020 [drawdown of $967 in 2019]. The credit facility bears interest at the prime rate of 2.45% in 2020 [3.95% in 2019]. The Group is joint and several guarantor for all amounts owing under this agreement.

For other subsidiaries acting as joint guarantors, the revolving demand operating credit facility is renewable annually and may at no time exceed the greater of $4,300 and an amount based on the accounts receivable and inventories of these subsidiaries, that is $3,367 as at October 31, 2020 [$2,626 as at October 26, 2019]. The revolving operating credit facility bears interest at the prime rate plus 0.50%, representing a rate of 2.95% in 2020 [4.45% in 2019]. The facility was used in the amount of $642 as at October 31, 2020 [$308 in 2019].

A subsidiary of the Group as at October 26, 2019 had an annually renewable demand loan facility with an authorized amount of $7,500, of which $4,250 was drawn down in 2019 and bearing interest at the prime rate plus 0.25%, representing a rate of 4.20%. This demand loan was secured by the subsidiary's accounts receivable and inventories with a carrying amount of $7,913.

Another subsidiary of the Group as at October 26, 2019 had an annually renewable demand loan facility with an authorized amount of $10,000, of which $8,000 was drawn down in 2019 and bearing interest at the prime rate plus 0.25%, representing a rate of 4.20%. This demand loan was secured by the subsidiary's accounts receivable and inventories with a carrying amount of $13,543 in 2019.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

17. Accounts payable and accrued liabilities

	2020 $	2019 $
Trade payables and accrued liabilities	**784,312**	704,804
Government remittances	**11,450**	7,860
Accrued interest on long-term debt	**2,453**	1,620
	798,215	714,284

18. Obligations under capital leases

	2020 $	2019 $
Obligation under a capital lease bearing interest at the fixed rate of 3.20%, repayable in blended monthly instalments of $12, and a principal repayment of $1,222 at maturity in July 2022	**1,404**	1,501
Obligations under capital leases bearing interest at fixed rates ranging from 6.06% to 6.10% in 2020 [from 1.95% to 6.93% in 2019], repayable in monthly blended instalments ranging from $0.1 to $21, maturing between December 2020 and June 2021	**23**	327
	1,427	1,828
Obligations under capital leases – current portion	**123**	400
	1,304	1,428

Minimum lease payments in upcoming years are as follows:

	$
2021	**123**
2022	**1,304**

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

19. Long-term debt

	2020 $	2019 $
Credit facility,[1] drawn under margin loans at the prime rate of 2.45% [3.95% in 2019], under bankers' acceptances at rates ranging from 3.00% to 3.01% [4.12% in 2019] and LIBOR advances at rates ranging from 2.68% to 2.71% [3.80% to 3.90% in 2019], maturing in June 2023	**913,799**	433,232
Term credit,[2] drawn under LIBOR advances at the rate of 2.71% [drawn under margin loans at the prime rate of 3.95% and bankers' acceptances at the rate of 4.10% in 2019], maturing in January 2021	**90,000**	200,000
Term credit, secured by immovable hypothecs on certain assets, comprising two tranches bearing interest at the fixed rates of 5.00% and 4.64%, repayable in seven annual principal payments of $8,571 and $5,714, respectively, on or after November 1, 2023	**100,000**	100,000
Term credit of a subsidiary, secured by an immovable hypothec on certain assets, drawn under margin loans at the prime rate plus 1%, representing a rate of 3.45%, repayable in quarterly principal instalments of $625 with additional terms and conditions for principal repayment, maturing on October 29, 2023	**85,000**	–
Borrowings of subsidiaries, secured by immovable hypothecs on the universality of the subsidiaries' property, bearing interest at fixed rates ranging from 2.35% to 3.24% [4.45% to 5.95% in 2019]. These borrowings are repayable in monthly principal instalments totalling $169, maturing between June 2037 and June 2039	**28,991**	30,308
Term credit, at a fixed rate of 6.50%, repaid in December 2019	**–**	25,000
Note payable of a subsidiary, bearing interest at the prime rate plus 0.75%, representing a rate of 3.20% [4.70% in 2019], repayable in annual principal instalments of $7,625, maturing on January 10, 2022	**15,250**	22,875
Balance of purchase price payable, bearing interest at the lower of 4% and the prime rate [3.95% in 2019], repaid in February 2020	**–**	20,000
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the subsidiary's property, comprising two tranches, at a fixed rate of 6%, repayable in equal quarterly principal instalments of $317 in or after December 2021, maturing on December 31, 2022	**19,000**	–
Mortgage loans of a subsidiary, secured by movable and immovable hypothecs, bearing interest at the prime rate less 0.15%, representing a rate of 2.30% [3.80% in 2019], maturing between June 2027 and June 2032	**7,295**	8,762
Loan, bearing interest at the variable one-month CDOR rate of 0.47%, repayable on demand	**6,783**	–
Mortgage loan of a subsidiary, secured by a hypothec on a building and land of the subsidiary with a carrying amount of $12,759 as at October 31, 2020 [$13,499 in 2019], bearing interest at a fixed rate of 7.76%, repayable in blended monthly instalments of $83 maturing in March 2023	**4,414**	5,045
Other borrowings, bearing interest at rates ranging from 0% to 5.00% [0% to 5.20% in 2019], maturing between November 2020 and May 2023	**3,298**	3,144
	1,273,830	848,366
Transaction costs	**(5,159)**	(4,420)
	1,268,671	843,946
Long-term debt – current portion	**108,977**	255,700
	1,159,694	588,246

