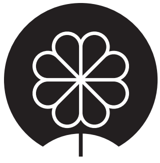

LASSONDE INDUSTRIES INC.

Consolidated financial statements report

Years ended December 31, 2018 and 2017

Message to Shareholders

Dear Shareholders,

As Chairman of the Board and Chief Executive Officer of Lassonde Industries Inc., I am pleased to present the financial results for the 2018 fourth quarter and fiscal year.

In 2018, the Company completed the acquisition of Old Orchard Brands, LLC ("OOB") for a total cash consideration of US$152.8 million, including US$2.8 million in working capital adjustments. A contingent consideration of up to US$10.0 million may be payable over the next two years subject to specified financial milestones based on OOB's adjusted EBITDA. Moreover, an amount of US$4.2 million was paid to settle the charges related to the acquisition and its financing. The Company recognized this business combination using the acquisition method in accordance with the provisions of IFRS 3. Therefore, the 2018 consolidated financial statements include the results of OOB from May 31, 2018 to December 31, 2018 and certain transaction fees related to the acquisition. Note 6 to the 2018 consolidated financial statements contains additional information about the acquisition, including information on the acquisition financing and related costs.

For 2018, the Company's sales totalled $1,594.0 million, up $67.9 million or 4.4% from $1,526.1 million in 2017. Sales from OOB added $66.9 million to the Company's 2018 sales. Excluding OOB's sales and a $1.0 million unfavourable foreign exchange impact, the Company's sales increased by $2.0 million (0.1%) year over year, largely due to higher sales of private label products partly offset by a decrease in the sales of national brands.

The Company's 2018 operating profit totalled $105.2 million, down $28.1 million from $133.3 million last year. During 2018, the Company incurred $2.0 million in expenses related to the OOB acquisition. As for OOB, it posted $0.9 million in operating profit, which includes a $0.8 million expense as inventory was stepped up as part of the allocation of the acquisition purchase price. Excluding the impacts of the OOB acquisition and of a $0.6 million gain on capital assets recognized in 2017, the Company's operating profit was down $26.4 million year over year. This decrease came mainly from a lower contribution margin realized by U.S. operations largely resulting from a notable increase in transportation costs and higher input costs combined with a more difficult competitive environment. These items were partly offset by lower performance related salary expenses. As for the Canadian operations, the contribution margin is higher than last year, mostly due to lower performance related salary expenses, improved performance by specialty food product operations, a favourable foreign exchange impact on hedged U.S.-dollar purchases, and a favourable decision by a U.S. administrative tribunal on the tariff classifications of certain products. This decision has reduced customs duties paid in previous years. These items were partly offset by higher transportation costs.

The Company's financial expenses went from $12.2 million in 2017 to $15.1 million in 2018. This increase is due to $5.6 million in interest expenses related to the financing of the OOB acquisition. Excluding these interest expenses, financial expenses were down $2.7 million, essentially due to a $1.3 million decrease in the amortization of transaction costs and a $1.0 million decrease in interest on long-term debt.

"Other (gains) losses" went from a $0.3 million gain in 2017 to a $1.1 million loss in 2018. The 2017 gain was essentially due to foreign exchange gains while the 2018 loss was mainly due to a $1.5 million loss resulting from a change in the fair value of financial instruments partly offset by $0.4 million in foreign exchange gains.

Profit before income taxes stood at $88.9 million in 2018, down $32.4 million from $121.3 million in 2017.

Income tax expense went from $25.8 million in 2017 to $20.9 million in 2018. At 23.5%, the 2018 effective income tax rate was higher than the 21.3% rate in 2017. It should be noted that an $11.3 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities was recognized in 2017. This downward adjustment to deferred tax liabilities came from a reduction to the U.S. federal corporate tax rate following the U.S. tax reform adopted in December 2017. Excluding the impact of this adjustment, the 2017 adjusted effective income tax rate would have been 30.6%. When compared to the 2017 adjusted effective income tax rate, the 2018 lower effective income tax rate mainly reflects the impact of a reduced tax rate arising from the U.S. tax reform.

The 2018 profit totalled $68.0 million, down $27.5 million from $95.5 million in 2017. It should be noted that the 2018 results include $1.4 million, net of tax, in OOB acquisition-related costs, $4.1 million, net of tax, in additional financial expenses related to the financing of the acquisition, and a net loss of $0.6 million from OOB. Excluding the impact of the 2017 adjustment to deferred tax liabilities, the impacts of the OOB acquisition and the gain on capital assets recognized in 2017, the 2018 profit was down $9.5 million year over year.

The 2018 profit attributable to the Company's shareholders was $66.4 million, resulting in basic and diluted earnings per share of $9.50. In 2017, profit attributable to the Company's shareholders had totalled $89.9 million, resulting in basic and diluted earnings per share of $12.87. Excluding the $10.2 million impact resulting from a reduction to deferred tax liabilities, the impacts of the OOB acquisition and the gain on capital assets recognized in 2017, the 2018 profit attributable to the Company's shareholders was down $7.2 million year over year.

Message to Shareholders (continued)

The Company's operating activities generated $114.7 million in cash during 2018, while they had generated $144.9 million in cash during 2017. As for OOB's operating activities, they generated $9.6 million in cash during 2018, leaving a difference of $39.8 million on a comparable basis. Financing activities generated $110.7 million in cash during 2018, while they had used $92.4 million in 2017. During 2018, the cash flows related to the financing of the OOB acquisition were $193.3 million, leaving a difference of $9.8 million on a comparable basis. Investing activities used $232.2 million in cash during 2018 compared to $35.8 million used in 2017. Excluding the $196.9 million in investing cash flows related to the OOB acquisition, investing activities used $0.5 million less cash than in 2017. At year-end 2018, the Company reported a cash and cash equivalents balance of $4.6 million and a bank overdraft of $nil, whereas, at the end of 2017, the cash and cash equivalents balance was $16.2 million and the bank overdraft balance was $5.0 million.

For the fourth quarter of 2018, the Company's sales totalled $426.8 million, up $24.2 million or 6.0% from $402.6 million in the fourth quarter of 2017. Sales from OOB added $25.6 million to the Company's fourth-quarter sales. Excluding OOB's sales and an $8.8 million favourable foreign exchange impact, the Company's fourth-quarter sales were down $10.2 million (2.5%) year over year. This decrease was mainly due to a 7.4% decrease in U.S. sales related to branded products as well as private label products.

The Company's operating profit for the fourth quarter of 2018 totalled $25.7 million, down $16.5 million from $42.2 million in the same quarter last year. As for OOB, it posted a $0.4 million operating loss. Excluding the impact of the OOB acquisition, the Company's fourth-quarter operating profit was down $16.1 million year over year. This decrease was largely due to lower sales and the resulting impact on the recovery of fixed production costs. The 2018 fourth-quarter operating profit was also affected by a significant increase in input costs, particularly apple concentrates and the resin used to manufacture plastic bottles, and by an increase in transportation costs. These items were partly offset by a decrease in performance-related salary expenses.

The Company's financial expenses went from $2.9 million in the fourth quarter of 2017 to $4.5 million in the fourth quarter of 2018. Excluding $2.5 million in interest expense related to the financing of the OOB acquisition, financial expenses were down $0.9 million. This decrease came essentially from a $0.4 million decrease in the amortization of transaction costs and a $0.3 million increase in interest income.

"Other (gains) losses" went from a $0.1 million gain in the fourth quarter of 2017 to a $0.8 million loss in the fourth quarter of 2018. The 2017 fourth-quarter gain was essentially due to foreign exchange gains while the 2018 fourth-quarter loss was mainly due to a $1.4 million loss resulting from a change in the fair value of financial instruments, partly offset by $0.6 million in foreign exchange gains.

Profit before income taxes stood at $20.4 million in the fourth quarter of 2018, down $19.0 million from $39.4 million in the fourth quarter of 2017.

Income tax expense went from a $0.4 million credit in the fourth quarter of 2017 to a $4.4 million expense in the fourth quarter of 2018. At 21.3%, the 2018 fourth-quarter effective income tax rate was higher than the -1.0% rate in the same quarter of 2017. It should be noted that an $11.3 million favourable non-cash adjustment to the deferred tax liabilities of the U.S. entities was recognized in 2017. This downward adjustment to deferred tax liabilities came from a reduction to the U.S. federal corporate tax rate following the U.S. tax reform adopted in December 2017. Excluding the impact of this adjustment, the 2017 fourth-quarter adjusted effective income tax rate would have been 27.8%. When compared to the 2017 fourth-quarter adjusted effective income tax rate, the lower 2018 fourth-quarter effective income tax rate mainly reflects the impact of a reduced tax rate following the U.S. tax reform.

The 2018 fourth-quarter profit totalled $16.1 million, down $23.7 million from $39.8 million in the fourth quarter of 2017. It should be noted that the current quarter's results include $1.8 million, net of tax, in additional financial expenses related to the financing of the acquisition, and a net loss of $1.4 million from OOB. Excluding the impact of the 2017 adjustment to deferred tax liabilities and the impacts of the OOB acquisition, the 2018 fourth-quarter profit was down $9.2 million year over year.

The 2018 fourth-quarter profit attributable to the Company's shareholders was $15.8 million, resulting in basic and diluted earnings per share of $2.26. In the fourth quarter of 2017, profit attributable to the Company's shareholders had totalled $37.2 million, resulting in basic and diluted earnings per share of $5.32. Excluding the $10.2 million impact related to an adjustment to deferred tax liabilities in 2017 and the impacts of the OOB acquisition, the 2018 fourth-quarter profit attributable to the Company's shareholders was down $8.3 million year over year.

Message to Shareholders (continued)

The Company noted that, in the U.S. market, industry volumes for the fruit juice and drinks market were down slightly for the twelve-month period ended December 31, 2018. In the Canadian market, the situation was different, as industry sales rose slightly when compared to the same twelve-month period last year. Specifically, the Company's 2018 sales were up 4.4% year over year. Excluding foreign exchange impacts and the impact of the OOB acquisition, the adjusted year-over-year sales increase was 0.1%. Barring any significant external shocks (and excluding foreign exchange impacts and the impact of the OOB acquisition to maintain a comparable basis), the Company expects that, for 2019, its consolidated annual sales growth rate will be slightly above that of 2018.

The Company remains concerned about the significant cost increases affecting transportation. It also notes that the high costs for resin and other raw materials purchased in the fourth quarter will have an unfavourable impact on cost of sales in the first quarter of 2019, while second-quarter costs should be closer to historical averages. The Company expects its selling price increases to gradually take effect in 2019, but it must remain cautious in a competitive environment that has become more difficult due, among other factors, to an ownership change affecting its largest U.S. competitor. The Company is also paying close attention to the potential impacts of the recent changes made to Canada's Food Guide.

The Company expects its use of investing cash flows to be higher in 2019 than the average of the past five years, as two major investment projects will be undertaken to provide the Company with additional capacity for fruit juice and drinks and specialty food products. The Company believes that its use of investing cash flows could reach between $45 million and $55 million in 2019. These disbursements will have a limited impact on the Company's profit for 2019 and will primarily affect its cash flows.

Finally, I would like thank each and every one of you for your contribution to Lassonde's success. While 2018 was a difficult year, you can rest assured that we are working diligently to overcome the market challenges and ensure that the Company has as much success in its second century of business as it did in its first.

PIERRE-PAUL LASSONDE

Chairman of the Board
and Chief Executive Officer

Lassonde Industries Inc.
755 Principale Street
Rougemont (Quebec)
J0L 1M0

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Independent Auditor's Report

To the Shareholders of Lassonde Industries inc.

Opinion

We have audited the consolidated financial statements of Lassonde Industries inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brigitte Chartier.

/ s / Deloitte LLP [(1)]

March 29, 2019

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(1) CPA auditor, CA, public accountancy permit No. A116933

Consolidated Statements of Income

(in thousands of Canadian dollars unless otherwise indicated)
(audited)

	Notes	Years ended Dec. 31, 2018	Dec. 31, 2017
		$	$
Sales	4, 7	**1,593,996**	1,526,148
Cost of sales		**1,166,159**	1,088,076
Selling and administrative expenses		**322,621**	305,378
(Gains) losses on capital assets	9	**24**	(596)
		1,488,804	1,392,858
Operating profit		**105,192**	133,290
Financial expenses	10	**15,136**	12,216
Other (gains) losses	11	**1,110**	(250)
Profit before income taxes		**88,946**	121,324
Income tax expense	12	**20,931**	25,826
Profit		**68,015**	95,498
Attributable to:			
Company's shareholders		**66,382**	89,949
Non-controlling interest	23	**1,633**	5,549
		68,015	95,498
Basic and diluted earnings per share (in $)	23	**9.50**	12.87
Weighted average number of shares outstanding (in thousands)		**6,987**	6,988

Additional information on income is presented in Notes 8 and 26.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)
(audited)

	Notes	Years ended Dec. 31, 2018	Dec. 31, 2017
		$	$
Profit		**68,015**	95,498
Other comprehensive income:			
To be reclassified subsequently to profit or loss:			
Net change in cash flow hedge:			
Gains (losses) on financial instruments designated as hedges		**(936)**	(9,241)
Reclassification of (gains) losses on financial instruments designated as hedges [i]		**(561)**	520
Income tax expense	12	**384**	2,469
		(1,113)	(6,252)
Translation difference:			
Exchange difference on translating foreign operations		**41,995**	(29,675)
		40,882	(35,927)
Not to be reclassified subsequently to profit or loss:			
Net change in the cash flow hedge of non-financial assets:			
Gains (losses) on financial instruments designated as hedges [i]		**11,482**	-
Income tax expense	12	**(3,000)**	-
		8,482	-
Benefit cost of the defined benefit plans:			
Remeasurements of the net defined benefit asset or liability	26	**3,067**	(3,820)
Income tax expense	12	**(785)**	990
		2,282	(2,830)
		10,764	(2,830)
Total other comprehensive income (loss)		**51,646**	(38,757)
Comprehensive income		**119,661**	56,741
Attributable to:			
Company's shareholders		**113,637**	54,168
Non-controlling interest	23	**6,024**	2,573
		119,661	56,741

[i] Following the adoption of IFRS 9 on January 1, 2018, reclassifications of (gains) losses on financial instruments designated as hedges for non-financial assets are now presented in shareholders' equity as transfer of cash flow hedge (gains) losses to non-financial assets, as presented in Note 4.2.2.

Lassonde Industries Inc.

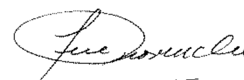
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)
(audited)

	Notes	As at Dec. 31, 2018	As at Dec. 31, 2017
		$	$
Assets			
Current			
Cash and cash equivalents		**4,575**	16,234
Accounts receivable	14	**147,137**	131,636
Income tax recoverable		**5,613**	900
Inventories	15	**238,667**	207,849
Derivative instruments		**8,271**	270
Other current assets	16	**12,708**	12,447
		416,971	369,336
Derivative instruments		**-**	1,041
Property, plant and equipment	17	**305,581**	273,306
Intangible assets	18	**271,423**	199,785
Net defined benefit asset	26	**6,704**	11,888
Other long-term assets		**1,113**	921
Goodwill	19	**316,814**	199,434
		1,318,606	1,055,711
Liabilities			
Current			
Bank overdraft		**-**	4,998
Accounts payable and accrued liabilities	20	**210,203**	195,578
Income tax payable		**3,148**	5,937
Derivative instruments		**1,719**	5,354
Other current liabilities		**1,130**	1,270
Current portion of long-term debt	21	**24,580**	9,807
		240,780	222,944
Derivative instruments		**1,114**	102
Net defined benefit liability	26	**1,007**	4,228
Long-term debt	21	**297,267**	158,915
Deferred tax liabilities	12	**54,959**	44,560
Other long-term liability	22	**1,228**	-
		596,355	430,749
Shareholders' equity			
Share capital	23	**48,678**	48,864
Contributed surplus		**1,380**	1,382
Accumulated other reserves	24	**96,466**	51,762
Retained earnings		**521,769**	477,576
Non-controlling interest	23	**53,958**	45,378
		722,251	624,962
		1,318,606	1,055,711

Approved by the Board of Directors

Pierre-Paul Lassonde
Director



Luc Provencher
Director

Consolidated Statements of Shareholders' Equity

(in thousands of Canadian dollars)
(audited)

	Attributable to the Company's shareholders					
	Share capital	**Contributed surplus**	**Accumulated other reserves** [i]	**Retained earnings**	**Non-controlling interest**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance as at December 31, 2017	**48,864**	**1,382**	**51,762**	**477,576**	**45,378**	**624,962**
Restatement [ii]	**-**	**-**	**15**	**(310)**	**(33)**	**(328)**
Balance as at January 1, 2018	**48,864**	**1,382**	**51,777**	**477,266**	**45,345**	**624,634**
Profit	**-**	**-**	**-**	**66,382**	**1,633**	**68,015**
Other comprehensive income	**-**	**-**	**45,266**	**1,989**	**4,391**	**51,646**
Transfer of cash flow hedge (gains) losses to non-financial assets	**-**	**-**	**(577)**	**-**	**-**	**(577)**
Dividends	**-**	**-**	**-**	**(21,240)**	**-**	**(21,240)**
Repurchase of Class A shares [iii]	**(186)**	**(2)**	**-**	**(2,628)**	**-**	**(2,816)**
Investment of the non-controlling interest [iv]	**-**	**-**	**-**	**-**	**2,589**	**2,589**
Balance as at December 31, 2018	**48,678**	**1,380**	**96,466**	**521,769**	**53,958**	**722,251**
Balance as at December 31, 2016	48,864	1,382	84,743	406,779	43,813	585,581
Profit	-	-	-	89,949	5,549	95,498
Other comprehensive income (loss)	-	-	(32,981)	(2,800)	(2,976)	(38,757)
Dividends	-	-	-	(16,352)	(1,008)	(17,360)
Balance as at December 31, 2017	48,864	1,382	51,762	477,576	45,378	624,962

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 24.

ii) Additional information about the restatement is presented in Note 4.2.1.

iii) Additional information about the repurchase of Class A shares is presented in Note 23.5.

iv) Additional information about the investment of the non-controlling interest is presented in Note 23.8.

