



# LASSONDE INDUSTRIES INC. CONSOLIDATED FINANCIAL STATEMENTS REPORT

Years Ended December 31, 2019 and 2018



## Message to Shareholders

Dear Shareholders,

As Chief Executive Officer of Lassonde Industries Inc., I am pleased to present the financial results for the 2019 fourth quarter and fiscal year.

For 2019, the Company's sales totalled \$1,678.3 million, up \$84.3 million or 5.3% from \$1,594.0 million in 2018. For the first five months of 2019, sales from Old Orchard Brands, LLC ("OOB"), an entity acquired on May 31, 2018, totalled \$50.3 million. Excluding these sales and a \$22.4 million favourable foreign exchange impact, the Company's sales were up \$11.6 million (0.7%) year over year. This increase was mainly due to an increase in sales of private label products.

The Company's 2019 operating profit totalled \$100.8 million, down \$4.4 million from \$105.2 million last year. For the first five months of 2019, OOB's operating profit was \$5.1 million. During 2019, the Company also incurred \$1.5 million in expenses related to the acquisition of Sun-Rype Products Ltd. ("Sun-Rype"), which was concluded in January 2020. The 2018 operating profit had included a \$2.6 million gain resulting from a favourable decision by a U.S. administrative tribunal on product classification and \$2.0 million in expenses related to the OOB acquisition. Excluding these items, the Company's 2019 operating profit was down \$7.4 million year over year on a comparable basis. This decrease was due to a \$4.9 million decrease in the profitability of specialty food products caused by the negative impact on productivity of significant investment-related activities in this business unit. This decrease in the operating profit was also due to a lower profitability in U.S. operations resulting mainly from higher input costs and manufacturing overhead costs, partly offset by improved profitability in the Canadian fruit juice and drink operations. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a \$0.6 million favourable impact on the 2019 operating profit.

The Company's financial expenses went from \$15.1 million in 2018 to \$19.5 million in 2019. This increase was due to a \$4.5 million increase in interest expense related to the financing of the OOB acquisition. Excluding this additional interest expense, financial expenses were down \$0.1 million, essentially due to a \$1.7 million decrease in the interest on long-term debt, partly offset by a \$1.3 million interest expense on lease liabilities resulting from the adoption of IFRS 16 on January 1, 2019.

"Other (gains) losses" went from a \$1.1 million loss in 2018 to a \$19.2 million gain in 2019. This 2019 gain was mainly due to a \$20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price, partly offset by a \$1.0 million loss resulting from a change in the fair value of financial instruments and by \$0.8 million in foreign exchange losses. 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 \$100.5 million in 2019, up \$11.6 million from \$88.9 million in 2018.

Income tax expense went from \$20.9 million in 2018 to \$25.5 million in 2019. At 25.4%, the 2019 effective income tax rate was higher than the 23.5% rate in 2018. This higher effective tax rate mainly reflects changes to U.S. tax regulations affecting the deductibility of certain interest expenses.

The 2019 profit totalled \$74.9 million, up \$6.9 million from \$68.0 million in 2018. It should be noted, however, that the 2019 profit includes a \$15.3 million gain, net of tax, realized following the settlement of an insurance claim and a \$3.4 million profit from OOB for the first five months of 2019, partly offset by \$3.4 million, net of tax, in additional financial expenses related to the financing of the OOB acquisition and by \$1.1 million, net of tax, in Sun-Rype acquisition-related costs. In 2018, the profit had included a \$1.9 million gain, net of tax, resulting from a favourable decision by a U.S. administrative tribunal on product classification and \$1.4 million, net of tax, in expenses related to the OOB acquisition. Excluding these items, the Company's 2019 profit was down \$6.8 million year over year.

The 2019 profit attributable to the Company's shareholders was \$72.0 million, resulting in basic and diluted earnings per share of \$10.37. In 2018, profit attributable to the Company's shareholders had totalled \$66.4 million, resulting in basic and diluted earnings per share of \$9.50. Excluding the impacts of the OOB acquisition, the gain realized following the settlement of an insurance claim, Sun-Rype acquisition-related costs and the 2018 gain resulting from a favourable decision by a U.S. administrative tribunal on product classification, the 2019 profit attributable to the Company's shareholders was down \$6.5 million year over year.

## Message to Shareholders (continued)

The Company's operating activities generated \$140.7 million in cash during 2019, while they had generated \$114.7 million in cash during 2018. OOB's operating activities generated \$2.8 million in the first five months of 2019, resulting in a difference of \$23.2 million on a comparative basis. Financing activities used \$100.7 million in cash during 2019, while they had generated \$110.7 million in 2018. During 2018, cash flows generated for the OOB acquisition had totalled \$193.3 million, leaving a difference of \$18.1 million on a comparative basis. Investing activities used \$55.3 million in cash during 2019 compared to \$232.2 million used in 2018. Excluding the \$196.9 million in cash flows related to the OOB acquisition in 2018, investing activities used \$20.0 million more cash when compared to 2018. At year-end 2019, the Company reported a cash and cash equivalents balance of \$1.8 million and a bank overdraft of \$12.4 million, whereas, at the end of 2018, the cash and cash equivalents balance was \$4.6 million and the bank overdraft balance was \$nil.

For the fourth quarter of 2019, the Company's sales totalled \$432.1 million, up \$5.3 million or 1.2% from \$426.8 million in the fourth quarter of 2018. Excluding a \$0.5 million favourable foreign exchange impact, the Company's fourth-quarter sales were up \$4.8 million (1.1%) year over year. This increase was mainly due to a favourable impact of selling price adjustments while sales volume remained stable for national brands as well as for private label products.

The Company's operating profit for the fourth quarter of 2019 totalled \$25.0 million, down \$0.7 million from \$25.7 million in the same quarter last year. Excluding \$1.5 million in expenses related to the Sun-Rype acquisition, the Company's 2019 fourth-quarter operating profit was up \$0.8 million year over year on a comparable basis. The increase came from improved contribution margins realized by the Company's U.S. operations, partly offset by a \$5.3 million increase in obsolete inventory costs. It should be noted that the adoption of IFRS 16 on January 1, 2019 had a \$0.1 million favourable impact on the 2019 fourth-quarter operating profit.

The Company's financial expenses went from \$4.5 million in the fourth quarter of 2018 to \$5.1 million in the fourth quarter of 2019. This increase was essentially due to a \$0.3 million interest expense on lease liabilities resulting from the adoption of IFRS 16 on January 1, 2019 and a \$0.3 million decrease in interest income.

"Other (gains) losses" went from a \$0.8 million loss in the fourth quarter of 2018 to a \$20.9 million gain in the fourth quarter of 2019. This 2019 fourth-quarter gain was mainly due to a \$20.8 million gain realized following the settlement of an insurance claim directly related to the OOB acquisition price, whereas 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 \$40.7 million in the fourth quarter of 2019, up \$20.3 million from \$20.4 million in the fourth quarter of 2018.

Income tax expense went from \$4.4 million in the fourth quarter of 2018 to \$10.3 million in the fourth quarter of 2019. At 25.4%, the 2019 fourth-quarter effective income tax rate was higher than the 21.3% rate in the same quarter of 2018. This higher effective income tax rate mainly reflects the impact of changes to U.S. tax regulations affecting the deductibility of certain interest expenses and special taxes related thereto.

The 2019 fourth-quarter profit totalled \$30.4 million, up \$14.3 million from \$16.1 million in the fourth quarter of 2018. It should be noted, however, that the 2019 profit includes a \$15.3 million gain, net of tax, realized following the settlement of an insurance claim, partly offset by \$1.1 million, net of tax, in Sun-Rype acquisition-related costs. Excluding these items, profit was up \$0.1 million when compared to the fourth quarter of 2018.

Profit attributable to the Company's shareholders for the fourth quarter of 2019 was \$28.5 million, resulting in basic and diluted earnings per share of \$4.10. In the fourth quarter of 2018, profit attributable to the Company's shareholders had totalled \$15.8 million, resulting in basic and diluted earnings per share of \$2.26. Excluding the gain realized following the settlement of an insurance claim and Sun-Rype acquisition-related costs, the 2019 fourth-quarter profit attributable to the Company's shareholders was similar to the 2018 fourth-quarter profit attributable to the Company's shareholders.

For the twelve-month period ended December 31, 2019, the Company observed a decrease in industry sales in both the U.S. and Canadian fruit juice and drink markets. When adjusted to reflect foreign exchange impacts and excluding OOB's sales for the first five months of 2019 to maintain a comparable basis, the Company's sales were up 0.7% in 2019 compared to 2018. Barring any significant external shocks (and excluding foreign exchange impacts and the impact of the Sun-Rype acquisition to maintain a comparable basis), the Company believes that, for 2020, it will be able to achieve consolidated annual sales growth rate slightly above that of 2019.

## Message to Shareholders (continued)

The Company has noted that the competitive environment continues to be difficult in terms of private label products sold in the U.S. While it has seen a slight improvement in the profitability of its U.S. activities in the last quarter, its ability to reflect certain cost increases in selling prices remains a cause of concern. In Canada, the Company expects that the negative effects on its production output resulting from investments being made in one of its plants should gradually be resolved in the first quarter of 2020, as the new equipment is now operational.

The Company is paying close attention to the progression of COVID-19 in North America and to the resulting impacts on economic activity as well as on consumer spending habits. It has seen a recent increase in retail juice and drink sales but is concerned about how the crisis will affect sales to the food service segment.

The Company expects its investment-related cash outflows to exceed the average of the last five years. Among other things, this increase is attributable to the final stage of a major investment project intended to provide the Company with additional capabilities for specialty food products. The Company also expects to make investments designed to enhance the flexibility of production capacity for fruit juices and beverages in the U.S. and to upgrade its ERP software in Canada. It believes that its use of investing cash flows could reach between \$45 million and \$55 million in 2020. These disbursements will have a limited impact on the Company's profit for 2020 but will affect its cash flows.

In closing, I would like to draw attention to the exceptional work of our employees and business partners, who have been doubling up efforts during this trying time of global pandemic.