1. The Group had an overall revolving credit facility of $1,350,000 in 2020 [$1,000,000 in 2019], secured by certain assets, that it can use as follows: US- and/or Canadian-dollar margin loans, bankers' acceptances, LIBOR advances in US dollars and standby letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis.

2. The Group has a term credit, secured by certain assets, that it can use as follows: US- and/or Canadian-dollar margin loans, bankers' acceptances, LIBOR advances in US dollars and standby letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis.

The Group's long-term debt is subject to compliance with certain financial ratios based on the Group's consolidated financial statements. As at October 31, 2020, the Group was in compliance with these financial ratios.

On December 20, 2019, the Group secured a $200,000 one-year term credit whose repayment terms are based on the occurrence of specific events. This term credit was repaid in full on October 30, 2020.

The principal repayments required over the next five years are as follows: 2021 – $108,977; 2022 – $13,086; 2023 – $937,517; 2024 – $93,456; 2025 – $115,635.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

20. Deferred credit

The replacement value of property, plant and equipment determined in connection with insurance recoveries was reviewed in 2019 and additional expenses covered by the insurer were incurred in 2020, resulting in an additional deferred credit for the Food Division and the Agriculture Division for the two fiscal years.

21. Employee future benefits

The Group measures its defined benefit plan obligations and the fair value of plan assets at each year-end. The most recent actuarial valuations of the pension plans for funding purposes were as at December 31, 2019, except for a valuation carried out as at December 31, 2018. The actuarial valuation of other post-retirement benefits was carried out as at March 31, 2020. The next required actuarial valuations will be as at December 31, 2022, except for a valuation to be carried as at December 31, 2021 for the pension plans and another as at March 31, 2023 for other post-retirement benefits.

Information on the Group's pension plans and other post-retirement benefits is as follows:

2020	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Defined benefit obligations	**223,055**	**25,190**	**248,245**
Fair value of plan assets	**214,685**	**–**	**214,685**
Net defined benefit liability	**(8,370)**	**(25,190)**	**(33,560)**

2019	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	243,319	22,914	266,233
Fair value of plan assets	267,871	–	267,871
Net defined benefit asset (liability)	24,552	(22,914)	1,638

The defined benefit asset and liability presented in the Group's consolidated balance sheet are as follows:

2020	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Defined benefit asset	**44,201**	**–**	**44,201**
Defined benefit liability	**(52,571)**	**(25,190)**	**(77,761)**
Net defined benefit liability	**(8,370)**	**(25,190)**	**(33,560)**

2019	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	72,542	–	72,542
Defined benefit liability	(47,990)	(22,914)	(70,904)
Net defined benefit asset (liability)	24,552	(22,914)	1,638

The cost of defined benefit pension plans is as follows:

2020	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Current service cost	**5,351**	**1,366**	**6,717**
Interest cost (income)	**(513)**	**1,200**	**687**
Remeasurements and other items	**36,593**	**787**	**37,380**
Employee future benefit cost	**41,431**	**3,353**	**44,784**

2019	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,924	1,366	7,290
Interest cost	3	1,174	1,177
Remeasurements and other items	(17,365)	(1,372)	(18,737)
Employee future benefit cost (income)	(11,438)	1,168	(10,270)

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

21. Employee future benefits

On October 6, 2020, the Group and one of its subsidiaries purchased annuities for some of their pension plans. The obligations relating to retired plan members were transferred as a result of this transaction, while the obligations relating to defer and transferred members were retained by the Group. This transaction had a $25,118 impact on the cost of employee future benefits for the year ended October 31, 2020.

