Legumex Walker

We are stronger together.

Consolidated Financial Statements

December 31, 2013

Independent Auditors' Report

To the Shareholders of Legumex Walker Inc.:

We have audited the consolidated financial statements of Legumex Walker Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Legumex Walker Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Winnipeg, Manitoba
March 24, 2014

Chartered Accountants

Legumex Walker Inc.
Consolidated Statements of Financial Position
(thousands of Canadian dollars)

As at	**December 31, 2013**	December 31, 2012
		(Recasted Note 5)
Assets		
Current		
Cash	**2,081**	5,798
Restricted cash (Note 6)	**698**	240
Accounts receivable (Note 17)	**55,835**	56,670
Derivative assets (Note 17)	**-**	106
Income taxes recoverable	**-**	3,567
Inventories (Note 7)	**89,664**	81,781
Prepaid expenses and other assets	**3,936**	1,983
	152,214	150,145
Non-current		
Property, plant and equipment (Note 8)	**160,660**	155,898
Intangible assets (Note 9a)	**25,995**	30,315
Investment in associate and joint venture (Note 10)	**1,931**	1,811
Other non-current assets (Note 9b)	**2,652**	1,714
Deferred tax assets (Note 24)	**3,147**	2,169
Total assets	**346,599**	342,052
Liabilities		
Current		
Short-term borrowings (Note 11)	**58,229**	47,424
Demand loan (Note 12)	**12,239**	11,985
Accounts payable and accrued liabilities	**56,877**	52,861
Derivative liabilities (Note 17)	**3,214**	64
Income taxes payable	**459**	96
Borrowings due within one year (Note 13)	**10,098**	4,765
	141,116	117,195
Non-current		
Non-current borrowings (Note 13)	**84,096**	78,702
Deferred tax liabilities (Note 24)	**13,614**	14,007
Total liabilities	**238,826**	209,904
Equity		
Equity attributable to shareholders of the Company		
Share capital (Note 14)	**135,707**	135,707
Accumulated other comprehensive income	**4,884**	2,078
Contributed surplus	**3,667**	2,583
Deficit	**(40,648)**	(15,268)
	103,610	125,100
Non-controlling interests (Note 15)	**4,163**	7,048
Total equity	**107,773**	132,148
Total liabilities and equity	**346,599**	342,052

Approved on behalf of the Board

/s/ Joel Horn	/s/ Chris Schnarr
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Director	Director

The accompanying notes are an integral part of these financial statements

Legumex Walker Inc.
Consolidated Statements of Comprehensive Loss
(thousands of Canadian dollars, except per share amounts)

For the year ended	**December 31, 2013**	December 31, 2012
Revenues	**433,567**	294,810
Cost of sales		
Inputs and other processing costs	**(413,053)**	(275,769)
Depreciation and amortization (Note 8 and Note 9a)	**(9,549)**	(4,170)
	(422,602)	(279,939)
Gross profit	**10,965**	14,871
Selling, general and administrative expenses (Note 18)		
Selling and administrative	**(22,308)**	(19,801)
Depreciation and amortization (Note 8 and Note 9a)	**(5,621)**	(6,195)
	(27,929)	(25,996)
Loss before other items and income taxes	**(16,964)**	(11,125)
Other income (expense) items		
Earnings from investments in associate and joint venture	**121**	81
Gain on disposal of property, plant and equipment and other assets	**599**	1,032
Write-down of investment and other assets	**-**	(502)
Foreign exchange (losses) and gains (Note 17)	**(4,633)**	749
Finance costs	**(8,843)**	(3,725)
Total other income (expense) items	**(12,756)**	(2,365)
Loss before income taxes	**(29,720)**	(13,490)
Recovery of (provision for) income taxes		
Current	**(271)**	(80)
Deferred	**1,371**	382
	1,100	302
Net loss	**(28,620)**	(13,188)
Attributable to:		
Non-controlling interests	**(3,240)**	(614)
Shareholders of the Company	**(25,380)**	(12,574)
Net loss	**(28,620)**	(13,188)
Other comprehensive income (loss)		
Items that may be reclassified into profit or loss		
Unrealized gains (losses) on translation of financial statements of foreign operations	**3,161**	(657)
Other comprehensive income (loss), net of tax	**3,161**	(657)
Comprehensive loss, net of tax	**(25,459)**	(13,845)
Attributable to:		
Non-controlling interests	**(2,885)**	(784)
Shareholders of the Company	**(22,574)**	(13,061)
Comprehensive loss, net of tax	**(25,459)**	(13,845)
Basic and diluted loss per share (Note 20)	**(1.56)**	(0.89)

The accompanying notes are an integral part of these financial statements

Legumex Walker Inc.
Consolidated Statements of Changes in Equity
(thousands of Canadian dollars)

	Share capital	Accumulated other comprehensive income[1]	Contributed surplus	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
	(Note 14)						
As at December 31, 2011	109,563	2,565	711	(2,694)	110,145	7,832	117,977
Net loss[3]				(12,574)	(12,574)	(614)	(13,188)
Other comprehensive loss, net of tax[2]		(487)			(487)	(170)	(657)
Comprehensive loss, net of tax		(487)		(12,574)	(13,061)	(784)	(13,845)
Share-based compensation (Note 19)			1,042		1,042		1,042
Shares issued in connection with business combination, net of costs (Note 5)	10,505				10,505		10,505
Shares issued through public offering, net of costs (Note 14)	15,639				15,639		15,639
Options exercised					-		-
(Note 5 and 19)			830		830		830
As at December 31, 2012	135,707	2,078	2,583	(15,268)	125,100	7,048	132,148
Net loss[3]				(25,380)	(25,380)	(3,240)	(28,620)
Other comprehensive income, net of tax[2]		2,806			2,806	355	3,161
Comprehensive income (loss), net of tax		2,806		(25,380)	(22,574)	(2,885)	(25,459)
Share-based compensation (Note 19)			1,084		1,084		1,084
As at December 31, 2013	**135,707**	**4,884**	**3,667**	**(40,648)**	**103,610**	**4,163**	**107,773**

[1] Accumulated other comprehensive income consists of unrealized gains (losses) on translation of financial statements of foreign operations.

[2] Other comprehensive income (loss) consists of change in unrealized gains (losses) on translation of financial statements of foreign operations.

[3] Net loss includes share-based compensation and other options issued.

The accompanying notes are an integral part of these financial statements

Legumex Walker Inc.

Consolidated Statement of Cash Flows

(thousands of Canadian dollars)

For the year ended	**December 31, 2013**	December 31, 2012
Cash provided by (used for) the following activities		
Operating activities		
Net loss	**(28,620)**	(13,188)
Depreciation and amortization (Note 8 and Note 9a)	**15,170**	10,365
Non-cash rent expense (Note 9b)	**-**	90
Non-cash finance costs	**460**	155
Deferred income taxes	**(1,371)**	(382)
Earnings from investments in associate and joint venture	**(121)**	(81)
Gain on disposal of property, plant and equipment and other assets	**(599)**	(1,032)
Write-down of investment and other assets	**-**	502
Non-cash loss on derivative financial instruments (Note 17)	**3,214**	327
Non-cash foreign exchange loss (gain)	**(995)**	-
Share-based compensation (Note 19)	**1,084**	1,042
	(11,778)	(2,202)
Net changes in working capital accounts	**1,054**	(35,562)
Cash flow used in operating activities	**(10,724)**	(37,764)
Financing activities		
Increase in short-term borrowings	**9,732**	22,065
Advances of non-current borrowings	**9,589**	90,204
Repayments of non-current borrowings	**(4,010)**	(28,703)
Debt financing costs	**(506)**	(117)
Proceeds from share issuance	**-**	16,550
Share issuance costs	**-**	(1,275)
Cash flow provided by financing activities	**14,805**	98,724
Investing activities		
Business combination (Note 5)	**-**	(7,919)
Purchases of property, plant and equipment (Note 8)	**(7,882)**	(83,621)
Proceeds from disposal of property, plant and equipment	**1,274**	44
Purchases of intangible assets (Note 9a)	**(618)**	(791)
Proceeds from sale of investment in associate	**-**	1,800
Repayment of advances to associates	**-**	70
Increase in restricted cash	**(442)**	(240)
Increase in other non-current assets	**(281)**	(428)
Cash flow used in investing activities	**(7,949)**	(91,085)
Decrease in cash	**(3,868)**	(30,125)
Cash position, beginning of year	**5,798**	35,375
Effect of foreign exchange rate changes on cash	**151**	548
Cash position, end of year	**2,081**	5,798
Supplementary cash flow information		
Interest paid	**(7,229)**	(3,907)
Interest received	**-**	2
Income taxes paid	**(18)**	(4,837)

The accompanying notes are integral part of these financial statements

1. Corporate information

Legumex Walker Inc. ("LWI") was incorporated under the laws of Canada on April 20, 2011. LWI's shares became listed on the Toronto Stock Exchange on July 14, 2011. Its registered office is located at 1345 Kenaston Boulevard, Winnipeg, Manitoba, Canada.

