

LASSONDE INDUSTRIES INC.



Consolidated Financial Statement Report

YEARS ENDED DECEMBER 31,
2021 AND 2020



Lassonde

Table of Contents

Independent Auditor's Report	3
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income.....	7
Consolidated Statements of Financial Position	8
Consolidated Statements of Shareholders' Equity	9
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements.....	11

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, 2021 and 2020, 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, 2021 and 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

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.

Independent Auditor's Report (continued)

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.

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.

Independent Auditor's Report (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/ s / Deloitte LLP ⁽¹⁾

March 25, 2022

Montréal, Québec

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

Consolidated Statements of Income*(in thousands of Canadian dollars unless otherwise indicated)
(audited)*

	Notes	Years ended	
		Dec. 31, 2021	Dec. 31, 2020
		\$	\$
Sales	8	1,892,862	1,980,925
Cost of sales		1,370,920	1,421,114
Selling and administrative expenses		403,626	407,848
(Gains) losses on capital assets		(43)	32
		1,774,503	1,828,994
Operating profit		118,359	151,931
Share in the profit or (loss) of an associate		(764)	(808)
Financial expenses	10	11,124	17,340
Other (gains) losses	11	457	(809)
Profit before income taxes		106,014	134,592
Income tax expense	12	27,562	32,718
Profit		78,452	101,874
Attributable to:			
Company's shareholders		77,511	97,816
Non-controlling interest	24	941	4,058
		78,452	101,874
Basic and diluted earnings per share (in \$)	24	11.18	14.11
Weighted average number of shares outstanding (in thousands)	24	6,933	6,934

Additional information on income is presented in Note 9.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(audited)

	Notes	Years ended	
		Dec. 31, 2021	Dec. 31, 2020
		\$	\$
Profit		78,452	101,874
Other comprehensive income:			
To be reclassified subsequently to profit or loss:			
Net change in the cash flow hedge of financial assets and liabilities:			
Gains (losses) on financial instruments designated as hedges		175	(1,995)
Reclassification of (gains) losses on financial instruments designated as hedges		2,567	1,493
Income tax expense	12	(695)	129
		2,047	(373)
Translation difference:			
Exchange difference on translating foreign operations		(2,173)	(13,166)
		(126)	(13,539)
Not to be reclassified subsequently to profit or loss:			
Net change in the cash flow hedge of non-financial assets:			
Gains (losses) on financial instruments designated as hedges		(1,130)	451
Income tax expense	12	299	(103)
		(831)	348
Benefit cost of the defined benefit plans:			
Remeasurements of the net defined benefit asset or liability	27	13,390	(10,414)
Income tax expense	12	(3,541)	2,743
		9,849	(7,671)
		9,018	(7,323)
Total other comprehensive income (loss)		8,892	(20,862)
Comprehensive income		87,344	81,012
Attributable to:			
Company's shareholders		86,304	78,201
Non-controlling interest	24	1,040	2,811
		87,344	81,012

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

(audited)

	Notes	As at Dec. 31, 2021 \$	As at Dec. 31, 2020 \$
Assets			
Current			
Cash and cash equivalents		305	6,803
Accounts receivable	14	154,369	147,886
Income tax recoverable		4,587	7,730
Inventories	15	309,748	260,611
Derivative instruments		1,657	1,122
Other current assets	16	19,083	16,497
		489,749	440,649
Derivative instruments		578	–
Investment in an associate		8,353	7,260
Property, plant and equipment	17	384,389	390,451
Intangible assets	18	203,983	223,030
Net defined benefit asset	27	22,990	9,402
Other long-term assets		1,182	1,237
Goodwill	19	308,371	309,605
		1,419,595	1,381,634
Liabilities			
Current			
Bank overdraft		5,028	–
Accounts payable and accrued liabilities	20	269,115	260,219
Income tax payable		5,638	8,376
Derivative instruments		1,102	7,176
Other current liabilities		5,068	3,782
Current portion of long-term debt	21	84,387	10,676
		370,338	290,229
Derivative instruments		16	3,014
Long-term debt	21	91,045	204,810
Long-term incentive plan liabilities		852	72
Pension plan liabilities	27	413	2,250
Deferred tax liabilities	12	91,424	84,292
Other long-term liabilities	23	–	1,234
		554,088	585,901
Shareholders' equity			
Share capital	24	48,136	48,143
Contributed surplus		1,375	1,375
Accumulated other reserves	25	55,760	51,322
Retained earnings		703,144	638,797
Non-controlling interest	24	57,092	56,096
		865,507	795,733
		1,419,595	1,381,634