22. Share capital

[The amounts in the description of share capital are in dollars.]

The Group's share capital is variable and unlimited with regard to the number of shares issuable. The rights, restrictions and conditions relating to each type of share are determined by the Board of Directors. The share capital consists of:

Preferred shares

Class A preferred shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares are issued upon the conversion of common shares held by members who do not fulfill the commitments of their contracts with the Group or if the contract commitments are not renewed.

Preferred investment shares

Series 1 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 1 – FSTQ subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 2 – CRCD preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 2 – CRCD subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 3 – ESSOR preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 3 – ESSOR subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 4 – FONDACTION preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 4 – FONDACTION subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 5 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 5 – FSTQ subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 6 – 2017 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after June 1, 2020, with an annual dividend, payable semi annually, at a rate set under the Series 6 – 2017 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 7 – 2019 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after November 1, 2022, with an annual dividend, payable semi-annually, at a rate set under the Series 7 – 2019 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 8 – 2020 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 1, 2023, with an annual dividend, payable semi-annually, at a rate set under the Series 8 – 2020 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

22. Share capital

Cooperative Investment Plan preferred shares

Preferred shares with a par value of $10, issued to employees of the Group in accordance with the Cooperative Investment Plan, bearing interest at a rate set by the Board of Directors, redeemable at their par value by the Group only upon a decision of the Board of Directors on or after the fifth anniversary of their issuance.

Common shares

Class A common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class AA common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member of the pork chain and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class B-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. However, the Board of Directors may not redeem Class B-1 common shares if there are any outstanding Class D-1 common shares. These shares were issued to members as partial payment of patronage refunds.

Class D-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. These shares were issued to members as partial payment of patronage refunds.

Class P-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. The redemption date must also coincide with that for Class D-1 common shares issued during the same year. These shares were issued to members as partial payment of patronage refunds.

Class P-2, Series 1–267 common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors. However, the Board of Directors may not redeem Class P-2 common shares if there are any common shares outstanding other than Class B-1, D-1 or P-1 common shares. These shares were issued to members as Class AA common share dividends.

Class P-100 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares were issued to members as discretionary eligible dividends.

Class P-200 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors.

Class AUXILIARY MEMBERS common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

22. Share capital

At year-end, the issued and fully paid shares were as follows:

	Number		Amount	
	2020	2019	**2020** $	2019 $
Actions privilégiées				
Class A	**368,951**	368,951	**369**	369
Series 1 – FSTQ investment shares	**500,000**	500,000	**50,000**	50,000
Series 2 – CRCD investment shares	**500,000**	500,000	**50,000**	50,000
Series 3 – ESSOR investment shares	**50,000**	50,000	**5,000**	5,000
Series 4 – FONDACTION investment shares	**250,000**	250,000	**25,000**	25,000
Series 5 – FSTQ investment shares	**250,000**	250,000	**25,000**	25,000
Series 6 – 2017 investment shares	**2,000,000**	2,000,000	**200,000**	200,000
Series 7 – 2019 investment shares	**3,000,000**	3,000,000	**300,000**	300,000
Series 8 – 2020 investment shares	**1,500,000**	–	**150,000**	–
Cooperative Investment Plan				
Series 2014, redeemable as of 2020, 3.5%	**–**	543,568	**–**	5,436
Series 2015, redeemable as of 2021, 3.5%	**635,715**	635,715	**6,357**	6,357
Series 2016, redeemable as of 2022, 3.5%	**633,667**	633,667	**6,337**	6,337
Series 2017, redeemable as of 2023, 3.5%	**710,610**	710,610	**7,106**	7,106
Series 2018, redeemable as of 2024, 3.75%	**763,255**	763,255	**7,632**	7,632
Series 2019, redeemable as of 2025, 3.5%	**806,234**	–	**8,062**	–
	11,968,432	10,205,766	**840,863**	688,237
Transaction costs	**–**	–	**(7,211)**	(5,533)
	11,968,432	10,205,766	**833,652**	682,704
Preferred shares recognized as a financial liability	**(635,715)**	(543,568)	**(6,357)**	(5,436)
	11,332,717	9,662,198	**827,295**	677,268
Common shares				
Class A	**31,740**	30,969	**794**	774
Class AA	**2,580**	2,570	**64**	64
Class B-1	**42,425,854**	42,443,296	**42,426**	42,443
Class D-1	**242,988,800**	242,816,806	**242,988**	242,817
Class P-1	**4,983,189**	4,991,204	**4,983**	4,991
Class P-2	**252**	251	**7**	7
Class P-100	**23,603,991**	23,681,925	**23,604**	23,682
Class P-200	**1,166,285**	–	**1,166**	–
AUXILIARY MEMBERS	**480**	480	**12**	12
	315,203,171	313,967,501	**316,044**	314,790
	326,535,888	323,629,699	**1,143,339**	992,058