LWI is a growth-oriented processor and merchandiser of pulses (lentils, peas, beans and chickpeas) and other special crops with processing facilities in the Canadian Prairies, American Midwest and China. In addition, LWI has an 85 percent interest in Pacific Coast Canola LLC ("PCC"), a canola oilseed processing facility in the State of Washington in the USA.

Included in these consolidated financial statements are the accounts of LWI and all of its incorporated subsidiary companies; together LWI and its subsidiaries are referred to as the "Company".

The Company's earnings follow the seasonal pattern of special crops production in each geographic location. In the United States and Canada, the growing season for major agricultural commodities spans from May to October. Pulses and other special crops are typically seeded in May, harvested in late-August to early October and marketed throughout the year. The timing and volume of sales and shipments in a given year may be influenced by factors such as global supply and demand conditions, timing of harvest, crop size and quality, expectations of commodity prices in the near- and long-term, foreign exchange rates and the cost and availability of transportation equipment (railcars, trucks and ocean containers) required to get product to market.

Canola producers in the Pacific Northwest have the option of growing the crop as either a spring or a winter crop. Spring canola is generally seeded in April and harvested in September, whereas winter canola is generally seeded in September and harvested in July. Harvested canola is consolidated in large storage terminals and is stored until needed.

2. Basis of Preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on March 24, 2014.

Basis of presentation and measurement

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

These consolidated financial statements are prepared under the historical cost convention with the exception of derivative financial instruments which are recorded at fair value.

Principles of consolidation

The consolidated financial statements include the accounts of LWI and its subsidiaries Legumex Walker Canada Inc. ("LWC") (including its subsidiary Legumex Walker China Ltd. and its subsidiary Legumex Walker (Tianjin) International Trading Ltd.) and Legumex Walker USA, Inc. (including its subsidiary Legumex Walker Finance, Inc. and its subsidiaries St. Hilaire Seed Company, Inc. ("SHS"), Legumex Walker Sunflower LLC ("LWS"), LWI US Inc. (including its subsidiary PCC) and LWI Seattle, Inc.). Subsidiaries are owned 100 percent except for PCC which is owned 85 percent. The Company has a 50 percent equity interest in 0729767 BC Ltd. Subsidiaries are entities controlled, either directly or indirectly, by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities and generally accompanies a shareholding of more than 50%. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as LWI, using consistent accounting policies. All intercompany balances, income and expenses and unrealized gains and losses from intercompany transactions are eliminated in full.

Translation of foreign currencies

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of LWI. For these consolidated financial statements the functional currency of SHS, LWS and PCC is the US dollar and the functional currency of Legumex Walker China is the Hong Kong dollar.

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 12, Disclosure in Other Entities, establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and the risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Joint Ventures and IAS 28 – Investment in Associates. The adoption of this standard affected disclosures but did not have an impact on the recognized amounts or measurements in the consolidated financial statements.

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The adoption of this standard affected did not have an impact on the recognized amounts or measurements in the consolidated financial statements.

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis.

IAS 1 amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments applied in the preparation of the financial statements are reviewed on an ongoing basis and revised when the underlying assumptions change. The effects of revisions to estimates are recognized in the period in which the estimate is revised and any subsequent period affected. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The following is an analysis of the critical accounting estimates that depend most heavily on such management estimates, assumptions and judgments, any changes, which may have a material impact on the Company's financial condition or results of operations.

Cash generating units

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations within the Company. To create these groupings, management makes critical judgments about where active markets exist including an analysis of the degree of autonomy various operations have in negotiating prices with customers.

Allowance for doubtful accounts

Due to the nature of LWI's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of some accounts receivable. LWI maintains an allowance for doubtful accounts to reflect expected credit losses. Judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. LWI is not able to predict changes in the financial conditions of its customers and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates. There was no allowance for doubtful accounts included in either the Oilseed Processing segment or the Corporate segment for the years ended December 31, 2013 and December 31, 2012.

Valuation of inventory

Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are damaged or if the selling price of the inventory is less than its cost. LWI regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Fair value of financial instruments

Where a valuation model is used to determine the fair value of financial assets or financial liabilities, it makes maximum use of observable inputs. Where observable inputs are not available a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation techniques used by the Company are described in further detail in the Significant Accounting Policies note.

Valuation of long-lived assets and asset impairment

Estimated useful lives of property, plant and equipment and intangible assets are based on management's judgment and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Due to the significance of capital investment to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives, depreciation and amortization methods, and residual values are reviewed periodically.

The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates either the value in use or fair value less costs to sell.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the Company's income tax provisions reflect management's interpretation of country-specific tax law. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the relevant taxation authority will require the Company to receive or pay taxes. Where the final outcome of the determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the current and deferred income taxes provision in the period in which such determination is made. Changes in tax law or changes in the way tax law is interpreted may also impact the Company's effective tax rate as well as its business and operations.

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying value of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment concerning the carrying value of assets and liabilities. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by regulatory agencies. Changes or differences in these estimates or assumptions may result in changes to the current and deferred tax assets and liabilities on the consolidated statements of financial position and a charge to or recovery of income tax expense.

Determination of the nature of an acquisition

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

Acquisition accounting

Accounting for business combinations requires the allocation of the Company's purchase price to the various assets and liabilities of the acquired business at their respective fair values. The Company uses all available information to make these fair value determinations, and for major acquisitions, may hire an independent appraisal firm to assist in making fair value estimates. In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset or group of assets may be used to determine fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

Functional currency

The Company determines the functional currency for each entity and for jointly controlled entities and associates. This requires the assessment of the primary economic environment in which each of these entities operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. In determining the functional currency in Canada (Canadian dollar), United States (US dollar), Hong Kong (Hong Kong dollar) and People's Republic of China (Renminbi) the Company considered the currency that primarily influences or determines the selling prices of goods and services and the cost of production, including labour, material and other costs and the currency whose competitive forces and regulations mainly determine selling prices.

Share-based payments

The Company measures the cost of share-based payments to employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of share-based payment transactions are disclosed in Note 19.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method.

Associates

Associates are those companies, in which the Company has significant influence by virtue of owning more than 20% of the outstanding voting shares, but holds less than 50% of the voting shares and thus cannot arbitrarily control the entity. Associates are accounted for using the equity method.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the acquisition date. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any negative difference is recognized directly in the statement of comprehensive income. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU and part of the operating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. If the Company reorganizes its reporting structure in a way that changes the composition of one or more CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained or the relative fair value of the part of a CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

Foreign currency translation

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Company’s entities in their respective functional currency at rates prevailing at the date of the transaction.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in profit or loss. Non-monetary items that are not carried at fair value are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at the average monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Cash

Cash in the statement of financial position consists of cash at banks and on hand.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes the cost of raw materials, freight, and processing charges. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to damage or declining prices. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs. When circumstances that previously required inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost net of any accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and site improvements	15-50 years
Machinery and equipment	4-40 years
Motor vehicles	10-15 years
Office furniture and equipment	4-10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income when the asset is derecognized.