Additional information on shareholders' equity is presented in Note 23.

Lassonde Industries Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(audited)

	Notes	Years ended Dec. 31, 2018	Dec. 31, 2017
		$	$
Operating activities			
Profit		**68,015**	95,498
Adjustments for:			
Income tax expense	12	**20,931**	25,826
Interest expense		**14,464**	11,508
Depreciation of property, plant and equipment and amortization of intangible assets	8	**48,752**	45,214
Amortization of unearned discounts and unused tax credits		**(279)**	(550)
Change in fair value of financial instruments	11	**1,541**	(19)
Cost of the defined benefit plans recognized in profit or loss, net of contributions		**4,841**	(2,457)
(Gains) losses on capital assets		**24**	(596)
Unrealized foreign exchange (gains) losses		**853**	(1,697)
		159,142	172,727
Change in non-cash operating working capital items	25	**(7,822)**	5,078
Income tax received		**790**	1,570
Income tax paid		**(23,696)**	(24,997)
Interest received		**155**	68
Interest paid		**(13,922)**	(9,362)
Settlements of derivative instruments		**38**	(185)
		114,685	144,899
Financing activities			
Change in revolving operating credit, net of transaction costs		**20,616**	(2,692)
Increase in long-term debt, net of transaction costs		**185,559**	(109)
Repayment of long-term debt		**(73,966)**	(72,225)
Dividends paid on Class A shares	23	**(9,832)**	(7,571)
Dividends paid on Class B shares	23	**(11,408)**	(8,781)
Investment of the non-controlling interest	23	**2,589**	-
Dividends paid to the non-controlling interest	23	**-**	(1,008)
Repurchase of Class A shares	23	**(2,816)**	-
		110,742	(92,386)
Investing activities			
Consideration paid on a business combination, net of acquired cash on hand	6	**(196,861)**	-
Acquisition of property, plant and equipment		**(33,667)**	(37,223)
Acquisition of intangible assets		**(1,776)**	(762)
Net proceeds from the disposal of property, plant and equipment		**97**	2,185
		(232,207)	(35,800)
Increase (decrease) in cash and cash equivalents		**(6,780)**	16,713
Cash and cash equivalents at beginning		**11,236**	(5,836)
Impact of exchange rate changes on cash and cash equivalents		**119**	359
Cash and cash equivalents at end	25	**4,575**	11,236

Additional cash flow information is presented in Note 25.

Notes to the Consolidated Financial Statements

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Note 1. Description of the Business

Lassonde Industries Inc. is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange. The head office is located at 755 Principale Street in Rougemont, Quebec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, "the Company") develop, manufacture and market a wide range of ready-to-drink fruit and vegetable juices and drinks as well as frozen juice concentrates in North America. The Company is one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States and a major producer of cranberry sauces. Furthermore, the Company develops, manufactures and markets specialty food products such as fondue broths and sauces as well as pasta sauces. In addition, it imports selected wines from several countries of origin for packaging and marketing purposes. It also produces apple cider and cider-based beverages.

Note 2. Accounting Policies

The Company's Board of Directors approved these consolidated financial statements on March 29, 2019. They have been prepared in accordance with the in-force or early-adopted International Financial Reporting Standards ("IFRS") and interpretations applicable as at December 31, 2018.

The below-described significant accounting policies have been applied to all of the periods presented in these consolidated financial statements.

2.1 Basis of preparation

These consolidated financial statements have been prepared using the going concern assumption and the historical cost method except for the net defined benefit asset or liability and certain financial instruments, for which the accounting treatments are described in Notes 2.18, 2.19 and 2.20.

2.2 Functional and presentation currency

These consolidated financial statements are presented using the Company's functional currency, which is the Canadian dollar. Each entity of the Company determines its own functional currency, and the financial statement items of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.3 Foreign currency translation

Monetary assets and liabilities that are denominated in a currency other than the Company's functional currency ("foreign currency") are translated using the exchange rate in effect on the reporting date, whereas non-monetary items denominated in foreign currency are translated using historical exchange rates. Revenues and expenses in foreign currency are translated at the exchange rate in effect on the transaction date, except for depreciation and amortization, which are translated using historical exchange rates. Exchange gains and losses arising from the translation of these items and transactions are recognized in profit or loss in the period in which they arise in other (gains) losses.

The assets and liabilities of a foreign operation with a functional currency different from that of the Company are translated using the exchange rate in effect on the reporting date. Revenues and expenses are translated using the exchange rate in effect on the transaction date. Exchange differences arising from the translation of a foreign operation are recognized in other comprehensive income. Upon complete or partial disposal of the investment in the foreign operation, the foreign currency translation reserve or a portion of it will be recognized in profit or loss in other (gains) losses.

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets transferred by the acquirer. The Company recognizes the fair value of the contingent consideration at the acquisition date as being part of the consideration transferred for the acquired business. The Company recognizes, as an asset, a right to the return of a previously transferred consideration if specific conditions are met. For each business combination, the Company chooses to measure non-controlling interests at either fair value or according to the proportionate share in the acquiree's net identifiable assets. Costs related to business combinations are recognized in profit or loss as incurred.

On the acquisition date, the identifiable assets acquired and liabilities assumed as well as identifiable contingent liabilities are accounted for at fair value on that date. Deferred tax assets and liabilities may be generated and are accounted for in the manner described in Note 2.8.2. The acquiree's earnings are included in the Company's consolidated profit or loss as of the acquisition date.

Goodwill is measured as the amount by which the consideration transferred and the total amount of any non-controlling interest exceeds the fair value of all the identified assets and liabilities. If, on the acquisition date, the net balance of the identifiable assets acquired and liabilities assumed exceeds the consideration transferred, this excess amount is immediately recognized in profit or loss as a gain on a bargain purchase business combination. Goodwill is initially recognized at cost as an asset and is subsequently measured at cost less accumulated impairment. Goodwill is not amortized but is tested for impairment annually.

2.5 Consolidation

2.5.1 Subsidiaries

A subsidiary is an entity controlled directly by the Company or indirectly through its subsidiaries. Control is achieved when the Company:

- Holds power over the entity;
- Is exposed or has rights to variable returns from its involvement with the entity; and
- Has the ability to use its power over the entity to affect the amount of returns it obtains.

The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the above-listed points have changed.

These consolidated financial statements include the accounts of Lassonde Industries Inc. and the accounts of its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until the date the Company ceases to have control. All intercompany balances, revenues and expenses and cash flows are fully eliminated upon consolidation. When necessary, adjustments are made to the financial statements of the subsidiaries in order to align their accounting policies with those of Lassonde Industries Inc.

2.5.2 Non-controlling interests

Non-controlling interests are recognized in equity separately from the equity attributable to the Company's shareholders and correspond to the share of the shareholders' equity of the subsidiaries concerned.

Changes in the Company's ownership interests in a subsidiary that do not result in loss of control over that subsidiary are recognized in shareholders' equity. The carrying amounts of equity attributable to the Company's shareholders and of the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

2.6 Recognition of sales – Accounting policies applied to the year ended December 31, 2018

The Company recognizes revenue from contracts with customers when the transfer of control has occurred and in an amount equal to the consideration to which the Company expects to be entitled.

2.6.1 Revenues from product sales

Revenues from product sales are recognized when the customer obtains control of the products, which may be when the manufacturing of the goods is complete, when the goods leave the Company's premises, or when the goods are delivered to the customer, according to the terms of the contact.

Revenues from product sales are recognized at the amount of consideration to which the Company expects to be entitled. This amount corresponds to the selling price, net of trade spending consisting of rebates or allowances used to promote products and slotting fees incurred to introduce products.

2.6.2 Revenues from the rendering of services

Revenues from the rendering of services consist of the delivery services provided after transfer of control of the goods has occurred. They are recognized upon delivery of the goods to the client, separately from revenues generated by product sales. Shipping and handling fees related to those revenues are classified as selling and administrative expenses in the Consolidated Statement of Income.

2.7 Recognition of sales – Accounting policies applied to the year ended December 31, 2017

All of the following conditions must be met to recognize revenues:

- The Company has transferred the significant risks and rewards of ownership of the goods to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of the sale can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.7.1 Revenues from product sales

Revenues from product sales are recognized at the fair value of the consideration received or receivable, net of trade spending consisting of rebates or allowances used to promote products and slotting fees incurred to introduce national brand products.

Revenues from product sales for which the terms of sale transfer the significant risks and rewards of ownership of the goods to the buyer at the shipping point are recognized when the goods leave the Company's premises. For sales where the significant risks and rewards of ownership of the goods are transferred to the buyer at the destination point, revenues are recognized upon delivery of the goods to the client.

2.7.2 Revenues from the rendering of services

Revenues from the rendering of services are recognized at the fair value of the consideration received or receivable and include revenues from delivery services and storage revenues, among others. Revenues from delivery services to clients whose terms of sale transfer the significant risks and rewards of ownership of the goods to the buyer at the shipping point are recognized upon delivery of the goods to the client, separately from revenues generated by product sales. Shipping and handling fees related to those revenues are classified as selling and administrative expenses in the Consolidated Statement of Income.

2.8 Income tax expense

Income tax expense consists of current tax and deferred tax. Taxes are recognized in profit or loss except when they are related to items recognized directly in shareholders' equity or in other comprehensive income, in which case they are recognized directly in shareholders' equity or in other comprehensive income, in accordance with the accounting treatment of the item to which they relate.

2.8.1 Current tax

Current tax consists of tax payable or receivable on the taxable income for the period, using the enacted or substantively enacted tax rates and laws at the reporting date, as well as adjustments to the income tax payable or receivable of prior years. With respect to income tax recoverable or payable recognized in the Consolidated Statement of Financial Position, they include the prepayments made during the period.

Taxable income for the period differs from the profit before income taxes item on the Consolidated Statement of Income because it excludes revenue and expense items that will be taxable or deductible in other fiscal years as well as items that are neither taxable nor deductible and includes revenue and expense items of previous years that are taxable or deductible during this fiscal year.

Management periodically reassesses the positions adopted in tax returns in instances where tax regulations leave room for interpretation. Liabilities are recognized, as needed, based on the amounts expected to be paid to the taxation authorities.

2.8.2 Deferred tax

Deferred tax is recognized on the temporary differences, arising from items that are treated differently for tax and accounting purposes, between the carrying amounts of the assets and liabilities presented in the Consolidated Statement of Financial Position and the corresponding tax bases used for tax purposes. The tax effects of these differences are reflected in the Consolidated Statement of Financial Position as deferred income tax assets and liabilities. Deferred tax assets also include unused tax losses and unused tax credits. No deferred tax is recognized for the following items:

- Temporary differences upon the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and
- Taxable temporary differences resulting from the initial recognition of goodwill.

Deferred tax is measured on an undiscounted basis and calculated using the enacted or substantively enacted tax rates and laws at the reporting date that will be in effect when the differences are expected to reverse. The deferred tax assets are recognized to the extent that they are likely to be realized. Unrecognized deferred tax assets are remeasured at each reporting date. For business combinations, the deferred tax assets prior to the acquisition date are remeasured.

A deferred tax liability is recognized for all taxable temporary differences related to interests in subsidiaries when it is probable that the temporary differences will reverse in a foreseeable future.

Deferred tax assets and liabilities for which there is a right of set-off according to a same taxation authority are presented on a net basis in the Consolidated Statement of Financial Position, and this applies to a same taxable entity or to different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle liabilities simultaneously.

2.9 Earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the Company's shareholders by the weighted average number of shares outstanding for the period. Diluted earnings per share is determined using the same method as basic earnings per share, except that the weighted average number of shares outstanding includes the potential dilutive effect of stock options granted by the Company.

2.10 Cash and cash equivalents

The cash and cash equivalents item includes cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant. Bank overdrafts are presented as current liabilities.

2.11 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories is determined on a first-in, first-out basis. It includes acquisition costs net of discounts, processing costs, and other costs incurred to bring inventories to their present location and condition. The cost of finished goods includes a pro rata share of production overhead based on normal production capacity. It may also include, coming from the hedging reserve item of shareholders' equity, foreign exchange gains and losses on foreign exchange forward contracts used to hedge exchange rate fluctuations affecting inventories purchased in foreign currencies and gains and losses on all other derivative instruments used to hedge price fluctuations affecting raw materials purchases.

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the costs directly attributable to the acquisition of property, plant and equipment incurred up until the time it is in the condition necessary to be operated in the manner intended by management. Government grants received or receivable to acquire property, plant and equipment are recognized as a reduction to the cost. It may also include, coming from the hedging reserve item of shareholders' equity, foreign exchange gains and losses on foreign exchange forward contracts used to hedge exchange rate fluctuations affecting property, plant and equipment purchases denominated in foreign currencies. When an item of property, plant and equipment is made up of components that have differing useful lives, cost is allocated among the different components that are depreciated separately.

Parts of certain property, plant and equipment items may need to be replaced at regular intervals. The cost of replacing a part of property, plant and equipment that is already in the condition necessary to be operated in the manner intended by management is added to the carrying amount of the property, plant and equipment or recognized as a separate component, where applicable, only if it is probable that the economic benefits associated with the cost will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other day-to-day maintenance costs are recognized in profit or loss in the period in which they are incurred.

A gain or loss on the disposal or retirement of an item of property, plant and equipment, which is the difference between the proceeds from the disposal and the carrying amount of the asset, is recognized in profit or loss in (gains) losses on capital assets.

Depreciation is calculated using the following depreciation methods over the estimated useful life of each component or at the following rates:

Categories	Depreciation methods	Estimated useful lives or rates
Land and buildings		
Land	-	-
Parking	Declining balance	10 to 20%
Buildings	Declining balance and straight-line	3% 15 to 40 years
Leasehold improvements	Straight-line	Lease term
Machinery and equipment		
Machinery and equipment	Straight-line	3 to 40 years
Laboratory equipment	Straight-line	10 years
Other		
Office furniture	Straight-line	5 to 15 years
Automotive equipment	Straight-line	5 to 15 years
Computer equipment	Straight-line	3 to 5 years

Depreciation methods, estimated useful lives, rates and residual values are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment in progress is not depreciated until it can be operated in the manner intended by management and includes deposits paid on a purchase of property, plant and equipment.

2.13 Leases

The Company accounts for a leased asset as a finance lease when substantially all of the risks and rewards of ownership of the asset have been transferred to the Company. The transfer of ownership of the asset may or may not occur at the end of the lease term. The asset is initially recognized at the lower of the fair value of the leased asset at the inception of the lease and of the present value of the minimum lease payments. The corresponding debt owed to the lessor appears in the Consolidated Statement of Financial Position within long-term debt. Lease payments are allocated between financial expenses and repayment of the lease liability so as to achieve a constant rate of interest on the principal amount outstanding. Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or depreciated over the lease term, if the lease term is shorter and if the lease does not transfer ownership of the leased asset or include a purchase option.

All other leases are classified as operating leases. Rent is recognized in profit or loss on a straight-line basis over the corresponding lease term.

2.14 Government grants

Government grants are recognized only when the Company has reasonable assurance that it meets the conditions and will receive the grants. Government grants related to assets, including investment tax credits, are recognized in the Consolidated Statement of Financial Position as a deduction from the carrying amount of the related asset. They are then recognized in profit or loss over the estimated useful life of the depreciable asset that the grants were used to acquire, as a deduction from the depreciation expense.

Other government grants are recognized in profit or loss as a deduction from the related expenses.

2.15 Intangible assets

Intangible assets consist of identifiable intangible assets acquired in a business combination and of intangible assets acquired separately.

2.15.1 Identifiable intangible assets acquired in a business combination

Identifiable intangible assets acquired in a business combination are recognized separately from goodwill if they meet the definition of intangible asset and if their fair value can be measured reliably. The cost of these intangible assets equals their acquisition-date fair value. After initial recognition, these intangible assets are recognized at cost less accumulated amortization, if they are amortizable, and less accumulated impairment losses.

2.15.2 Intangible assets acquired separately

Intangible assets acquired separately are recognized at cost less accumulated amortization, if they are amortizable, and less accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Categories	Estimated useful lives
Technologies and software	3 to 15 years
Trademarks and trade name	20 years
Client relationships	5 to 15 years
Certifications	10 years
Non-compete agreements	1 to 5 years

The amortization method and estimated useful lives are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

2.16 Impairment of non-financial assets

2.16.1 Property, plant and equipment and intangible assets

On each reporting date, the Company reviews the carrying amounts of property, plant and equipment and of intangible assets for indications that these assets have lost value. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the amount of any impairment loss. If the recoverable amount of the individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest CGU group for which a reasonable and consistent basis of allocation can be identified.

Recoverable amount is the higher of fair value less disposal costs and value in use. To measure value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the estimated recoverable amount of an asset or of a CGU is less than its carrying amount, the carrying amount of the asset or of the CGU is reduced to its recoverable amount and an impairment loss is recognized in profit or loss in (gains) losses on capital assets.

When an impairment loss subsequently reverses, the carrying amount of the asset or of the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the CGU in prior years. Reversals of impairment losses are then recognized in profit or loss in (gains) losses on capital assets.

2.16.2 Goodwill

Goodwill is tested for impairment annually or more frequently whenever events or circumstances indicate that it may have lost value.

Goodwill is allocated to the Company's subsidiaries, that is, the CGUs that benefit from the synergies of the business combination. The Company looks for impairment by determining whether the carrying amount of the CGU to which the goodwill is related exceeds its recoverable amount. If impairment is identified, the impairment loss is initially attributed to goodwill and any excess amount is attributed proportionally to the carrying amount of the CGU's assets.

Any impairment of goodwill is recognized in profit or loss in the period in which it is identified in (gains) losses on capital assets. Goodwill impairment losses are not reversed in subsequent periods.

2.17 Provisions

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, if it is more likely than not that the Company will be required to settle the obligation, and if a reliable estimate of the obligation amount can be made.