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 ⁱ⁾	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2020	48,143	1,375	51,322	638,797	56,096	795,733
Profit	–	–	–	77,511	941	78,452
Other comprehensive income (loss)	–	–	(923)	9,716	99	8,892
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	5,361	–	(44)	5,317
Dividends	–	–	–	(22,811)	–	(22,811)
Repurchase of Class A shares ⁱⁱ⁾	(7)	–	–	(69)	–	(76)
Balance as at December 31, 2021	48,136	1,375	55,760	703,144	57,092	865,507
Balance as at December 31, 2019	48,143	1,375	64,962	566,284	54,055	734,819
Profit	–	–	–	97,816	4,058	101,874
Other comprehensive income (loss)	–	–	(11,958)	(7,657)	(1,247)	(20,862)
Transfer of cash flow hedge (gains) losses to non-financial assets	–	–	(1,682)	–	1	(1,681)
Dividends	–	–	–	(17,646)	(771)	(18,417)
Balance as at December 31, 2020	48,143	1,375	51,322	638,797	56,096	795,733

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 25.

ii) Additional information about the repurchase of Class A shares is presented in Note 24.5.

Additional information on shareholders' equity is presented in Note 24.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(audited)

	Notes	Years ended	
		Dec. 31, 2021	Dec. 31, 2020
		\$	\$
Operating activities			
Profit		78,452	101,874
Adjustments for:			
Income tax expense	12	27,562	32,718
Interest expense	10	10,333	16,512
Depreciation of property, plant and equipment and amortization of intangible assets	9	59,505	65,163
Change in fair value of financial instruments		1,250	(588)
Cost of the long-term incentive plan		891	97
Cost of the pension plans recognized in profit or loss, net of contributions		(2,026)	(11,011)
Share in the (profit) or loss of an associate		764	808
(Gains) losses on capital assets		(43)	32
Unrealized foreign exchange (gains) losses		(75)	(4,709)
Other		138	(67)
		176,751	200,829
Change in non-cash operating working capital items	26	(48,635)	51,197
Income tax received		4,693	11,495
Income tax paid		(30,212)	(19,298)
Interest received		160	405
Interest paid		(8,425)	(14,474)
Settlements of derivative instruments		(600)	1,033
		93,732	231,187
Financing activities			
Change in revolving operating credit, net of transaction costs		(3,893)	(2,178)
Increase in long-term debt, net of transaction costs		–	(195)
Repayment of long-term debt		(38,101)	(71,814)
Dividends paid on Class A shares		(10,465)	(8,095)
Dividends paid on Class B shares		(12,346)	(9,551)
Dividend paid to the non-controlling interest	24	–	(771)
Repurchase of Class A shares	24	(76)	–
		(64,881)	(92,604)
Investing activities			
Consideration paid on a business combination, net of acquired cash on hand	6	–	(80,647)
Acquisition of property, plant and equipment		(31,770)	(36,460)
Acquisition of intangible assets		(5,872)	(4,060)
Net proceeds from the disposal of property, plant and equipment		43	143
Acquisition of an investment in an associate		(1,046)	–
Acquisition of other long-term assets		(1,302)	–
Acquisition of derivative instruments		(454)	–
		(40,401)	(121,024)
Increase (decrease) in cash and cash equivalents		(11,550)	17,559
Cash and cash equivalents at beginning		6,803	(10,590)
Impact of exchange rate changes on cash and cash equivalents		24	(166)
Cash and cash equivalents at end	26	(4,723)	6,803

Additional cash flow information is presented in Note 26.