The assets' useful lives and methods of depreciation of assets are reviewed at each financial year end, and adjusted prospectively, if appropriate. No depreciation is taken on construction in progress until the asset is available for use. Amounts representing direct costs incurred for major overhauls are capitalized and depreciated over the estimated useful life of the different components replaced.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which the Company considers to be 12 months or more, to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

Leases

The determination of whether an arrangement is, or contains, a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Rights and brands	3-10 years
Customer and producer relationships	3-6 years
Software	4-8 years
Other intangibles	10 years
Internally generated software	4-8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGU to which the asset belongs.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

An impairment loss is recognized in the statement of comprehensive income if an asset's carrying amount or that of the CGU to which it is allocated is higher than its recoverable amount. Impairment losses of CGUs are first charged against the carrying value of the goodwill balance included in the CGU and then against the value of the other assets, in proportion to their carrying amount. In the statement of comprehensive income the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments

Financial assets and liabilities

The Company classifies its financial assets as [i] financial assets at fair value through profit or loss, [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at fair value through profit or loss or [ii] other financial liabilities (Note 17c). Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the statement of financial position.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in the fair value recognized in finance costs in the statement of comprehensive income. Transaction costs on FVTPL are expensed as incurred.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated as FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, or determined to be impaired, at which time the cumulative gain or loss is reclassified to the statement of comprehensive income and removed from the available-for-sale reserve.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income, is removed from other comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held-for-trading are recognized in the statement of comprehensive income.

Other financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method. All financial liabilities are initially measured at fair value. For the demand loan and long-term debt, fair value represents the consideration received, net of transaction costs incurred. Transaction costs related to the demand loan and long-term debt instruments are included in the value of the instruments and amortized using the effective interest method. The effective interest expense is included in finance costs.

Financial instrument classification

The company has designated its cash, restricted cash, derivative assets, short-term borrowings, and derivative liabilities as FVTPL; accounts receivable as loans and receivables; accounts payable and accrued liabilities, demand loan, and non-current borrowings as other financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Interest income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

Derivative instruments

The Company uses derivative financial instruments, such as commodity and foreign currency futures contracts, to manage its exposure to fluctuations in commodity prices and foreign currencies. The Company has not accounted for these instruments using hedge accounting. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. The Company has designated its derivatives as financial assets at FVTPL and financial liabilities at FVTPL. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

The Company analyzes all of its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Embedded derivatives are accounted for separately from the host contract at the inception date when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value.

Fair value of financial instruments

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 includes inputs that are observable other than quoted prices included in Level 1.
- Level 3 includes inputs that are not based on observable market data.

The following methods and assumptions were used to estimate the fair values**:**

- Cash, restricted cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- The fair value of unquoted instruments, demand loans, long-term debt, obligations under finance leases, notes payable to related parties and other financial liabilities, as well as non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Company enters into derivative financial instruments with financial institutions. Exchange-traded derivatives, including foreign exchange forward contracts, put options and call options, and commodity future contracts, are valued using valuation techniques with market observable inputs, such as broker quotes for similar contract traded in an active market where the quotes reflect actual transactions for similar instruments. Valuation techniques also incorporate various inputs including foreign exchange spot and forward rates and commodity forward rates.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options or warrants, if dilutive.

Revenue recognition

The Company recognizes revenue, primarily from the sale of goods, net of trade discounts, rebates and other similar allowances. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership transfer to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred in respect of the transaction and the amount of revenue can be measured reliably. These conditions are generally satisfied when title passes to the customer in accordance with the contract terms, which in most cases is when the product is picked up by the customer or delivered to a destination specified by the customer, typically a customer's premises, the vessel, railcar or truck on which the product will be shipped or the destination port. Other revenues are recognized as earned.

Income taxes

The Company and its subsidiaries are generally taxable under the statutes of their country of incorporation.

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the financial statements and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in the statement of comprehensive income, when it occurs subsequent to the measurement period.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable and where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Share-based compensation plans

Employees of the Company may receive remuneration in the form of share-based payment transactions, whereby employees render services and receive consideration in the form of equity instruments.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in contributed surplus, in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting period reflects the extent to which the vesting period has expired and the Company's best estimate of the number of the shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in the statement of comprehensive income.

When options and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to shareholders' equity. The amount of cash, if any, received from participants is also credited to shareholders' equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Reportable business segments

A reportable business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other segments. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company is managed as three business segments, Special Crops, Oilseed Processing and Corporate.

Special Crops

LWI's portfolio of special crop products includes various grades of pulses, including, lentils, whole and split peas, beans and chickpeas, as well as other special crops, such as canaryseed, flaxseed and sunflower seed. LWI sources product from a network of growers primarily in Canada and processes these crops at its 14 processing facilities strategically located in key growing regions throughout Saskatchewan, Manitoba and Minnesota and through an established network of third party custom processing facilities in Canada, the United States and China.

Oilseed Processing

LWI's Oilseed Processing segment consists of an 85 percent interest in PCC.

Corporate

LWI's Corporate segment is a non-operating segment consisting of costs related to executive, finance, treasury, human resources, legal, information technology, governance, professional fees and other corporate development costs.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

4. Accounting standards issued but not yet effective

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretations and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

Financial Instruments ["IFRS 9"]

IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities. In July 2013, the IASB decided to defer setting the mandatory effective date for IFRS 9 until the impairment and classification and measurement phases of the project were complete.

Financial Instruments Presentation ["IAS 32"]

The amendments to IAS 32 are effective for fiscal years that begin on or after January 1, 2014. It was amended to clarify the meaning of certain terms used to decide when financial assets and financial liabilities can be offset.

Impairment ["IAS 36"]

Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 36, Impairment of Assets. The amendment clarifies the disclosure about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Levies ["IFRIC 21"]

The IASB issued IFRIC 21, Levies, on the accounting for levies imposed by governments effective for annual periods beginning January 1, 2014. The interpretation considered the guidance in IAS 37, Provisions, Contingent Liabilities and Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy.

5. Business combinations

Acquisitions in 2012

(thousands of Canadian dollars)	KGL Original Estimate	Changes	KGL Adjusted Allocation	SHS Original Estimate	Changes	SHS Adjusted Allocation	Total
Cash	687		687	-	-	-	687
Accounts receivable	6,258		6,258	6,264	(139)	6,125	12,383
Derivative assets	170		170	-	-	-	170
Income taxes recoverable	306		306	-	-	-	306
Inventories	3,797		3,797	27,753	(450)	27,303	31,100
Prepaid expenses and other assets	229		229	136	-	136	365
Property, plant and equipment	8,910	104	9,014	9,583	919	10,502	19,516
Intangible assets	-		-	10,397	(1,987)	8,410	8,410
Bank indebtedness	(1,224)		(1,224)	(4,052)	-	(4,052)	(5,276)
Accounts payable and accrued liabilities	(4,337)	(45)	(4,382)	(32,688)	(37)	(32,725)	(37,107)
Notes payable to related parties	(526)		(526)	-	-	-	(526)
Long-term debt	(3,162)		(3,162)	(2,611)	-	(2,611)	(5,773)
Obligations under finance leases	(335)		(335)	(2,436)	-	(2,436)	(2,771)
Deferred tax liabilities	(1,463)		(1,463)	-	-	-	(1,463)
Total purchase price	9,310	59	9,369	12,346	(1,694)	10,652	20,021
Less: Cash assumed	(687)		(687)	-	-	-	(687)
Common shares	(4,870)		(4,870)	(7,350)	1,694	(5,656)	(10,526)
Warrants	(830)		(830)	-	-	-	(830)
Cash used in business combination	2,923	59	2,982	4,996	-	4,996	7,978

[a] St Hilaire Seed Company

The acquisition of SHS occurred on February 15, 2012. The acquisition has been accounted for by applying the acquisition method with the results of SHS's operations included in the Company's net earnings from the date of acquisition. During the first quarter of 2013, the Company finalized the purchase price allocation for the assets and liabilities of SHS. As a result, the Company made no additional changes in the first quarter of 2013.

[b] Keystone Grain Ltd.

The acquisition of KGL occurred on October 1, 2012. The acquisition has been accounted for by applying the acquisition method with the results of KGL's operations included in the Company's net earnings from the date of acquisition. The purchase price of KGL was subject to adjustments related to certain working capital and funded debt levels. During the second quarter of 2013, the Company finalized the purchase price as well as the allocation for the assets and liabilities of KGL. The purchase price was increased by $59,000 due to post-closing working capital and funded debt adjustments. The increase was paid in cash. Changes to the original estimated purchase price and its allocation recorded in 2012, resulted in the Company recasting December 31, 2012 by increasing property, plant and equipment by $104,000 and increasing accounts payable and accrued liabilities by $104,000. KGL was amalgamated with LWC on January 1, 2013.