NATHALIE LASSONDE

**Chief Executive Officer**



**Lassonde**

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

## Table of Contents

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Independent Auditor's Report .....	6
Consolidated Statements of Income .....	8
Consolidated Statements of Comprehensive Income.....	9
Consolidated Statements of Financial Position .....	10
Consolidated Statements of Shareholders' Equity .....	11
Consolidated Statements of Cash Flows .....	12
Notes to the Consolidated Financial Statements.....	13

# 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, 2019 and 2018, 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, 2019 and 2018, 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 and will 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<sup>(1)</sup>

March 26, 2020

Montreal, Quebec

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<sup>(1)</sup> 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, 2019	Dec. 31, 2018
		\$	\$
<b>Sales</b>	8	<b>1,678,301</b>	1,593,996
Cost of sales		<b>1,226,669</b>	1,166,159
Selling and administrative expenses		<b>350,901</b>	322,621
(Gains) losses on capital assets		<b>(95)</b>	24
		<b>1,577,475</b>	1,488,804
Operating profit		<b>100,826</b>	105,192
Share in the profit or (loss) of an associate		<b>(88)</b>	-
Financial expenses	10	<b>19,498</b>	15,136
Other (gains) losses	11	<b>(19,248)</b>	1,110
Profit before income taxes		<b>100,488</b>	88,946
Income tax expense	12	<b>25,544</b>	20,931
<b>Profit</b>		<b>74,944</b>	68,015
Attributable to:			
Company's shareholders		<b>71,977</b>	66,382
Non-controlling interest	23	<b>2,967</b>	1,633
		<b>74,944</b>	68,015
<b>Basic and diluted earnings per share (in \$)</b>	23	<b>10.37</b>	9.50
<b>Weighted average number of shares outstanding (in thousands)</b>	23	<b>6,942</b>	6,987

Additional information on income is presented in Notes 9 and 26.



## Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)  
(audited)

	Notes	Years ended	
		Dec. 31, 2019	Dec. 31, 2018
		\$	\$
<b>Profit</b>		<b>74,944</b>	68,015
<b>Other comprehensive income:</b>			
<b>To be reclassified subsequently to profit or loss:</b>			
Net change in the cash flow hedge of financial assets and liabilities:			
Gains (losses) on financial instruments designated as hedges		(2,295)	(936)
Reclassification of (gains) losses on financial instruments designated as hedges		(67)	(561)
Income tax expense	12	599	384
		(1,763)	(1,113)
Translation difference:			
Exchange difference on translating foreign operations		(26,393)	41,995
		(28,156)	40,882
<b>Not to be reclassified subsequently to profit or loss:</b>			
Net change in the cash flow hedge of non-financial assets:			
Gains (losses) on financial instruments designated as hedges		(7,343)	11,482
Income tax expense	12	1,908	(3,000)
		(5,435)	8,482
Benefit cost of the defined benefit plans:			
Remeasurements of the net defined benefit asset or liability	26	(3,812)	3,067
Income tax expense	12	990	(785)
		(2,822)	2,282
		(8,257)	10,764
<b>Total other comprehensive income (loss)</b>		<b>(36,413)</b>	51,646
<b>Comprehensive income</b>		<b>38,531</b>	119,661
Attributable to:			
Company's shareholders		38,439	113,637
Non-controlling interest	23	92	6,024
		38,531	119,661


**Consolidated Statements of Financial Position***(in thousands of Canadian dollars)**(audited)*

	Notes	As at Dec. 31, 2019 \$	As at Dec. 31, 2018 \$
<b>Assets</b>			
Current			
Cash and cash equivalents		1,767	4,575
Accounts receivable	14	126,963	147,137
Income tax recoverable		11,656	5,613
Inventories	15	258,829	238,667
Derivative instruments		9	8,271
Other current assets	16	15,532	12,708
		<b>414,756</b>	416,971
Derivative instruments		34	-
Investment in an associate		8,068	-
Property, plant and equipment	17	334,523	305,581
Intangible assets	18	239,362	271,423
Net defined benefit asset	26	7,910	6,704
Other long-term assets		871	1,113
Goodwill	19	304,702	316,814
		<b>1,310,226</b>	1,318,606
<b>Liabilities</b>			
Current			
Bank overdraft		12,357	-
Accounts payable and accrued liabilities	20	220,373	210,203
Income tax payable		518	3,148
Derivative instruments		2,590	1,719
Other current liabilities		1,393	1,130
Current portion of long-term debt	21	16,158	24,580
		<b>253,389</b>	240,780
Derivative instruments		2,654	1,114
Net defined benefit liability	26	1,385	1,007
Long-term debt	21	248,961	297,267
Deferred tax liabilities	12	68,953	54,959
Other long-term liabilities	22	65	1,228
		<b>575,407</b>	596,355
<b>Shareholders' equity</b>			
Share capital	23	48,143	48,678
Contributed surplus		1,375	1,380
Accumulated other reserves	24	64,962	96,466
Retained earnings		566,284	521,769
Non-controlling interest	23	54,055	53,958
		<b>734,819</b>	722,251
		<b>1,310,226</b>	1,318,606

Approved by the Board of Directors



Pierre-Paul Lassonde  
Director



Chantal Bélanger  
Director

## Consolidated Statements of Shareholders' Equity

(in thousands of Canadian dollars)

(audited)

	Attributable to the Company's shareholders				Non-controlling interest	Total shareholders' equity
	Share capital	Contributed surplus	Accumulated other reserves <sup>i)</sup>	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2018	48,678	1,380	96,466	521,769	53,958	722,251
Profit	-	-	-	71,977	2,967	74,944
Other comprehensive income (loss)	-	-	(30,736)	(2,802)	(2,875)	(36,413)
Transfer of cash flow hedge (gains) losses to non-financial assets	-	-	(768)	-	5	(763)
Dividends	-	-	-	(18,021)	-	(18,021)
Repurchase of Class A shares <sup>ii)</sup>	(535)	(5)	-	(6,639)	-	(7,179)
<b>Balance as at December 31, 2019</b>	<b>48,143</b>	<b>1,375</b>	<b>64,962</b>	<b>566,284</b>	<b>54,055</b>	<b>734,819</b>
Balance as at December 31, 2017	48,864	1,382	51,762	477,576	45,378	624,962
Restatement <sup>iii)</sup>	-	-	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 <sup>ii)</sup>	(186)	(2)	-	(2,628)	-	(2,816)
Investment of the non-controlling interest <sup>iv)</sup>	-	-	-	-	2,589	2,589
Balance as at December 31, 2018	48,678	1,380	96,466	521,769	53,958	722,251

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

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

iii) Additional information about the restatement is presented in Note 4.4.

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.

**Consolidated Statements of Cash Flows***(in thousands of Canadian dollars)**(audited)*

	Notes	Years ended	
		Dec. 31, 2019	Dec. 31, 2018
		\$	\$
<b>Operating activities</b>			
Profit		74,944	68,015
Adjustments for:			
Income tax expense	12	25,544	20,931
Interest expense	10	18,809	14,464
Depreciation of property, plant and equipment and amortization of intangible assets	9	56,957	48,752
Amortization of unearned discounts and unused tax credits		(66)	(279)
Change in fair value of financial instruments		1,410	1,541
Cost of the defined benefit plans recognized in profit or loss, net of contributions		(4,604)	4,841
Share in the (profit) or loss of an associate		88	-
(Gains) losses on capital assets		(95)	24
Unrealized foreign exchange (gains) losses		(1,287)	853
		171,700	159,142
Change in non-cash operating working capital items	25	4,386	(7,822)
Income tax received		1,147	790
Income tax paid		(16,246)	(23,696)
Interest received		96	155
Interest paid		(16,895)	(13,922)
Settlements of derivative instruments		(3,656)	38
Unearned discounts		199	-
		140,731	114,685
<b>Financing activities</b>			
Change in revolving operating credit, net of transaction costs		28,838	20,616
Increase in long-term debt, net of transaction costs		(1,483)	185,559
Repayment of long-term debt		(102,808)	(73,966)
Dividends paid on Class A shares	23	(8,283)	(9,832)
Dividends paid on Class B shares	23	(9,738)	(11,408)
Investment of the non-controlling interest	23	-	2,589
Repurchase of Class A shares	23	(7,179)	(2,816)
		(100,653)	110,742
<b>Investing activities</b>			
Consideration paid on a business combination, net of acquired cash on hand	6	(7,500)	(196,861)
Consideration received from a business combination	25	51	-
Acquisition of an investment in an associate	7	(8,156)	-
Acquisition of property, plant and equipment		(37,766)	(33,667)
Acquisition of intangible assets		(2,148)	(1,776)
Net proceeds from the disposal of property, plant and equipment		232	97
		(55,287)	(232,207)
Increase (decrease) in cash and cash equivalents		(15,209)	(6,780)
Cash and cash equivalents at beginning		4,575	11,236
Impact of exchange rate changes on cash and cash equivalents		44	119
<b>Cash and cash equivalents at end</b>	25	<b>(10,590)</b>	<b>4,575</b>

Additional cash flow information is presented in Note 25.

# Notes to the Consolidated Financial Statements

## Table of Contents

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Note 1.	Description of the Business.....	14
Note 2.	Accounting Policies.....	14
Note 3.	Accounting Judgments and Sources of Estimation Uncertainty.....	24
Note 4.	Adoption of IFRS Standards.....	26
Note 5.	Future Accounting Changes.....	28
Note 6.	Business Combination.....	28
Note 7.	Investment in an Associate.....	32
Note 8.	Sales.....	32
Note 9.	Additional Information on Income.....	33
Note 10.	Financial Expenses.....	33
Note 11.	Other (Gains) Losses.....	34
Note 12.	Income Tax Expense.....	34
Note 13.	Financial Instruments.....	37
Note 14.	Accounts Receivable.....	44
Note 15.	Inventories.....	44
Note 16.	Other Current Assets.....	44
Note 17.	Property, Plant and Equipment.....	44
Note 18.	Intangible Assets.....	47
Note 19.	Goodwill.....	48
Note 20.	Accounts Payable and Accrued Liabilities.....	49
Note 21.	Long-Term Debt.....	49
Note 22.	Other Long-Term Liabilities.....	52
Note 23.	Shareholders' Equity.....	52
Note 24.	Accumulated Other Reserves.....	54
Note 25.	Additional Cash Flow Information.....	55
Note 26.	Post-Employment Benefits.....	57
Note 27.	Managing Financial Risk Arising From Financial Instruments.....	63
Note 28.	Capital Management.....	69
Note 29.	Commitments and Contingencies.....	70
Note 30.	Segment Information.....	71
Note 31.	Related Party Transactions.....	72
Note 32.	Interests in Other Entities.....	74
Note 33.	Events After the Reporting Period.....	75

# Notes to the Consolidated Financial Statements

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

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## Note 1. Description of the Business

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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 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

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The Company’s Board of Directors approved these consolidated financial statements on March 26, 2020. 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, 2019.

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 2.17 and 2.18, respectively.

### 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.

## Notes to the Consolidated Financial Statements

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

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### 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 2.7.2. 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.

#### 2.5.3 Investments in an associate

An associate is an entity over which the Company exercises significant influence without controlling it.

An investment in an associate is recognized in the Company's consolidated financial statements using the equity method. The investment is initially recognized at cost, including transaction costs. It is then adjusted to reflect the Company's proportionate share in the profit and other comprehensive income of the associate. If necessary, adjustments are made to the proportionate share in the profit of the associate to reflect the amortization of depreciable assets based on their acquisition-date fair value and to align the accounting policies of the associate with those of Lassonde Industries Inc. At each reporting period, the Company determines whether there are objective indicators of impairment of its investments in associates. If there is such an indication, the investment is tested for impairment.