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

22. Share capital

Transactions during the year were as follows:

	Number		Amount	
	2020	2019	**2020** $	2019 $
Preferred shares				
Balance, beginning of year	**10,205,766**	6,914,962	**682,704**	382,197
Issued:				
Series 7 – 2019 investment shares	**–**	3,000,000	**–**	300,000
Series 8 – 2020 investment shares	**1,500,000**	–	**150,000**	–
Cooperative Investment Plan - Series 2019 [Series 2018 in 2019]	**806,234**	763,255	**8,062**	7,632
Transaction costs	**–**	–	**(1,678)**	(2,607)
	2,306,234	3,763,255	**156,384**	305,025
Transferred:				
Class A	**–**	39,289	**–**	40
Redeemed:				
Class A	**–**	(62,265)	**–**	(63)
Cooperative Investment Plan - Series 2014 [Series 2013 in 2019]	**(543,568)**	(449,475)	**(5,436)**	(4,495)
	(543,568)	(511,740)	**(5,436)**	(4,558)
	11,968,432	10,205,766	**833,652**	682,704
Cooperative Investment Plan – Series 2013 – current portion Series 2015 [Series 2014 in 2019]	**(635,715)**	(543,568)	**(6,357)**	(5,436)
Balance, end of year	**11,332,717**	9,662,198	**827,295**	677,268
Common shares				
Balance, beginning of year	**313,967,501**	306,678,420	**314,790**	307,411
Issued:				
Class A	**1,047**	5,170	**27**	129
Class AA	**50**	130	**1**	3
Class D-1	**247,695**	12,320,046	**247**	12,320
Class P-2	**5**	13	**–**	–
Class P-100	**–**	5,365,942	**–**	5,366
Class P-200	**1,169,453**	–	**1,169**	–
AUXILIARY MEMBERS	**–**	10	**–**	–
	1,418,250	17,691,311	**1,444**	17,818
Transferred:				
Class A	**–**	(80)	**–**	(2)
Class B-1	**–**	(4,756)	**–**	(5)
Class D-1	**–**	(32,533)	**–**	(33)
	–	(37,369)	**–**	(40)
Redeemed:				
Class A	**(276)**	(1,422)	**(7)**	(35)
Class AA	**(40)**	(30)	**(1)**	–
Class B-1	**(17,442)**	(9,352)	**(17)**	(10)
Class D-1	**(75,701)**	(10,293,153)	**(76)**	(10,293)
Class P-1	**(8,015)**	(8,054)	**(8)**	(8)
Class P-2	**(4)**	(3)	**–**	–
Class P-100	**(77,934)**	(52,827)	**(78)**	(53)
Class P-200	**(3,168)**	–	**(3)**	–
AUXILIARY MEMBERS	**–**	(20)	**–**	–
	(182,580)	(10,364,861)	**(190)**	(10,399)
Balance, end of year	**315,203,171**	313,967,501	**316,044**	314,790

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

22. Share capital

On September 3, 2020, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, 2020 Series, as of November 30, 2020, under which 978,500 preferred shares were issued for a cash consideration of $9,785. On September 3, 2020, the directors also resolved to redeem, on or after November 30, 2020, 635,715 preferred shares issued under the Cooperative Investment Plan, 2015 Series, for a cash consideration of $6,357.