Notes to the Consolidated Financial Statements

Table of Contents

Note 1.	Description of the Business.....	12
Note 2.	Accounting Policies.....	12
Note 3.	Accounting Judgments and Sources of Estimation Uncertainty.....	22
Note 4.	Adoption of IFRS Standards.....	23
Note 5.	Future Accounting Changes.....	23
Note 6.	Business Combination.....	24
Note 7.	Investment in an Associate.....	28
Note 8.	Sales.....	28
Note 9.	Additional Information on Income.....	29
Note 10.	Financial Expenses.....	29
Note 11.	Other (Gains) Losses.....	29
Note 12.	Income Tax Expense.....	30
Note 13.	Financial Instruments.....	32
Note 14.	Accounts Receivable.....	37
Note 15.	Inventories.....	37
Note 16.	Other Current Assets.....	37
Note 17.	Property, Plant and Equipment.....	38
Note 18.	Intangible Assets.....	40
Note 19.	Goodwill.....	41
Note 20.	Accounts Payable and Accrued Liabilities.....	42
Note 21.	Long-Term Debt.....	42
Note 22.	Long-Term Incentive Plan.....	45
Note 23.	Other Long-Term Liabilities.....	46
Note 24.	Shareholders' Equity.....	47
Note 25.	Accumulated Other Reserves.....	49
Note 26.	Additional Cash Flow Information.....	49
Note 27.	Post-Employment Benefits.....	51
Note 28.	Managing Financial Risk Arising From Financial Instruments.....	56
Note 29.	Capital Management.....	63
Note 30.	Commitments and Contingencies.....	63
Note 31.	Segment Information.....	64
Note 32.	Related Party Transactions.....	65
Note 33.	Interests in Other Entities.....	67

Notes to the Consolidated Financial Statements

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

Note 1. Description of the Business

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

Lassonde Industries Inc. and its subsidiaries (collectively, “the Company”) develop, manufacture and market a wide range of ready-to-drink juices and drinks, fruit-based snacks in the form of bars and bites as well as frozen juice concentrates in North America. The Company is the largest producer of fruit juices and drinks in Canada and one of the two largest producers of store brand shelf-stable fruit juices and drinks in the United States. It is also 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 produces apple cider and cider-based beverages and imports selected wines from several countries of origin for packaging and marketing purposes.

Note 2. Accounting Policies

The Company’s Board of Directors approved these consolidated financial statements on March 25, 2022. 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, 2021.

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 long-term incentive plan, the net defined benefit asset or liability and certain financial instruments, for which the accounting treatments are described in Notes 2.16, 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)*

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred during 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 proportionate share of the concerned subsidiaries shareholders' equity.

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 ownership 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)

2.6 Recognition of sales

The Company recognizes revenue from contracts with customers when 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 Company has satisfied the conditions and obligations under the contract and the customer obtains control of the products. Thus, the Company recognizes its revenues as follows:

- ♦ When the goods are delivered to the customer and the customer accepts possession of them, if the Company has an obligation to deliver the goods to a location specified by the customer;
- ♦ When the goods leave the Company's premises through the customer's carrier, since control, in this case, is transferred to the customer when the carrier has taken possession of the goods; or
- ♦ When the manufacturing of the goods is completed, even if they are not delivered, for agreements where possession of the goods is transferred to the customer from that moment and where the Company's obligation is limited to the manufacturing.

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 customer, 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 fiscal 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, unless it is tax deductible.