6. Restricted cash

Under the terms of certain of the Company's derivative instruments agreements relating to commodity and currency futures contracts, the Company is required to maintain a margin account which acts as collateral to settle any potential liability associated with its futures contracts.

7. Inventories

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Raw materials		
Special crops	**58,453**	58,650
Oilseed processing	**7,571**	6,883
	66,024	65,533
Finished product		
Special crops	**19,530**	13,485
Oilseed processing	**1,219**	24
	20,749	13,509
Supplies and materials	**2,891**	2,739
	89,664	81,781

The cost of inventories recognized as an expense and included in cost of sales for the year ended December 31, 2013 was $388,594,000 (2012 - $233,534,000). For the year ended December 31, 2013, cost of sales included inventory write-downs to net realizable value of $96,000 (2012 - $708,000) and reversals of inventory previously written-down to net realizable value of $nil (2012 - $34,000).

8. Property, plant and equipment

(thousands of Canadian dollars)	Land	Buildings and site imrovements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Construction in progress ("CIP")	Total
Cost							
As at December 31, 2012	**1,887**	**56,401**	**92,662**	**1,311**	**1,344**	**7,746**	**161,351**
Additions	**111**	**251**	**1,861**	**6**	**249**	**5,445**	**7,923**
Transfers from CIP	**-**	**1,301**	**9,388**	**(124)**	**20**	**(10,585)**	**-**
Disposals	**(297)**	**(400)**	**(29)**	**(6)**	**-**	**-**	**(732)**
Effects of movement in exchange rates	**16**	**2,745**	**4,658**	**19**	**31**	**133**	**7,602**
As at December 31, 2013	**1,717**	**60,298**	**108,540**	**1,206**	**1,644**	**2,739**	**176,144**
Accumulated depreciation							
As at December 31, 2012	**-**	**1,152**	**3,874**	**182**	**245**	**-**	**5,453**
Depreciation	**-**	**2,760**	**6,410**	**187**	**294**	**-**	**9,651**
Disposals	**-**	**(47)**	**(7)**	**(2)**	**-**	**-**	**(56)**
Effects of movement in exchange rates	**-**	**77**	**348**	**5**	**6**	**-**	**436**
As at December 31, 2013	**-**	**3,942**	**10,625**	**372**	**545**	**-**	**15,484**
Net carrying amount							
As at December 31, 2013	**1,717**	**56,356**	**97,915**	**834**	**1,099**	**2,739**	**160,660**

(Recasted Note 5) *(thousands of Canadian dollars)*	Land	Buildings and site imrovements	Machinery and equipment	Motor vehicles	Office furniture and equipment	Construction in progress ("CIP")	Total
Cost							
As at December 31, 2011	1,098	12,395	25,794	712	663	17,606	58,268
Acquired through business combination	697	6,939	11,201	562	52	65	19,516
Additions	92	2,171	6,746	112	630	74,964	84,715
Transfers from CIP	-	34,786	48,790	-	-	(83,576)	-
Transfers to intangible assets	-	-	-	-	-	(283)	(283)
Disposals	-	-	-	(75)	-	-	(75)
Effects of movement in exchange rates	-	110	131	-	(1)	(1,030)	(790)
As at December 31, 2012	1,887	56,401	92,662	1,311	1,344	7,746	161,351
Accumulated depreciation							
As at December 31, 2011	-	260	851	52	56	-	1,219
Depreciation	-	892	3,024	149	189	-	4,254
Disposals	-	-	-	(20)	-	-	(20)
Effects of movement in exchange rates	-	-	(1)	1	-	-	-
As at December 31, 2012	-	1,152	3,874	182	245	-	5,453
Net carrying amount							
As at December 31, 2012	1,887	55,249	88,788	1,129	1,099	7,746	155,898

The PCC canola crushing plant asset includes construction costs as well as capitalized borrowing costs of $41,000 incurred during the year ended December 31, 2013 (December 31, 2012 - $1,086,000).

As of December 31, 2013, the net carrying amount of assets under finance leases included in property, plant and equipment was $4,167,000 (December 31, 2012 - $4,200,000).

The purchase price allocation was finalized for SHS in the first quarter of 2013 (Note 5) and for KGL in the second quarter of 2013 (Note 5).

9. Non-current assets

[a] Intangible assets

(thousands of Canadian dollars)	Internally generated	Other intangible assets	Total
Cost			
As at December 31, 2012	**1,392**	**36,963**	**38,355**
Additions	**695**	**-**	**695**
Effect of changes in exchange rates	**43**	**578**	**621**
As at December 31, 2013	**2,130**	**37,541**	**39,671**
Accumulated amortization			
As at December 31, 2012	**55**	**7,985**	**8,040**
Amortization	**480**	**5,038**	**5,518**
Transfer from CIP	**46**	**(46)**	**-**
Effect of changes in exchange rates	**(47)**	**165**	**118**
As at December 31, 2013	**534**	**13,142**	**13,676**
Net carrying amount			
As at December 31, 2013	**1,596**	**24,399**	**25,995**

(Recasted Note 5) *(thousands of Canadian dollars)*	Internally generated	Other intangible assets	Total
Cost			
As at December 31, 2011	317	28,587	28,904
Acquired through business combination	-	8,410	8,410
Additions	789	2	791
Transfer from property, plant and equipment	283	-	283
Effect of changes in exchange rates	4	(40)	(36)
As at December 31, 2012	1,393	36,959	38,352
Accumulated amortization			
As at December 31, 2011	-	1,925	1,925
Amortization	53	6,069	6,122
Effect of changes in exchange rate		(10)	(10)
As at December 31, 2012	53	7,984	8,037
Net carrying amount			
As at December 31, 2012	1,340	28,975	30,315

The other intangible assets include brands, rights, software, customer lists, customer relationships and producer relationships from the acquisitions of RLI and WSL in 2011 and SHS in 2012.

The purchase price allocation was finalized for SHS in the first quarter of 2013 (Note 5).

[b] Other non-current assets

Other non-current assets include deferred financing costs related to the Macquarie credit facility described in Note 25 and deferred rent related to the lease of land for the PCC Plant site. The deferred rent asset results from land lease payments that decrease over time but must be expensed on a straight-line basis over the term of the lease.

[c] Impairment

Intangible assets are assessed for impairment regularly, with detailed impairment testing carried at least annually. For the purposes of impairment testing, intangible assets are allocated at the lowest level of CGU where independent cash flows exist. The recoverable amount of the units was based on the value in use of the CGU to which assets had been allocated. The value in use was determined by discounting management's estimate of the expected cash flows to be generated through continuing use of the CGU.

Key assumptions used in the calculation of recoverable amounts are the discount rates and the budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA"). Discount rates are pre-tax measures that reflect risks specific to the CGU based on the weighted average cost of capital for that CGU. The Company used EBITDA as an approximation for baseline cash flows. Budgeted EBITDA was projected based on the Company's 2014 budget which incorporated management's past experience and expectations of future performance.

10. Investments in joint venture and associate

In these financial statements the term joint venture refers to the Company's 50% ownership interest in 0729767 B.C. Ltd. which owns a single rental property in Richmond, British Columbia.

The summary financial data for the Company's joint venture is as follows:

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Current assets	**64**	205
Long-term assets	**8,563**	8,460
Total assets	**8,627**	8,665
Current liabilities	**755**	310
Long-term liabilities	**7,216**	7,798
Total liabilities	**7,971**	8,108

For the year ended *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Revenue	**643**	590
Expenses	**(401)**	(369)
Net income	**242**	221

In these financial statements the term associate refers to the Company's historical 20% ownership interest in Blue Hills Processors (2003) Ltd. ("BHPL"). The Company sold its ownership in BHP on May 1, 2012 for gross proceeds of $1,800,000 and realized a $1,043,000 gain on disposal which was recorded in the Statement of Comprehensive Loss in gain on disposal of property, plant and equipment and other assets. For the year ended December 31, 2012 consolidated sales and cost of sales included $106,000 and $108,000 in respect of transactions with its associate. The transactions were recorded at the exchange amount which is the amount agreed to by the related parties.