On January 15, 2020, the directors declared an eligible dividend of $2,437, of which $1,219 was paid in cash and $1,218 in Class P-200 common shares. A balance of $125 was offset with a subsidiary of the Group.

On September 5, 2019, the directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, 2019 Series, as of November 30, 2019, under which 806,234 preferred shares were issued for a cash consideration of $8,062. On September 5, 2019, the directors also resolved to redeem, on or after November 30, 2019, 543,568 preferred shares issued under the Cooperative Investment Plan, 2014 Series, for a cash consideration of $5,436.

On January 16, 2019, the directors resolved to redeem 10,253,000 Class D-1 common shares issued in 2010 and 2011 and 16,000 Class A preferred shares, with the same reference years, for a cash consideration of $10,269.

On January 16, 2019, the directors also declared an eligible dividend of $11,179, of which $5,590 was paid in cash and $5,589 in Class P-100 common shares. A balance of $430 was offset with a subsidiary of the Group.

23. Commitments and contingencies

a) Contracts related to operations

The Group has entered into long-term operating leases for buildings and machinery and is also committed under computer equipment and software leases. The future minimum lease payments of the Group under these operating leases totalled $194,466 and are as follows for the coming years: 2021 – $36,933; 2022 – $30,862; 2023 – $26,740; 2024 – $21,997; 2025 – $14,782 and thereafter – $63,152.

b) Repurchase of the units of non-controlling unitholders

Food Division

A group of non-controlling unitholders of one of the Group's subsidiaries, holding 2.8% of the units of said subsidiary, has an option to sell, on or after December 31, 2023, all of its units to the Group, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of four equal and consecutive annual instalments or sooner, according to the terms of the agreement. Additionally, this same group of non-controlling unitholders has an option to exchange its units in a partnership for units of the Group's subsidiary. The units so acquired in the Group's subsidiary are also covered by an option to sell, with the same redemption terms, effective on or after the 7th anniversary of their issuance.

Another group of non-controlling unitholders of one of the Group's subsidiaries, holding 5% of the units of said subsidiary, has an option to sell all or 50% of its units to the Group, which is obligated, to repurchase or require its subsidiary to repurchase such units. In the event the option is partially exercised, the redemption of the remaining units may be exercised on or after the fifth anniversary of the date of the first notice of partial exercise of the units. The sale of the units and the payment of their selling price may be made in a maximum of two equal and consecutive annual instalments, or sooner, according to the terms of the agreement, if the options are exercised on or before October 30, 2026, whereas they will be exercised in a maximum of three equal and consecutive annual instalments, or sooner if the options are exercised after October 30, 2026.

Agriculture Division

A group of non-controlling shareholders holding 12.5% of the shares of a subsidiary [25% in 2019], has an option to sell all of its shares to the Group from July 4, 2021 to the option expiry date of July 4, 2023. The Group is obligated to repurchase the shares at the time the option is exercised or at the option expiry date of July 4, 2023. The repurchase price is based on the value of the subsidiary, with a floor price.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

23. Commitments and contingencies

c) Claims and lawsuits

In the normal course of business, various claims and lawsuits are brought against the Group. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Group has made adequate provision for or has adequate insurance to cover all claims and lawsuits, and their settlement should not have a significant negative impact on the Group's financial position.

d) Other commitments

On January 6, 2020, the Group participated in forming a limited partnership to set up an agricultural partnership with the principal activity of marketing grains in Québec. The Group undertook to transfer assets and rights of use with a carrying amount of $6,002 as at October 31, 2020 as consideration for units in the limited partnership.

24. Guarantees

In the normal course of business, the Group has entered into agreements that contain features which meet the definition of a guarantee.

These agreements may require the Group to compensate third parties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, and claims that may arise while providing services.

Notes 16, 18, 19 and 23 to the consolidated financial statements provide information relating to some of these agreements. The following constitutes additional disclosure.

Guarantee contracts

The Group was committed under letters of credit with financial institutions and insurance companies in connection with obligations amounting to $48,975 as at October 31, 2020 [$49,312 in 2019]. Furthermore, the Group is committed under comfort letters with financial institutions and suppliers regarding guarantees for interests in joint arrangements and subsidiaries. The balance of amounts due as at October 31, 2020 totalled $37,247 [$45,898 in 2019] in respect of which the Group was committed to repurchase inventories amounting to $82,643 as at October 31, 2020 [$77,792 in 2019].