The amount recognized as a provision represents the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties related to the obligation. If the effect of the time value of money is material, the provisions are measured at their present value, and the increase in the provision due to the passage of time is recognized in financial expenses.

A provision for onerous contracts is measured and recognized when the Company has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.18 Post-employment benefits

2.18.1 Defined contribution plans

The Company recognizes the contributions made under defined contribution plans in profit or loss in the period in which the employees rendered service entitling them to the contributions. The Company has no legal or constructive obligation to pay additional amounts other than those set out in the plans.

2.18.2 Defined benefit plans

On each annual reporting date, independent actuaries extrapolate the data of the most recent full actuarial valuation to measure, for accounting purposes, the present value of the defined benefit obligation and the fair value of the pension plan assets.

The present values of the defined benefit obligation, the current service cost and, if applicable, the past service cost are actuarially determined using the projected unit credit method based on management's best-estimate assumptions on the discount rate, the expected rate of compensation increase, the indexation rate of pensions paid and the mortality table.

Management chooses the discount rate based on a review of the current market interest rates on investment-grade fixed-rate corporate bonds, which are rates adjusted to reflect the duration of the expected future cash outflows of retirement benefit payments.

The net defined benefit asset or liability recognized in the Consolidated Statement of Financial Position corresponds to the fair value of the defined benefit plan assets net of the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the present value of the economic benefits available in the form of refunds from the plans or in the form of reductions in future contributions to the plans.

The cost components of the defined benefit plans are recognized as follows:

- Service cost is recognized in profit or loss. It comprises:
  - Current service cost;
  - Past service cost recognized in profit or loss in the period in which the plan is amended; and
  - Gains or losses resulting from a plan settlement recognized in profit or loss in the period in which the plan settlement occurs.
- Net interest on the net defined benefit liability (asset) is recognized in profit or loss. It is calculated by multiplying the net defined benefit liability (asset) by the discount rate.
- Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income. They are recognized in retained earnings in the Consolidated Statement of Shareholders' Equity and comprise:
  - Actuarial gains and losses arising from experience adjustments and from changes in financial and demographic assumptions;
  - The return on defined benefit plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
  - Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

2.19 Financial instruments - Accounting policies applied to the year ended December 31, 2018

2.19.1 Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset for one entity and to a financial liability or equity instrument for another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial assets and financial liabilities, including derivatives, are recognized in the Consolidated Statement of Financial Position when the Company becomes party to the contractual provisions that create and define the financial instrument.

2.19.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

2.19.3 Financial instrument classification

On initial recognition, all financial instruments are measured at fair value. Financial assets are subsequently classified as measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. The Company classifies its financial assets according to the business model used to manage these financial assets and to the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost or at fair value through profit or loss.

The Company has made the following classifications:

- Cash and cash equivalents, accounts receivable, bank overdraft, accounts payable and accrued liabilities as well as long-term debt are classified as subsequently measured at amortized cost using the effective interest rate method; and
- Derivative instruments not designated in hedge accounting relationships are, classified as subsequently measured at fair value through profit or loss. Gains and losses arising from periodic remeasurement are recognized in profit or loss in other (gains) losses.

2.19.4 Impairment of financial assets

On initial recognition and at each reporting date, the Company estimates expected credit losses for financial assets classified at amortized cost. These expected credit losses are measured using a historical credit loss experience matrix and are adjusted to reflect receivable-specific factors, general economic conditions, and an assessment of both the current and projected direction of economic conditions at the reporting date, including the time value of money, if applicable. The net change in expected credit losses on financial assets classified at amortized cost is recognized in profit or loss.

2.19.5 Non-interest-bearing financing

When a non-interest-bearing borrowing is obtained, to the extent it was received as a grant related to an asset, the difference between the fair value of the borrowing and the consideration received is accounted for as a deduction from the carrying amount of the related asset in the Consolidated Statement of Financial Position; if not, the difference is recognized in profit or loss. The difference accounted for as a deduction from the carrying amount of the related asset is then recognized in profit or loss over the estimated useful life of the depreciable asset as a reduced depreciation expense.

2.19.6 Changes to financial liabilities

The Company derecognizes a financial liability only when the liability is extinguished and the obligation specified in the contract is either discharged, cancelled or expired. An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification to the terms of a financial liability is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of an extinguished financial liability and the fair value of a new financial liability is recognized in profit or loss and unamortized transaction costs.

2.19.7 Transaction costs directly attributable to arranging financing

Transaction costs that are directly attributable to arranging financing or to modifying such financing without it resulting in derecognition are recognized as a reduction to the carrying value of the corresponding financial liability and amortized over the term of the financing agreement using the effective interest rate method. However, transaction costs that are directly attributable to arranging a long-term revolving operating credit facility are recognized as other long-term assets in the Consolidated Statement of Financial Position and amortized on a straight-line basis over the term of the credit facility. The current portion is presented in other current assets as prepaid expenses.

2.19.8 Transaction costs directly attributable to the issuance of shares

Transaction costs directly attributable to a share issuance are recognized, net of tax, as a reduction to the proceeds of the corresponding share issuance.

2.19.9 Derivative instruments

The Company uses certain derivative instruments to:

- Eliminate or reduce the risks related to exchange rate fluctuations that have an influence on its purchases of raw materials and supplies, its acquisitions of property, plant and equipment, and if applicable, its cash consideration on investments in foreign operations denominated in foreign currencies;
- Eliminate or reduce the risks related to interest rate fluctuations that affect interest expense; and
- Reduce the risk of fluctuations in certain raw material and supply prices.

Management is responsible for establishing levels of acceptable risk and does not use derivative instruments for speculative purposes. The Company uses these financial instruments solely for purposes of hedging highly probable future transactions and existing commitments or obligations.

Gains and losses arising from periodic remeasurements of derivative financial instruments that are economic hedges but that do not qualify for hedge accounting are recognized in profit or loss as other (gains) losses.

2.19.10 Hedge accounting

Documentation

The Company uses hedge accounting when it meets the rules for compliance with hedge accounting standards. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and its strategy for undertaking various hedge transactions. This process includes linking all hedging instruments to specific assets and liabilities in the Consolidated Statement of Financial Position or to specific future transactions. The Company also systematically determines, at the inception of the hedge and thereafter, whether the instruments designated as hedges meet the effectiveness requirements.

Cash flow hedge

The Company uses hedge accounting for its purchases of raw materials and supplies and for its acquisitions of property, plant and equipment as well as to hedge the interest rate risk on its floating-rate term loans.

When the anticipated transactions comprising hedged items lead to the recognition of financial assets or liabilities, the change in fair value related to the effective portion of the hedge is recognized in other comprehensive income, and the accumulated amount is presented as a hedging reserve in the Consolidated Statement of Shareholders' Equity. The amounts accumulated in other comprehensive income are reclassified to profit or loss in the period in which the underlying hedged item has an impact on profit or loss. Any ineffective portion is immediately recognized in profit or loss as other (gains) losses.

When anticipated transactions comprising hedged items lead to the recognition of non-financial assets (for example, inventories), the change in fair value relative to the effective portion of the cash flow hedge is recognized in comprehensive income as other comprehensive income that will not be subsequently reclassified to profit or loss, and the accumulated amount is presented as a hedging reserve in the Consolidated Statement of Shareholders' Equity. The amount included in the accumulated hedging reserve is transferred from shareholders' equity to the initial carrying amount of the hedged non-financial assets upon acquisition and is not recognized in comprehensive income as other comprehensive income.

When the hedging relationship no longer satisfies hedge accounting rules or when the hedging instrument reaches maturity or is sold, terminated, or exercised, the Company ceases to prospectively apply hedge accounting to this relationship or instrument. If the hedged item is a financial asset or liability, accumulated gains or losses remain in the hedging reserve and are reclassified in profit or loss in the same period in which the underlying hedged item is recognized in profit or loss. In the case where the hedged item is a non-financial asset, the accumulated gains or losses remain in the hedging reserve and are transferred from equity to the initial carrying amount of the hedged non-financial assets upon acquisition without being recognized in comprehensive income as other items of comprehensive income. Furthermore, when the Company considers that the future transaction will not be realized, the cumulative gains or losses recognized in the hedging reserve are immediately recognized in profit or loss as other (gains) losses.

2.20 Financial instruments - Accounting policies applied to the year ended December 31, 2017

2.20.1 Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset for one entity and to a financial liability or equity instrument for another entity. Financial instruments in the form of financial assets and financial liabilities are generally presented separately. Financial assets and financial liabilities, including derivatives, are recognized in the Consolidated Statement of Financial Position when the Company becomes party to the contractual provisions that create and define the financial instrument. On initial recognition, all financial instruments are measured at fair value.

2.20.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

2.20.3 Financial instrument classification

A financial instrument or its component parts are classified upon initial recognition as a financial asset or financial liability or as an equity instrument according to the substance of the contractual arrangement. The appropriate classification is determined at the time of initial recognition and is not usually changed thereafter unless the terms of the instrument change.

The Company has made the following classifications:

- Cash and cash equivalents and accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method;
- Derivative instruments not designated in hedge accounting relationships are assets and liabilities held for trading, classified at fair value through profit or loss, and are measured at fair value. Gains and losses arising from periodic remeasurement are recognized in profit or loss in other (gains) losses;
- Bank overdraft, accounts payable and accrued liabilities as well as long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method; and
- Participating loans are designated as financial liabilities at fair value through profit or loss and measured at fair value. Gains and losses resulting from periodic remeasurement are recognized in profit or loss in financial expenses.

2.20.4 Non-interest-bearing financing

When a non-interest-bearing borrowing is obtained, to the extent it was received as a grant related to an asset, the difference between the fair value of the borrowing and the consideration received is accounted for as a deduction from the carrying amount of the related asset in the Consolidated Statement of Financial Position; if not, the difference is recognized in profit or loss. The difference accounted for as a deduction from the carrying amount of the related asset is then recognized in profit or loss over the estimated useful life of the depreciable asset as a reduced depreciation expense.

2.20.5 Transaction costs directly attributable to arranging financing

Transaction costs that are directly attributable to arranging financing that is not designated at fair value through profit or loss or to modifying such financing without it resulting in derecognition are recognized as a reduction to the carrying value of the corresponding financial liability and amortized over the term of the financing agreement using the effective interest rate method. However, transaction costs that are directly attributable to arranging a long-term revolving operating credit facility are recognized as other long-term assets in the Consolidated Statement of Financial Position and amortized on a straight-line basis over the term of the credit facility. The current portion is presented in other current assets as prepaid expenses.

2.20.6 Transaction costs directly attributable to the issuance of shares

Transaction costs directly attributable to a share issuance are recognized, net of tax, as a reduction to the proceeds of the corresponding share issuance.

2.20.7 Derivative instruments

The Company uses certain derivative instruments to:

- Eliminate or reduce the risks related to exchange rate fluctuations that have an influence on its purchases of raw materials and supplies, its acquisitions of property, plant and equipment, and if applicable, its cash consideration on investments in foreign operations denominated in foreign currencies;
- Eliminate or reduce the risks related to interest rate fluctuations that affect interest expense; and
- Reduce the risk of fluctuations in certain raw material and supply prices.

Management is responsible for establishing levels of acceptable risk and does not use derivative instruments for speculative purposes. The Company uses these financial instruments solely for purposes of hedging highly probable future transactions and existing commitments or obligations.

Gains and losses arising from periodic remeasurements of derivative financial instruments that are economic hedges but that do not qualify for hedge accounting are recognized in profit or loss as other (gains) losses.

2.20.8 Hedge accounting

Documentation

The Company uses hedge accounting when it meets the rules for compliance with hedge accounting standards. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and its strategy for undertaking various hedge transactions. This process includes linking all derivative instruments to specific assets and liabilities in the Consolidated Statement of Financial Position or to specific future transactions. The Company also systematically determines, at the inception of the hedge and thereafter, whether the derivative instruments designated as hedges are effective in offsetting changes in the cash flows of the hedged items.

Cash flow hedge

The Company uses hedge accounting for its purchases of raw materials and supplies and for its acquisitions of property, plant and equipment as well as to hedge the interest rate risk on its floating-rate term loans.

The change in fair value related to the effective portion of the hedge is recognized in other comprehensive income, and the accumulated amount is presented as a hedging reserve in the Consolidated Statement of Shareholders' Equity. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the period in which the underlying hedged item has an impact on profit or loss. Any ineffective portion is immediately recognized in profit or loss as other (gains) losses.

When the anticipated transactions that are hedged items result in recognition of non-financial assets (for example, inventories), gains and losses previously recognized in the hedging reserve are included in the initial carrying value of the acquired non-financial assets and are recognized in profit or loss as the hedged non-financial assets are derecognized.

When the hedging relationship no longer satisfies hedge accounting rules or when the hedging instrument reaches maturity or is sold, terminated, or exercised or when its designation has been cancelled, the Company ceases to apply hedge accounting prospectively for this relationship or instrument. The corresponding gains or losses previously recognized in the hedging reserve are kept in the reserve and recognized in profit or loss in the period in which the underlying hedged item is recognized in profit or loss. Furthermore, when the Company considers that the future transaction will not be realized, the corresponding cumulative gains or losses recognized in the hedging reserve are immediately recognized in profit or loss as other (gains) losses.

2.21 Segment disclosures

The business segments are determined based on the Company's internal reporting and management structure. The results of the operating segments are regularly reviewed by the Company's Management Committee to make decisions on resources to be allocated to the segment and to assess its performance, and for which separate financial information is available.

The Company's operations are reported in one segment, i.e., the development, manufacturing and marketing of a wide range of ready-to-drink fruit and vegetable juices and drinks; frozen juice concentrates; and specialty food products; as well as the importation, packaging and marketing of selected wines from several countries of origin. This reporting segment also includes the rendering of services related to the sale of these products. The reporting structure reflects how the Company manages the business and how it classifies its operations for planning and performance measurement purposes. Accordingly, the Company manages its business segment as a single strategic operating unit.

Note 3. Accounting Judgments and Sources of Estimation Uncertainty

In preparing consolidated financial statements in accordance with IFRS, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of the assets, liabilities, revenues and expenses reported in these consolidated financial statements and on the contingent liability and contingent asset information provided. These assumptions and estimates are regularly reviewed and based on past experience and other factors, including future events considered reasonable in the circumstances. The actual results of items subject to assumptions and estimates may differ from these assumptions and estimates.

The main assumptions and estimates are presented below:

3.1 Measurements of revenues from product sales

Revenues from product sales are recognized at the amount of consideration to which the Company expects to be entitled. This amount includes deductions for rebates or allowances that are determined, in some cases, using assumptions based on estimates prepared using the Company's past history and experience.

3.2 Measurements of income tax expense

In preparing its consolidated financial statements, the Company must establish estimates of income tax expense and of deferred tax assets and liabilities based on the tax laws applicable in the jurisdictions where it operates.

Assumptions and estimates are made to determine the deferred tax asset amount that can be recognized based on the timing and amounts of the Company's future taxable income and on future tax strategies. A deferred tax asset amount could change if estimates of expected future taxable income and of expected benefits from tax strategies are revised downwards or if an enacted tax legislation amendment were to limit, with respect to timing or amount, the Company's ability to use future taxable benefits.

When assessing the impacts of tax interpretations, laws and regulations, judgment must also be applied to ensure a complete and reliable presentation of income taxes to be recovered, current income tax, and deferred tax assets and liabilities.

3.3 Measurements of defined benefit assets and liabilities

The Company's measurement of defined benefit plan assets and liabilities requires the use of statistical data and other parameters used to anticipate future changes. These parameters include the discount rate of the defined benefit obligation and the net interest on the net defined benefit liability (asset), the expected rate of compensation increase, the indexation rate of pensions paid, and the mortality table. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to substantial changes to the amount of the benefit cost of the defined benefit plans recognized in profit or loss and in other comprehensive income and to the net defined benefit assets or liabilities presented in the Consolidated Statement of Financial Position.

Refer to Note 26 to learn more about the assumptions used.

3.4 Measurements of non-financial assets

When applying the future discounted cash flows model to determine the fair value of groups of CGUs to which goodwill is allocated, certain parameters must be used, including estimates of future cash flows, discount rates and other variables; a high degree of judgment must therefore be exercised. Impairment tests on property, plant and equipment and intangible assets are also based on assumptions. Any future deterioration of market conditions or poor operational performance could translate into an inability to recover the current carrying amounts of property, plant and equipment and intangible assets.

Refer to Note 19 to learn more about the goodwill impairment test.

3.5 Business combinations

When carrying out a business combination, the Company must make assumptions and estimates to determine the purchase price allocation of the acquired business. The Company must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. Goodwill is measured as the amount by which the consideration transferred and the total amount of any non-controlling interest exceeds the fair value of all the identified assets and liabilities. These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Company's profit or loss.

Refer to Note 6 to learn more about the assumptions and estimates used.

3.6 Fair value measurements of financial instruments classified in Level 3

The Company must make assumptions and estimates when measuring the fair value of the contingent consideration payable to the sellers of Old Orchard Brands, LLC, ("OOB"). The main assumptions and estimates used relate, among other things, to OOB's 2019 expected adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") and the volatility rate thereof. Should the assumptions and estimates used prove to significantly differ from the actual data subsequently observed, the difference would have an impact on the Company's profit and on the amount recorded in the Consolidated Statement of Financial Position.

Refer to Notes 6 and 13 to learn more about the assumptions and estimates used.

Note 4. Adoption of IFRS Standards

4.1 IFRS 15 Revenue From Contracts With Customers

On January 1, 2018, the Company adopted IFRS 15, which applies to fiscal years beginning on or after January 1, 2018. The Company has retrospectively applied IFRS 15, recognizing the cumulative effect of initial application at the date of initial application without restatement of comparative figures as at December 31, 2017.

The adoption of IFRS 15 had no impact on the Company's consolidated financial statements, except for the following disclosure changes:

- The adoption of IFRS 15 changes the Company's sales recognition accounting policies. Before adoption of IFRS 15, revenues had been recognized once a set of conditions were met and at the fair value of the consideration received or receivable. The Company now recognizes revenue from contracts with customers once control is transferred at an amount equal to the consideration to which the Company expects to be entitled; and
- Adoption of IFRS 15 changes the allocation between revenues from product sales and revenues from the rendering of services, as presented in Note 7.