The summary financial data for the Company's associate is as follows:

For the year ended *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Revenue	**-**	1,515
Expenses	**-**	(1,563)
Net income	**-**	(48)

11. Short-term borrowings

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Operating credit facilities		
Legumex Walker Canada Inc. [(a)]	**46,999**	34,392
Legumex Walker China Ltd.[(b)]	**6,543**	4,260
St. Hilaire Seed Company [(c)]	**-**	8,772
	53,542	47,424
Inventory repurchase commitments [(d)]	**4,687**	-
Short-term borrowings	**58,229**	47,424

[(a)] The credit facility authorizes operating lines to a maximum of $61,000,000. It bears interest at the bank's prime lending rate plus 0.5 percent on Canadian dollar advances and at the bank's US base rate plus 0.5 percent on US dollar advances. The line is secured by a general security agreement subject to a prior charge from the holder of the term debt (Note 13).

[(b)] Credit facility authorizes a combined credit limit up to a maximum of USD $7,750,000 plus a USD $2,000,000 Invoice Discounting and Factoring Agreement. The facility bears interest at a variable rate plus 1.5 percent.

[(c)] Credit facility authorizes operating lines to a maximum of USD $10,000,000. The facility bears interest at 30-day LIBOR rate plus 3 percent and is secured by a priority lien of personal property assets of SHS. This line was amalgamated with Legumex Walker Canada Inc. in December 2013.

[(d)] Master commodities sale and repurchase agreement for a maximum of USD $13,500,000 bearing interest at LIBOR plus 5.5 percent. In connection with securing the new Macquarie facility the Company terminated this agreement in February 2014.

The Company is subject to a number of financial and business covenants imposed under the terms of the credit facilities with its financial institutions and other debt holders. As at December 31, 2013, the Company was in compliance with its debt covenants.

12. Demand loan

The Company has a demand loan of $12,239,000 (2012 - $11,985,000). The loan bears interest at the U.S. bank rate, with monthly payments of USD $67,000 including interest and matures August 2027. It is secured by specific buildings, equipment and real property. The loan is EDC CDIA guaranteed at a cost of approximately $200,000 annually. The loan is net of deferred financing costs of $32,000 (2012 - $44,000).

13. Non-current borrowings

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Term debt		
Loans payable [(a)]	**24,761**	24,037
Notes payable [(b)]	**3,096**	111
Senior Credit Facility[(c)]	**61,218**	53,435
	89,075	77,583
Obligations under finance leases[(d)]	**2,108**	2,495
Notes payable to related parties	**3,011**	3,389
Total borrowings	**94,194**	83,467
Less: Borrowings due within one year		
Term debt	**(6,561)**	(3,877)
Obligations under finance leases	**(526)**	(510)
Notes payable to related parties	**(3,011)**	(378)
	(10,098)	(4,765)
Total non-current borrowings	**84,096**	78,702
Total non-current borrowings consist of the following:		
Term debt	**82,514**	73,706
Obligations under finance leases	**1,582**	1,985
Notes payable to related parties	**-**	3,011
	84,096	78,702

[(a)] Two $8,578,000 loans payable (each net of deferred financing costs of $18,000) bearing interest at a variable mortgage rate with monthly payments of $101,000 including interest due April 2017; a $4,994,000 loan payable (net of deferred financing costs of $6,000) bearing interest at a variable mortgage rate plus 0.25 percent, with monthly interest only payments, due April 2017; a $2,045,000 loan payable bearing interest at fixed rate of 6.94 percent with monthly payments of $44,000, due July 2016; three loans payable ($321,000, $112,000, $53,000) bearing interest at a variable mortgage rate plus 0.20 percent with monthly payments ($4,000, $3,000, $1,000) beginning January 2013, due December 2016 and 2017; a $81,000 loan bearing interest at a variable mortgage rate plus 0.35 percent with monthly payments of $2 beginning January 2013, due December 2017.

[(b)] A USD $2,820,000 note payable bearing interest at a fixed rate of 5 percent, due March 2018; a USD $67,000 note payable bearing interest at a variable rate (bank's prime lending rate plus 0.5 percent) with month payments of USD $4,000 due in August 2015; a USD $29,000 note payable bearing interest at a variable rate (bank's prime lending rate plus 0.55 percent) with monthly payments of USD $1,000 due August 2016.

[(a), (b)] The term debt is secured by specific buildings, equipment and real property.

[(c)] Senior secured credit facility ("Senior Credit Facility") consisting of a term loan (USD $45,558,000 net of deferred financing costs of USD $2,242,000) and a working capital loan (USD $12,000,000), both maturing in 2021, with the first quarter principle payment on the term loan of USD $1,494,000 due April 1, 2014. The term loan bears interest at a variable rate (LIBOR or other base rate) plus 5.5 percent. The working capital loan bears interest at a variable rate (LIBOR) plus 6 percent. Term loan quarterly interest payments began April 2013 and working capital loan monthly interest payments began March 2013.

The Senior Credit Facility is subject to a number of financial and business covenants, including: (i) PCC maintaining minimum working capital requirements and debt-to-equity levels and (ii) PCC complying with fixed-charge coverage ratios and limitations on capital expenditures and the amounts of dividends that can be declared in the first two years of operations. The financial covenants come into effect on December 31, 2014, and remain in effect as long as any balance is outstanding on the loan.

The Senior Credit Facility is secured by a first-security interest in the PCC Plant and assets, including the equipment and buildings, lease-hold mortgage on the land, all non-seed inventories and receivables, and an assignment of all contracts and permits. PCC is required to fund a USD $2,000,000 replenishing debt-service reserve fund to be pledged as security for the Senior Credit Facility. The Company provided, and the syndicate of lenders accepted, a USD $2,000,000 letter of credit on behalf of the PCC Plant in lieu of funding the debt-service reserve fund.

As a requirement of the Senior Credit Facility, Industrial Construction Group, Inc. ("ICG") obtained a USD $10,000,000 payment and performance bond from an approved lender, such facility to be available to be drawn down to fund construction costs, contingencies and certain financial obligations, if necessary.

(d) Leases payable bear interest between 2.14 percent to 7.2 percent and are due in 2014 to 2017.

For the twelve months ended December 31, 2013, finance costs include interest calculated under the effective interest rate method of $5,740,000 (2012 - $1,287,000).

14. Share capital

Authorized, issued and outstanding shares:

(thousands of Canadian dollars)	**December 31, 2013**	December 31, 2012
Authorized		
Common Shares		
Unlimited voting shares without par value		
Preferred shares		
Unlimited		
Issued and outstanding		
Common Shares		
16,294,635 voting shares (2012 – 16,294,635)	**135,707**	135,707
	135,707	135,707

Changes to Common shares during the year:

(thousands of Canadian dollars, except number of shares)	Number	Amount
As at December 31, 2011	12,802,184	109,563
Issued shares in connection with SHS acquisition, net of costs (Note 5)	769,514	5,635
Issued shares in connection with KGL acquisition, net of costs (Note 5)	587,437	4,870
Issued shares through public offering, net of costs	2,135,500	15,639
As at December 31, 2013 and December 31, 2012	**16,294,635**	**135,707**

15. Non-controlling interests

PCC is owned 85 percent by the Company and 15 percent by non-controlling interests. It operates in the State of Washington in the USA.

The summary financial data for PCC is as follows. Intercompany amounts have not been eliminated.

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Current assets	**17,293**	11,040
Long-term assets	**99,053**	94,358
Total assets	**116,346**	105,398
Current liabilities	**(16,393)**	(6,426)
Long-term liabilities	**(72,200)**	(51,981)
Total liabilities	**(88,593)**	(58,407)

(thousands of Canadian dollars)	**For the years ended December 31, 2013**	2012
Revenues	**80,970**	525
Expenses	**(102,580)**	(4,594)
Net Loss	**(21,610)**	**(4,069)**
Other comprehensive income (loss), net of tax	**2,367**	(1,138)
Comprehensive loss, net of tax	**(19,243)**	**(5,207)**

PCC has paid no distributions to its shareholders.