25. Financial instruments

a) Derivative financial instruments

In the normal course of business, the Group uses a number of derivative financial instruments, such as foreign exchange contracts, forward contracts, swaps and commodity and currency options to reduce its exposure to exchange rate, interest rate and commodity price fluctuations. These instruments are used exclusively for risk management purposes.

Derivative financial instruments for which hedge accounting is applied

Foreign exchange contracts and currency swaps

The following table sets out the amounts relating to foreign exchange contracts and currency swaps with maturities of less than one year:

Type	Country	Foreign currency notional	Average exchange rate	
			2020	2019
Sale	United States	**US$126,000** [US$22,500 in 2019]	**1.3325**	1.3176
Sale	Japan	**¥2,968,762** [¥2,944,448 in 2019]	**0.012570**	0.012261
Sale	Australia	**A$782** [A$7,217 in 2019]	**0.9483**	0.9050
Purchase	Europe	**€3,725** [€8,313 in 2019]	**1.5681**	1.4647

Currency swaps on debt

To manage risks related to changes in foreign exchange rates, the Group uses derivative financial instruments to set the Canadian-dollar amount of instalments on debt denominated in U.S. dollars. As at October 31, 2020, an advance amounting to US$707,287 [US$240,100 in 2019] was hedged using foreign currency debt agreements. These financial instruments serve to the hedge the impact of changes in foreign exchange rates of this advance on the equivalent Canadian dollar amount of $935,000 [$320,000 in 2019].

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

a) Derivative financial instruments [cont'd]

Derivative financial instruments for which hedge accounting is not applied

Commodity and currency forward contracts, options and swaps

The Group has entered into forward purchase and sale contracts with its supplier and clients to set various grain prices. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	Gain (loss) $	Notional $	Gain (loss) $
Sale contracts	651,078	7,215	337,255	(546)
Purchase contracts	436,896	22,421	311,059	9,408
Net position – Sale	214,182	29,636	26,196	8,862

The Group also entered into forward contracts for various grains and currencies and currency swaps with financial institutions and in the markets to reduce its exposure to fluctuations in various grain prices. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	Gain (loss) $	Notional $	Gain (loss) $
Swaps and sale contracts	309,765	(5,585)	250,998	2,909
Swaps and purchase contracts	432,058	1,413	323,349	4,279
Net position – Purchase	122,293	(4,172)	72,351	7,188

The Group also entered into commodity forward contracts and swaps, specifically for pork and fertilizers, and currency forward contracts and swaps to manage price fluctuation risk. The following table shows the amounts relating to these contracts:

	2020		2019	
	Notional $	Gain (loss) $	Notional $	Gain (loss) $
Swaps and sale contracts	221,076	(1,528)	121,169	2,003
Swaps and purchase contracts	270,919	6,111	64,034	654
Net position – Purchase [Sale in 2019]	49,843	4,583	57,135	2,657

The Group also entered into pork options to manage price fluctuation risk, recognizing a loss of $1,235 [a gain of $422 in 2019] in the consolidated statement of earnings. The fair value of those options resulted in a $3,537 increase in financial liabilities [$674 decline in financial assets in 2019].

The above tables present the notional amounts of derivative financial instruments. These amounts correspond to the contractual amount used as a reference to calculate payment amounts. Notional amounts are generally not exchanged by counterparties and do not reflect the Group's exposure in the event of default.

Interest rate swaps

To manage risks related to changes in interest rates, the Group uses derivative financial instruments to set the initial variable interest rates as fixed interest rates. As at October 31, 2020, interest rate swaps under which the Group receives interest at the variable one-month CDOR rate of 0.47% on a notional of $600,000 are in effect. The Group pays interest at fixed rates ranging from 1.09% to 1.98%. These swaps provide for monthly net settlement of interest received and paid. These swaps mature at various dates from December 2024 to May 2027.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

b) Fair value of derivative financial instruments

The fair value of the derivative financial instruments reflects the estimated amounts the Group would receive (or pay) to terminate open contracts at year-end. The prices obtained by the Group's bankers are compared with closing capital market prices.