4.2 IFRS 9 Financial Instruments

On January 1, 2018, the Company adopted IFRS 9, which applies to fiscal years beginning on or after January 1, 2018. The Company has retrospectively applied IFRS 9, recognizing the cumulative effect of initial application at the date of initial application without restatement of comparative figures as at December 31, 2017.

4.2.1 Classification and measurement of financial assets and liabilities

Financial instrument classification

The adoption of IFRS 9 changes the Company's financial instrument classification accounting policies.

The following classification changes were made:

- Cash, cash equivalents and accounts receivable, which had been classified as loans and receivables before IFRS 9 adoption, are now classified as subsequently measured at amortized cost;
- Derivative instruments not in hedge accounting relationships, which had been classified as assets and liabilities held for trading and at fair value through profit or loss before IFRS 9 adoption, are now classified as subsequently measured at fair value through profit or loss; and
- Bank overdraft, accounts payable and accrued liabilities and long-term debt, which had been classified as other financial liabilities before IFRS 9 adoption, are now classified as subsequently measured at amortized cost.

The adoption of IFRS 9 did not affect the Company's measurement of financial instruments.

Impairment of financial assets

The adoption of IFRS 9 changes the method used to calculate accounts receivable impairment.

According to IFRS 9, the impairment of financial assets is determined using an expected credit loss model. Prior to the adoption of this standard, the financial asset impairment had been based on an incurred loss model that required a loss event to occur before a credit loss was measured.

The adoption of the IFRS 9 standard did not have a significant impact on the impairment of accounts receivable.

Change to financial liabilities

As part of the adoption of IFRS 9, the Company changed how it accounts for financial liabilities that feature an option to prepay at par without a prepayment premium. Before IFRS 9 adoption, the Company would determine whether or not a modification to contractual terms was considered substantial. Upon adoption of IFRS 9, the Company has determined that such a modification to financial liabilities is equivalent to penalty-free prepayments of the initial financial liability and creates a new financial liability at market conditions. Consequently, the initial financial liability will be derecognized, including any unamortized transaction costs, and the new financial liability will be recorded at fair value.

The January 1, 2017 impact of IFRS 9 adoption on the Consolidated Statement of Income for the year ended December 31, 2017 would have been a decrease in financial expenses of approximately $818,000 and an increase in income tax expense of approximately $213,000, resulting in an increase in profit or loss of approximately $605,000 and an increase in profit or loss attributable to the Company's shareholders of approximately $545,000. The impact on the Consolidated Statement of Financial Position as at December 31, 2017 would have been an increase in long-term debt (including the current portion) of approximately $443,000 and decreases of approximately $115,000 in deferred tax liabilities and of approximately $328,000 in shareholders' equity. In addition, the effective interest rate on the term loan of Lassonde Pappas and Company, Inc. ("LPC") as at December 31, 2017 would have been 3.85% rather than 4.10%.

The retrospective application of the IFRS 9 guidance applicable to modifications to financial liabilities resulted in the following impact on the comparative information reported in these consolidated financial statements of the Company:

	As at December 31, 2017	Restatement	As at January 1, 2018
	$	$	**$**
Consolidated Statements of Financial Position			
Current portion of long-term debt	9,807	264	**10,071**
Long-term debt	158,915	179	**159,094**
Deferred tax liabilities	44,560	(115)	**44,445**
Shareholders' equity			
Accumulated other reserves	51,762	15	**51,777**
Retained earnings	477,576	(310)	**477,266**
Non-controlling interest	45,378	(33)	**45,345**

4.2.2 Hedge accounting

With respect to hedging transactions that have led to the recognition of non-financial assets (e.g., inventories) since the date of initial application of IFRS 9, the change in fair value related to the effective portion of the cash flow hedge is recognized in comprehensive income as other comprehensive income that will not be subsequently reclassified to profit or loss with the accumulated amount being reported in the hedging reserve item of shareholders' equity. The amount included in the accumulated hedging reserve is transferred from shareholders' equity to the initial carrying amount of the hedged non-financial assets upon acquisition, without being recognized in comprehensive income as other comprehensive income.

4.3 IFRIC 22 Foreign Currency Transactions and Advance Consideration

On January 1, 2018, the Company adopted IFRIC 22 which applies to fiscal years beginning on or after January 1, 2018.

The adoption of this standard had no impact on the Company's consolidated financial statements.

Note 5. Future Accounting Changes

The International Accounting Standards Board ("IASB") issued several standards that are mandatory but not yet applicable for the fiscal year ended December 31, 2018. Only the standards that could have an impact on the Company's consolidated financial statements have been disclosed below.

Standard	Issue date	Effective date [i)]	Impact [ii)]
IFRS 16 *Leases*	January 2016	January 1, 2019	Refer to Note 5.1
IFRIC 23 *Uncertainty Over Income Tax Treatments*	June 2017	January 1, 2019	No financial impact
IAS 19 *Employee Benefits*	February 2018	January 1, 2019	No financial impact

i) Applicable to fiscal years beginning on or after this date.

ii) Impact on the consolidated financial statements estimated by the Company.

5.1 IFRS 16 Leases

The IASB issued IFRS 16, which will replace the following standards: IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This new standard sets out the requirements for recognizing and disclosing leases. IFRS 16 introduces a single lease accounting model for lessees whereby all lease agreements are recognized in the Statement of Financial Position through a right-of-use asset and a lease liability. Exemptions are permitted for short-term leases and leases for which the underlying asset is of low value.

The Company will adopt IFRS 16 on January 1, 2019 and estimates that doing so will have a significant impact on its consolidated financial statements. These changes will be applied retrospectively by recognizing the cumulative effect of the application as at January 1, 2019.

The Company expects that the adoption of IFRS 16 will result in a material increase in its assets and liabilities through the recognition of right-of-use assets and lease liabilities. At this stage of the implementation of IFRS 16, the Company estimates that the increase in assets and liabilities should be approximately $28,275,000. This impact is, however, subject to change by the time implementation is completed.

The Company will present the required disclosures in its consolidated financial statements for the first quarter ending March 30, 2019.

5.2 IFRIC 23 Uncertainty Over Income Tax Treatments

The IASB issued IFRIC 23, which clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

5.3 IAS 19 Employee Benefits

The IASB amended IAS 19, which clarifies the requirements applicable to plan amendments, curtailments or settlements.

Note 6. Business Combination

6.1 Description of the business combination

On May 31, 2018, a 90%-owned U.S. subsidiary of the Company acquired 100% of the units of Old Orchard Brands, LLC after a final acquisition agreement was signed on April 26, 2018.

Founded in 1985, OOB is a leader in ready-to-drink fruit juices and drinks in the Central United States. Old Orchard is also the second largest frozen juice concentrates brand in the United States. Its head office is located in Sparta, Michigan.

This business combination further establishes the Company's presence in the United States, in particular strengthening its position in the U.S. national brands juice sector.

6.2 Sources of funds and fair value of the consideration transferred at the transaction date

	As at May 31, 2018	
	Preliminary	Final
	$	**$**
Sources:		
New term loan [i]	189,041	**189,041**
U.S. revolving operating credit [i]	7,882	**7,882**
	196,923	**196,923**
Acquisition costs [ii]	(1,135)	**(1,135)**
Costs related to the new term loan [iii]	(2,895)	**(2,895)**
Costs related to the U.S. revolving operating credit [iv]	(121)	**(121)**
Consideration receivable [v]	-	**(48)**
Consideration payable [vi]	5,756	**5,179**
Contingent consideration payable to the sellers [vii]	9,970	**1,165**
Fair value of the consideration transferred	208,498	**199,068**

i) Additional information about the new term loan and the U.S. revolving operating credit is presented in Note 21.

ii) Recognized in selling and administrative expenses in the Consolidated Statement of Income.

iii) Recognized as a reduction to the carrying amount of the term loan and amortized over the term of the term loan using the effective interest rate method.

iv) Recognized in other long-term assets and amortized on a straight-line basis over the term of the agreement.

v) Includes a working capital adjustment amount.

vi) Includes an amount payable for the plant and land.

vii) The agreement signed with the sellers contains a contingent consideration for a maximum amount of US$10,000,000 related to specified financial milestones based on adjusted EBITDA that could be payable over the next two years. The final acquisition-date fair value of the contingent consideration recognized, in an amount of $1,165,000 (US$900,000), was measured based on management's estimates of future adjusted EBITDA to be achieved as well as the associated volatility thereof. This amount is presented in the other long-term liability item of the Consolidated Statement of Financial Position. Subsequent changes in the fair value of the contingent consideration payable to the sellers will be recognized in the profit or loss of the period in which they arise in other (gains) losses.

6.3 Costs related to the acquisition and financing

As at December 31, 2018, the total acquisition- and financing-related costs were as follows:

	As at Dec. 31, 2018
	$
Acquisition-related costs [i]	**1,960**
Costs related to the new term loan [ii]	**3,482**
Costs related to the U.S. revolving operating credit [iii]	**121**
	5,563

i) Recognized in selling and administrative expenses in the Consolidated Statement of Income.

ii) Recognized as a reduction to the carrying amount of the term loan and amortized over the term of the term loan using the effective interest rate method.

iii) Recognized in other long-term assets and amortized on a straight-line basis over the term of the agreement.

6.4 Assets acquired and liabilities assumed at the acquisition date

The Company finalized the purchase price and retroactively adjusted the preliminary allocation of the fair value of assets acquired and liabilities assumed that had been recognized at the May 31, 2018 acquisition date to reflect new information obtained about facts and circumstances that had existed at the acquisition date and, if they had been known, would have had an impact on the amounts recognized at that date.

	As at May 31, 2018	
	Preliminary	**Final**
	$	**$**
Assets		
Cash and cash equivalents	1,090	**1,090**
Accounts receivable	10,795	**10,299**
Inventories	14,256	**14,282**
Other current assets	568	**394**
Property, plant and equipment	14,715	**14,715**
Intangible assets	80,248	**72,929**
	121,672	**113,709**
Liabilities		
Accounts payable and accrued liabilities	9,707	**9,815**
Other current liabilities	162	**162**
	9,869	**9,977**
Net identifiable assets acquired	111,803	**103,732**

6.5 Determination of fair value

The fair value of assets acquired and liabilities assumed recognized at the acquisition date was determined based on the Company's assumptions and estimates.

6.5.1 Accounts receivable

Receivables were recognized at fair value, which does not differ significantly from their gross contractual value and expected receipts.

6.5.2 Inventories

Raw materials Inventories are measured at the lower of cost and net realizable value. Finished goods inventories are measured at their net realizable value.

6.5.3 Property, plant and equipment

The Company has appointed an expert to assist in its valuation of the property, plant and equipment acquired. Property, plant and equipment are recognized at fair value based on the report from the independent evaluator.

6.5.4 Intangible assets

The Company has appointed a third-party expert to help value the intangible assets acquired. The relief-from-royalty method was used as the basis for valuing OOB's trade name and trademarks. The lost profits approach was used to value the non-compete agreements. After examining how other assets contributed to cash flows, a multi-period excess earnings method was used to derive the value of client relationships. The relief-from-royalty method, the lost profits approach, and the multi-period excess earnings method are all primarily based upon expected discounted cash flows according to available information, such as OOB's historical and projected revenues, customer attrition rates, and certain other relevant assumptions.

	Estimated useful lives	As at May 31, 2018	
		Preliminary fair value	Final fair value
		$	**$**
Intangible assets			
Client relationships	15 years	54,412	**47,950**
Trademarks and trade name	20 years	25,555	**24,635**
Non-compete agreements	1 to 3 years	281	**344**
		80,248	**72,929**

6.6 Goodwill arising from the business combination

	As at May 31, 2018	
	Preliminary	Final
	$	**$**
Consideration transferred	208,498	**199,068**
Less:		
Fair value of net identifiable assets acquired	111,803	**103,732**
Goodwill	96,695	**95,336**

The goodwill recognized as part of this business combination is tax deductible on a straight-line basis for tax purposes over 15 years.

6.7 Impact of the business combination on the Company's financial performance

The Company's consolidated profit for the year ended December 31, 2018 includes $66,957,000 in sales and a net loss of $563,000 generated by OOB's business operations in the United States.

If the business combination had been completed on January 1, 2018, the Company's consolidated sales and consolidated profit for the year ended December 31, 2018 would have stood at $1,654,398,000 and $69,987,000, respectively. The Company considers these pro forma figures to be approximate measurements of the combined business's financial performance over a twelve-month period and that they provide a baseline against which to compare the financial performance of future periods.

To determine the Company's pro forma consolidated sales and profit if OOB had been acquired on January 1, 2018, the Company:

- Calculated the depreciation of property, plant and equipment acquired and the amortization of intangible assets acquired based on the fair value resulting from the recognition of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;
- Calculated the borrowing costs on the Company's net indebtedness after the business combination; and
- Excluded the acquisition-related costs that were recognized in profit or loss and the seller's transaction costs recognized in the pre-acquisition financial statements.

In the ordinary course of business, OOB has commitments under purchase contracts for raw materials.

Note 7. Sales

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Revenues from product sales	**1,570,391**	1,498,125
Revenues from rendering of services [i)]	**22,224**	26,779
Other revenues	**1,381**	1,244
	1,593,996	1,526,148

i) Revenues from rendering of services for the year ended December 31, 2017 include an amount of $6,963,000 in revenues from delivery services provided before the transfer of control of the goods has occurred. Under the new standard IFRS 15 *Revenue From Contracts With Customers* adopted on January 1, 2018, these revenues are revenues from product sales.

Note 8. Additional Information on Income

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Write-down of inventories included in cost of sales	**5,478**	6,950
Depreciation of property, plant and equipment included in cost of sales	**21,909**	20,843
Depreciation of property, plant and equipment included in selling and administrative expenses	**4,089**	3,903
Amortization of intangible assets included in selling and administrative expenses	**22,754**	20,468
Expense related to minimum operating lease payments	**10,107**	10,120
Expense related to the contingent rents of operating leases	**713**	698
Employee benefits expense	**217,584**	216,259
Research and development expense	**966**	829
Research and development tax credits	**(280)**	(289)

The cost of sales presented in the Consolidated Statement of Income equals the cost of inventories expensed for the years ended December 31, 2018 and 2017.

Note 9. (Gains) Losses on Capital Assets

On June 30, 2017, the Company completed a sale transaction of a plant and the accompanying land for $2,135,000, net of the related costs. As a result of this sale, the Company realized a $615,000 gain on the disposal of property, plant and equipment. These assets had been acquired in 2016, upon realization of a commitment made as part of a non-significant business combination completed in August 2014.

Note 10. Financial Expenses

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Interest on long-term debt	**13,227**	9,178
Amortization of transaction costs directly attributable to arranging financing	**1,524**	2,343
Other interest, net of interest income	**(287)**	(13)
Interest expense	**14,464**	11,508
Bank expenses	**672**	708
	15,136	12,216

Note 11. Other (Gains) Losses

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Exchange (gains) losses	**(363)**	(231)
Change in fair value of financial instruments not designated as hedges	**1,541**	(19)
Other (gains) losses	**(68)**	-
	1,110	(250)

Note 12. Income Tax Expense

12.1 Reconciliation between the income tax expense and profit before income taxes

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Profit before income taxes	**88,946**	121,324
Income tax expense		
Income tax expense at 26.7% (26.8% in 2017)	**23,748**	32,515
Variance in the tax rate resulting from the different tax rates of subsidiaries	**(214)**	7,310
Earnings from investments in subsidiaries	**(2,458)**	(1,324)
Remeasurement of deferred tax assets on capital losses	**-**	(82)
Tax impact on non-deductible or non-taxable items	**(109)**	162
Impact of changes in tax rates and in tax legislation applicable to deferred tax	**(62)**	(11,429)
Tax adjustment related to previous years	**(146)**	(1,068)
Other	**(46)**	(258)
	20,931	25,826

12.2 Income taxes recognized in profit or loss

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Current tax		
Current tax expense for the year	**15,411**	29,160
Tax adjustment related to previous years	**328**	(1,013)
	15,739	28,147
Deferred tax		
Deferred tax expense for the year	**5,728**	9,163
Deferred tax adjustment attributable to changes in tax rates and tax legislation [i)]	**(62)**	(11,429)
Tax adjustment related to previous years	**(474)**	(55)
	5,192	(2,321)
	20,931	25,826

i) For the year ended December 31, 2017, includes an $11,327,000 adjustment resulting from the U.S. tax reform adopted on December 22, 2017 and applicable as of January 1, 2018. This reform significantly reduces the federal corporate income tax rate from 35% to 21%.

12.3 Deferred tax

As at December 31, 2018, the Company had unused capital losses totalling $3,233,000 ($3,233,000 as at December 31, 2017) in respect of which no tax benefit had been recognized. The capital losses can be carried forward indefinitely and can be used only when the capital gains are realized by the entities that have the carried forward capital losses.

No deferred tax liability was recognized on the temporary differences related to the retained earnings of foreign subsidiaries since the Company is in a position to determine the timing of their reversal and it is probable that they will not reverse in a foreseeable future. The amount of the temporary differences was $154,280,000 as at December 31, 2018 ($137,260,000 as at December 31, 2017) for a potential deferred tax liability of $7,714,000 ($6,863,000 in 2017).

12.4 Change in deferred tax liabilities

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Balance at beginning	**44,560**	51,956
Restatement [i)]	**(115)**	-
Deferred tax (recovery) expense for the year recognized in profit or loss	**5,192**	(2,321)
Deferred tax (recovery) expense for the year related to other comprehensive income	**3,401**	(3,459)
Deferred tax (recovery) expense for the year recognized in shareholders' equity [ii)]	**(192)**	-
Exchange difference	**2,113**	(1,616)
Balance at end	**54,959**	44,560

i) Additional information about the restatement is presented in Note 4.2.1.

ii) Deferred tax (recovery) expense for the year recognized in shareholders' equity through the transfer of cash flow hedge (gains) losses to non-financial assets.