Notes to the Consolidated Financial Statements

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

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

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

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

2.8 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
Land and buildings		
Land	–	–
Parking	Declining balance	10 to 20%
Buildings	Declining balance and straight-line	3% 15 to 40 years
Leasehold improvements	Straight-line	Lease term
Machinery and equipment		
Machinery and equipment	Straight-line	3 to 40 years
Laboratory equipment	Straight-line	5 to 10 years
Other		
Office furniture	Straight-line	5 to 15 years
Automotive equipment	Straight-line	5 to 15 years
Computer equipment	Straight-line	3 to 5 years

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

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

2.11.2 Right-of-use assets

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 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 tax credits for investment and innovation, 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.

2.13 Intangible assets

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

2.13.1 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.

2.13.2 Intangible assets acquired separately

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

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

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

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

2.14 Impairment of non-financial assets

2.14.1 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.

Notes to the Consolidated Financial Statements

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

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.

2.14.2 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, i.e., 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.

2.15 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.

2.16 Long-term incentive plan

The value of the restricted share units ("RSU") and the share appreciation rights ("SAR") granted to the Company's executives is recognized in profit or loss as a compensation expense over the vesting period of the RSUs and SARs. A corresponding liability is recorded in the Consolidated Statement of Financial Position as long-term incentive plan liabilities. The liability is remeasured on each reporting date until the time of settlement. Remeasurements are recognized in profit or loss as a compensation expense.

The RSUs and the SARs are settled in cash.

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)

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 interest income; 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.

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.

Notes to the Consolidated Financial Statements

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

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 2.18.8; 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 remeasurement are accounted for as described in Note 2.18.7.

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 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 as well as unamortized transaction costs.

2.18.6 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.

2.18.7 Derivative instruments

The Company uses certain derivative instruments to:

- ♦ Eliminate or reduce the risks related to exchange rate fluctuations that have an influence on its purchases of raw materials and supplies, its acquisitions of property, plant and equipment, and if applicable, its cash consideration on investments in foreign operations denominated in foreign currencies;
- ♦ Eliminate or reduce the risks related to interest rate fluctuations that affect interest expense;
- ♦ Reduce the risk of fluctuations in certain raw material and supply prices; and
- ♦ Reduce the risk of fluctuations to the fair market value of the Company's Class A subordinate voting shares related to the long-term incentive plan.

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. They are presented on a net basis with the items subject to economic hedges.

Gains and losses arising from periodic remeasurements of other derivative financial instruments are recognized in profit or loss in other (gains) losses as change in fair value of derivative financial instruments.

Notes to the Consolidated Financial Statements

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

2.18.8 Hedge accounting

Documentation

The Company uses hedge accounting when it meets the rules for compliance with hedge accounting standards. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and its strategy for undertaking various hedge transactions. This process includes linking all hedging instruments to specific assets or 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 to hedge the price risk and the foreign exchange risk of certain purchases of raw materials and supplies, to hedge the foreign exchange risk of certain acquisitions of property, plant and equipment, and to hedge the interest rate risk of certain floating-rate 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 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 reclassified in profit or loss as other (gains) losses.

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.

Notes to the Consolidated Financial Statements

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

Note 3. Accounting Judgments and Sources of Estimation Uncertainty

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

The main assumptions and estimates are presented below:

3.1 Measurements of revenues from product sales

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

3.2 Measurements of income tax expense

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

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

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

3.3 Measurements of 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.

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 27 to learn more about the assumptions used.

Notes to the Consolidated Financial Statements

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

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.

Note 4. Adoption of IFRS Standards

4.1 Interest rate benchmark reform

On January 1, 2021, as part of the interest rate benchmark reform project, the Company adopted amended versions of the following standards: IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. All of these standards apply to fiscal years beginning on or after January 1, 2021.

The impacts of this reform on the Company's consolidated financial statements will depend on the facts and circumstances of all future changes in financial instruments and all future changes in the interest rate benchmarks to which the Company's financial instruments are indexed. As at December 31, 2021, no financial instruments have been amended as part of the interest rate benchmark reform project.