## Notes to the Consolidated Financial Statements

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

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### 2.6 Recognition of sales

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 mainly 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 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.

#### 2.7.1 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.

#### 2.7.2 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.



## Notes to the Consolidated Financial Statements

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

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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.

### 2.8 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.

### 2.9 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.

### 2.10 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.

### 2.11 Property, plant and equipment

#### 2.11.1 Owned assets

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 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. These gains and losses come from the hedging reserve item of shareholders' equity. 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.

## Notes to the Consolidated Financial Statements

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

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
<b>Land and buildings</b>		
Land	-	-
Parking	Declining balance	10 to 20%
Buildings	Declining balance and straight-line	3% 15 to 40 years
Leasehold improvements	Straight-line	Lease term
<b>Machinery and equipment</b>		
Machinery and equipment	Straight-line	3 to 40 years
Laboratory equipment	Straight-line	10 years
<b>Other</b>		
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.

### 2.11.2 Right-of-use assets – Accounting policies applied to the year ended December 31, 2019

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset.

All leases are recognized in the Consolidated Statement of Financial Position through the recognition of a right-of-use asset and a lease liability, except for leases with a term of 12 months or less and leases for which the underlying asset is of low value, which are recognized in profit or loss on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of future lease payments using the implicit rate of the lease, if it can be readily determined, or the Company's incremental borrowing rate. Future lease payments include fixed payments, variable payments that depend on an index or rate, and extension, termination or purchase options that are reasonably certain to be exercised by the Company. When lease payments include amounts relating to non-rental components, they are included in the calculation of the lease liability. The lease liability is reported in the long-term debt item of the Consolidated Statement of Financial Position. The lease liability is then measured at amortized cost using the effective interest rate method.

The initial measurement of the right-of-use asset corresponds to the lease liability. The right-of-use asset is reported in the property, plant and equipment item of the Consolidated Statement of Financial Position. It is then measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated over either the lease term or the estimated useful life of the underlying asset, whichever is shorter.

Lease payments that have not been included in the lease liability are recognized in the profit or loss of the period to which they relate.

## Notes to the Consolidated Financial Statements

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

If a lease is modified, the lease liability is remeasured and a corresponding adjustment is made to the right-of-use asset. If the modification represents a decrease in the scope of a lease, the difference between the adjustment to the lease liability and the right-of-use asset, if any, is accounted for as a gain or loss upon lease modification. The gain or loss on lease modification is reported in the (gains) losses on capital assets item of the Consolidated Statement of Income. If the modification represents a separate lease component, it is accounted for as a separate lease.

### 2.12 Leases – Accounting policies applied to the year ended December 31, 2018

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.

### 2.13 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.

### 2.14 Intangible assets

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

#### 2.14.1 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.

#### 2.14.2 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.

## Notes to the Consolidated Financial Statements

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

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### 2.15 Impairment of non-financial assets

#### 2.15.1 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.

#### 2.15.2 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.

### 2.16 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.

### 2.17 Post-employment benefits

#### 2.17.1 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 services 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.

## Notes to the Consolidated Financial Statements

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

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### 2.17.2 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).

### 2.18 Financial instruments

#### 2.18.1 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.

#### 2.18.2 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.

## Notes to the Consolidated Financial Statements

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

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### 2.18.3 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;
- ♦ Derivative instruments designated in hedge accounting relationships are classified as subsequently measured at fair value through other comprehensive income. Gains and losses arising from remeasurement are accounted for as described in Note 2.18.10; 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.

### 2.18.4 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.

### 2.18.5 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.

### 2.18.6 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.

### 2.18.7 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.

### 2.18.8 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.

## Notes to the Consolidated Financial Statements

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

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### 2.18.9 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.

### 2.18.10 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.

## Notes to the Consolidated Financial Statements

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(audited)*

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### 2.19 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 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 internal reporting system and management 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

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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 right-of-use assets and lease liabilities

Future lease payments used to calculate the value of the right-of-use asset and lease liability include payments for extension, termination or purchase options that are reasonably certain to be exercised by the Company. Determining the economic benefit of exercising these options requires the use of assumptions and estimates such as the expected use of the leased asset and future market conditions. Whether or not payments relating to the extension, termination or purchase options are taken into account can have a significant impact on the value of the right-of-use asset and the lease liability. To measure the lease liability at the present value of future lease payments, the Company must determine its incremental borrowing rate when the implicit rate of the lease cannot be readily determined.



## Notes to the Consolidated Financial Statements

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

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### 3.4 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.

### 3.5 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.

### 3.6 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.

### 3.7 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") and the contingent consideration payable related to the non-significant business combination. The main assumptions and estimates used relate, among other things, to OOB's 2019 expected adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), the cumulative sales of the non-significant business combination for 12 consecutive months starting from the acquisition date until December 31, 2020 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.

# Notes to the Consolidated Financial Statements

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

## Note 4. Adoption of IFRS Standards

### 4.1 IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16, which applies to fiscal years beginning on or after January 1, 2019. The Company retrospectively applied IFRS 16, recognizing the cumulative effect of initial application at the date of initial application without restatement of comparative figures as at December 31, 2018.

IFRS 16 replaces 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*. 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.

For leases previously classified as operating leases, the Company recognized a lease liability measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019, as well as a right-of-use asset for a corresponding value. In the Consolidated Statement of Income, rent expense is replaced by depreciation of the right-of-use asset and by interest on the lease liability calculated using the effective interest rate method.

For leases previously classified as finance leases, the carrying amounts of the right-of-use asset and of the lease liability as at January 1, 2019 correspond to the carrying amounts of the property, plant and equipment held under finance leases and the finance lease debt as measured in accordance with IAS 17 as at December 31, 2018. In the Consolidated Statement of Income, the depreciation of the right-of-use asset and the interest on the lease liability correspond to the depreciation of property, plant and equipment held under finance leases and interest on finance lease debt as measured in accordance with IAS 17.

The right-of-use asset is reported in the property, plant and equipment item of the Consolidated Statement of Financial Position. It is then measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated over either the lease term or estimated useful life, whichever is shorter.

The lease liability is reported in the long-term debt item of the Consolidated Statement of Financial Position. It is then measured at amortized cost using the effective interest rate method.

As part of the transition to IFRS 16, the Company applied the following practical expedients:

- The Company did not reassess whether a contract is, or contains, a lease at the date of initial application. It applied IFRS 16 to contracts that were previously identified as leases in accordance with IAS 17 and IFRIC 4;
- Instead of performing an impairment test, the Company relied on its assessment of whether leases were onerous as at December 31, 2018 in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- The Company applied a single discount rate to a portfolio of leases with similar characteristics; and
- The Company accounted for leases with a term of 12 months or less at the date of initial application as short-term leases by recognizing the rent payments in profit or loss on a straight-line basis over the lease term.

The retrospective application of IFRS 16 had the following impact on the comparative information presented in these consolidated financial statements of the Company:

	As at Dec. 31, 2018	Restatement	As at January 1, 2019
	\$	\$	\$
<b>Consolidated Statements of Financial Position</b>			
Property, plant and equipment	305,581	27,934	333,515
Accounts payable and accrued liabilities	210,203	(213)	209,990
Current portion of long-term debt <sup>1)</sup>	24,580	3,406	27,986
Long-term debt <sup>1)</sup>	297,267	24,741	322,008

- <sup>1)</sup> The weighted average incremental borrowing rate applied to the lease liabilities recognized in the Consolidated Statement of Financial Position as at January 1, 2019 is 4.94%.

## Notes to the Consolidated Financial Statements

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

The reconciliation of the operating lease commitments disclosed in accordance with IAS 17 as at December 31, 2018 and the lease liability recognized as at January 1, 2019 in accordance with IFRS 16 is as follows:

	\$
Future minimum operating lease payments as at December 31, 2018	18,912
Other operating lease commitments as at December 31, 2018	2,734
Commitments under operating leases as at December 31, 2018	21,646
Future minimum operating lease payments as at December 31, 2018	18,912
Practical expedient for leases with a term of 12 months or less as at January 1, 2019	(490)
Estimate of variable lease payments that depend on an index or a rate	(98)
Lease not yet started	(652)
	17,672
Impact of discounting at the incremental borrowing rate	(1,899)
Options to extend the leases that are reasonably certain to be exercised	12,374
Lease liabilities from leases previously classified as operating leases	28,147
Lease liabilities from leases previously classified as finance leases	53
Lease liabilities as at January 1, 2019	28,200

### 4.2 IFRIC 23 Uncertainty Over Income Tax Treatments

On January 1, 2019, the Company adopted IFRIC 23 which applies to fiscal years beginning on or after January 1, 2019.

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

### 4.3 IAS 19 Employee Benefits

On January 1, 2019, the Company adopted the amendment to IAS 19 which applies to fiscal years beginning on or after January 1, 2019.

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

### 4.4 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.

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 was derecognized, including any unamortized transaction costs, and the new financial liability was recorded at fair value.

## Notes to the Consolidated Financial Statements

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

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
	\$	\$	\$
<b>Consolidated Statements of Financial Position</b>			
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

### Note 5. Future Accounting Changes

#### 5.1 Interest rate benchmark reform

In response to the potential impacts of the interest rate benchmark reform, in September 2019 the International Accounting Standards Board ("IASB") amended the following standards: IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. These amendments relate to the hedge accounting requirements during this period of uncertainty.

The amendments apply to fiscal years beginning on or after January 1, 2020.

The Company is currently assessing the estimated impact of these amendments on its consolidated financial statements.

#### 5.2 Classification of liabilities

In January 2020, the IASB amended IAS 1 *Presentation of Financial Statements* in order to establish a more general approach to the classification of liabilities based on an analysis of the existing contracts at the reporting date.

The amendments apply to fiscal years beginning on or after January 1, 2022.

The Company is currently assessing the estimated impact of these amendments on its consolidated financial statements.

### Note 6. Business Combination

#### 6.1 Old Orchard Brands, LLC

##### 6.1.1 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.

## Notes to the Consolidated Financial Statements

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

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

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

- 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 as other liabilities in 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.

### 6.1.3 Costs related to the acquisition and financing

The total acquisition- and financing-related costs were as follows:

	\$
Acquisition-related costs <sup>i)</sup>	1,960
Costs related to the new term loan <sup>ii)</sup>	3,482
Costs related to the U.S. revolving operating credit <sup>iii)</sup>	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.

## Notes to the Consolidated Financial Statements

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

### 6.1.4 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.

	Preliminary	Final
	\$	\$
<b>Assets</b>		
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
<b>Liabilities</b>		
Accounts payable and accrued liabilities	9,707	9,815
Other current liabilities	162	162
	9,869	9,977
<b>Net identifiable assets acquired</b>	<b>111,803</b>	<b>103,732</b>

### 6.1.5 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.

#### Accounts receivable

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

#### Inventories

Raw materials inventories are measured at fair value. Finished goods inventories are measured at their net realizable value.