The accumulated non-controlling interest for PCC is as follows:

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
As at beginning of year	**7,048**	7,832
Net loss	**(3,240)**	(614)
Other comprehensive income (loss), net of tax	**355**	(170)
As at end of year	**4,163**	7,048

During the year ended December 31, 2013, LWI advanced US$5,472,000 to PCC for general corporate purposes and to fund working capital requirements.

16. Related party transactions

Relationship between parent and subsidiaries

The main transactions between LWI and its subsidiaries include the provision of loans and advances as well as the provision of management services. The Special Crops segment includes intercompany sales of inventories between the wholly-owned subsidiaries of LWI which are fully eliminated on consolidation.

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including executive directors. The total compensation is as follows:

(thousands of Canadian dollars)	**For the year ended December 31, 2013**	2012
Salaries and short-term benefits	**(1,516)**	(1,293)
Share-based payments	**(573)**	(546)
Contributions to defined contribution plans	**(38)**	(24)
	(2,127)	(1,863)

Business combinations

As part of business combinations undertaken during 2012 and 2011, the Company issued notes payable to related parties. As of December 31, 2013, notes payable to related parties were $3,011,000 (December 31, 2012 - $3,389,000). The notes payable mature on March 31, 2014 and bear interest at 5.5 percent.

17. Financial risk management and financial instruments

[a] Financial risk management

The Company had the following derivative contracts outstanding at December 31, 2013:

		Notional Canadian dollar equivalent (000s)		
Settlement dates	**Units**	**Contract amount**	**Fair value**	**Unrealized gain (loss)**
Foreign currency risk				
January 2014 - December 2014	USD 142,509,000	150,039	148,464	(1,575)
February 2014 - March 2014	EUR 252,050	(362)	(369)	(7)
March 2014 - June 2014	CAD 22,600,000	(22,615)	(22,575)	40
March 2014 - June 2014	CAD 12,900,000	13,001	12,886	(115)
Commodity price risk				
January 2014 - July 2014	71,395 tonnes	45,249	44,464	(785)
January 2014 - November 2014	111,301 tonnes	(48,634)	(49,406)	(772)
				(3,214)

The Company had the following derivative contracts outstanding at December 31, 2012:

		Notional Canadian dollar equivalent (000s)		
Settlement dates	**Units**	**Contract amount**	**Fair value**	**Unrealized gain (loss)**
Foreign currency risk				
January 2013 - July 2013	USD 83,457,000	83,310	83,404	94
March 2013	CAD 9,900,000	10,019	9,937	(82)
Commodity price risk				
January 2013 - March 2013	17,020 tonnes	(10,113)	(10,082)	31
March 2013	725 tonnes	509	508	(1)
				42

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Derivative assets	-	106
Derivative liabilities	(3,214)	(64)
	(3,214)	42

[b] Foreign currency risk

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

A significant part of the Company's sales are transacted in U.S. dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant effect on the Company's cash flows and reported results. The Company’s Chinese operations transacted through its subsidiary, Legumex Walker China Ltd. are primarily in U.S. dollars as well. The Company enters into foreign exchange forward contracts, put options and call options to manage its foreign exchange risk (see table above).

At December 31, 2013, the Company had U.S. dollar denominated accounts receivable of $42,906,000 (USD $40,341,000) and U.S. dollar denominated accounts payable of $20,305,000 (USD $19,091,000).

The Company’s revenues denominated in U.S. dollars for the year ended December 31, 2013 were USD $373,793,000 and the total of its cost of sales – inputs and other processing costs and its selling and administrative expenses denominated in that currency were USD $239,964,000. Accordingly, a 10 percent increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $13,383,000 increase or decrease in revenues net of cost of sales – inputs and other processing costs and selling and administrative expenses. When the Company sources product in Canada in Canadian dollars for U.S. dollar sales, the Company’s objective is to minimize transaction exposure with foreign exchange derivative contracts and accordingly believes the increase or decrease in net income will be substantially lower than the above figures.

[c] Fair value

All financial instruments measured at fair value are categorized into one of three levels, described below, for disclosure purposes. Each level is based on transparency of inputs used to measure the fair value of assets and liabilities.

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. In determining the inputs for calculating fair values, the Company looks to readily observable market inputs, primarily currency rates and current futures contract prices based on the nature of the Company's derivative instruments.

Level 3 – values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. There were no items measured at fair value using level 3 in 2012 or 2013.

The fair value hierarchy of financial instruments measured at fair value on the consolidated statements of financial position is as follows:

			December 31, 2013		December 31, 2012	
(thousands of Canadian dollars)	Classification	Fair value hierarchy	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	FVTPL	1	**2,081**	**2,081**	5,798	5,798
Restricted cash	FVTPL	1	**698**	**698**	240	240
Derivative assets	FVTPL	2	**-**	**-**	106	106
Financial liabilities						
Short-term borrowings	FVTPL	1	**58,229**	**58,229**	47,424	47,424
Derivative liabilities	FVTPL	2	**3,214**	**3,214**	64	64

The fair values of accounts receivable, the demand loan and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities. Management has determined that the fair value of non-current borrowings does not materially differ from its carrying value as the majority of such debt is subject to floating interest rates and current market conditions.

[d] Commodity price risk

The Company is exposed to commodity price movements in the market as part of its normal operations. The Company attempts to match commodity purchase contracts directly with producers with sales contracts entered into with approved buyers to minimize the effect of changes in the price of agricultural commodities between the original contract dates and delivery dates. The Company also enters into commodity futures contracts and derivative swaps in order to manage its commodity price risk related to canola and corn purchases, canola meal and oil sales and board crush margins (see table above).

[e] Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's sales are concentrated in the agriculture sector. The Company had many customers during the course of the year and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by entering into EDC insurance contracts where available, requesting Documentary Credits and customer deposits, and performing regular credit assessments of its customers.

The Company has historically experienced minimal credit losses, thus it considers the credit quality of trade accounts receivable at December 31, 2013 that are neither impaired nor past due to be high. The distribution of credit quality is as follows:

Aging of trade accounts receivable *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Neither impaired nor past due	**44,676**	42,828
Past due:		
31 - 60 days	**5,890**	9,776
61 - 90 days	**3,404**	2,009
Greater than 90 days	**3,193**	3,123
	57,163	57,736
Allowance for doubtful accounts	**(1,328)**	(1,066)
Balance, end period	**55,835**	56,670

As at December 31, 2013, no one customer represented more than 10 percent of outstanding accounts receivable.

All provisions for doubtful accounts are charged to selling, general and administrative expenses. Changes in allowance for losses against accounts receivable are as follows:

Allowance for doubtful accounts *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Balance, beginning of period	**1,066**	922
Provision recognized through business combinations	**-**	814
New provisions recognized during the period	**948**	1,101
Amounts written off during the period as uncollectible	**(686)**	(1,771)
Balance, end period	**1,328**	1,066

The carrying value of trade accounts receivable considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable in the normal course of operations. A trade accounts receivable is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount. When an asset is classified as impaired, an allowance for loss is established to adjust the carrying value of the asset to its net recoverable amount. To determine this amount, several factors are taken into account, including market conditions, evaluations obtained from third parties and/or the discounted value of expected cash flows.

[f] Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash and debt management. In managing liquidity risk, the Company maintains access to committed short and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through the use of credit facilities in place at December 31, 2013 to meet foreseeable borrowing requirements.

The table below summarizes the undiscounted contractual payments of the Company's financial liabilities as at December 31, 2013 and includes both interest and principal cash flows:

(thousands of Canadian dollars)	**Total**	**Within 12 months**	**13 to 24 months**	**2 to 4 years**	**After 4 years**
Short-term borrowings	58,229	58,229	-	-	-
Demand loan	16,906	855	855	1,710	13,486
Accounts payable and accrued liabilities	56,877	56,877	-	-	-
Notes payable to related parties	3,065	3,065	-	-	-
Non-current borrowings (1)	116,828	12,492	13,663	30,973	59,700
Operating leases	7,863	1,801	1,664	2,235	2,163
Total	259,768	133,319	16,182	34,918	75,349

(1) Excludes unamoritzed balance of deferred finance costs of $2,459,000

[g] Interest rate risk

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk primarily relating to its short-term and non-current borrowings that bears interest that fluctuates with the prime rate. A 1 percent change in the prime rate of interest could increase or decrease interest expense on non-current borrowings by approximately $987,000 per year.