Note 5. Future Accounting Changes

5.1 IAS 16 Property, Plant and Equipment

In May 2020, the International Accounting Standards Board ("IASB") amended IAS 16 *Property, Plant and Equipment* to modify the accounting treatment of the net proceeds from the sale of items produced up until the time the property, plant and equipment is in the condition necessary to be operated in the manner intended by management. Going forward, these proceeds will be accounted for in accordance with the other applicable standards instead of reducing the cost of the property, plant and equipment.

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

The Company believes that these amendments will have no impact on its consolidated financial statements.

Notes to the Consolidated Financial Statements

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

5.2 IAS 1 Presentation of Financial Statements

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

In February 2021, the IASB amended IAS 1 *Presentation of Financial Statements*, requiring entities to disclose information about their material accounting policies rather than their significant accounting policies. The IASB has developed guidance and examples to help entities make judgments on the materiality of accounting policy disclosures.

The amendments apply to fiscal years beginning on or after January 1, 2023.

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

5.3 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to clarify the distinction between a change in accounting estimate and a change in accounting policy.

The amendments apply to fiscal years beginning on or after January 1, 2023.

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

5.4 IAS 12 Income Taxes

In May 2021, the IASB amended IAS 12 *Income Taxes* to narrow the scope of the recognition exemption so that it does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments apply to fiscal years beginning on or after January 1, 2023.

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

Note 6. Business Combination

6.1 Sun-Rype

6.1.1 Description of the business combination

On January 3, 2020, the Company acquired 100% of the shares of Sun-Rype Products Ltd. and two of its affiliates (collectively, "Sun-Rype") after a final acquisition agreement was signed on October 29, 2019.

Founded in 1946, Sun-Rype is a Canadian fruit-based snack and beverage manufacturer that operates facilities located in Kelowna, British Columbia and in the cities of 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 and store brands juice and drinks 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.

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

	As at Jan. 3, 2020
	\$
Source:	
CA revolving credit	90,866
	<u>90,866</u>
Acquisition costs ⁱ⁾	(1,482)
Costs related to the CA revolving credit ⁱⁱ⁾	(121)
Consideration receivable ⁱⁱⁱ⁾	(2,198)
Fair value of the consideration transferred	<u>87,065</u>

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

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

iii) Corresponds to the adjustment to working capital and to the book value of the seller's property, plant and equipment. The consideration receivable was received during the second quarter of 2020.

6.1.3 Costs related to the acquisition and financing

As at December 31, 2020, the total acquisition and financing-related costs were as follows:

	As at Dec. 31, 2020
	\$
Acquisition costs ⁱ⁾	1,545
Costs related to the CA revolving credit ⁱⁱ⁾	121
	<u>1,666</u>

i) Recognized in selling and administrative expenses in the Consolidated Statement of Income. Includes \$1,482,000 that was recognized in profit or loss for the year ended December 31, 2019.

ii) 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 January 3, 2020 acquisition date to reflect new information obtained about facts and circumstances that had existed at the acquisition date and, if they had been known, would have had an impact on the amounts recognized at that date.

	As at Jan. 3, 2020
	\$
Assets	
Cash and cash equivalents	6,418
Accounts receivable	20,094
Income tax recoverable	395
Inventories	30,576
Other current assets	1,024
Property, plant and equipment ⁱ⁾	58,756
Intangible assets	8,945
Other long-term assets	514
	126,722
Liabilities	
Accounts payable and accrued liabilities	18,081
Derivative instruments	136
Other current liabilities	1,986
Long-term debt ⁱ⁾	23,031
Deferred tax liabilities	7,177
	50,411
Net identifiable assets acquired	76,311

ⁱ⁾ Includes right-of-use assets and lease liabilities totalling \$23,031,000.

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 valuing the acquired property, plant and equipment. There are various generally accepted approaches to determine fair value. Reproduction cost, replacement cost and a market approach were considered in estimating the fair value of the property, plant and equipment. The Company determined the fair value of property, plant and equipment based on the report from the third-party appraiser.

Notes to the Consolidated Financial Statements

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

Intangible assets

The Company has conducted an assessment of the intangible assets acquired. The relief-from-royalty method was used as the basis for valuing Sun-Rype'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 Sun-Rype's historical and projected revenues, customer attrition rates, and certain other relevant assumptions.