#### 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.

## Notes to the Consolidated Financial Statements

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

### 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	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

### 6.1.6 Goodwill arising from the business combination

	Preliminary	Final
	\$	\$
Consideration transferred	208,498	199,068
Less:		
Fair value of net identifiable assets acquired	111,803	103,732
<b>Goodwill</b>	<b>96,695</b>	<b>95,336</b>

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

### 6.1.7 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 12 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.

## Notes to the Consolidated Financial Statements

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

### 6.2 Non-significant business combination

#### 6.2.1 Description of the non-significant business combination

On May 21, 2019, a Canadian subsidiary of the Company entered into a non-significant business combination for a consideration at closing of \$7,500,000. The agreement signed with the sellers contains a contingent consideration of \$500,000, conditional on sales-based financial milestones being reached by December 31, 2020.

### Note 7. Investment in an Associate

On July 29, 2019, the Company acquired 36,900,000 common shares of Diamond Estates Wines & Spirits Inc. ("Diamond Estates") for \$0.19 per common share, i.e., a cash consideration of \$7,011,000. Diamond Estates specializes in the production, marketing and distribution of wines and alcoholic beverages and is listed on the TSX Venture Exchange under the symbol DWS.V. Its head office is located in Niagara-on-the-Lake, Ontario.

This private placement represents an economic interest of approximately 19.9% in Diamond Estates. Immediately prior to the completion of this private placement, the Company did not hold any common shares. Under an investor rights agreement, the Company has the right to designate two nominees out of a total of seven on Diamond Estates' board of directors. A brokerage agreement also appoints the Company as Diamond Estates' exclusive representative to certain retailers, including grocery stores and convenience stores located in Canada. Considering these facts and circumstances, the Company concluded that it exercises significant influence over Diamond Estates and uses the equity method to account for this investment.

On September 28, 2019, the Company was granted 400,000 options to purchase Diamond Estates common shares at an exercise price of \$0.20 per common share. These options expire on September 28, 2024.

On October 30, 2019, as part of a private placement by Diamond Estates, the Company acquired 1,578,947 additional common shares at a price of \$0.19 per common share, i.e., for a cash consideration of \$300,000. This investment brings the Company's economic interest in Diamond Estates to 19.2%.

The total transaction costs involved in acquiring this economic interest are \$845,000.

For the purposes of applying the equity method, the Company uses the associate's most recently published consolidated financial statements, adjusted as needed to reflect the impacts of significant items occurring between the period end of the associate's financial statements used to apply the equity method and the Company's period end.

### Note 8. Sales

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Revenues from product sales	1,656,094	1,570,391
Revenues from the rendering of services	21,166	22,224
Other revenues	1,041	1,381
	<b>1,678,301</b>	1,593,996



## Notes to the Consolidated Financial Statements

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

### Note 9. Additional Information on Income

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Write-down of inventories included in cost of sales	12,897	5,478
Depreciation of property, plant and equipment included in cost of sales	23,559	21,909
Depreciation of property, plant and equipment included in selling and administrative expenses	7,609	4,089
Amortization of intangible assets included in selling and administrative expenses	25,789	22,754
Short-term lease expense	4,920	-
Expense related to leases of low-value assets	3	-
Expense related to variable lease payments not included in the lease liabilities <sup>i)</sup>	683	-
Expense related to minimum operating lease payments	-	10,107
Expense related to the contingent rents of operating leases <sup>i)</sup>	-	713
Employee benefits expense	239,155	217,584
Research and development expense	966	966
Research and development tax credits	(303)	(280)

- <sup>i)</sup> The Company has 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. Payments are calculated based on costs incurred and on the number of plastic bottles manufactured by the supplier and are adjusted annually based on factors specified in the agreements. The agreements do not include fixed payments.

The cost of sales presented in the Consolidated Statement of Income equals the cost of inventories expensed for the years ended December 31, 2019 and 2018.

### Note 10. Financial Expenses

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Interest on long-term debt	15,624	13,227
Interest on lease liabilities	1,327	-
Amortization of transaction costs directly attributable to arranging financing	1,918	1,524
Other interest, net of interest income	(60)	(287)
Interest expense	18,809	14,464
Bank expenses	689	672
	19,498	15,136

## Notes to the Consolidated Financial Statements

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

### Note 11. Other (Gains) Losses

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Exchange (gains) losses	776	(363)
Change in fair value of financial instruments not designated as hedges	993	1,541
Other (gains) losses <sup>i)</sup>	(21,017)	(68)
	<b>(19,248)</b>	1,110

<sup>i)</sup> Other (gains) losses for the year ended December 31, 2019 included a gain of \$20,756,000 realized following the settlement of an insurance claim directly related to the purchase price of OOB. The claim concerned representations by the seller that no longer reflected OOB's economic reality on the transaction closing date.

### Note 12. Income Tax Expense

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

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Profit before income taxes	100,488	88,946
<b>Income tax expense</b>		
Income tax expense at 26.6% (26.7% in 2018)	26,730	23,748
Variance in the tax rate resulting from the different tax rates of subsidiaries	(134)	(214)
Earnings from investments in subsidiaries	(2,718)	(2,458)
Tax impact on non-deductible or non-taxable items	1,275	109
Impact of changes in tax rates and in tax legislation applicable to deferred tax	(96)	(62)
Tax adjustment related to previous years	12	(146)
Other	475	(46)
	<b>25,544</b>	20,931

## Notes to the Consolidated Financial Statements

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

### 12.2 Income taxes recognized in profit or loss

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
<b>Current tax</b>		
Current tax expense for the year	6,824	15,411
Tax adjustment related to previous years	(613)	328
	<b>6,211</b>	<b>15,739</b>
<b>Deferred tax</b>		
Deferred tax expense for the year	18,804	5,728
Deferred tax adjustment attributable to changes in tax rates and tax legislation	(96)	(62)
Tax adjustment related to previous years	625	(474)
	<b>19,333</b>	<b>5,192</b>
	<b>25,544</b>	<b>20,931</b>

### 12.3 Deferred tax

As at December 31, 2019, the Company had unused capital losses totalling \$11,498,000 (\$14,006,000 as at December 31, 2018) 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 \$180,801,000 as at December 31, 2019 (\$154,280,000 as at December 31, 2018) for a potential deferred tax liability of \$9,040,000 (\$7,714,000 in 2018).

### 12.4 Change in deferred tax liabilities

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Balance at beginning	54,959	44,560
Restatement <sup>i)</sup>	-	(115)
Deferred tax (recovery) expense for the year recognized in profit or loss	19,333	5,192
Deferred tax (recovery) expense for the year related to other comprehensive income	(3,497)	3,401
Deferred tax (recovery) expense for the year recognized in shareholders' equity <sup>ii)</sup>	(271)	(192)
Exchange difference	(1,571)	2,113
<b>Balance at end</b>	<b>68,953</b>	<b>54,959</b>

i) Additional information about the restatement is presented in Note 4.4.

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.

## Notes to the Consolidated Financial Statements

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

### 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, 2019						Balance as at Dec. 31, 2019
	Balance as at Dec. 31, 2018	Restatement <sup>i)</sup>	Recognized in profit or loss <sup>ii)</sup>	Related to other comprehensive income <sup>iii)</sup>	Recognized in shareholders' equity <sup>iv)</sup>	Exchange difference	
	\$	\$	\$	\$	\$	\$	\$
Derivative instruments	1,071	-	347	(2,507)	(271)	26	(1,334)
Property, plant and equipment	41,945	7,051	2,522	-	-	(841)	50,677
Intangible assets and goodwill	20,382	-	11,542	-	-	(1,238)	30,686
Accounts payable and accrued liabilities	(5,928)	53	138	-	-	282	(5,455)
Defined benefit pension plans	1,643	-	3,309	(990)	-	14	3,976
Long-term debt	196	(7,104)	1,761	-	-	(30)	(5,177)
Other <sup>v)</sup>	(4,350)	-	(286)	-	-	216	(4,420)
	<b>54,959</b>	<b>-</b>	<b>19,333</b>	<b>(3,497)</b>	<b>(271)</b>	<b>(1,571)</b>	<b>68,953</b>

i) Additional information about the restatement is presented in Note 4.1.

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 \$3,019,000), research and development tax credits, and acquisition costs related to business combinations.

## Notes to the Consolidated Financial Statements

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

	Year ended December 31, 2018						Balance as at Dec. 31, 2018
	Balance as at Dec. 31, 2017	Restatement <sup>i)</sup>	Recognized in profit or loss <sup>ii)</sup>	Related to other comprehensive income <sup>iii)</sup>	Recognized in shareholders' equity <sup>iv)</sup>	Exchange difference	
	\$	\$	\$	\$	\$	\$	\$
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 <sup>v)</sup>	(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 4.4.

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.

### 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.

## Notes to the Consolidated Financial Statements

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

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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 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 as well as quoted contract prices on futures exchanges. 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;
- ♦ The fair value of the contingent consideration payable to the sellers of OOB is determined using valuation techniques and calculated as the present value of the anticipated payments determined based on the expected value of OOB's adjusted EBITDA for 2019; and
- ♦ The fair value of the contingent consideration related to the non-significant business combination is determined using valuation techniques and calculated as the present value of the anticipated payments determined based on the expected value of the cumulative sales of the non-significant business combination for 12 consecutive months starting from the acquisition date until December 31, 2020.

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, 2019 and 2018, no financial instruments were transferred between levels 1, 2 and 3.

## Notes to the Consolidated Financial Statements

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

### 13.2 Classification

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

	Level	As at December 31, 2019		As at December 31, 2018	
		Carrying value	Fair value	Carrying value	Fair value
		\$	\$	\$	\$
<b>Financial assets</b>					
<b>Amortized cost</b>					
Cash and cash equivalents	2	1,767	1,767	4,575	4,575
Accounts receivable	2	126,963	126,963	147,137	147,137
<b>Fair value through profit or loss</b>					
Derivative instruments <sup>i)</sup>	2	42	42	-	-
<b>Instruments designated in a hedging relationship</b>					
Derivative instruments <sup>i)</sup>	2	1	1	8,271	8,271
<b>Financial liabilities</b>					
<b>Amortized cost</b>					
Bank overdraft	2	12,357	12,357	-	-
Accounts payable and accrued liabilities	2	220,373	220,373	210,203	210,203
Long-term debt <sup>ii) iii)</sup>	2	265,119	270,548	321,847	326,272
Contingent considerations payable	3	-	-	1,228	1,228
<b>Fair value through profit or loss</b>					
Derivative instruments <sup>i)</sup>	2	441	441	1,193	1,193
<b>Instruments designated in a hedging relationship</b>					
Derivative instruments <sup>i)</sup>	2	4,803	4,803	1,640	1,640

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

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

iii) Includes a restatement as at January 1, 2019 following the adoption of IFRS 16, as presented in Note 4.1.