12.5 Reconciliation of deferred tax (assets) liabilities

The following tables present the reconciliation of deferred tax (assets) liabilities by temporary difference category recognized in the Consolidated Statement of Financial Position:

	Year ended December 31, 2018						
	Balance as at Dec. 31, 2017	**Restatement i)**	**Recognized in profit or loss ii)**	**Related to other comprehensive income iii)**	**Recognized in shareholders' equity iv)**	**Exchange difference**	**Balance as at Dec. 31, 2018**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Derivative instruments	**(1,053)**	**-**	**(291)**	**2,616**	**(192)**	**(9)**	**1,071**
Property, plant and equipment	**38,068**	**-**	**2,518**	**-**	**-**	**1,359**	**41,945**
Intangible assets and goodwill	**13,457**	**-**	**5,376**	**-**	**-**	**1,549**	**20,382**
Accounts payable and accrued liabilities	**(5,113)**	**-**	**(350)**	**-**	**-**	**(465)**	**(5,928)**
Defined benefit pension plans	**2,084**	**-**	**(1,271)**	**785**	**-**	**45**	**1,643**
Long-term debt	**293**	**(115)**	**16**	**-**	**-**	**2**	**196**
Other v)	**(3,176)**	**-**	**(806)**	**-**	**-**	**(368)**	**(4,350)**
	44,560	**(115)**	**5,192**	**3,401**	**(192)**	**2,113**	**54,959**

i) Additional information about the restatement is presented in Note 4.2.1.

ii) Deferred tax expense (recovery) for the year recognized in profit or loss.

iii) Deferred tax expense (recovery) for the year related to other comprehensive income.

iv) Deferred tax expense (recovery) for the year recognized in shareholders' equity through the transfer of cash flow hedge (gains) losses to non-financial assets.

v) Includes unused tax losses (a deferred tax asset of $2,662,000), research and development tax credits and acquisition costs related to business combinations.

	Year ended December 31, 2017				
	Balance as at Dec. 31, 2016	**Recognized in profit or loss i)**	**Related to other comprehensive income ii)**	**Exchange difference**	**Balance as at Dec. 31, 2017**
	$	$	$	$	$
Derivative instruments	1,358	52	(2,469)	6	(1,053)
Property, plant and equipment	45,240	(5,762)	-	(1,410)	38,068
Intangible assets and goodwill	16,033	(1,497)	-	(1,079)	13,457
Accounts payable and accrued liabilities	(9,305)	3,529	-	663	(5,113)
Defined benefit pension plans	3,751	(740)	(990)	63	2,084
Long-term debt	481	(160)	-	(28)	293
Other iii)	(5,602)	2,257	-	169	(3,176)
	51,956	(2,321)	(3,459)	(1,616)	44,560

i) Deferred tax expense (recovery) for the year recognized in profit or loss.

ii) Deferred tax expense (recovery) for the year related to other comprehensive income.

iii) Includes unused tax losses (a deferred tax asset of $981,000), research and development tax credits and acquisition costs related to business combinations.

Note 13. Financial Instruments

13.1 Fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the Consolidated Statement of Financial Position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument.

To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs, when available. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the ones that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivative instruments.

The following valuation assumptions and/or methods were used to estimate the fair value of financial instruments:

- The fair values of cash and cash equivalents, accounts receivable, bank overdraft and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short-term maturities;
- The fair value of long-term debt, including finance leases, is determined based on the discounted cash flow method and calculated using current interest rates for instruments with similar terms and remaining maturities that the Company could have obtained on the market at the measurement date;
- The fair value of derivative instruments is determined using valuation techniques and calculated as the present value of estimated future cash flows using an appropriate exchange rate and interest rate yield curve. Assumptions are based on market conditions prevailing on the reporting date. The derivative instruments reflect the estimated amounts that the Company would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date; and
- The fair value of contingent consideration is determined using valuation techniques and calculated as the present value of the anticipated payments determined based on the expected value of projected adjusted EBITDA for 2019.

Financial instruments are classified using a fair value hierarchy that categorizes the inputs used in fair value measurement techniques into three levels. This hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as disposal costs when measuring fair value less disposal costs, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

All financial instruments measured at fair value in the Consolidated Statement of Financial Position were classified according to a hierarchy comprising three levels:

- Level 1: Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2: Valuation based on inputs that are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable; and inputs that are derived mainly from or corroborated by observable market data using correlation or other forms of relationship; and
- Level 3: Valuation techniques based on a significant portion of inputs not observable in the market.

The Company's policy is to recognize transfers between the different hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the years ended December 31, 2018 and 2017, no financial instruments were transferred between levels 1, 2 and 3.

13.2 Classification

The classification of financial instruments as well as their carrying value and fair value are as follows:

		As at December 31, 2018		As at January 1, 2018	
	Level	Carrying value	Fair value	Carrying value i)	Fair value
		$	$	$	$
Financial assets					
Amortized cost					
Cash and cash equivalents	2	**4,575**	**4,575**	16,234	16,234
Accounts receivable	2	**147,137**	**147,137**	131,636	131,636
Instruments designated in a hedging relationship					
Derivative instruments ii)	2	**8,271**	**8,271**	1,311	1,311
Financial liabilities					
Amortized cost					
Bank overdraft	2	**-**	**-**	4,998	4,998
Accounts payable and accrued liabilities	2	**210,203**	**210,203**	195,578	195,578
Long-term debt iii)	2	**321,847**	**326,272**	169,165	172,177
Contingent consideration payable to the sellers of OOB	3	**1,228**	**1,228**	-	-
Fair value through profit or loss					
Derivative instruments ii)	2	**1,193**	**1,193**	22	22
Instruments designated in a hedging relationship					
Derivative instruments ii)	2	**1,640**	**1,640**	5,434	5,434

i) Additional information about the classifications of financial instruments and the restatement of long-term debt is presented in Note 4.2.1.

ii) Includes the current and long-term derivative instruments.

iii) Includes the current portion of long-term debt.

	Level	As at December 31, 2017	
		Carrying value	Fair value
		$	$
Financial assets			
Loans and receivables			
Cash and cash equivalents	2	16,234	16,234
Accounts receivable	2	131,636	131,636
Derivatives used as hedges			
Derivative instruments [i]	2	1,311	1,311
Financial liabilities			
Other financial liabilities			
Bank overdraft	2	4,998	4,998
Accounts payable and accrued liabilities	2	195,578	195,578
Long-term debt [ii]	2	168,722	172,177
Fair value through profit or loss			
Derivative instruments [i]	2	22	22
Derivatives used as hedges			
Derivative instruments [i]	2	5,434	5,434

i) Includes the current and long-term derivative instruments.

ii) Includes the current portion of long-term debt.

13.3 Change in the fair value of financial instruments classified in Level 3

The following table presents the change in fair value of financial instruments classified in Level 3, measured at fair value on a recurring basis:

	Years ended	
	Dec. 31, 2018	Dec. 31, 2017
	$	$
Fair value at beginning	**-**	-
Issuance	**1,165**	-
Exchange difference [i]	**63**	-
Fair value at end	**1,228**	-

i) Recognized in other comprehensive income as exchange difference on translating foreign operations.

13.4 Sensitivity analysis of the Level 3 inputs

The fair value of the contingent consideration payable to the sellers of OOB is based mainly on the Company's expectations regarding OOB's adjusted EBITDA for 2019. A statistical model was used to take into account the dispersion of OOB's adjusted EBITDA compared to the expected adjusted EBITDA. The factors that mostly influence this valuation were OOB's 2019 expected adjusted EBITDA and the volatility rate thereof.

Sensitivity analyses of the fair value of the contingent consideration payable to the sellers of OOB were calculated using reasonably possible changes to each key assumption without considering simultaneous changes to these key assumptions. A change in one assumption could trigger a change in another assumption, which could amplify or mitigate the impact of the change in these assumptions on the fair value of these financial instruments. The actual impacts of changes in assumptions on the fair value of these financial instruments may differ from the estimated impacts below.

		Impact on fair value given	
Assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
		$	**$**
OOB's 2019 expected adjusted EBITDA	5%	**1,277**	**(734)**
Volatility rate of OOB's 2019 expected adjusted EBITDA	5%	**757**	**(836)**

13.5 Hedge accounting

13.5.1 Instruments designated in a hedging relationship

	As at December 31, 2018			
	Notional	**Value recognized as an asset**	**Value recognized as a liability**	**Fair value change for the calculation of hedge effectiveness**
		in C$	**in C$**	**in C$**
Cash flow hedges:				
Interest rate risk				
Interest rate swaps	**US$164,000,000**	**737,000**	**(1,114,000)**	**(377,000)**
Foreign exchange risk				
Foreign exchange contracts	**US$80,000,000** **€4,359,000**	**6,530,000**	**(20,000)**	**6,510,000**
Price risk				
Total return swaps on frozen concentrated orange juice	**4,875,000 lbs. sol.**[i]	**-**	**(506,000)**	**(506,000)**

[i] Frozen concentrated orange juice is measured in pounds solids ("lbs. sol.").

All financial instruments designated in a hedging relationship are recognized in the current and long-term portion of derivative instruments in the Consolidated Statements of Financial Position

13.5.2 Hedged items

	As at December 31, 2018	
	Value change for the calculation of hedge ineffectiveness	**Hedging reserve balance**
	in C$	**in C$**
Cash flow hedges:		
Interest rate risk		
Cash outflows related to interest payments on term loans	**411,000**	**(252,000)**
Foreign exchange risk		
Cash outflows related to purchases of raw materials in foreign currencies	**(6,549,000)**	**4,735,000**
Cash outflows related to purchases of capital assets in foreign currencies	**(43,000)**	**32,000**
Price risk		
Cash outflows related to purchases of frozen concentrated orange juice	**451,000**	**(373,000)**

All hedging relationships have been maintained. No balance in the hedging reserve relates to hedging relationships for which hedge accounting is no longer applied.

13.5.3 Hedging gains and losses

	Year ended December 31, 2018		
	(Gains) losses recognized in other comprehensive income [i)]	**Reclassification of (gains) losses in net income** [ii)]	**Transfer of shareholders' equity** [iii)]
	in C$	**in C$**	**in C$**
Cash flow hedges:			
Interest rate risk			
Interest rate swaps	**936,000**	**561,000**	**-**
Foreign exchange risk			
Foreign exchange contracts	**11,988,000**	**-**	**(769,000)**
Price risk			
Total return swaps on frozen concentrated orange juice	**(506,000)**	**-**	**-**

i) (Gains) losses on financial instruments designated for hedging purposes recognized in other comprehensive income.

ii) Reclassification of (gains) losses on financial instruments designated for hedging purposes in net income.

iii) Transfer of cash flow hedge (gains) losses to non-financial assets.

No hedge ineffectiveness was recorded during the year ended December 31, 2018.

13.6 Offsetting

The Company has entered into International Swaps & Derivatives Association, Inc. ("ISDA") enforceable master netting agreements with most of the counterparties with which it carries out derivative transactions. These master netting agreements make it possible to fully offset derivative instruments when one of the parties to the agreement defaults on its obligations, for each of the transactions covered in the agreement and in effect on the default date. Since the legally enforceable right to offset depends on future events such as the default, insolvency or bankruptcy of the counterparty, these master agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position.

As at December 31, 2018 and 2017, the derivative instruments were presented without offsetting. The fair values of derivative instrument assets and liabilities subject to enforceable master netting agreements were, respectively, $8,271,000 and $2,833,000 as at December 31, 2018 ($1,311,000 and $5,456,000, respectively, as at December 31, 2017).

In addition, as at December 31, 2018, a cash guarantee in an amount of $1,675,000 was deposited with the issuer of certain derivative instruments to cover their fair value when in a liability position. These amounts were presented without offsetting.

Note 14. Accounts Receivable

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Trade accounts receivable	**134,090**	122,191
Discounts receivable	**6,830**	6,131
Other receivables	**6,217**	3,314
	147,137	131,636

Note 15. Inventories

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Raw materials and supplies	**142,249**	123,907
Finished goods	**96,418**	83,942
	238,667	207,849

Note 16. Other Current Assets

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Sales tax receivable	**4,664**	5,633
Tax credits receivable	**285**	574
Prepaid expenses	**7,759**	6,240
	12,708	12,447

Note 17. Property, Plant and Equipment

17.1 Net carrying value

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Cost	**630,063**	568,285
Accumulated depreciation and impairment losses	**(324,482)**	(294,979)
	305,581	273,306

17.2 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	$	$	$	$
Cost				
Balance as at December 31, 2017	**168,095**	**365,894**	**34,296**	**568,285**
Acquisitions	**7,266**	**24,213**	**1,974**	**33,453**
Acquisitions through a business combination	**6,054**	**8,501**	**160**	**14,715**
Disposals	**(514)**	**(931)**	**(1,005)**	**(2,450)**
Exchange difference	**6,821**	**8,450**	**789**	**16,060**
Balance as at December 31, 2018	**187,722**	**406,127**	**36,214**	**630,063**
Balance as at December 31, 2016	167,865	342,573	33,552	543,990
Acquisitions	7,093	29,557	1,415	38,065
Disposals	(1,759)	(830)	(74)	(2,663)
Exchange difference	(5,104)	(5,406)	(597)	(11,107)
Balance as at December 31, 2017	168,095	365,894	34,296	568,285
Accumulated depreciation and impairment losses				
Balance as at December 31, 2017	**(41,334)**	**(225,028)**	**(28,617)**	**(294,979)**
Depreciation	**(4,197)**	**(19,644)**	**(2,157)**	**(25,998)**
Disposals	**497**	**827**	**1,005**	**2,329**
Exchange difference	**(1,115)**	**(4,128)**	**(591)**	**(5,834)**
Balance as at December 31, 2018	**(46,149)**	**(247,973)**	**(30,360)**	**(324,482)**
Balance as at December 31, 2016	(38,253)	(209,775)	(27,133)	(275,161)
Depreciation	(4,020)	(18,756)	(1,970)	(24,746)
Disposals	206	815	74	1,095
Exchange difference	733	2,688	412	3,833
Balance as at December 31, 2017	(41,334)	(225,028)	(28,617)	(294,979)

17.3 Government grants

During the year ended December 31, 2018, the Company recognized $1,746,000 in government grants ($130,000 in 2017) as a reduction to the cost of property, plant and equipment.

17.4 Additional information on property, plant and equipment

	Land and buildings	Machinery and equipment	Other	Total
	$	$	$	$
As at December 31, 2018				
Property, plant and equipment in progress included in the cost	**1,106**	**8,804**	**65**	**9,975**
Net carrying value of property, plant and equipment held under finance leases	**-**	**-**	**49**	**49**
As at December 31, 2017				
Property, plant and equipment in progress included in the cost	2,472	15,249	201	17,922
Net carrying value of property, plant and equipment held under finance leases	-	776	84	860

Note 18. Intangible Assets

18.1 Net carrying value

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Cost	**416,556**	313,034
Accumulated amortization and impairment losses	**(145,133)**	(113,249)
	271,423	199,785

18.2 Reconciliation table

	Technologies and software	Trademarks and trade name	Client relationships	Certifications	Non-compete agreements	Total
	$	$	$	$	$	$
Cost						
Balance as at December 31, 2017	**22,401**	**113,481**	**161,707**	**15,445**	**-**	**313,034**
Acquisitions	**1,765**	**-**	**-**	**-**	**-**	**1,765**
Acquisitions through a business combination	**-**	**24,635**	**47,949**	**-**	**345**	**72,929**
Exchange difference	**1,381**	**10,598**	**15,734**	**1,097**	**18**	**28,828**
Balance as at December 31, 2018	**25,547**	**148,714**	**225,390**	**16,542**	**363**	**416,556**
Balance as at December 31, 2016	22,887	120,940	172,289	16,327	1,037	333,480
Acquisitions	773	-	-	-	-	773
Disposals	(179)	-	-	-	(1,022)	(1,201)
Exchange difference	(1,080)	(7,459)	(10,582)	(882)	(15)	(20,018)
Balance as at December 31, 2017	22,401	113,481	161,707	15,445	-	313,034

	Technologies and software	Trademarks and trade name	Client relationships	Certifications	Non-compete agreements	Total
	$	**$**	**$**	**$**	**$**	**$**
Accumulated amortization and impairment losses						
Balance as at December 31, 2017	**(12,482)**	**(31,879)**	**(57,993)**	**(10,895)**	**-**	**(113,249)**
Amortization	**(1,817)**	**(6,574)**	**(13,003)**	**(1,294)**	**(66)**	**(22,754)**
Exchange difference	**(654)**	**(2,730)**	**(4,974)**	**(769)**	**(3)**	**(9,130)**
Balance as at December 31, 2018	**(14,953)**	**(41,183)**	**(75,970)**	**(12,958)**	**(69)**	**(145,133)**
Balance as at December 31, 2016	(11,198)	(27,764)	(49,982)	(9,839)	(1,035)	(99,818)
Amortization	(1,884)	(5,863)	(11,147)	(1,574)	-	(20,468)
Disposals	179	-	-	-	1,022	1,201
Exchange difference	421	1,748	3,136	518	13	5,836
Balance as at December 31, 2017	(12,482)	(31,879)	(57,993)	(10,895)	-	(113,249)

Note 19. Goodwill

19.1 Reconciliation table

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Balance at beginning	**199,434**	213,049
Acquisitions through a business combination	**95,336**	-
Exchange difference	**22,044**	(13,615)
Balance at end	**316,814**	199,434

19.2 Goodwill impairment test

In the second quarters of 2018 and 2017 for one CGU and in the fourth quarters of 2018 and 2017 for the other CGUs, the Company performed annual goodwill impairment tests in accordance with the policies described in Note 2.16.2. The recoverable values of all the CGUs were determined based on value-in-use calculations that used detailed three-year forecasts as well as extrapolations of expected cash flows for the residual useful lives. The recoverable values of all the CGUs exceeded their carrying amounts. Accordingly, no impairment loss was recognized on goodwill for the years ended December 31, 2018 and 2017.