	Estimated useful lives	Fair value
		\$
Intangible assets		
Client relationships	15 years	3,639
Trademarks and trade name	20 years	4,738
Non-compete agreements	5 years	568
		8,945

6.1.6 Goodwill arising from the business combination

	As at Jan. 3, 2020
	\$
Consideration transferred	87,065
Less:	
Fair value of net identifiable assets acquired	76,311
Goodwill	10,754

The business combination helps the Company to further strengthen its presence in North America. In particular, it will help the Company to achieve significant economies of scale through the consolidated group's superior purchasing power and to benefit from a pooling of logistics and distribution capabilities.

An amount of \$692,000 of 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, 2020 includes \$175,350,000 in sales and a \$5,574,000 profit generated by Sun-Rype's business operations in Canada and the United States.

Since the acquisition took place on January 3, 2020, the Company believes that if the business combination had been completed on January 1, 2020, there would have been no additional significant impact on the Company's consolidated sales and consolidated profit for the year ended December 31, 2020. 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.

Notes to the Consolidated Financial Statements

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

Note 7. Investment in an Associate

The Company has an economic interest of 19.2% in Diamond Estates Wines & Spirits Inc. ("Diamond"). Diamond 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. Under an investor rights agreement, the Company has the right to designate two nominees out of a total of seven on Diamond's board of directors. The Company concluded that it exercises significant influence over Diamond and uses the equity method to account for this investment.

In June 2021, as part of a private placement, the Company acquired an unsecured convertible debenture from Diamond in an amount of \$1,160,000. In October 2021, as part of a private placement, this debenture was converted into additional common shares in the capital of Diamond and into warrants. The Company also purchased additional shares and warrants for a cash consideration of \$1,500,000.

In November 2021, Diamond consolidated its share capital on a 10-for-1 basis.

The following table presents a summary of the Company's economic interest in Diamond:

	As at Dec. 31, 2021	As at Dec. 31, 2020
	(in units)	(in units) ⁱ⁾
Common shares	5,346,506	3,847,895
% of ownership	19.2%	19.2%
Warrants at an exercise price of \$2.20 per share, expiring in October 2024	1,123,959	–
Stock options at an exercise price of \$2.00 per share, expiring in September 2024	40,000	40,000
Stock options at an exercise price of \$1.40 per share, expiring in September 2025	40,000	40,000
Deferred share units	63,057	–

ⁱ⁾ The information presented as at December 31, 2020 has been adjusted to reflect the impact of consolidating Diamond's share capital on a 10-for-1 basis in November 2021.

Note 8. Sales

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Revenues from product sales	1,863,121	1,943,361
Revenues from the rendering of services	27,597	36,604
Other revenues	2,144	960
	1,892,862	1,980,925

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, 2021	Dec. 31, 2020
	\$	\$
Write-down of inventories included in cost of sales	11,419	11,850
Depreciation of property, plant and equipment included in cost of sales	27,468	30,425
Depreciation of property, plant and equipment included in selling and administrative expenses	8,150	8,269
Amortization of intangible assets included in selling and administrative expenses	23,887	26,469
Short-term lease expense	6,732	4,814
Expense related to leases of low-value assets	22	13
Expense related to variable lease payments not included in the lease liabilities ⁱ⁾	969	820
Employee benefits expense	288,467	303,211
Research and development expense	757	919
Research and development tax credits	(265)	(322)

- i) 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, 2021 and 2020.