Finance costs *(thousands of Canadian dollars)*	**For the year ended December 31, 2013**	2012
Interest on overdrafts and other finance costs	**(3,546)**	(2,438)
Interest on non-current borrowings	**(5,297)**	(1,287)
Total finance costs	**(8,843)**	(3,725)

18. Selling, general and administrative expenses

(thousands of Canadian dollars)	**For the year ended December 31, 2013**	2012 (Note 5)
Employee benefit costs, including share-based compensation	**(13,217)**	(9,924)
Professional fees	**(2,587)**	(3,569)
Information technology	**(1,343)**	(1,165)
Depreciation of property, plant and equipment	**(213)**	(73)
Amortizaton of intangible assets	**(5,408)**	(6,122)
Insurance and other	**(5,161)**	(5,143)
Selling, general and administrative expenses	**(27,929)**	(25,996)

19. Employee benefits and share-based compensation

Total employee benefit costs for the year ended December 31, 2013 were $28,319,000 (2012 – $18,615,000) of which share-based compensation was $1,084,000 (2012 – $1,042,000).

[a] Options under Incentive Plans

The Company has an incentive stock option plan (the "Incentive Plan") whereby the Company may grant to directors, officers, employees and consultants options to purchase Common Shares of the Company. Subject to applicable regulations and shareholder approval, the Plan provides for the issuance of stock options to acquire up to ten percent of the Company's issued and outstanding Common Shares, on a rolling basis. Subject to applicable regulations, the terms and conditions, including pricing, term and vesting of each option granted under the Plan are determined by the Board of Directors.

Summary of Options Outstanding Under Incentive Plan

	Options Outstanding	**Weighted Average Grant Date Fair Value**	**Weighted Average Exercise Price**	**Options Exercisable**	**Weighted Average Exercise Price**
As at December 31,2011	280,000		9.00	-	
Options granted	1,084,500	2.27	6.84	-	
Forfeited	(69,500)	2.17	6.78		
As at December 31, 2012	1,295,000		7.31	-	
Options granted	**294,000**	**0.45**	**6.43**	**-**	
Forfeited	**(99,500)**	**1.70**	**7.17**	**-**	
As at December 31, 2013	**1,489,500**		**7.15**	**489,167**	**7.58**

The fair value of each option granted was estimated using the Black-Scholes option pricing model and the following inputs:

	2013 Options Granted	2012 Options Granted			2011 Options Granted
	May 17	October 1	August 24	May 25	July 14
Options issued	294,000	150,000	82,500	852,000	280,000
Options outstanding	264,000	150,000	82,500	751,000	242,000
Exercise price	6.43	8.38	8.32	6.43	9.00
Grant date fair value	0.45	2.75	2.72	2.14	2.38
Vesting date	Annual equal increments May 17, 2014-2016	Annual equal increments October 1, 2013-2015	Annual equal increments August 24, 2013-2015	Annual equal increments May 25, 2013-2015	Annual equal increments July 14, 2012-2014
Expiration date	May 17, 2018	October 1, 2017	August 24, 2017	May 25, 2017	July 14, 2016
Risk-free interest rate	1.3407%	1.3725%	1.3000%	1.6099%	2.1922%
Expected life	5 years	5 years	5 years	5 years	5 years
Expected volatility in market price of shares	35%	35%	35%	35%	25%
Expected dividend yield	0%	0%	0%	0%	0%
Expected forfeiture rate	5%	5%	5%	5%	0%

[b] Warrants

On October 1, 2012, the Company issued 660,000 warrants as part of the consideration paid in the purchase of KGL (see Note 5).

Summary of Warrants Outstanding

	Warrants Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price
As at December 31, 2011	-			-	
Warrants granted	660,000	1.26	9.50	660,000	9.50
As at December 31, 2012 and December 31, 2013	**660,000**		**9.50**	**660,000**	**9.50**

The fair value of each warrant granted was estimated using the Black-Scholes option pricing model and the following inputs:

	2012 Warrants Granted October 1
Warrants issued	660,000
Warrants outstanding	660,000
Risk-free interest rate	1.0424%
Expiration date	October 1, 2014
Expected volatility in market price of shares	35%
Expected dividend yield	0%

Other Options

On July 14, 2011, the Company granted options to the syndicate of underwriters equal to 6 percent of the total number of Common Shares sold under the initial public offering (including any Common Shares sold upon exercise of the Over-Allotment Options) at a price per Common Share of $9.00 exercisable for a period of 18 months from the date of closing of the offering. The total options of 443,463 expired during the first quarter of 2013.

20. Earnings (loss) per share

Earnings (loss) per share is based on the consolidated earnings (loss) for the year divided by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

The following reflects the earnings and share data used in the basic and diluted earnings (loss) per share computations:

(thousands of Canadian dollars, except per share amounts)	**For the year ended December 31,** **2013**	2012
Net loss attributable to shareholders	**(25,380)**	(12,574)
Basic weighted average number of shares	**16,295**	14,194
Basic and diluted loss per share	**(1.56)**	(0.89)

The outstanding stock options and warrants were excluded from the calculation of the above diluted loss per share because their effect is anti-dilutive.

21. Reportable business segments

Year ended December 31, 2013 *(thousands of Canadian dollars)*	**Special Crops**	**Oilseed Processing**	**Corporate**	**Consolidated**
Revenues	352,597	80,970	-	433,567
Cost of sales - inputs and other processing	(325,477)	(87,576)	-	(413,053)
Adjusted gross profit[a]	27,120	(6,606)	-	20,514
Selling and administrative	(11,565)	(3,642)	(7,101)	(22,308)
EBITDA[b]	15,555	(10,248)	(7,101)	(1,794)
Depreciation and amortization	(10,097)	(4,888)	(185)	(15,170)
EBIT[c]	5,458	(15,136)	(7,286)	(16,964)

Year ended December 31, 2012 *(thousands of Canadian dollars)*	**Special Crops**	**Oilseed Processing**	**Corporate**	**Consolidated**
Revenues	294,285	525	-	294,810
Cost of sales - inputs and other processing	(274,309)	(1,460)	-	(275,769)
Adjusted gross profit[a]	19,976	(935)	-	19,041
Selling and administrative	(10,706)	(1,660)	(7,435)	(19,801)
EBITDA[b]	9,270	(2,595)	(7,435)	(760)
Depreciation and amortization	(10,077)	(226)	(62)	(10,365)
EBIT[c]	(807)	(2,821)	(7,497)	(11,125)

[a] Adjusted gross profit excluded depreciation and amortization included in cost of sales
[b] EBITDA – Earnings before finance costs, depreciation and amortization, other items and income taxes
[c] EBIT – Earnings before finance costs, other items and recovery of or provision for income taxes

There are no intercompany sales between segments. No revenues from transactions with a single external customer amount to 10 percent or more of the Company's revenues.

Sales during the year were derived from customers located in the following geographic areas:

(thousands of Canadian dollars)	**For the year ended December 31, 2013**	2012
The Americas	**314,231**	185,881
Europe	**48,265**	55,935
Asia	**30,345**	21,747
Africa	**18,642**	7,063
Middle East	**14,927**	19,624
Indian subcontinent	**7,157**	4,560
	433,567	294,810

Property, plant and equipment and intangible assets by geographic area are as follows:

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Canada	**68,958**	72,017
United States	**117,302**	113,894
China	**395**	198
	186,655	186,109

22. Commitments and contingencies

[a] Contractual commitments for the purchase of property, plant and equipment

PCC contracted ICG to provide both the design and construction of the PCC Plant for a guaranteed maximum price of USD $80,875,000, subject to additions and deductions. The construction contract is unconditionally and irrevocably guaranteed by McKinstry Co. LLC. which is affiliated with ICG. The PCC Plant was substantially completed in February 2013, subject to presentation of final invoices for approved scope improvements.

[b] Operating and finance leases

The Company has land, storage facilities, rail line assets and office equipment under both operating leases and finance leases (Note 13). These leases have a life of between one and 50 years. Renewal options are included in the contracts for certain land leases for up to an additional 30 years.