The Company has not changed the valuation method used for goodwill impairment testing since the test conducted during the year ended December 31, 2017.

19.3 Goodwill allocation

Goodwill was allocated to the following CGUs:

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
LPC	**259,629**	146,383
A. Lassonde Inc. (“ALI”)	**55,089**	50,955
Lassonde Specialties Inc. (“LSI”)	**2,096**	2,096
	316,814	199,434

Management’s main assumptions about projected cash flows when determining value in use are as follows:

- The Company bases its growth and profitability assumptions on the strategic plan approved by management and the Board of Directors. The strategic plan covers a three-year period. At the end of this period, management projects growth for a two-year period. The Company evaluates the CGU’s terminal value at the end of the five-year projection. Growth in the Company’s operating profit takes into account such factors as the nature of the industry in which it operates, market growth projections, market maturity and the Company’s strategic plan as set by management; and
- The discount rate is based on pre-tax rates that reflect the current market assessments, taking the time value of money and the risks specific to the CGU into account. The discount rate used by the Company is based on the weighted average cost of capital calculated using the build-up method and published data from such sources as the Bank of Canada, the U.S. Federal Reserve System and firms specializing in business valuation information. When combined with management’s judgment, this information is used, among other purposes, to establish the equity risk premium, industry premium, size premium and specific risks premium.

For the CGUs, management’s main assumptions are as follows:

	LPC	ALI	LSI
	%	**%**	**%**
Discount rate	**12.40**	**14.20**	**13.30**
Projected growth in operating profit	**2.00**	**2.00**	**2.00**

Note 20. Accounts Payable and Accrued Liabilities

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Trade payables and accrued expenses	**152,463**	132,671
Trade spending	**39,137**	29,749
Salaries and accrued vacation payable	**18,330**	32,917
Other	**273**	241
	210,203	195,578

Note 21. Long-Term Debt

	Effective interest rate	Notes	As at Dec. 31, 2018	As at Dec. 31, 2017
			$	$
Revolving operating credit facilities:				
CA revolving credit, floating rate, maturing in April 2023		21.1.1	**25,000**	-
U.S. revolving credit, floating rate, maturing in May 2022		21.1.2	**757**	3,817
Interest-bearing financing:				
Term loan, floating rate, maturing in September 2020	5.06% [i)]	21.1.2	**67,949**	115,453
Term loan, floating rate, maturing in May 2022	5.39%	21.1.2	**188,590**	-
Term credit facility, 3.45% to 6.50%, maturing from October 2020 to December 2027	3.46% to 6.51%	21.1.1	**39,393**	45,980
Non-interest-bearing financing:				
Borrowing, maturing in September 2019	4.20%	21.1.3	**105**	257
Finance leases:				
Finance leases, 2.90% to 6.00%, maturing from December 2019 to July 2022	2.90% to 6.00%	21.1.4	**53**	408
Matured borrowings			**-**	2,807
			321,847	168,722
Current portion of long-term debt			**(24,580)**	(9,807)
			297,267	158,915

i) Effective interest rate of 5.06% as at December 31, 2018 (4.10% as at December 31, 2017).

21.1 Other terms and conditions

21.1.1 Canadian credit facilities

The Canadian credit facilities, with an authorized amount of $249,524,000 were obtained for the Company's Canadian operations. The facilities included a five-year committed revolving operating credit ("CA revolving credit") for an authorized amount of $175,000,000 and a term credit facility of $74,524,000.

On April 5, 2018, the Company entered into an agreement to amend the Canadian credit facilities to include the various requests for amendments accepted between April 10, 2013 (date of the initial agreement) and April 4, 2018 and to extend the expiry date of the CA revolving credit facility by one year to April 2023. As a result of this agreement, the credit facilities comprise a five-year committed CA revolving credit for an authorized amount of $175,000,000 and a term credit facility for a revised authorized amount of $44,592,000.

CA revolving credit

The CA revolving credit facility was provided by a syndicate of financial institutions. It is used to finance current operations and may also be used, under certain conditions, to finance potential acquisitions. The CA revolving credit facility bears interest at Canadian or U.S. prime rate, depending on the currency of the borrowing, plus 0 to 100 basis points for open end borrowings, and/or bears interest at the bankers' acceptance rate ("CDOR") or at the London Interbank Offered Rate ("LIBOR"), plus 125 to 225 basis points, upon use of these types of term borrowings. Interest margins and fee rates for the credit instruments available under the CA revolving credit facility vary based on a prescribed financial ratio. A standby fee that varies according to a prescribed ratio is applied to the unused portion of the CA revolving credit facility. As at December 31, 2018, the standby fee was 0.25% (0.25% as at December 31, 2017).

The CA revolving credit facility provides the Company with the option, subject to the participation of each lender, to raise borrowing capacity by an amount not exceeding $50,000,000 and to extend, on each annual anniversary date, the expiry date of this facility by one year, under the same terms and conditions.

Term credit facility

The term credit facility contains five tranches, three for which the interest rates are renegotiable in May 2020, August 2021 and July 2024. The term loan principal is fully repayable according to a monthly amortization schedule ending at the maturity of the various tranches. Furthermore, the Company has the option to repay, without penalty, up to 15% of the balance of the term credit facility on each anniversary date; however, such payments have the effect of changing the maturity dates of the various tranches affected.

The credit facilities contain certain conditions and restrictive covenants, including an obligation to comply with certain prescribed financial ratios.

21.1.2 U.S. credit facilities

The U.S. credit facilities were provided by a syndicate of banks to support the Company's U.S. operations. The credit facilities comprised a three-year committed revolving operating credit ("U.S. revolving credit") for an authorized amount of US$75,000,000 and a term loan of US$164,400,000.

On May 31, 2018, as part of the OOB acquisition, the Company entered into an agreement to amend the U.S. revolving credit and the existing term loan as well as to obtain a new term loan of US$146,000,000. As a result of this agreement, the credit facilities comprise a four-year committed U.S. revolving credit for an authorized amount of US$75,000,000, a term loan for a revised authorized amount of US$92,500,000 and a new term loan for an authorized amount of US$146,000,000.

U.S. revolving credit

The maturity date of the U.S. revolving credit facility has been extended to May 2022. The transaction costs related to the U.S. revolving credit facility are recorded in other long-term assets and amortized on a straight-line basis until May 2022.

A standby fee, which varies based on a prescribed ratio, is applied to the unused portion of the U.S. revolving credit. As at December 31, 2018, the standby fee was 0.375% (0.25% as at December 31, 2017).

Term loans

The term loan of US$92,500,000 has been amended to extend the expiry date by one year to September 2020.

The term loan of US$146,000,000 matures in May 2022. The transaction costs related to this term loan are amortized over the term of the term loan using the effective interest rate method.

On an annual basis, the Company must repay, in four equal quarterly instalments, 7.50% of the principal amount of the term loans existing at May 31, 2018. The Company may make prepayments, without penalty.

The credit facilities bear interest at base rate plus 0.50% to 1.25% or at LIBOR plus 1.50% to 2.25%. Interest margins vary based on a prescribed ratio.

The credit facilities contain certain conditions and restrictive covenants, including an obligation to comply with certain prescribed financial ratios.

21.1.3 Non-interest-bearing financing

Borrowing

This borrowing requires a Canadian subsidiary of the Company to maintain certain prescribed financial ratios. The terms and conditions on the main obligations and restrictions match those of the CA revolving credit.

21.1.4 Finance leases

Finance leases

The Company had the right to use production equipment under a raw materials supply contract. The Company determined that this contract contained a lease and classified it as a finance lease. The finance lease was denominated in U.S. dollars and had no fixed term of repayment. However, the Company was obligated to purchase minimum quantities of sleeves, failing which it was exposed to an annual penalty on the anniversary date of the lease. Therefore, a portion of the purchase price of the sleeves, including applicable penalties, was allocated to the reimbursement of the principal and interest of the finance lease obligation. At the end of the supply contract, the Company could exercise an option to purchase the equipment for an amount based on the quantity of sleeves purchased during the supply contract. During the second quarter of 2018, the Company has availed itself of this option.

21.2 Security

	Security
Revolving operating credit facilities:	
CA revolving credit	Recourse to significant Canadian subsidiaries of the Company (including ALI and LSI)
U.S. revolving credit	Entirety of the assets of LPC and its subsidiaries
Interest-bearing financing:	
Term loans	Entirety of the assets of LPC and its subsidiaries
Term credit facility	Recourse to significant Canadian subsidiaries of the Company (including ALI and LSI)
Non-interest-bearing financing:	
Borrowing	Recourse to Lassonde Industries Inc.
Finance leases:	
Finance leases	Lessors' rights over the leased assets

21.3 Financial ratios

The Company was in compliance with all of its financial ratios as at December 31, 2018 and 2017.

21.4 Assets pledged as collateral to certain lenders

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Financial assets	**92,295**	81,843
Inventories	**143,174**	113,021
Property, plant and equipment	**131,670**	111,359
Intangible assets and goodwill	**576,141**	386,390
Other assets	**10,872**	4,911
	954,152	697,524

21.5 Principal payments

The principal payments on long-term debt in each of the following years and the minimum payments required under the finance leases are as follows:

	Revolving credit facilities, term loans, term credit facility and borrowing	Finance leases		Total principal payments
	Principal	Principal	Interest	
	$	$	$	$
2019	25,210	38	2	25,248
2020	86,049	7	-	86,056
2021	20,877	5	-	20,882
2022	151,299	3	-	151,302
2023	29,128	-	-	29,128
2024 and thereafter	10,336	-	-	10,336
	322,899	53	2	322,952

Note 22. Other Long-Term Liability

	As at Dec. 31 2018	As at Dec. 31 2017
	$	$
Contingent consideration payable to the sellers of OOB	**1,228**	-
	1,228	-

Note 23. Shareholders' Equity

23.1 Authorized share capital

An unlimited number of first and second rank preferred shares, non-voting, issuable in one or several series, the attributes of which are determined by the directors before their issuance. First preferred shares rank prior to second preferred shares with respect to the payment of dividends and reimbursement of capital, without par value.

An unlimited number of Class A subordinate voting shares, 1 vote per share, without par value

An unlimited number of Class B multiple voting shares, 10 votes per share, without par value

23.2 Share capital issued and paid

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Class A shares	**42,692**	42,878
Class B shares	**5,986**	5,986
	48,678	48,864

23.3 Number of shares outstanding

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	(in units)	(in units)
Class A shares [i]	**3,221,300**	3,235,300
Class B shares	**3,752,620**	3,752,620
	6,973,920	6,987,920

[i] Net of 1,500 treasury shares as at December 31, 2018.

23.4 Dividend per share

During the year ended December 31, 2018, the Company declared and paid a cumulative dividend of $3.04 per share ($2.34 per share during the year ended December 31, 2017) to the holders of Class A and B shares.

On February 14, 2019, the Company declared a dividend of $0.81 per share to the holders of Class A and B shares registered as at February 26, 2019. The dividend totalling $5,642,000 was payable on March 15, 2019.

23.5 Share repurchase

The Company has re-established its share repurchase program, through the Toronto Stock Exchange in accordance with its policies and regulations. Consequently, the Company is allowed to repurchase in cash, by way of a normal course issuer bid, up to 80,000 of its Class A subordinate voting shares between October 3, 2018 and October 2, 2019. The purchases are made at market prices, without exceeding the price limit set by the Company's management.

During the year ended December 31, 2018, the Company repurchased for cancellation 14,000 Class A subordinate voting shares, including 1,500 treasury shares, at an average price of $201.16 per share for a cash consideration of $2,816,000, of which $186,000 was applied against capital stock, $2,628,000 against retained earnings, and $2,000 against contributed surplus.

Since the end of fiscal 2018 and until March 27, 2019, the Company repurchased 24,300 Class A subordinate voting shares for a cash consideration of $4,390,000.

23.6 Stock option plan

The Company established a stock option plan pursuant to which it may grant stock options for Class A shares to its employees and to the employees of its subsidiaries. The exercise price of each stock option is equal to the closing price of the Company's shares on the day preceding the grant date.

These stock options generally vest at the annual rate of 20% and expire five to six years following the grant date. As at December 31, 2018 and 2017, 150,000 stock options for Class A shares were available under the stock option plan, but none were granted.

23.7 Earnings per share

For the years ended December 31, 2018 and 2017, there were no dilutive items.

23.8 Non-controlling interest

3346625 Canada Inc. owns 10.0% of the share capital of Pappas Lassonde Holdings, Inc. ("PLH").

In September 2018, 3346625 Canada Inc. made an equity investment of $2,589,000 (US$2,000,000) in PLH in proportion to its equity interest. The investment was recognized in the Company's shareholders' equity as an investment of the non-controlling interest.

The following tables present certain consolidated financial information of the subsidiary subject to a non-controlling interest:

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Sales	**882,374**	842,458
Profit	**16,326**	55,491
Profit attributable to the non-controlling interest	**1,633**	5,549
Comprehensive income	**60,236**	25,730
Comprehensive income attributable to the non-controlling interest	**6,024**	2,573

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Assets		
Current	**245,907**	198,348
Long-term	**708,370**	497,924
Liabilities		
Current	**134,296**	94,847
Long-term	**279,324**	146,567
Shareholders' equity i)	**540,657**	454,858
Shareholders' equity attributable to the non-controlling interest	**53,958**	45,378

i) Dividends totalling $10,080,000 (US$7,500,000) were paid during the year ended December 31, 2017 by the subsidiary subject to a non-controlling interest. Of this amount, $1,008,000 (US$750,000) was paid to the non-controlling interest.

Note 24. Accumulated Other Reserves

	Hedging reserve	**Foreign currency translation reserve**	**Total**
	$	**$**	**$**
Balance as at December 31, 2017	**(2,762)**	**54,524**	**51,762**
Restatement i)	**-**	**15**	**15**
Balance as at January 1, 2018	**(2,762)**	**54,539**	**51,777**
Other comprehensive income	**7,481**	**37,785**	**45,266**
Transfer of cash flow hedge (gains) losses to non-financial assets	**(577)**	**-**	**(577)**
Balance as at December 31, 2018	**4,142**	**92,324**	**96,466**
Balance as at December 31, 2016	3,517	81,226	84,743
Other comprehensive income (loss)	(6,279)	(26,702)	(32,981)
Balance as at December 31, 2017	(2,762)	54,524	51,762

i) Additional information about the restatement is presented in Note 4.2.1.

Note 25. Additional Cash Flow Information

25.1 Change in non-cash operating working capital items

	Years ended Dec. 31, 2018	Years ended Dec. 31, 2017
	$	$
Accounts receivable	**3,246**	1,792
Inventories	**(5,028)**	1,284
Other current assets	**39**	(1,337)
Accounts payable and accrued liabilities	**(6,216)**	3,435
Other current liabilities	**137**	(96)
	(7,822)	5,078

25.2 Cash and cash equivalents

In the Consolidated Statements of Cash Flows, cash and cash equivalents include the following items:

	As at Dec. 31, 2018	As at Dec. 31, 2017
	$	$
Cash	**2,900**	16,234
Cash equivalents [i]	**1,675**	-
Bank overdraft	**-**	(4,998)
	4,575	11,236

[i] Cash equivalents consist of a cash guarantee deposited with the issuer of certain derivative instruments to cover their fair value when in a liability position.

25.3 Non-cash transactions

Transactions that had no cash impact on financing and investing activities were as follows:

- Acquisition of property, plant and equipment and intangible assets, for which an amount of $3,178,000 was unpaid as at December 31, 2018 ($3,624,000 as at December 31, 2017);
- During 2018, the Company received the $269,000 Investment tax credit related to investments in property, plant and equipment that was receivable as at December 31, 2017; and
- Finance lease for which an amount of $23,000 was recognized in property, plant and equipment and long-term debt during 2017.

25.4 Changes in liabilities and assets arising from financing activities

	Long-term debt [i]	Transaction costs [ii]
	$	$
Balance as at December 31, 2017	**168,722**	**1,212**
Restatement [iii]	**443**	**-**
Balance as at January 1, 2018	**169,165**	**1,212**
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	**20,965**	**349**
Increase in long-term debt, net of transaction costs	**185,559**	**-**
Repayment of long-term debt	**(73,966)**	**-**
Changes from non-cash transactions:		
Amortization of transaction costs directly attributable to arranging financing	**1,129**	**(395)**
Exchange difference	**18,993**	**44**
Other	**2**	**-**
Balance as at December 31, 2018	**321,847**	**1,210**
Balance as at December 31, 2016	252,492	1,699
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	(2,604)	88
Increase in long-term debt, net of transaction costs	(109)	-
Repayment of long-term debt	(72,225)	-
Changes from non-cash transactions:		
Amortization of transaction costs directly attributable to arranging financing	1,823	(520)
Accounting for new finance leases	23	-
Exchange difference	(10,808)	(55)
Other	130	-
Balance as at December 31, 2017	168,722	1,212

i) Includes the current portion of long-term debt.

ii) Transaction costs directly attributable to arranging a revolving operating credit facility.

iii) Additional information about the restatement is presented in Note 4.2.1.

Note 26. Post-Employment Benefits

26.1 Defined contribution plans

Defined contribution plans include the pension plans offered by the Company and state plans, namely, pension plans established by governments. The Company's defined contribution pension plans are contributory plans whereby the Company makes a contribution that varies with the rules specific to each plan.

A U.S. subsidiary of the Company has a defined contribution pension plan for certain union employees, and U.S. subsidiaries have a profit-sharing 401(k) plan for certain non-union employees. The Company makes annual contributions to the plans in accordance with the provisions of each plan.

The assets of the defined contribution plans offered by the Company are held by trustees on behalf of the employees. The contributions paid by the Company to the pension fund become the immediate property of the employees. The assets of the state plans are under the responsibility of the government.

No liability is recorded in the Consolidated Statement of Financial Position for defined contribution plans.

The pension cost of these defined contribution plans is as follows:

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Plans offered by the Company	**5,769**	5,430
State plans [i)]	**8,498**	8,101
	14,267	13,531

i) Composed of the Quebec Pension Plan ("QPP"), the Canada Pension Plan ("CPP"), and U.S. Social Security.