## Notes to the Consolidated Financial Statements

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

### 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, 2019	Dec. 31, 2018
	\$	\$
Fair value at beginning	1,228	-
Issuance	-	1,165
Change in fair value <sup>i) ii)</sup>	(1,192)	-
Exchange difference <sup>iii)</sup>	(36)	63
Fair value at end <sup>iv)</sup>	-	1,228

i) Includes the impact of revisions made to key assumptions and the impact of the passage of time.

ii) Recognized in profit or loss as other (gains) losses.

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

iv) As at December 31, 2019, the final value of the contingent consideration payable to the sellers of OOB was \$nil, as the financial objectives based on OOB's adjusted EBITDA for 2019 were not met.

### 13.4 Sensitivity analysis of the Level 3 inputs

The fair value of the contingent consideration payable related to the non-significant business combination is based mainly on the Company's expectations on the cumulative sales of the non-significant business combination for a period of 12 consecutive months starting from the acquisition date until December 31, 2020. A statistical model was used to take into account the dispersion of the sales related to the non-significant business combination compared to expected sales. The factors that mostly influence this valuation are the determination of expected sales and the volatility rate thereof.

The sensitivity analyses of the fair value of the contingent consideration payable related to the non-significant business combination were calculated using reasonably possible changes to each key factor without considering simultaneous changes to these factors. A change in one assumption could trigger a change in another assumption, which could amplify or mitigate the impact of the change in these factors on the fair value of these financial instruments. The actual impacts of changes in these factors on the fair value of this financial instrument may differ from the estimated impacts.

As at December 31, 2019, the Company measured the fair value of the contingent consideration payable related to the non-significant business combination at \$nil, as it believes the attainment of the financial objectives is more unlikely than likely.

All other factors being equal, a 5% increase or decrease in the assumption used for each of the main factors would have had no impact on the fair value of the contingent consideration payable related to the non-significant business combination.



## Notes to the Consolidated Financial Statements

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

### 13.5 Hedge accounting

#### 13.5.1 Instruments designated in a hedging relationship

	As at December 31, 2019			Change in value used to calculate hedge ineffectiveness in C\$
	Notional	Value recognized as an asset in C\$	Value recognized as a liability in C\$	
<b>Cash flow hedges:</b>				
Interest rate risk				
Interest rate swaps	US\$102,000,000	-	(2,654,000)	(2,654,000)
Foreign exchange risk				
Foreign exchange contracts	US\$110,000,000 €2,760,000	1,000	(1,994,000)	(1,993,000)
Price risk				
Frozen concentrated orange juice futures	3,600,000 lbs. sol. <sup>i)</sup>	-	(109,000)	(109,000)

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

	As at December 31, 2018			Change in value used to calculate hedge ineffectiveness in C\$
	Notional	Value recognized as an asset in C\$	Value recognized as a liability in C\$	
<b>Cash flow hedges:</b>				
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.	-	(506,000)	(506,000)

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.

## Notes to the Consolidated Financial Statements

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

### 13.5.2 Hedged items

	As at December 31, 2019		As at December 31, 2018	
	Change in value used to calculate hedge ineffectiveness	Hedging reserve balance	Change in value used to calculate hedge ineffectiveness	Hedging reserve balance
	in C\$	in C\$	in C\$	in C\$
<b>Cash flow hedges:</b>				
Interest rate risk				
Cash outflows related to interest payments on term loans	2,689,000	(1,867,000)	411,000	(252,000)
Foreign exchange risk				
Cash outflows related to purchases of raw materials in foreign currencies	1,935,000	(1,472,000)	(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	103,000	(274,000)	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, 2019		
	Gains (losses) in other comprehensive income <sup>i)</sup>	Reclassification of (gains) losses in net income <sup>ii)</sup>	Transfer of shareholders' equity <sup>iii)</sup>
	in C\$	in C\$	in C\$
<b>Cash flow hedges:</b>			
Interest rate risk			
Interest rate swaps	(2,295,000)	(67,000)	-
Foreign exchange risk			
Foreign exchange contracts	(4,951,000)	-	(3,525,000)
Price risk			
Frozen concentrated orange juice futures	(464,000)	-	57,000
Total return swaps on frozen concentrated orange juice	(1,928,000)	-	2,434,000

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 profit or loss.

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

## Notes to the Consolidated Financial Statements

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

	Year ended December 31, 2018		
	Gains (losses) in other comprehensive income <sup>i)</sup>	Reclassification of (gains) losses in profit or loss <sup>ii)</sup>	Transfer of shareholders' equity <sup>iii)</sup>
	in C\$	in C\$	in C\$
<b>Cash flow hedges:</b>			
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 profit or loss.

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

No hedge ineffectiveness was recorded during the years ended December 31, 2019 and 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, 2019 and 2018, the derivative instruments were presented without offsetting. The fair values of derivative instrument assets and liabilities subject to enforceable master netting agreements were, respectively, \$43,000 and \$5,244,000 as at December 31, 2019 (\$8,271,000 and \$2,833,000, respectively, as at December 31, 2018).

In addition, as at December 31, 2019, a cash guarantee in an amount of \$623,000 (\$1,675,000 as at December 31, 2018) 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.

## Notes to the Consolidated Financial Statements

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

### Note 14. Accounts Receivable

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Trade accounts receivable	116,953	134,090
Discounts receivable	5,041	6,830
Other receivables	4,969	6,217
	<b>126,963</b>	<b>147,137</b>

### Note 15. Inventories

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Raw materials and supplies	158,951	142,249
Finished goods	99,878	96,418
	<b>258,829</b>	<b>238,667</b>

### Note 16. Other Current Assets

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Sales taxes receivable	5,733	4,664
Tax credits receivable	1,198	285
Prepaid expenses	8,601	7,759
	<b>15,532</b>	<b>12,708</b>

### Note 17. Property, Plant and Equipment

Property, plant and equipment include owned assets and right-of-use assets.

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Owned assets	310,161	305,581
Right-of-use assets	24,362	-
	<b>334,523</b>	<b>305,581</b>

## Notes to the Consolidated Financial Statements

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

### 17.1 Owned assets

#### 17.1.1 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance as at December 31, 2018	187,722	406,127	36,214	630,063
Restatement <sup>i)</sup>	-	(253)	(173)	(426)
Balance as at January 1, 2019	187,722	405,874	36,041	629,637
Acquisitions	7,451	28,766	2,011	38,228
Disposals	(160)	(3,078)	(721)	(3,959)
Exchange difference	(4,238)	(5,456)	(505)	(10,199)
<b>Balance as at December 31, 2019</b>	<b>190,775</b>	<b>426,106</b>	<b>36,826</b>	<b>653,707</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance as at December 31, 2018	(46,149)	(247,973)	(30,360)	(324,482)
Restatement <sup>i)</sup>	-	253	124	377
Balance as at January 1, 2019	(46,149)	(247,720)	(30,236)	(324,105)
Depreciation	(4,413)	(20,451)	(2,212)	(27,076)
Disposals	160	2,870	697	3,727
Exchange difference	738	2,788	382	3,908
<b>Balance as at December 31, 2019</b>	<b>(49,664)</b>	<b>(262,513)</b>	<b>(31,369)</b>	<b>(343,546)</b>
<b>Net carrying value as at December 31, 2019</b>	<b>141,111</b>	<b>163,593</b>	<b>5,457</b>	<b>310,161</b>
<b>Cost</b>				
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
<b>Accumulated depreciation and impairment losses</b>				
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)
<b>Net carrying value as at December 31, 2018</b>	<b>141,573</b>	<b>158,154</b>	<b>5,854</b>	<b>305,581</b>

<sup>i)</sup> Additional information about the restatement is presented in Note 4.1.

## Notes to the Consolidated Financial Statements

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

### 17.1.2 Government grants

During the year ended December 31, 2019, the Company recognized \$198,000 in government grants (\$1,746,000 in 2018) and \$826,000 in investment credits (\$nil in 2018) as a reduction to the cost of property, plant and equipment.

### 17.1.3 Additional information

	Land and buildings	Machinery and equipment	Other	Total
	\$	\$	\$	\$
<b>As at December 31, 2019</b>				
Property, plant and equipment in progress included in the cost	361	7,518	376	8,255
<b>As at December 31, 2018</b>				
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 <sup>i)</sup>	-	-	49	49

i) As at December 31, 2018, the net carrying value of owned assets included the property, plant and equipment held under finance leases. These have been reclassified from owned assets to right-of-use assets through the restatement related to the adoption of IFRS 16.

## 17.2 Right-of-use assets

### 17.2.1 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	\$	\$	\$	\$
Net carrying value as at December 31, 2018	-	-	-	-
Restatement <sup>i)</sup>	27,096	-	887	27,983
Balance as at January 1, 2019	27,096	-	887	27,983
Additions	147	28	1,292	1,467
Reductions	(124)	-	(61)	(185)
Depreciation	(3,500)	(6)	(588)	(4,094)
Exchange difference	(803)	(1)	(5)	(809)
<b>Net carrying value as at December 31, 2019</b>	<b>22,816</b>	<b>21</b>	<b>1,525</b>	<b>24,362</b>

i) Additional information about the restatement is presented in Note 4.1.

## Notes to the Consolidated Financial Statements

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

### Note 18. Intangible Assets

#### 18.1 Reconciliation table

	Technologies and software	Trademarks and trade name	Client relationships	Certifications	Non-compete agreements	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance as at December 31, 2018	25,547	148,714	225,390	16,542	363	416,556
Acquisitions	2,150	-	-	-	-	2,150
Acquisitions through a business combination	-	1,587	2,199	-	-	3,786
Disposals	(1,271)	-	-	-	-	(1,271)
Exchange difference	(826)	(6,775)	(10,270)	(654)	(17)	(18,542)
<b>Balance as at December 31, 2019</b>	<b>25,600</b>	<b>143,526</b>	<b>217,319</b>	<b>15,888</b>	<b>346</b>	<b>402,679</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance as at December 31, 2018	(14,953)	(41,183)	(75,970)	(12,958)	(69)	(145,133)
Amortization	(2,321)	(7,291)	(14,735)	(1,327)	(115)	(25,789)
Disposals	1,271	-	-	-	-	1,271
Exchange difference	427	1,893	3,498	510	6	6,334
<b>Balance as at December 31, 2019</b>	<b>(15,576)</b>	<b>(46,581)</b>	<b>(87,207)</b>	<b>(13,775)</b>	<b>(178)</b>	<b>(163,317)</b>
<b>Net carrying value as at December 31, 2019</b>	<b>10,024</b>	<b>96,945</b>	<b>130,112</b>	<b>2,113</b>	<b>168</b>	<b>239,362</b>
<b>Cost</b>						
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
<b>Balance as at December 31, 2018</b>	<b>25,547</b>	<b>148,714</b>	<b>225,390</b>	<b>16,542</b>	<b>363</b>	<b>416,556</b>
<b>Accumulated depreciation and impairment losses</b>						
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)
<b>Balance as at December 31, 2018</b>	<b>(14,953)</b>	<b>(41,183)</b>	<b>(75,970)</b>	<b>(12,958)</b>	<b>(69)</b>	<b>(145,133)</b>
<b>Net carrying value as at December 31, 2018</b>	<b>10,594</b>	<b>107,531</b>	<b>149,420</b>	<b>3,584</b>	<b>294</b>	<b>271,423</b>

## Notes to the Consolidated Financial Statements

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

### Note 19. Goodwill

#### 19.1 Reconciliation table

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Balance at beginning	316,814	199,434
Acquisitions through a business combination	2,800	95,336
Exchange difference	(14,912)	22,044
<b>Balance at end</b>	<b>304,702</b>	<b>316,814</b>

#### 19.2 Goodwill impairment test

The Company performed annual goodwill impairment tests on its CGUs as at December 31, 2019 in accordance with the policies described in Note 2.15.2. 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, 2019 and 2018.