During the year ended December 31, 2013 the Company recognized an expense of $1,494,000 (2012 – $420,000) related to operating lease agreements. This amount relates only to minimum lease payments.

Minimum aggregate payments on these leases in the future are as follows:

(thousands of Canadian dollars)	**Total**	**Within 12 months**	**1 to 5 years**	**After 5 years**
Finance leases	2,400	638	1,762	-
Operating leases	7,863	1,801	4,409	1,653
Total	10,263	2,439	6,171	1,653

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's consolidated financial position, results of operations or cash flows.

[d] Security

Throughout the year the Company is required by the Canadian Grain Commission to provide security for the outstanding grower liabilities. This amount is secured by letters of guarantee totalling $11,400,000. Pricing of the letters of guarantee are at 0.0503 percent.

The Company's purchasing card program is secured by a $200,000 letter of guarantee.

[e] Guarantee

The Company has provided a guarantee of $1,000,000 in favour of its joint venture 0729767 B.C. Ltd.

23. Capital Management

The Company's objectives in managing capital are to maintain a strong capital base so as to preserve investor, creditor and market confidence; to ensure sufficient liquidity to service its debts, support capital projects and growth-oriented acquisitions; and to provide a return to shareholders.

The Company sets the amount and type of capital required relative to its assessment of risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, and with consideration of externally imposed capital requirements to which it is subject. In order to maintain or modify its capital structure, the Company may adjust or defer the amount of dividends paid to shareholders, issue new shares, seek other forms of financing, or sell assets to reduce debt.

The Company manages net debt and shareholders' equity as components of its capital as calculated below.

(thousands of Canadian dollars)	**December 31, 2013**	December 31, 2012
Short-term borrowings	**58,229**	47,424
Demand loan	**12,239**	11,985
Long-term debt	**94,194**	80,078
Less: Cash	**(2,081)**	(5,798)
Less: Restricted cash	**(698)**	(240)
Net debt	**161,883**	133,449
Share capital	**135,707**	135,707
Deficit	**(40,648)**	(15,268)
Total capital	**256,942**	253,888

There have been no changes in the Company's capital management objectives, policies and processes during the year.

24. Income Taxes

The major components of recovery of (provisions for) income taxes are as follows:

(thousands of Canadian dollars)	**For the year ended December 31, 2013**	2012
Current income taxes recovery (provision)		
Current tax charge and adjustments for prior periods	**(271)**	(80)
Deferred income taxes recovery (provision)		
Originating and reversing of temporary differences	**1,371**	514
Changes in tax rate	**-**	(132)
	1,371	382
Recovery of income taxes	**1,100**	302

The reconciliation between the recovery of income taxes and accounting loss multiplied by the combined Canadian federal and provincial statutory income tax rate is as follows:

(thousands of Canadian dollars)	For the year ended December 31, **2013**	2012
Loss before income taxes	**(29,720)**	(13,490)
Combined Canadian statutory income tax rate	**27.00%**	27.00%
Income tax recovery at combined Canadian statutory income tax rate	**8,024**	3,642
Effect of differences between foreign and combined Canadian statutory income tax rate	**3,023**	1,062
Effect of differences between deferred tax rates and combined Canadian statutory income tax rate	**-**	(132)
Non-deductible expenses	**(294)**	(667)
Non-taxable portion of capital gains	**4**	123
Effect of non-controlling interests	**(1,239)**	(166)
Deferred tax assets not recognized during the year	**(9,039)**	(3,497)
Other	**621**	(63)
Recovery of income taxes	**1,100**	302

The Company's deferred tax positions at the statement of financial position dates are as follows:

As at *(thousands of Canadian dollars)*	As at December 31, **2013**	2012 (Recasted Note 5)
Deferred tax assets	**3,147**	2,169
Deferred tax liabilities	**(13,614)**	(14,007)
	(10,467)	(11,838)

For the year ended December 31, 2013 significant components of deferred tax assets and liabilities include:

(thousands of Canadian dollars)	As at December 31, 2012 (Recasted Note 5)	Acquired in business combination	Recognized in net earnings (net loss)	Recognized in equity	As at December 31, 2013
Deferred tax assets					
Derivative instruments	**-**	**-**	**425**	**-**	**425**
Share issuance costs	**1,656**	**-**	**(374)**	**-**	**1,282**
Unused tax losses	**23,568**	**-**	**(3,079)**	**-**	**20,489**
Intangible assets	**48**	**-**	**87**	**-**	**135**
Unrealized foreign exchange losses	**-**	**-**	**119**		**119**
Other	**515**	**-**	**2,252**	**-**	**2,767**
	25,787	**-**	**(570)**	**-**	**25,217**
Deferred tax liabilities					
Derivative instruments	**(25)**	**-**	**25**	**-**	**-**
Unrealized foreign exchange gains	**(117)**	**-**	**117**	**-**	**-**
Property, plant and equipment	**(31,465)**	**-**	**753**	**-**	**(30,712)**
Intangible assets	**(6,018)**	**-**	**1,099**	**-**	**(4,919)**
Other	**-**	**-**	**(53)**	**-**	**(53)**
	(37,625)	**-**	**1,941**	**-**	**(35,684)**
Net deferred tax assets (liabilities)	**(11,838)**	**-**	**1,371**	**-**	**(10,467)**

For the year ended December 31, 2012 significant components of deferred tax assets and liabilities include:

(thousands of Canadian dollars)	As at December 31, 2011	Acquired in business combination (Recasted Note 5)	Recognized in net earnings (net loss)	Recognized in equity	As at December 31, 2012 (Recasted Note 5)
Deferred tax assets					
Share issuance costs	2,097	-	(785)	344	1,656
Unused tax losses	1,481	12	22,075	-	23,568
Intangible assets	-	20	28		48
Other	200	81	234	-	515
	3,778	113	21,552	344	25,787
Deferred tax liabilities					
Derivative instruments	(50)	(46)	71	-	(25)
Unrealized foreign exchange losses (gains)	(200)	-	83	-	(117)
Property, plant and equipment	(7,354)	(1,530)	(22,581)	-	(31,465)
Intangible assets	(7,194)	-	1,176	-	(6,018)
Other	(81)	-	81	-	-
	(14,879)	(1,576)	(21,170)	-	(37,625)
Net deferred tax assets (liabilities)	(11,101)	(1,463)	382	344	(11,838)

The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and unused tax losses become deductible. Based on the analysis of taxable temporary differences and future taxable income, the management of the Company has not recognized deferred tax assets for the following deductible temporary differences and unused tax losses:

As at *(thousands of Canadian dollars)*	**December 31, 2013**	December 31, 2012
Deductible temporary differences	**2,659**	1,224
Unused tax losses		
Expiring in 2032	**15,078**	5,935
Expiring in 2033	**14,733**	-

25. Subsequent events

On January 8, 2014 the Company’s subsidiary PCC entered into agreements with Macquarie Bank Limited (“Macquarie Bank”) that provide additional liquidity of up to US$45,000,000. The agreements include: 1) a 3-year US$10,000,000 borrowing facility for working capital purposes, at market interest rates, with annual renewals; 2) a US$15,000,000 hedging line that allows PCC to enter into forward purchase and sales contracts and 3) up to US$20,000,000 for physical grain purchase transactions for canola seed.

Under the terms of the agreements with Macquarie Bank, the shareholders of PCC, including the Company, may be required to contribute to PCC up to US$4,000,000 in additional equity in the event PCC’s working capital were to be less than a specified amount. In addition, the Company has pledged for the benefit of Macquarie Bank letters of credit in the principal amount of US$6,000,000, drawn under the Company’s principal credit facility. In connection with the Company’s agreement to pledge the letters of credit, PCC's other equity partner acquired from the Company one additional PCC membership unit for US$1,000,000 subject to adjustment in certain limited circumstances. The acquisition decreases the Company's ownership in PCC to 84%.

Concurrently with PCC entering into the new credit agreement with Macquarie Bank, certain of the financial covenants under PCC’s US$59,000,000 senior credit facility were amended to, including other matters, remove the minimum owner’s equity ratio and current ratio and conform the minimum working capital requirements and net worth covenant to those of the new Macquarie Bank facility. In addition, the first monthly repayment under the senior credit facility was deferred from January 1, 2014 to April 1, 2014.