26.2 Defined benefit plans and supplemental executive retirement plan

26.2.1 Description of the plans

The Company offers three defined benefit pension plans, including the supplemental executive retirement plan ("SERP").

The SERP is a defined benefit plan that provides for an annual annuity payment of 1.25% or 2.50%, as the case may be, of the final salary of the executive multiplied by the vested credited years of service with the Company less the deemed annuity of the basic defined contribution plan. For years of service prior to May 1, 2010 (for enrolments before January 1, 2010), the final salary is equal to the annual pre-retirement base salary excluding bonuses. For years of service since May 1, 2010, or since January 1, 2010 for new enrolments, the final salary is equal to the average annual salary of the last three years preceding retirement and includes the average of the three highest bonuses paid in the last five years preceding retirement. During retirement, the annuity payable under the plan will be indexed annually based on 50% of the increase in the consumer price index for the credited years vested since May 1, 2010 or January 1, 2010 for new enrolments. This annual indexing is subject to a maximum of 3.00%. Upon a plan member's retirement, the plan guarantees the payment of an annuity to the retired member or to their estate for a minimum of 120 months. The benefits offered to the LPC subsidiary's plan members are similar except the annual annuity is not reduced by the deemed annuity of the basic defined contribution plan and there is no indexing of the annuity during retirement.

The two other defined benefit pension plans provide retirement benefits that are calculated based on years of service and a pay rate that varies according to the terms of each of the plans. For one of the two plans, retirement benefits are partially indexed. These two plans are closed to new members.

26.2.2 Governance of the SERP

The SERP is administered by the Company under the supervision of the compensation committee. Management establishes the actuarial assumptions to be used in calculating the present value of the plan obligation, defines the investment strategy for plan assets and ensures that the investment manager's activities are in line with its mandate.

The plan assets are held by the trustee and invested by the investment manager in accordance with the investment policy approved by the Company's management. Management's responsibility is to oversee asset management to ensure the payment of benefits and minimize the Company's required pension fund contributions.

The SERP must also comply with the *Income Tax Act,* which requires that 50% of the plan contributions and 50% of the income generated by the plan assets be remitted to the Canada Revenue Agency ("CRA"), which holds the amounts received in a refundable tax account on which the plan cannot earn a return. Amounts held in this account are refunded to the plan when pension benefits are paid to the plan members.

Each year, the Company receives an actuarial valuation of the SERP as at September 30 to determine its funding. If necessary, the Company must fund the SERP's total net defined benefit liability. The funding thus established is payable in two equal instalments, in December of the year of the actuarial valuation and in January of the following year. It must be noted that the benefits offered to the LPC subsidiary's plan members are not funded.

26.2.3 Exposure to actuarial risk

The Company is exposed to the following actuarial risks:

Investment risk

The investment strategy of the plans is to diversify the nature of the returns on assets. Given the long-term nature of the defined benefit obligation, a portion of the assets are invested in equity securities in order to maximize return. Since equity securities are inherently volatile and risky, the Company sets investment goals, both in terms of asset mix percentage and target return, which it monitors monthly and adjusts as needed. In addition, a portion of the SERP assets is held in trust by the CRA. These investments are fully guaranteed but carry no interest.

Interest rate risk

A decrease in the interest rate on fixed-rate bonds, which would reduce the discount rate used, would increase the present value of the defined benefit obligation. However, this increase would be partly offset by an increase in the value of plan investments in debt securities.

Inflation, salary and longevity risk

The present value of the defined benefit obligation is calculated using management's best estimate of the following actuarial assumptions for each identified risk:

Risk	Assumption	Change in assumption	Potential impact [i)]
Salary	Expected rate of compensation increase of plan members	Increase in the expected rate of compensation increase of plan members	Increase
Inflation	Indexation rate of pensions paid to retired plan members	Increase in the indexation rate of pensions paid, up to the annual ceiling of 3.0%	Increase
Longevity	Member mortality rates	Increase in life expectancy of plan members	Increase

i) Potential impact on the defined benefit obligation.

26.2.4 Change in the present value of the defined benefit obligation

	Years ended Dec. 31, 2018	Years ended Dec. 31, 2017
	$	$
Balance at beginning	**66,884**	57,836
Total current service cost	**5,172**	4,659
Interest cost	**2,397**	2,456
Benefits paid	**(2,588)**	(2,498)
Actuarial gains and losses arising from:		
Experience adjustments	**(3,778)**	230
Changes in financial assumptions	**(4,676)**	4,412
Exchange difference	**189**	(211)
Balance at end	**63,600**	66,884

As at December 31, 2018, the weighted average duration of the defined benefit obligation was 12.9 years (14.6 years as at December 31, 2017).

26.2.5 Change in the fair value of plan assets

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Balance at beginning	**74,544**	66,648
Employer contributions [i)]	**167**	6,687
Contributions from plan participants	**16**	16
Benefits paid	**(2,588)**	(2,498)
Administrative expenses	**(22)**	(12)
Interest income	**2,567**	2,881
Return on defined benefit plan assets, except amounts included in interest income	**(5,387)**	822
Balance at end	**69,297**	74,544

i) Includes the regular employer contribution and, if applicable, the contribution to cover the plan deficit.

26.2.6 Net defined benefit asset (liability)

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Net defined benefit asset at beginning	**7,660**	8,812
Employer contributions [i)]	**167**	6,687
Benefit cost recognized in profit or loss	**(5,008)**	(4,230)
Benefit cost recognized in other comprehensive income	**3,067**	(3,820)
Exchange difference	**(189)**	211
Net defined benefit asset at end	**5,697**	7,660

i) Includes the regular employer contribution and, if applicable, the contribution to cover the plan deficit.

The net defined benefit asset (liability) is recognized in the following items in the Consolidated Statement of Financial Position:

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Net defined benefit asset	**6,704**	11,888
Net defined benefit liability	**(1,007)**	(4,228)
Net defined benefit asset	**5,697**	7,660

26.2.7 Cost of benefits

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Benefit cost recognized in profit or loss [i]		
Current service cost, net of contributions from plan participants	**5,156**	4,643
Net interest	**(170)**	(425)
Administrative expenses	**22**	12
	5,008	4,230
Benefit cost recognized in other comprehensive income		
Actuarial gains and losses	**(8,454)**	4,642
Return on defined benefit plan assets, except amounts included in interest income	**5,387**	(822)
	(3,067)	3,820
Total cost of benefits	**1,941**	8,050

i) Recognized in selling and administrative expenses.

26.2.8 Composition of pension plan assets

The following table presents the components of the pension plan assets at fair value:

	As at Dec. 31, 2018	**As at Dec. 31, 2017**
	$	$
Assets quoted on an active market		
Fixed income	**7,189**	7,076
Shares [i]	**25,797**	30,124
Cash and treasury bills	**801**	1,624
	33,787	38,824
Assets not quoted on an active market		
Alternative investments	**4,292**	4,221
Deposits in trust [ii]	**31,218**	31,499
	35,510	35,720
Total pension plan assets	**69,297**	74,544

i) There were no Lassonde Industries Inc. securities held as assets in the Company's pension plans.

ii) Deposits in trust prescribed by the CRA for funded supplemental employee retirement plans are non-interest-bearing.

26.2.9 Expected contributions

During 2019, the Company expects to contribute $3,018,000 to its defined benefit pension plans.

26.2.10 Actuarial assumptions

The key actuarial assumptions used by the Company to measure its defined benefit obligations are as follows:

	As at Dec. 31, 2018	As at Dec. 31, 2017
Defined benefit obligations		
Discount rate	**4.0%**	3.5%
Expected rate of compensation increase	**4.9%**	4.9%
Indexation rate of pensions paid	**1.0%**	1.0%
Mortality table	**CPM 2014** [i] and **RP 2014 Top** [ii]	CPM 2014 [i] and RP 2014 Top [ii]
Costs of benefits for the current period		
Discount rate	**3.5%**	4.0%
Expected rate of compensation increase	**4.9%**	4.9%
Indexation rate of pensions paid	**1.0%**	1.0%
Mortality table	**CPM 2014** [i] and **RP 2014 Top** [ii]	CPM 2014 [i] and RP 2014 Top [ii]

i) Private sector table with improved mortality according to the CPM B scale.

ii) Table with improved mortality according to the MP 2014 scale.

26.2.11 Sensitivity analysis

The sensitivity analyses of the defined benefit obligation were calculated based on reasonably possible changes to each key actuarial assumption without considering simultaneous changes to several key actuarial assumptions. A change in one actuarial assumption could trigger a change in another actuarial assumption, which could amplify or mitigate the impact of the change in these assumptions on the present value of the defined benefit obligation. The sensitivity analyses were prepared in accordance with the Company's accounting policies described in Note 2.18. The actual results of items subject to assumptions may differ.

		Impact [i] of	
Assumption	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
		$	**$**
Discount rate	0.50%	**(3,847)**	**4,264**
Expected rate of compensation increase	0.50%	**506**	**(475)**
Indexation rate of pensions paid	0.25%	**625**	**(599)**
Mortality table:			
Life expectancy of members	1 year	**1,742**	**(1,676)**

i) Impact on the defined benefit obligation.

26.2.12 Measurement date

The dates of the most recent full actuarial valuations for pension plan funding purposes as well as the anticipated dates for the next actuarial valuations are as follows:

Date of the most recent actuarial valuations	Anticipated date for the next actuarial valuations
December 31, 2017	December 31, 2020
January 1, 2018	January 1, 2021
September 30, 2018	September 30, 2019

Note 27. Managing Financial Risk Arising From Financial Instruments

In the normal course of business, the Company is exposed to a range of financial risks arising from financial instruments: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange risk and price risk). The Company's overall financial risk management program aims to minimize the negative effects of these risks on its profit or loss. The Company uses derivative instruments to hedge certain risks.

Risk management is conducted by the corporate treasury department and Management Committee, acting in compliance with policies approved by the Board of Directors. They identify, assess and hedge the financial risks in close cooperation with the business units. The Board of Directors provides the guidelines for the overall risk management of specific risks, namely, credit risk, interest rate risk, foreign exchange risk, price risk, the use of derivative instruments and investments of excess cash.

The following analysis provides a measure of the Company's financial risks arising from financial instruments as at the reporting date, i.e., December 31, 2018 and 2017.

27.1 Credit risk

Credit risk is the risk of a counterparty failing to meet its commitments. The Company's credit risk comes mainly from cash and cash equivalents, accounts receivable and derivative instrument assets. As at December 31, 2018, cash and cash equivalents and derivative instrument assets were held in reputable financial institutions, and management deemed the risk of loss to be negligible. The credit risk of accounts receivable is the potential inability of clients to meet their obligations. Accounts receivable amounts are presented on the Consolidated Statement of Financial Position net of the allowance for doubtful accounts, which is estimated by the Company's management based on past experience and its assessment of current economic conditions. The Company may also be exposed to credit risk when it has significant discounts receivable from certain suppliers.

The three largest clients accounted for 30.3% of the trade accounts receivable balance as at December 31, 2018 (28.9% as at December 31, 2017) and 29.2% of the Company's sales for the year ended December 31, 2018 (28.0% of sales for the year ended December 31, 2017).

During the year ended December 31, 2018, one client in the Canada and United States segments accounted for 11.9% ($189,972,000) of the Company's sales (10.3% ($157,670,000) of sales for the year ended December 31, 2017).

The Company regularly examines and reviews the financial positions of existing clients and applies rigorous procedures to assess the creditworthiness of new clients. It sets specific credit limits per client and regularly reviews those limits. The Company manages credit risk as follows:

- Credit limits are established and examined by internal credit specialists based on information collected from relevant sources and on the Company's experience with its clients;
- The Company's Canadian subsidiaries take out credit insurance on the majority of their sales made outside Canada;
- The Company's U.S. subsidiaries take out credit insurance on the majority of their sales; and
- The terms of credit may vary depending on the client's credit risk.

As at December 31, 2018, 95.8% of trade accounts receivable were aged less than 61 days (96.7% as at December 31, 2017). The tables below show the Company's trade accounts receivable aging net of the allowance for doubtful accounts:

	As at December 31, 2018				
	0 to 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
	$	**$**	**$**	**$**	**$**
Trade accounts receivable					
Within the term	**118,786**	**9,074**	**-**	**-**	**127,860**
Past due	**-**	**614**	**861**	**4,755**	**6,230**
	118,786	**9,688**	**861**	**4,755**	**134,090**

	As at December 31, 2017				
	0 to 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
	$	$	$	$	$
Trade accounts receivable					
Within the term	112,940	4,917	-	-	117,857
Past due	-	246	903	3,185	4,334
	112,940	5,163	903	3,185	122,191

The Company recognizes an allowance for doubtful accounts when management believes that the expected recoverable amount is lower than the actual amount of the trade account receivable. The Company generally considers trade accounts receivable to be past due when they exceed 45 to 60 days depending on the credit conditions applicable to the client. As at December 31, 2018 and 2017, the allowance for doubtful accounts was not significant.

As at December 31, 2018 and 2017, the Company's maximum exposure to credit risk corresponds to the carrying amount of the cash and cash equivalents, the accounts receivable and, if applicable, the positive fair value of the derivative instruments presented on the Consolidated Statement of Financial Position.

27.2 Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual obligations, fiscal obligations as well as financial liabilities and derivative instrument liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity.

The Company manages this risk by maintaining detailed financial forecasts as well as long-term operating and strategic plans. Managing consolidated liquidity requires constant monitoring of projected cash inflows and outflows using forecasts of the Company's consolidated financial position to ensure an adequate and effective use of cash resources. Liquidity adequacy is established by geographic segment based on historical volatility and seasonal requirements as well as on planned investments and the long-term debt maturity profile. Implementations of new credit facilities and borrowing agreements and issuances or repurchases of shares are handled by the corporate treasury department. Day-to-day management is conducted within geographic segments.

As at December 31, 2018, the Company had authorized revolving credit facilities for which the available amount may not exceed, respectively, $175,000,000 and US$75,000,000 to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to these revolving credit facilities are described in Note 21.

The following tables present a maturity analysis, up to the contractual due dates, of the Company's financial liabilities according to projected contractual cash flows. The cash flows from derivative instruments, presented as derivative instrument assets or liabilities, are included because the Company manages its derivative contracts based on gross amounts. The amounts correspond to the undiscounted contractual cash flows. All contractual amounts denominated in foreign currencies are converted into Canadian dollars using the exchange rate in effect on the reporting date, unless otherwise indicated.

	As at December 31, 2018					
		Contractual cash flows				
	Carrying value	0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	Total
	$	$	$	$	$	$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	**210,203**	**210,203**	**-**	**-**	**-**	**210,203**
Long-term debt [i]	**321,847**	**25,248**	**106,938**	**180,430**	**10,336**	**322,952**
Interest payments [ii]	**-**	**15,191**	**22,948**	**5,963**	**990**	**45,092**
Contingent consideration payable to the sellers of OOB	**1,228**	**-**	**1,228**	**-**	**-**	**1,228**
	533,278	**250,642**	**131,114**	**186,393**	**11,326**	**579,475**
Derivative instrument (assets) liabilities						
Foreign exchange forward contracts [iii]	**(7,513)**					
Cash outflows		**123,754**	**-**	**-**	**-**	**123,754**
Cash inflows		**(131,630)**	**-**	**-**	**-**	**(131,630)**
Interest rate swaps	**377**	**(737)**	**-**	**1,114**	**-**	**377**
Frozen concentrated orange juice futures	**1,154**	**1,154**	**-**	**-**	**-**	**1,154**
Total return swaps on frozen concentrated orange juice	**506**	**506**	**-**	**-**	**-**	**506**
Frozen concentrated orange juice put options	**38**	**38**	**-**	**-**	**-**	**38**
	(5,438)	**(6,915)**	**-**	**1,114**	**-**	**(5,801)**
	527,840	**243,727**	**131,114**	**187,507**	**11,326**	**573,674**

i) Contractual cash flows do not include transaction costs recognized as a reduction to the long-term debt and the impact of discounting non-interest-bearing financings.

ii) Payments of contractual interest. When future interest cash flows are not fixed, they are calculated using interest rates prevailing at the end of the reporting period.

iii) The contractual cash inflows are converted into Canadian dollars using the exchange rates in effect on the reporting date, whereas the cash outflows are those set by contract.

	As at December 31, 2017					
		Contractual cash flows				
	Carrying value	0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	Total
	$	$	$	$	$	$
Non-derivative financial liabilities						
Bank overdraft	4,998	4,998	-	-	-	4,998
Accounts payable and accrued liabilities	195,578	195,578	-	-	-	195,578
Long-term debt [i]	168,722	10,567	135,455	9,599	14,464	170,085
Interest payments [ii]	-	6,675	6,323	2,218	1,723	16,939
	369,298	217,818	141,778	11,817	16,187	387,600
Derivative instrument (assets) liabilities						
Foreign exchange forward contracts [iii]	5,186					
Cash outflows		164,595	12,625	-	-	177,220
Cash inflows		(159,593)	(12,545)	-	-	(172,138)
Interest rate swaps	(1,041)	-	(1,041)	-	-	(1,041)
	4,145	5,002	(961)	-	-	4,041
	373,443	222,820	140,817	11,817	16,187	391,641

i) Contractual cash flows do not include transaction costs recognized as a reduction to the long-term debt and the impact of discounting non-interest-bearing financings.

ii) Payments of contractual interest. When future interest cash flows are not fixed, they are calculated using interest rates prevailing at the end of the reporting period.

iii) The contractual cash inflows are converted into Canadian dollars using the exchange rates in effect on the reporting date, whereas the cash outflows are those set by contract.

27.3 Market risk

Market risk is the Company's exposure to increases or decreases in financial instrument values caused by fluctuations in market prices, whether due to factors specific to the financial instruments or their issuer, or by factors affecting all financial instruments of that category that are traded on the market. The Company is primarily exposed to interest rate risk, to foreign exchange risk and to the price risk of certain raw materials.