The Company has not changed the valuation method used for goodwill impairment testing since the test conducted during the year ended December 31, 2018.

#### 19.3 Goodwill allocation

Goodwill was allocated to the following CGUs:

	As at	As at
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Lassonde Pappas and Company, Inc. ("LPC")	247,183	259,629
A. Lassonde Inc. ("ALI")	55,423	55,089
Lassonde Specialties Inc. ("LSI")	2,096	2,096
	<b>304,702</b>	<b>316,814</b>

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.



## Notes to the Consolidated Financial Statements

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

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

	LPC	ALI	LSI
	%	%	%
Discount rate	11.10	13.10	12.40
Projected growth in operating profit	2.00	2.00	2.00

### Note 20. Accounts Payable and Accrued Liabilities

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Trade payables and accrued expenses	157,183	152,463
Trade spending	42,427	39,137
Salaries and accrued vacation payable	20,498	18,330
Other	265	273
	<b>220,373</b>	<b>210,203</b>

### Note 21. Long-Term Debt

	Effective interest rate	Notes	As at Dec. 31, 2019	As at Dec. 31, 2018
			\$	\$
Revolving operating credit facilities:				
CA revolving credit, floating rate, maturing in April 2024		21.1.1	49,223	25,000
U.S. revolving credit, floating rate, maturing in May 2022		21.1.2	4,422	757
Interest-bearing financing:				
Term loan, floating rate, maturing in May 2022	5.05% <sup>i)</sup>	21.1.2	154,525	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	31,778	39,393
Lease liabilities:				
Leases, 2.90% to 10.37%, maturing from January 2020 to October 2029	2.90% to 10.37%	21.1.3	25,171	-
Finance leases:				
Finance leases, 2.90% to 6.00%, maturing from December 2019 to July 2022			-	53
Matured borrowings			-	68,054
			<b>265,119</b>	<b>321,847</b>
Current portion of long-term debt			<b>(16,158)</b>	<b>(24,580)</b>
			<b>248,961</b>	<b>297,267</b>

<sup>i)</sup> Effective interest rate of 5.05% as at December 31, 2019 (5.39% as at December 31, 2018).

# Notes to the Consolidated Financial Statements

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

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## 21.1 Other terms and conditions

### 21.1.1 Canadian credit facilities

The Canadian credit facilities, with an authorized amount of \$219,592,000 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 \$44,592,000.

On December 20, 2019, the Company entered into an agreement to amend the Canadian credit facilities to include the various requests for modifications accepted between April 5, 2018 and December 19, 2019 as well as to raise the authorized amount of the CA revolving credit by \$50,000,000. Following this agreement, the facilities include a CA revolving credit committed for a period of four years and three months for an authorized amount of \$225,000,000 and a term credit facility for a revised authorized amount of \$32,515,000.

#### 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") and/or at the London Interbank Offered Rate ("LIBOR"), plus 115 to 225 basis points (125 to 225 basis points prior to December 20, 2019), 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, 2019, the standby fee was 0.23% (0.25% as at December 31, 2018).

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 principal on the term credit facility 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 comprise a four-year committed revolving operating credit ("U.S. revolving credit") for an authorized amount of US\$75,000,000, a term loan of US\$92,500,000, and a term loan of US\$146,000,000.

During the year ended December 31, 2019, the U.S. credit facilities were amended twice in order to adapt them to new regulations and to obtain, in the context of the Sun-Rype Products Ltd. acquisition, the authorization to maintain a financial agreement binding one of its U.S. subsidiaries. In 2019, the Company also completed the total repayment of the US\$92,500,000 term loan maturing in September 2020.

#### U.S. revolving credit

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, 2019, the standby fee was 0.375% (0.375% as at December 31, 2018).

## Notes to the Consolidated Financial Statements

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

### Term loans

On an annual basis, the Company had to repay, in four equal quarterly instalments, 7.50% of the principal amount of the term loans. Following the total repayment of the US\$92,500,000 term loan, the Company must repay, in four equal quarterly instalments, 7.50% of the principal amount of the term loan of US\$146,000,000. The Company may make penalty-free prepayments at any time.

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

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

### 21.1.3 Leases

The Company is party to lease agreements for the leasing of administrative offices, production and storage facilities, production and distribution equipment, automotive equipment, computer equipment and office equipment.

The minimum leasing periods expire at various dates between January 2020 and July 2026. Certain leases include one or more renewal options. When measuring lease liabilities, the Company has included some of these renewal options, reflecting the economic benefit of exercising them. The maximum leasing periods extend until October 2044.

Some of the leases also include the additional rent payments that are tied to the operating expenses of the leased properties and that are not included in the lease liability and presented in commitments.

## 21.2 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 loan	Entirety of the assets of LPC and its subsidiaries
Term credit facility	Recourse to significant Canadian subsidiaries of the Company (including ALI and LSI)

## 21.3 Financial ratios

The Company was in compliance with all of its financial ratios as at December 31, 2019 and 2018.

## 21.4 Assets pledged as collateral to certain lenders

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Financial assets	67,790	92,295
Inventories	153,148	143,174
Property, plant and equipment	124,940	131,670
Intangible assets and goodwill	525,278	576,141
Other assets	9,853	10,872
	<b>881,009</b>	<b>954,152</b>

## Notes to the Consolidated Financial Statements

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

### 21.5 Principal payments

	Revolving credit facilities, term loan and term credit facility	Lease liabilities		Total principal payments
	Principal	Principal	Interest	
	\$	\$	\$	\$
2020	13,918	3,560	1,172	17,478
2021	20,161	3,331	997	23,492
2022	145,351	3,120	828	148,471
2023	4,128	2,874	681	7,002
2024	53,358	2,996	537	56,354
2025 and thereafter	6,201	9,290	828	15,491
	243,117	25,171	5,043	268,288

### Note 22. Other Long-Term Liabilities

	As at Dec. 31, 2019	As at Dec. 31, 2018
	\$	\$
Contingent considerations payable	-	1,228
Other	65	-
	65	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, 2019	As at Dec. 31, 2018
	\$	\$
Class A shares	42,157	42,692
Class B shares	5,986	5,986
	48,143	48,678

## Notes to the Consolidated Financial Statements

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

### 23.3 Number of shares outstanding

	As at Dec. 31, 2019 (in units)	As at Dec. 31, 2018 (in units)
Class A shares <sup>i)</sup>	3,180,900	3,221,300
Class B shares	3,752,620	3,752,620
	<b>6,933,520</b>	<b>6,973,920</b>

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

### 23.4 Dividend per share

During the year ended December 31, 2019, the Company declared and paid a cumulative dividend of \$2.595 per share (\$3.04 per share during the year ended December 31, 2018) to the holders of Class A and B shares.

On February 13, 2020, the Company declared a dividend of \$0.595 per share to the holders of Class A and B shares registered as at February 25, 2020. The dividend totalling \$4,125,000 was payable on March 13, 2020.

### 23.5 Share repurchase

In 2018, the Company re-established its share repurchase program through the Toronto Stock Exchange in accordance with its policies and regulations. Consequently, the Company was 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 were made at market prices, without exceeding the price limit set by the Company's management. The Company did not renew its normal course issuer bid program.

During the year ended December 31, 2019, the Company repurchased for cancellation 40,400 Class A subordinate voting shares, at an average price of \$177.71 per share, for a cash consideration of \$7,179,000, of which \$535,000 was applied against capital stock, \$6,639,000 against retained earnings, and \$5,000 against contributed surplus. During the year ended December 31, 2018, the Company repurchased for cancellation 14,000 Class A subordinate voting shares, including 1,500 treasury shares as at December 31, 2018, 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.

### 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, 2019 and 2018, 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, 2019 and 2018, there were no dilutive items.

## Notes to the Consolidated Financial Statements

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

### 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, 2019	Dec. 31, 2018
	\$	\$
<b>Sales</b>	<b>955,506</b>	882,374
<b>Profit</b>	<b>29,672</b>	16,326
Profit attributable to the non-controlling interest	2,967	1,633
<b>Comprehensive income</b>	<b>919</b>	60,236
Comprehensive income attributable to the non-controlling interest	92	6,024

	As at	As at
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
<b>Assets</b>		
Current	230,487	245,907
Long-term	665,383	708,370
<b>Liabilities</b>		
Current	135,193	134,296
Long-term	219,056	279,324
<b>Shareholders' equity</b>	<b>541,621</b>	540,657
Shareholders' equity attributable to the non-controlling interest	54,055	53,958

### Note 24. Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2018	4,142	92,324	96,466
Other comprehensive income (loss)	(6,987)	(23,749)	(30,736)
Transfer of cash flow hedge (gains) losses to non-financial assets	(768)	-	(768)
<b>Balance as at December 31, 2019</b>	<b>(3,613)</b>	<b>68,575</b>	<b>64,962</b>

## Notes to the Consolidated Financial Statements

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

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2017	(2,762)	54,524	51,762
Restatement <sup>i)</sup>	-	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

<sup>i)</sup> Additional information about the restatement is presented in Note 4.4.

### Note 25. Additional Cash Flow Information

#### 25.1 Change in non-cash operating working capital items

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Accounts receivable	15,502	3,246
Inventories	(26,497)	(5,028)
Other current assets	(2,144)	39
Accounts payable and accrued liabilities	17,287	(6,216)
Other current liabilities	238	137
	<b>4,386</b>	<b>(7,822)</b>

#### 25.2 Cash and cash equivalents

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

	As at	As at
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Cash	1,144	2,900
Cash equivalents <sup>i)</sup>	623	1,675
Bank overdraft	(12,357)	-
	<b>(10,590)</b>	<b>4,575</b>

<sup>i)</sup> 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.