Note 10. Financial Expenses

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Interest on long-term debt	6,849	12,090
Interest on lease liabilities	1,886	2,175
Amortization of transaction costs directly attributable to arranging financing	1,363	2,347
Other interest, net of interest income	235	(100)
Interest expense	10,333	16,512
Bank expenses	791	828
	11,124	17,340

Note 11. Other (Gains) Losses

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Exchange (gains) losses	183	–
Change in fair value of derivative financial instruments	274	(245)
Other (gains) losses	–	(564)
	457	(809)

Notes to the Consolidated Financial Statements

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

Note 12. Income Tax Expense

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

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Profit before income taxes	106,014	134,592
Income tax expense		
Income tax expense at 26.5%	28,094	35,666
Variance in the tax rate resulting from the different tax rates of subsidiaries	6	(227)
Earnings from investments in subsidiaries	(424)	(1,202)
Tax impact on non-deductible or non-taxable items	362	326
Impact of changes in tax rates and in tax legislation applicable to deferred tax	41	–
Tax adjustment related to previous years	(312)	209
Loss carryback ⁱ⁾	–	(2,243)
Other	(205)	189
	27,562	32,718

i) During the year ended December 31, 2020, U.S. subsidiaries of the Company benefitted from loss carrybacks to previous years, entitling them to an amount receivable of \$2,106,000 under the *Coronavirus Aid, Relief and Economic Security Act* (“CARES Act”).

12.2 Income taxes recognized in profit or loss

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Current tax		
Current tax expense for the year	27,432	19,652
Tax adjustment related to previous years	(1,328)	511
	26,104	20,163
Deferred tax		
Deferred tax expense for the year	401	12,857
Deferred tax adjustment attributable to changes in tax rates and tax legislation	41	–
Tax adjustment related to previous years	1,016	(302)
	1,458	12,555
	27,562	32,718

12.3 Deferred tax

As at December 31, 2021 and 2020, the Company had unused capital losses totalling \$8,436,000 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 \$219,925,000 as at December 31, 2021 (\$210,259,000 as at December 31, 2020) for a potential deferred tax liability of \$10,996,000 (\$10,513,000 in 2020).

Notes to the Consolidated Financial Statements

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

12.4 Change in deferred tax liabilities

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Balance at beginning	84,292	68,953
Deferred tax (recovery) expense for the year recognized in profit or loss	1,458	12,555
Deferred tax (recovery) expense for the year related to other comprehensive income	3,937	(2,769)
Deferred tax (recovery) expense for the year recognized in shareholders' equity ⁱ⁾	1,807	(573)
Deferred tax liabilities assumed in a business combination	–	7,177
Exchange difference	(70)	(1,051)
Balance at end	91,424	84,292

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

12.5 Reconciliation of deferred tax (assets) liabilities

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

	Year ended December 31, 2021					Balance as at Dec. 31, 2021
	Balance as at Dec. 31, 2020	Recognized in profit or loss ⁱ⁾	Related to other comprehensive income ⁱⁱ⁾	Recognized in shareholders' equity ⁱⁱⁱ⁾	Exchange difference	
	\$	\$	\$	\$	\$	\$
Derivative instruments	(1,874)	5	396	1,807	122	456
Property, plant and equipment	64,506	(4,227)	–	–	1,285	61,564
Intangible assets and goodwill	37,766	6,930	–	–	(1,990)	42,706
Accounts payable and accrued liabilities	(7,222)	2,572	–	–	(425)	(5,075)
Defined benefit pension plans	3,636	(935)	3,541	–	(158)	6,084
Long-term debt	(10,746)	873	–	–	(103)	(9,976)
Unused tax losses	(262)	(4,696)	–	–	1,136	(3,822)
Other ^{iv)}	(1,512)	936	–	–	63	(513)
	84,292	1,458	3,937	1,807	(70)	91,424