The fair value of derivative financial instruments was as follows:

Derivatives	**2020** **$**	2019 $
Commodity and currency forward contracts, options and swaps – assets	**46,782**	36,398
Commodity and currency forward contracts, options and swaps – liabilities	**(20,545)**	(18,264)
Interest rate swaps – liabilities	**(31,234)**	–
	(4,997)	18,134

In fiscal 2020 and 2019, no amounts were recognized in the consolidated statement of earnings for the ineffective portion of hedging relationships for foreign exchange contracts, designated currency swaps and currency swaps on debt.

An amount of $35,049 was recognized under losses on remeasurement of derivative financial instruments in the consolidated statement of earnings in respect of interest rate swaps.

c) Nature and extent of risks arising from financial instruments and related risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Group by failing to discharge its obligations. The maximum exposure to credit risk for the Group is equal to the carrying amount of the following financial instruments:

Trade receivables and notes receivable

In the normal course of business, the Group evaluates the financial position of its clients on a regular basis and examines the credit history of new clients. To protect itself against financial losses related to credit risk, the Group has a policy that sets out credit conditions for various areas of operations. Specific credit limits are set for each segment and client and reviewed periodically. The allowance for doubtful accounts is based on the client's specific credit risk and historical trends. Moreover, the Group holds security on the assets and investments of certain clients in the event of default. The Group believes its credit risk exposure to trade receivables and notes receivable to be minimal due to client and sector diversification.

Derivatives

Credit risk related to derivative financial instruments is limited to unrealized gains, if any The Group is likely to incur losses if parties fail to meet their commitments related to these instruments. However, the Group views this risk as minimal or non-existent, as it deals only with highly rated financial institutions.

Liquidity risk

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

The Group manages this risk by drawing up detailed financial projections and developing a long-term acquisition strategy. Treasury management at the consolidated level requires constant monitoring of expected cash inflows and outflows based on the Group's consolidated financial position projections. Liquidity risk is evaluated using historical volatility, seasonal needs, current financial obligations and long-term debt obligations.

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

25. Financial instruments

c) Nature and extent of risks arising from financial instruments and related risk management [cont'd]

Market risk

Foreign exchange risk

The Group often makes purchases and sales abroad. The Group's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against foreign exchange fluctuations, the Group uses foreign exchange contracts, currency swaps and currency options.

The Group's main foreign exchange risks are covered by a centralized treasury department. Foreign exchange risk is managed in accordance with the foreign exchange risk management policy. The policy aims to protect the Group's operating earnings by eliminating the exposure to currency fluctuations. The foreign exchange risk management policy prohibits speculative transactions.

Interest rate risk

Interest rate risk relating to financial assets and liabilities results from changes in interest rates that the Group may experience. The Group believes that notes receivable, bank overdrafts, bank borrowings and obligations under variable-rate long-term debt give rise to cash flow risk, as the Group could be adversely affected in the event of changes in interest rates.

Centralized treasury management aims to match and bring about an appropriate combination of fixed- and variable-rate borrowings to minimize the impact of interest rate fluctuations. Furthermore, to protect its long-term debt against interest rate fluctuations, the Group uses interest rate swaps.

Other price risk

Commodity price risk

Input prices are determined by several external factors. Extreme price volatility results from constant changes in supply markets. The Group's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against commodity price fluctuations, the Group uses commodity forward contracts, swaps and options.

26. Related party transactions

The Group enters into transactions with its joint arrangements in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2020 $	2019 $
Consolidated statement of earnings		
Revenues	**687,543**	644,490
Cost of sales and selling and administrative expenses	**279,546**	278,004
Investment income	**1,545**	1,575

	2020 $	2019 $
Consolidated balance sheet		
Assets		
Accounts receivable	**128,832**	144,647
Derivative financial instruments	**1,255**	1,468
Investments	**51,875**	62,066
Liabilities		
Accounts payable and accrued liabilities	**19,024**	12,412
Deferred revenues	**80,492**	58,733
Derivative financial instruments	**59**	52

Notes to consolidated financial statements

Years ended October 31, 2020 and October 26, 2019

26. Related party transactions

The investments with the joint arrangements are as follows:

	2020 $	2019 $
Notes receivable, non-interest bearing, without specific terms of repayment	**14,492**	22,250
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024	**11,744**	14,177
Note receivable, bearing interest at 15%, without terms of repayment	**8,421**	8,421
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	**4,618**	4,618
Note receivable, bearing interest at 5%, without terms of repayment	**2,000**	2,000
Note receivable, bearing interest at the prime rate plus 0.5%	**600**	600
Preferred shares	**10,000**	10,000
	51,875	62,066

The Group enters into transactions with its entities subject to significant influence in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2020 $	2019 $
Consolidated statement of earnings		
Revenues	**15,812**	7,841
Cost of sales and selling and administrative expenses	**9,431**	11,264

	2020 $	2019 $
Consolidated balance sheet		
Assets		
Accounts receivable	**3,151**	4,370
Derivative financial instruments	**160**	–
Investments, non-interest bearing, without specific terms of repayment	**2**	2
Liabilities		
Accounts payable and accrued liabilities	**5,519**	3,768
Deferred revenues	**547**	–
Derivative financial instruments	**90**	189

27. Subsequent events

On January 18th, 2020, the directors declared an eligible dividend of $7,743, of which $3,872 will be paid in cash and $3,871 in Class P-200 common shares.

On December 31, 2020, the Group acquired, via a subsidiary, 15% of the shares of a company operating in the area of animal protein enhancements. This transaction was settled with the issuance of shares of the Group's subsidiary thereby giving the company a 3.04% interest.

On December 7, 2020, an insurance settlement in the amount of $6,783 due to the Group was confirmed. This amount will be recognized as a reduction of cost of sales and selling and administrative expenses in the consolidated financial statements for the period ending October 30, 2021.

Financial review – Unaudited

	2020	2019	2018	2017	2016	2015	2014
Operations *[in thousands of dollars]*							
Revenues	**$8,152,114**	$7,282,058	$6,515,972	$6,271,772	$6,335,219	$5,991,969	$5,376,073
Net financial expenses	**59,297**	51,473	22,601	17,764	26,625	27,473	24,688
Amortization (excluding transaction costs)	**169,942**	129,274	93,368	81,445	83,610	77,688	59,860
Earnings before patronage refunds and income taxes	**201,037**	79,353	210,725	351,228	275,438	95,702	73,806
Patronage refunds	**29,200**	17,600	42,400	88,000	55,000	35,000	25,000
Income taxes	**30,850**	13,149	32,914	65,273	60,730	16,213	11,719
Net earnings attributable to members of the Group	**117,664**	38,447	115,614	168,349	151,569	44,489	37,087
Earnings before patronage refunds, income taxes, gross financial expenses, amortization and net gains (losses)	**467,077**	265,461	312,894	456,133	390,707	201,019	165,091
Financial position *[in thousands of dollars]*							
Working capital **	**$661,293**	$404,261	$553,559	$414,274	$415,280	$(6,346)	$274,029
Property, plant and equipment, net carrying amount	**1,567,259**	1,215,381	1,020,130	828,589	750,551	690,653	501,739
Total assets	**4,728,182**	3,880,159	3,261,469	2,666,990	2,450,589	2,298,308	1,737,587
Preferred shares and equity of the Group	**2,032,586**	1,780,586	1,480,827	1,285,250	961,809	761,635	702,473
Financial ratios							
Working capital ratio**	**1.6**	1.4	1.6	1.5	1.6	(0.99)	1.5
Interest coverage*	**4.4**	2.5	10.3	20.8	11.3	4.5	4.0
Debt/equity ratio**	**38:62**	33:67	31:69	23:77	37:63	47:53	33:67
Earnings before patronage refunds and income taxes*/revenues	**2.5%**	1.1%	3.2%	5.6%	4.3%	1.6%	1.4%
Reserve and contributed surplus/preferred shares and equity of the Group	**42.4%**	44.0%	53.4%	55.0%	57.3%	50.5%	50.8%
Preferred shares and equity of the Group/total assets	**43.0%**	45.9%	45.4%	48.2%	39.2%	33.1%	40.4%
Number of employees	**16,150**	15,360	14,020	13,150	12,541	12,211	10,202

* For the purposes of ratio calculations, non-controlling interests are included in earnings before patronage refunds and income taxes.
** The credit facility was considered in this ratio's calculation in 2015 for consistency with the presentation adopted in the consolidated financial statements.