## Notes to the Consolidated Financial Statements

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

### 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, for which an amount of \$4,396,000 was unpaid as at December 31, 2019 (\$3,178,000 as at December 31, 2018);
- ♦ Net increase in right-of-use assets of \$1,282,000 and in lease liabilities of \$1,187,000 during the year ended December 31, 2019;
- ♦ Acquisitions of intangible assets during the year ended December 31, 2019 for which an amount of \$2,000 corresponds to the amortization of a right-of-use asset incorporated into the cost of an intangible asset; and
- ♦ During 2018, the Company received the \$269,000 investment tax credit receivable and related to investments in property, plant and equipment.

### 25.4 Consideration received from a business combination

The consideration receivable as at December 31, 2018 related to the business combination with OOB was received in 2019.

### 25.5 Changes in liabilities and assets arising from financing activities

	Long-term debt <sup>i)</sup>	Transaction costs <sup>ii)</sup>
	\$	\$
Balance as at December 31, 2018	321,847	1,210
Restatement <sup>iii)</sup>	28,147	-
Balance as at January 1, 2019	349,994	1,210
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	29,047	209
Increase in long-term debt, net of transaction costs	(1,483)	-
Repayment of long-term debt	(102,808)	-
Changes from non-cash transactions:		
Amortization of transaction costs directly attributable to arranging financing	1,619	(299)
Net increase in lease liabilities	1,187	-
Exchange difference	(12,437)	(22)
<b>Balance as at December 31, 2019</b>	<b>265,119</b>	<b>1,098</b>

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 4.1.



## Notes to the Consolidated Financial Statements

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

	Long-term debt <sup>i)</sup>	Transaction costs <sup>ii)</sup>
	\$	\$
Balance as at December 31, 2017	168,722	1,212
Restatement <sup>iii)</sup>	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

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 4.4.

### 25.6 Disbursements related to leases

During the year ended December 31, 2019, the Company disbursed an amount of \$10,130,000 in relation to leases, including an amount of \$5,415,000 that was not included in the repayment of the long-term debt and interest paid.

## 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 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.

## Notes to the Consolidated Financial Statements

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

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

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Plans offered by the Company	5,906	5,769
State plans <sup>i)</sup>	9,205	8,498
	<b>15,111</b>	<b>14,267</b>

<sup>i)</sup> Includes 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.

## Notes to the Consolidated Financial Statements

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

### 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 by the CRA; these investments with the CRA 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 <sup>i)</sup>
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, 2019	Dec. 31, 2018
	\$	\$
Balance at beginning	63,600	66,884
Total current service cost	4,796	5,172
Past service cost	(122)	-
Interest cost	2,679	2,397
Benefits paid	(2,874)	(2,588)
Actuarial gains and losses arising from:		
Experience adjustments	(763)	(3,778)
Changes in financial assumptions	6,178	(4,676)
Exchange difference	(36)	189
<b>Balance at end</b>	<b>73,458</b>	<b>63,600</b>

As at December 31, 2019, the weighted average duration of the defined benefit obligation was 13.9 years (12.9 years as at December 31, 2018).

## Notes to the Consolidated Financial Statements

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

### 26.2.5 Change in the fair value of plan assets

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Balance at beginning	69,297	74,544
Employer contributions <sup>i)</sup>	9,246	167
Contributions from plan participants	13	16
Benefits paid	(2,874)	(2,588)
Administrative expenses	(20)	(22)
Interest income	2,718	2,567
Return on defined benefit plan assets, except amounts included in interest income	1,603	(5,387)
<b>Balance at end</b>	<b>79,983</b>	<b>69,297</b>

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, 2019	Dec. 31, 2018
	\$	\$
Net defined benefit asset at beginning	5,697	7,660
Employer contributions <sup>i)</sup>	9,246	167
Benefit cost recognized in profit or loss	(4,642)	(5,008)
Benefit cost recognized in other comprehensive income	(3,812)	3,067
Exchange difference	36	(189)
<b>Net defined benefit asset at end</b>	<b>6,525</b>	<b>5,697</b>

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	As at
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Net defined benefit asset	7,910	6,704
Net defined benefit liability	(1,385)	(1,007)
<b>Net defined benefit asset</b>	<b>6,525</b>	<b>5,697</b>

## Notes to the Consolidated Financial Statements

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

### 26.2.7 Cost of benefits

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
<b>Benefit cost recognized in profit or loss <sup>i)</sup></b>		
Current service cost, net of contributions from plan participants	4,661	5,156
Net interest	(39)	(170)
Administrative expenses	20	22
	<b>4,642</b>	<b>5,008</b>
<b>Benefit cost recognized in other comprehensive income</b>		
Actuarial gains and losses	5,415	(8,454)
Return on defined benefit plan assets, except amounts included in interest income	(1,603)	5,387
	<b>3,812</b>	<b>(3,067)</b>
<b>Total cost of benefits</b>	<b>8,454</b>	<b>1,941</b>

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	As at
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
<b>Assets quoted on an active market</b>		
Fixed income	6,295	7,189
Shares <sup>i)</sup>	28,242	25,797
Cash and treasury bills	9,613	801
	<b>44,150</b>	<b>33,787</b>
<b>Assets not quoted on an active market</b>		
Alternative investments	4,685	4,292
Deposits in trust <sup>ii)</sup>	31,148	31,218
	<b>35,833</b>	<b>35,510</b>
<b>Total pension plan assets</b>	<b>79,983</b>	<b>69,297</b>

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 2020, the Company expects to contribute approximately \$12,263,000 to its defined benefit pension plans, including an amount of \$9,070,000 paid in January 2020.

## Notes to the Consolidated Financial Statements

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

### 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, 2019	As at Dec. 31, 2018
<b>Defined benefit obligations</b>		
Discount rate	3.3%	4.0%
Expected rate of compensation increase	5.0%	4.9%
Indexation rate of pensions paid	1.0%	1.0%
Mortality table	CPM 2014 <sup>i)</sup> and RP 2014 Top <sup>ii)</sup>	CPM 2014 <sup>i)</sup> and RP 2014 Top <sup>ii)</sup>
<b>Costs of benefits for the current period</b>		
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 <sup>i)</sup> and RP 2014 Top <sup>ii)</sup>	CPM 2014 <sup>i)</sup> and RP 2014 Top <sup>ii)</sup>

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 2.17. The actual results of items subject to assumptions may differ.

Assumption	Change in assumption	Impact <sup>i)</sup> of increase in assumption \$	Impact <sup>i)</sup> of decrease in assumption \$
Discount rate	0.50%	(4,597)	5,105
Expected rate of compensation increase	0.50%	550	(527)
Indexation rate of pensions paid	0.25%	770	(738)
Mortality table:			
Life expectancy of members	1 year	2,182	(2,082)

i) Impact on the defined benefit obligation.

## Notes to the Consolidated Financial Statements

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

### 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, 2019	September 30, 2020

## 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, 2019 and 2018.

### 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, 2019, 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 32.7% of the trade accounts receivable balance as at December 31, 2019 (30.3% as at December 31, 2018) and 29.1% of the Company's sales for the year ended December 31, 2019 (29.2% of sales for the year ended December 31, 2018).

During the year ended December 31, 2019, one client in the Canada and United States segments accounted for 11.6% (\$194,738,000) of the Company's sales (11.9% (\$189,972,000) of sales for the year ended December 31, 2018).

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.

## Notes to the Consolidated Financial Statements

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

As at December 31, 2019, 95.6% of trade accounts receivable were aged less than 61 days (95.8% as at December 31, 2018). The tables below show the Company's trade accounts receivable aging net of the allowance for doubtful accounts:

As at December 31, 2019					
	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	\$	\$	\$	\$	\$
<b>Trade accounts receivable</b>					
Within the term	106,360	4,944	-	-	111,304
Past due	-	478	1,223	3,948	5,649
	<b>106,360</b>	<b>5,422</b>	<b>1,223</b>	<b>3,948</b>	<b>116,953</b>

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

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, 2019 and 2018, the allowance for doubtful accounts was not significant.

As at December 31, 2019 and 2018, 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, 2019, the Company had authorized revolving credit facilities for which the available amount may not exceed, respectively, \$225,000,000 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.



## Notes to the Consolidated Financial Statements

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

	As at December 31, 2019					Total
	Carrying value	Contractual cash flows				
		0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	
\$	\$	\$	\$	\$	\$	
<b>Non-derivative financial liabilities</b>						
Bank overdraft	12,357	12,357	-	-	-	12,357
Accounts payable and accrued liabilities	220,373	220,373	-	-	-	220,373
Long-term debt <sup>i)</sup>	265,119	17,478	171,963	63,356	15,491	268,288
Interest payments <sup>ii)</sup>	-	11,360	16,412	4,760	1,344	33,876
	<b>497,849</b>	<b>261,568</b>	<b>188,375</b>	<b>68,116</b>	<b>16,835</b>	<b>534,894</b>
<b>Derivative instrument (assets) liabilities</b>						
Interest rate swaps	2,654	-	2,654	-	-	2,654
Foreign exchange forward contracts <sup>iii)</sup>	2,456					
Cash outflows		178,879	-	-	-	178,879
Cash inflows		(176,376)	-	-	-	(176,376)
Frozen concentrated orange juice futures	132	132	-	-	-	132
	<b>5,242</b>	<b>2,635</b>	<b>2,654</b>	<b>-</b>	<b>-</b>	<b>5,289</b>
	<b>503,091</b>	<b>264,203</b>	<b>191,029</b>	<b>68,116</b>	<b>16,835</b>	<b>540,183</b>

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.

## Notes to the Consolidated Financial Statements

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

	As at December 31, 2018					Total
	Carrying value	Contractual cash flows				
		0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	
\$	\$	\$	\$	\$	\$	
<b>Non-derivative financial liabilities</b>						
Accounts payable and accrued liabilities	210,203	210,203	-	-	-	210,203
Long-term debt <sup>i)</sup>	321,847	25,248	106,938	180,430	10,336	322,952
Interest payments <sup>ii)</sup>	-	15,191	22,948	5,963	990	45,092
Contingent consideration payable	1,228	-	1,228	-	-	1,228
	533,278	250,642	131,114	186,393	11,326	579,475
<b>Derivative instrument (assets) liabilities</b>						
Interest rate swaps	377	(737)	-	1,114	-	377
Foreign exchange forward contracts <sup>iii)</sup>	(7,513)					
Cash outflows		123,754	-	-	-	123,754
Cash inflows		(131,630)	-	-	-	(131,630)
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.

### 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.

## Notes to the Consolidated Financial Statements

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

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, 2019 and 2018, 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:

Start date	End date	Type	Fixed rate	Floating rate	As at December 31, 2019	
					Notional amount	Fair value
			%		in US\$	in C\$
June 2018	March 2022	Fixed-rate payer	2.8675	3-month LIBOR	51,000,000 <sup>i)</sup>	(1,326,000)
June 2018	March 2022	Fixed-rate payer	2.8695	3-month LIBOR	51,000,000 <sup>i)</sup>	(1,328,000)

<sup>i)</sup> The notional amount of the interest rate swap includes a decrease of US\$9,000,000 compared to the initial notional amount, as planned in the agreement, and will gradually decrease to reach US\$15,000,000 at maturity.