27.3.1 Interest rate risk

Interest rate risk is the Company's exposure to increases or decreases in financial instrument values caused by fluctuations in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuations in its floating-rate interest-bearing financial obligations and to fair value risk from its fixed-rate financial obligations.

In addition, upon the refinancing of a debt instrument, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as CDOR, LIBOR, or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

The Company strives to maintain an appropriate combination of fixed- and floating-rate financial obligations in order to reduce the impact of interest rate fluctuations. To do so, and to synthetically adjust the exposure to interest rates, it uses derivative instruments in the form of interest rate swaps.

With respect to its floating-rate financial obligations, a negative impact on cash flows would occur if there were an increase in the reference rates; the impact would be positive in relation to its interest rate swaps. A decrease in these same rates would have an opposite impact of similar magnitude.

Term financing is used mainly in relation to the Company's long-term obligations stemming from acquisitions of long-term assets and business combinations. The revolving credit facilities are mainly used to finance the Company's working capital and essentially fluctuate according to seasonal factors specific to the Company. The Company may also use revolving credit facilities in addition to term financing for business combinations when it deems that it will be able to repay the revolving credit in the medium term.

As at December 31, 2018 and 2017, the Company had interest rate swap agreements to cover the impact of future fluctuations in LIBOR interest rates applicable to the term loans on the Company's cash flows. These swaps are designated in a hedging relationship.

The following tables present a summary of the Company's interest rate swaps:

					As at December 31, 2018	
Start date	**End date**	**Type**	**Fixed rate**	**Floating rate**	**Notional amount**	**Fair value**
			%		**in US$**	**in C$**
October 2016	September 2019	Fixed-rate payer	1.2340	3-month LIBOR	**35,000,000**	**516,000**
August 2017	September 2019	Fixed-rate payer	1.2300	3-month LIBOR	**15,000,000** i)	**221,000**
June 2018	March 2022	Fixed-rate payer	2.8675	3-month LIBOR	**57,000,000** ii)	**(555,000)**
June 2018	March 2022	Fixed-rate payer	2.8695	3-month LIBOR	**57,000,000** ii)	**(559,000)**

i) The notional amount of the interest rate swap includes a decrease of US$60,000,000 as planned in the agreement, and will remain at US$15,000,000 until maturity.

ii) The notional amount of the interest rate swap includes a decrease of US$3,000,000, as planned in the agreement, and will gradually decrease to reach US$15,000,000 at maturity.

					As at December 31, 2017	
Start date	**End date**	**Type**	**Fixed rate**	**Floating rate**	**Notional amount**	**Fair value**
			%		in US$	in C$
October 2016	September 2019	Fixed-rate payer	1.2340	3-month LIBOR	35,000,000	582,000
August 2017	September 2019	Fixed-rate payer	1.2300	3-month LIBOR	45,000,000 i)	459,000

i) The notional amount of the interest rate swap includes a decrease of US$30,000,000, as planned in the agreement, and will gradually decrease to reach US$15,000,000 at maturity.

Sensitivity analysis for interest rate risk

According to the balances of the Company's floating-rate loans and interest rate swaps as at December 31, 2018, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of $619,000 on profit or loss and a favourable impact of $3,830,000 on other comprehensive income for the year ended December 31, 2018. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in opposite directions on the Company's profit or loss and other comprehensive income.

27.3.2 Foreign exchange risk

Foreign exchange risk is the Company's exposure, caused by exchange rate fluctuations, to decreases or increases in:

- The value of its financial instruments, mainly cash and cash equivalents, other working capital items and intercompany balances denominated in foreign currencies;
- Its net investments in its foreign operations, as they use the U.S. dollar as functional currency; and
- The value of transactions denominated in foreign currencies by entities that have the Canadian dollar as their functional currency;
  - The raw material, supplies and equipment purchases denominated in foreign currencies made by Canadian entities; and
  - Sales made by Canadian entities concluded in foreign currencies.

Foreign exchange risk is managed in accordance with the Company's foreign exchange risk management policy. The objective of this policy is to mitigate the impact of foreign exchange rate fluctuations on the Company's results and financial position. Under this foreign exchange policy, the Company must identify, by geographic segment, any actual or potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

The Company employs various strategies to mitigate foreign exchange risk, including the use of derivative instruments and natural hedge management techniques. A corporate treasury department provides the strategy to hedge these risks. As at December 31, 2018, the Canadian-dollar amounts of accounts receivable and of accounts payable and accrued liabilities denominated in currencies other than the functional currencies of the entities totalled, respectively, $18,480,000 and $27,558,000 ($9,874,000 and $32,395,000, respectively, as well as $257,000 in other current liabilities as at December 31, 2017).

As at December 31, 2018, foreign exchange forward contracts used to hedge the exchange rate fluctuations related to future purchases denominated in foreign currencies amounted to $123,754,000 ($177,220,000 as at December 31, 2017).

The following tables present a summary of the Company's foreign exchange contracts:

	As at December 31, 2018			
Type	**Maturity**	**Rate**	**Total contractual amount**	**Total net fair value**
		in C$		**in C$**
US$ purchase	**1 to 9 months**	**1.2353 to 1.3630**	**US$91,500,000**	**7,327,000**
€ purchase	**1 to 12 months**	**1.5100 to 1.5941**	**€4,359,000**	**186,000**

	As at December 31, 2017			
Type	**Maturity**	**Rate**	**Total contractual amount**	**Total net fair value**
		in C$		in C$
US$ purchase	1 to 13 months	1.2202 to 1.3587	US$134,000,000	(5,181,000)
€ purchase	1 to 12 months	1.5062 to 1.5328	€2,681,000	(5,000)

Foreign exchange forward contracts are contracts whereby the Company is committed to purchasing foreign currencies at predetermined rates. Foreign exchange contracts, when designated for this purpose, are hedged.

The estimated pre-tax net amount of existing gains reported in the hedging reserve that the Company expects to recognize during the next 12 months totals $6,471,000. Changes in future market rates (foreign exchange rates and/or interest rates) will have an impact on the presentation of this amount.

Sensitivity analysis for foreign exchange risk

According to the balances as at December 31, 2018 of the Company's financial instruments denominated in foreign currencies, excluding the balances of foreign operations, and all other factors being equal, a reasonably possible $0.05 per unit increase in foreign currency exchange rates would have had an unfavourable impact of $327,000 on profit or loss and a favourable impact of $3,168,000 on other comprehensive income. A reasonably possible $0.05 per unit decrease in foreign currency exchange rates would have had an impact of a similar magnitude but in the opposite direction on profit or loss and on other comprehensive income for the year ended December 31, 2018.

27.3.3 Price risk

To mitigate the effects of certain raw material price fluctuations, the Company occasionally contracts derivatives.

As at December 31, 2018, the Company owned frozen concentrated orange juice futures, total return swaps and put options (no derivative instrument as at December 31, 2017). The total return swaps are subject to hedge accounting, whereas the futures and put options are not subject to hedge accounting.

The following table presents a summary of the Company's frozen concentrated orange juice derivative instruments:

	As at December 31, 2018			
Type	**Maturity**	**Fixed price**	**Total quantity**	**Total net fair value**
		in US$/lbs. sol.	**in lbs. sol.**	**in C$**
Futures	**3 and 5 months**	**1.3300 to 1.4450**	**6,825,000**	**(1,154,000)**
Total return swaps	**3 months**	**1.2950 to 1.4030**	**4,875,000**	**(506,000)**
Put options	**3 months**	**1.4000**	**180,000**	**(38,000)**

Sensitivity analysis for raw material price risk

All other factors being equal, a 10% increase in the price of frozen concentrated orange juice would have had a favourable impact of $3,270,000 on the fair value of the Company's frozen concentrated orange juice derivative instruments as at December 31, 2018, whereas a 10% decrease in the price of frozen concentrated orange juice would have had an unfavourable impact of $894,000.

Note 28. Capital Management

The Company's capital is defined as shareholders' equity as presented in the Company's Consolidated Statement of Financial Position plus total debt. The total debt is defined as long-term debt and the current portion of long-term debt.

The Company's main objectives for managing capital are as follows:

- Manage capital in order not to exceed, all other factors being equal, a percentage of the Company's total debt to capital (debt-to-capital ratio) of 55% while keeping the business's capital cost competitive with its peers;
- Maintain financial flexibility so that business opportunities may be seized when they arise; and
- Support business growth while maintaining a dividend payment level of approximately 25% of the previous year's profit or loss attributable to the Company's shareholders, subject to the approval of the Company's Board of Directors.

The Company manages its capital structure and can adjust it in light of changes in economic conditions. Repurchases and issuances of shares and usage of long-term debt are the main tools that the Company may use to adjust its capital level and the relationship between shareholders' equity and debt levels.

The Company monitors its capital using the debt-to-capital ratio. As at December 31, 2018, the debt-to-capital ratio was 30.8% (21.3% as at December 31, 2017).

The objectives, policies and procedures for managing capital have not changed since the previous year.

Dividends paid over the last three quarters of 2018 and during the first quarter of 2019 represent, on an annualized basis, approximately 25% of the 2017 profit or loss attributable to the Company's shareholders.

Note 29. Commitments and Contingencies

29.1 Commitments

The following table presents the Company's commitments by period:

	2019	2020	2021	2022	2023	2024 and thereafter
	$	$	$	$	$	$
Operating leases [i]	5,260	4,765	4,578	3,263	1,866	1,941
Service and marketing agreements	4,453	1,607	463	413	10	-
Commitments to purchase property, plant and equipment	9,054	-	-	-	-	-
Commitments to purchase raw materials [ii]	191,082	504	-	-	-	-
	209,849	6,876	5,041	3,676	1,876	1,914

i) The Company is a party to operating leases for the leasing of administrative offices, production and storage facilities, production and distribution equipment, automotive equipment used primarily for production, storage and sales activities, computer equipment and office equipment.

Operating leases expire at various dates between 2019 and 2025. The monthly rent of certain operating leases are indexed on each anniversary date of the contract according to the consumer price index of the region where the building is located. Certain leases include one or more options for renewal upon expiry and/or certain incentives granted by the lessor such as free or reduced rent, the reimbursement of costs, and the lessor's assumption of costs related to the layout of the rented space. These incentives are recognized as being an integral part of the agreed consideration for the use of the leased asset and are recognized as a reduction to the rental expense on a straight-line basis over the lease term.

In addition, during 2013, the Company entered into supply agreements with one of its suppliers to install equipment at two of the Company's facilities for the onsite manufacturing and supply of polyethylene terephthalate bottles. The Company determined that the supply agreements each contained a lease, and that each of those leases was classified as an operating lease. The supply agreements have a 10-year initial term with unlimited renewal options thereafter. Payments under the supply agreements are calculated based on costs incurred and on the number of plastic bottles manufactured by the supplier at some of the Company's onsite locations and are adjusted annually based on factors specified in the agreements. The agreements do not provide for minimum payments but they have penalties for early termination.

ii) Certain raw materials purchase commitments were established based on market prices as at December 31, 2018. They are therefore subject to future fluctuations.

29.2 Letters of credit

As at December 31, 2018, the Company had letters of credit outstanding totalling $752,000 ($817,000 as at December 31, 2017).

29.3 Proceedings and claims

In the ordinary course of business, the Company is exposed to various proceedings and claims. The Company assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and a reliable estimate can be made of the amount. Management believes that any settlement arising from these claims will not have a significant effect on the Company's current consolidated financial position or on profit or loss. Therefore, no provision has been recognized in these consolidated financial statements.

Note 30. Segment Information

The Company has determined that it has only one reportable operating segment, i.e., the development, manufacturing and marketing of a wide range of ready-to-drink fruit and vegetable juices and drinks; frozen juice concentrates; and specialty food products; and the importation, packaging and marketing of selected wines from several countries of origin. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products.

Sales are attributed to the geographic segment based on the location where the Company has transferred the significant risks and rewards of ownership of the goods to the buyer. The geographic segment of long-term assets and goodwill are based on the locations of the assets.

30.1 Sales by geographic segment

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Canada	**641,397**	624,729
United States	**948,665**	895,173
Other	**3,934**	6,246
	1,593,996	1,526,148

30.2 Certain long-term assets and goodwill by geographic segment

	As at December 31, 2018		
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**173,944**	**131,637**	**305,581**
Intangible assets	**6,320**	**265,103**	**271,423**
Goodwill	**5,776**	**311,038**	**316,814**
	186,040	**707,778**	**893,818**

	As at December 31, 2017		
	Canada	**United States**	**Total**
	$	$	$
Property, plant and equipment	163,264	110,042	273,306
Intangible assets	7,053	192,732	199,785
Goodwill	5,776	193,658	199,434
	176,093	496,432	672,525

Note 31. Related Party Transactions

As at December 31, 2018 and 2017, the Company was controlled by 3346625 Canada Inc. As at December 31, 2018, this entity held 0.42% of the Class A shares, 100% of the Class B shares, and 92.13% of the voting rights of the Company (0.42% of the Class A shares, 100% of the Class B shares and 92.10% of the voting rights as at December 31, 2017). The remaining shares and voting rights were held by multiple shareholders, none of whom held a significant number of voting rights.

Key management personnel include the members of the Board of Directors as well as the President and Chief Operating Officer and the executive vice-presidents who are members of the Management Committee. Other related parties include close family members of the key management personnel and entities controlled by the key management personnel.

Notes to the Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(audited)

31.1 Transactions and balances between related parties

The Company carried out the following transactions with related parties:

	Year ended December 31, 2018			
	3346625 Canada Inc.	**Key management personnel**	**Other related parties**	**Total**
	$	**$**	**$**	**$**
Transactions				
Dividends paid	**11,449**	**83**	**-**	**11,532**
Employee benefits expense	**-**	**7,562**	**195**	**7,757**
Professional fees expense	**-**	**13**	**12**	**25**
Rental expense	**-**	**-**	**23**	**23**
Purchase of inventories	**-**	**-**	**180**	**180**
Account balances				
Accounts receivable	**25**	**46**	**7**	**78**

	Year ended December 31, 2017			
	3346625 Canada Inc.	**Key management personnel**	**Other related parties**	**Total**
	$	$	$	$
Transactions				
Dividends paid	9,821	64	-	9,885
Employee benefits expense	-	10,579	130	10,712
Professional fees expense	-	19	48	64
Rental expense	-	-	23	23
Purchase of inventories	-	-	204	204
Account balances				
Accounts receivable	24	16	12	52
Accounts payable and accrued liabilities	-	8	-	8

In the ordinary course of business, the Company purchases raw materials and contracts services from entities controlled by key management personnel and employs close family members of key management personnel. All of these transactions are carried out under market terms and conditions.

The minority interest is owned by 3346625 Canada Inc. The transactions and balances related to the minority interest are described in Note 23.8.

The dividends paid are approved by the Company's Board of Directors. A dividend amount is set for each class of share.

31.2 Key management personnel compensation

The following table presents the compensation of the key management personnel recognized in profit or loss:

	Years ended	
	Dec. 31, 2018	**Dec. 31, 2017**
	$	$
Short-term employee benefits [i]	**5,311**	9,014
Post-employment benefits	**2,251**	1,565
	7,562	10,579

[i] Includes directors' fees.

Note 32. Interests in Other Entities

32.1 Group composition

The following table presents the Company's subsidiaries as at December 31, 2018 and 2017:

Company	Country	% of ownership 2018	% of ownership 2017	Consolidation method
A. Lassonde Inc.	Canada	**100%**	100%	Fully consolidated
Lassonde Specialties Inc.	Canada	**100%**	100%	Fully consolidated
Arista Wines Inc.	Canada	**100%**	100%	Fully consolidated
Arista Wines (USA) Inc.	Canada	**100%**	100%	Fully consolidated
Zurban Beverages Inc.	Canada	**100%**	100%	Fully consolidated
7925271 Canada Inc.	Canada	**100%**	100%	Fully consolidated
Lasfin Canada Inc.	Canada	**100%**	-	Fully consolidated
2733-1719 Québec Inc.	Canada	**100%**	100%	Fully consolidated
Luxlas Fund Limited Partnership	Canada	**100%**	100%	Fully consolidated
Lassonde (U.S.A.) Inc.	Canada	**100%**	100%	Fully consolidated
Pappas Lassonde Holdings, Inc.	United States	**90%**	90%	Fully consolidated
Pomona Holdings, Inc.	United States	**90%**	90%	Fully consolidated
Lassonde Pappas and Company, Inc.	United States	**90%**	90%	Fully consolidated
Pappas Foods, L.L.C.	United States	**90%**	90%	Fully consolidated
Delsea Farms, LLC	United States	**90%**	90%	Fully consolidated
Pappas Properties CA, LLC	United States	**90%**	90%	Fully consolidated
Pappas Properties, LLC	United States	**90%**	90%	Fully consolidated
CP Maryland, LLC	United States	**90%**	90%	Fully consolidated
Clement Pappas NC, LLC	United States	**90%**	90%	Fully consolidated
Apple & Eve, LLC	United States	**90%**	90%	Fully consolidated
A&E Acquisition, LLC	United States	**90%**	90%	Fully consolidated
Northland Products, LLC	United States	**90%**	90%	Fully consolidated
Old Orchard Brands, LLC	United States	**90%**	-	Fully consolidated
Old Orchard Brands Real Estate Holdings, LLC	United States	**90%**	-	Fully consolidated
Lassonde Luxembourg SARL	Luxembourg	**100%**	100%	Fully consolidated

32.2 Nature and scope of other significant restrictions

The shareholders' agreement of a U.S. subsidiary of the Company contains restrictive clauses regarding:

- Transactions with related parties of the Company's U.S. subsidiaries;
- Non-compete obligations relative to certain products and sales regions of the Company's subsidiaries;
- Transfers and sales of the shares of certain U.S. subsidiaries and of a Canadian subsidiary of the Company related to the financing of a U.S. subsidiary;
- Changes to the policy for declaring dividends to the shareholders of certain U.S. subsidiaries of the Company;
- Capital contributions to certain U.S. subsidiaries of the Company; and
- Significant changes to the nature of the operations and to the location of the head office of a U.S. subsidiary of the Company.