Start date	End date	Type	Fixed rate	Floating rate	As at December 31, 2018	
					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	221,000
June 2018	March 2022	Fixed-rate payer	2.8675	3-month LIBOR	57,000,000 <sup>i)</sup>	(555,000)
June 2018	March 2022	Fixed-rate payer	2.8695	3-month LIBOR	57,000,000 <sup>i)</sup>	(559,000)

<sup>i)</sup> The notional amount of the interest rate swap includes a decrease of US\$3,000,000 compared to the initial notional amount, 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, 2019, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of \$578,000 on profit or loss and a favourable impact of \$1,395,000 on other comprehensive income for the year ended December 31, 2019. 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.

## Notes to the Consolidated Financial Statements

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

### 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, 2019, the Canadian-dollar amounts of accounts receivable, of accounts payable and accrued liabilities and of long-term debt denominated in currencies other than the functional currencies of the entities totalled, respectively, \$14,058,000, \$29,466,000 and \$29,223,000 (\$18,480,000, \$27,558,000 and \$nil, respectively, as at December 31, 2018).

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

Type	Maturity	As at December 31, 2019		
		Rate in C\$	Total contractual amount	Total net fair value in C\$
US\$ purchase	1 to 11 months	1.2997 to 1.3322	US\$132,700,000	(2,421,000)
€ purchase	1 to 12 months	1.4880	€2,760,000	(35,000)

Type	Maturity	As at December 31, 2018		
		Rate in C\$	Total contractual amount	Total net fair value 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

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.

## Notes to the Consolidated Financial Statements

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

### Sensitivity analysis for foreign exchange risk

According to the balances as at December 31, 2019 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 a favourable impact of \$163,000 on profit or loss and a favourable impact of \$4,505,000 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, 2019.

### 27.3.3 Price risk

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

As at December 31, 2019 and 2018, the Company owned derivative instruments on frozen concentrated orange juice. These derivative instruments, when designated for this purpose, are subject to hedge accounting.

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

Type	Maturity	As at December 31, 2019		
		Fixed price in US\$/lbs. sol.	Total quantity in lbs. sol.	Total net fair value in C\$
Futures	3 and 5 months	0.9965 to 1.0660	4,500,000	(132,000)

Type	Maturity	As at December 31, 2018		
		Fixed price in US\$/lbs. sol.	Total quantity in lbs. sol.	Total net fair value 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 \$586,000 on the fair value of the Company's frozen concentrated orange juice derivative instruments as at December 31, 2019, whereas a 10% decrease in the price of frozen concentrated orange juice would have had an impact of similar magnitude but in opposite directions.

## 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.

## Notes to the Consolidated Financial Statements

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

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, 2019, the debt-to-capital ratio was 26.5% (30.8% as at December 31, 2018).

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

Dividends paid over the last three quarters of 2019 and during the first quarter of 2020 represent, on an annualized basis, approximately 25% of the 2018 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:

	2020	2021	2022	2023	2024	2025 and thereafter
	\$	\$	\$	\$	\$	\$
Service and marketing agreements	4,496	936	778	697	577	70
Commitments to purchase property, plant and equipment	5,333	-	-	-	-	-
Commitments to purchase raw materials <sup>1)</sup>	253,282	2,537	87	-	-	-
	263,111	3,473	865	697	577	70

<sup>1)</sup> Certain raw materials purchase commitments were established based on market prices as at December 31, 2019. They are therefore subject to future fluctuations.

#### 29.2 Letters of credit

As at December 31, 2019, the Company had letters of credit outstanding totalling \$586,000 (\$752,000 as at December 31, 2018).

#### 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.

## Notes to the Consolidated Financial Statements

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

### 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 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 is based on the locations of the assets.

#### 30.1 Sales by geographic segment

	Years ended	
	Dec. 31, 2019	Dec. 31, 2018
	\$	\$
Canada	648,733	641,397
United States	1,025,749	948,665
Other	3,819	3,934
	<b>1,678,301</b>	<b>1,593,996</b>

#### 30.2 Certain long-term assets and goodwill by geographic segment

	As at December 31, 2019		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment <sup>i)</sup>	194,722	139,801	334,523
Intangible assets	10,210	229,152	239,362
Goodwill <sup>ii)</sup>	8,576	296,126	304,702
	<b>213,508</b>	<b>665,079</b>	<b>878,587</b>

i) Includes a restatement of \$10,099,000 in Canada and of \$17,835,000 in the United States as at January 1, 2019 following the adoption of IFRS 16. Additional information about the restatement is presented in Note 4.1.

ii) Includes a \$2,800,000 increase in goodwill in Canada arising from the non-significant business combination.

	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
	<b>186,040</b>	<b>707,778</b>	<b>893,818</b>

## Notes to the Consolidated Financial Statements

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

### Note 31. Related Party Transactions

As at December 31, 2019 and 2018, the Company was controlled by 3346625 Canada Inc., an entity controlled by Mr. Pierre-Paul Lassonde, Chairman of the board of the Company. As at December 31, 2019, this entity held 0.42% of the Class A shares, 100% of the Class B shares, and 92.22% of the Company's voting rights (0.42% of the Class A shares, 100% of the Class B shares, and 92.13% of the voting rights as at December 31, 2018).

The minority interest is also 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.

All of the transactions between related parties are carried out under market terms and conditions.

#### 31.1 Transactions and balances between related parties

The Company carried out the following transactions with related parties:

	Year ended December 31, 2019				Total
	3346625 Canada Inc.	Key management personnel <sup>i)</sup>	Associate	Other related parties <sup>ii)</sup>	
	\$	\$	\$	\$	\$
<b>Transactions</b>					
Dividends paid	9,773	73	-	-	9,846
Employee benefits expense	-	8,116	-	206	8,322
Professional fees expense	-	8	-	12	20
Short-term lease expense	-	-	-	23	23
Purchase of inventories	-	-	-	112	112
Commission income	-	-	28	-	28
<b>Account balances</b>					
Accounts receivable	18	-	28	7	53

i) 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.

ii) 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)

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

i) 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.

ii) Other related parties include close family members of the key management personnel and entities controlled by the key management personnel.

### 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, 2019	Dec. 31, 2018
	\$	\$
Short-term employee benefits <sup>i)</sup>	5,671	5,311
Post-employment benefits	2,445	2,251
	<b>8,116</b>	<b>7,562</b>

i) Includes directors' fees.

## Notes to the Consolidated Financial Statements

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

### Note 32. Interests in Other Entities

#### 32.1 List of subsidiaries and associates

The following table presents the Company's subsidiaries and associates as at December 31, 2019 and 2018:

Entities	Consolidation method	% of ownership		Country
		2019	2018	
<b>Subsidiaries</b>				
A. Lassonde Inc.	Fully consolidated	100%	100%	Canada
Lassonde Specialties Inc.	Fully consolidated	100%	100%	Canada
Arista Wines Inc.	Fully consolidated	100%	100%	Canada
Arista Wines (USA) Inc.	Fully consolidated	100%	100%	Canada
Zurban Beverages Inc.	Fully consolidated	100%	100%	Canada
7925271 Canada Inc.	Fully consolidated	100%	100%	Canada
Lasfin Canada Inc.	Fully consolidated	100%	100%	Canada
2733-1719 Québec Inc.	Fully consolidated	100%	100%	Canada
Luxlas Fund Limited Partnership	Fully consolidated	100%	100%	Canada
Lassonde (U.S.A.) Inc.	Fully consolidated	100%	100%	Canada
Pappas Lassonde Holdings, Inc.	Fully consolidated	90%	90%	United States
Pomona Holdings, Inc.	Fully consolidated	90%	90%	United States
Lassonde Pappas and Company, Inc.	Fully consolidated	90%	90%	United States
Pappas Foods, L.L.C.	Fully consolidated	90%	90%	United States
Delsea Farms, LLC	Fully consolidated	90%	90%	United States
Pappas Properties CA, LLC	Fully consolidated	90%	90%	United States
Pappas Properties, LLC	Fully consolidated	90%	90%	United States
CP Maryland, LLC	Fully consolidated	90%	90%	United States
Clement Pappas NC, LLC	Fully consolidated	90%	90%	United States
Apple & Eve, LLC	Fully consolidated	90%	90%	United States
A&E Acquisition, LLC	Fully consolidated	90%	90%	United States
Northland Products, LLC	Fully consolidated	90%	90%	United States
Old Orchard Brands, LLC	Fully consolidated	90%	90%	United States
Old Orchard Brands Real Estate Holdings, LLC	Fully consolidated	90%	90%	United States
Lassonde Luxembourg SARL	Fully consolidated	100%	100%	Luxembourg
Lassonde Hungary, Kft	Fully consolidated	100%	-	Hungary
<b>Associate</b>				
Diamond Estates Wines & Spirits Inc.	Equity method	19.2%	-	Canada

## Notes to the Consolidated Financial Statements

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

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### 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.

## Note 33. Events After the Reporting Period

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### 33.1 Business combination

On January 3, 2020, the Company completed the acquisition of 100% of the shares of Sun-Rype Products Ltd. ("Sun-Rype") for a cash consideration of \$89,263,000, paid at the close of the transaction. This amount reflects \$9,263,000 in preliminary adjustments related to working capital, to property, plant and equipment and to cash. The amount could also be subject to additional adjustments related to working capital and other items once the final value is established. The acquisition was financed by the Company's existing Canadian credit facility. The transaction costs are estimated at \$1,500,000.

Founded in 1946, Sun-Rype is a Canadian fruit-based snack and beverage manufacturer that operates facilities located in Kelowna, British Columbia and in Selah and Wapato, Washington State. Sun-Rype manufactures and sells a variety of ready-to-drink fruit-based juices and drinks under the Sun-Rype brand as well as fruit-based snacks under the Sun-Rype, Fruit-to-Go, FruitSource, and Good Bites brands. Its head office is located in Kelowna, British Columbia.

This business combination further establishes the Company's presence in the national brands juice sector in Canada and in the United States, helping it to offer a wider range of products and to strengthen its presence in the North American market.

The initial recognition of this business combination is incomplete at the time of publication of these financial statements.

### 33.2 Pandemic

The COVID-19 outbreak has created a health and economic crisis of unprecedented magnitude that is affecting global economies and financial markets. As of the financial statements publication date, the pandemic has not had a substantial impact on the Company's financial position. With conditions in North America continuing to deteriorate daily, changes regarding the availability of labour and resources, government interventions in the activities of businesses, or changes in demand for the Company's products could occur. At this time, it is impossible to assess the likelihood of such events given that there are no reliable estimates of how long the crisis will last and how fast the virus is spreading. The long-term impact on the Company's clients is also impossible to assess, as we have not experienced a comparable situation in the recent past.