- i) Deferred tax expense (recovery) for the year recognized in profit or loss.
- ii) Deferred tax expense (recovery) for the year related to other comprehensive income.
- iii) Deferred tax expense (recovery) for the year recognized in shareholders' equity through the transfer of cash flow hedge (gains) losses to non-financial assets.
- iv) Includes 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, 2020						Balance as at Dec. 31, 2020
	Balance as at Dec. 31, 2019	Assumed in a business combination ⁱ⁾	Recognized in profit or loss ⁱⁱ⁾	Related to other comprehensive income ⁱⁱⁱ⁾	Recognized in shareholders' equity ^{iv)}	Exchange difference	
	\$	\$	\$	\$	\$	\$	\$
Derivative instruments	(1,334)	(36)	94	(26)	(573)	1	(1,874)
Property, plant and equipment	50,677	9,592	4,711	–	–	(474)	64,506
Intangible assets and goodwill	30,686	2,389	5,520	–	–	(829)	37,766
Accounts payable and accrued liabilities	(5,455)	–	(1,942)	–	–	175	(7,222)
Defined benefit pension plans	3,976	–	2,391	(2,743)	–	12	3,636
Long-term debt	(5,177)	(4,945)	(724)	–	–	100	(10,746)
Unused tax losses	(3,019)	–	2,713	–	–	18	(262)
Other ^{v)}	(1,401)	177	(208)	–	–	(54)	(1,512)
	68,953	7,177	12,555	(2,769)	(573)	(1,051)	84,292

i) Deferred tax (assets) liabilities assumed in a business combination.

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 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)

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; and
- 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 and market data. 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 carrying value of all of the Company's financial instruments approximates their fair value, except for the following:

	As at December 31, 2021		As at December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	175,432	177,156	215,486	220,552

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

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, 2021 and 2020, all of the Company's financial instruments, including derivative financial instruments, have been classified as Level 2, and 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

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	305	6,803
Accounts receivable	154,369	147,886
Fair value through profit or loss		
Derivative instruments ⁱ⁾	550	868
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	1,685	254
Financial liabilities		
Amortized cost		
Bank overdraft	5,028	–
Accounts payable and accrued liabilities	269,115	260,219
Long-term debt ⁱⁱ⁾	175,432	215,486
Fair value through profit or loss		
Derivative instruments ⁱ⁾	863	847
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	255	9,343

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

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

13.3 Hedge accounting

13.3.1 Instruments designated in a hedging relationship

	As at December 31, 2021			
	Notional	Value recognized as an asset	Value recognized as a liability	Change in value used to calculate hedge ineffectiveness
		\$	\$	\$
Cash flow hedges				
Interest rate risk				
Interest rate swaps	US\$65,000,000	28	(251)	(223)
Foreign exchange risk				
Foreign exchange forward contracts	US\$73,000,000 €6,645,000	1,383	(1)	1,382
Price risk				
Frozen concentrated orange juice futures	1,830,000 lbs sol. ⁱ⁾	192	(3)	189

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

Notes to the Consolidated Financial Statements

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

	As at December 31, 2020			
	Notional	Value recognized as an asset	Value recognized as a liability	Change in value used to calculate hedge ineffectiveness
		\$	\$	\$
Cash flow hedges				
Interest rate risk				
Interest rate swaps	US\$115,000,000	–	(3,002)	(3,002)
Foreign exchange risk				
Foreign exchange forward contracts	US\$98,975,000 €4,456,000	30	(5,195)	(5,165)
Price risk				
Frozen concentrated orange juice futures	3,300,000 lbs sol.	224	(1)	223

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

13.3.2 Hedged items

	As at December 31, 2021		As at December 31, 2020	
	Change in value used to calculate hedge ineffectiveness	Hedging reserve balance	Change in value used to calculate hedge ineffectiveness	Hedging reserve balance
	\$	\$	\$	\$
Cash flow hedges				
Interest rate risk				
Cash outflows related to interest payments	280	(457)	3,053	(2,222)
Foreign exchange risk				
Cash outflows related to purchases of raw materials in foreign currencies	(1,394)	1,063	5,172	(3,795)
Price risk				
Cash outflows related to purchases of frozen concentrated orange juice	(167)	382	(195)	611

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

Notes to the Consolidated Financial Statements

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

13.3.3 Hedging gains and losses

	Year ended December 31, 2021		
	Gains (losses) in other comprehensive income ⁱ⁾	Reclassification of (gains) losses in profit or loss ⁱⁱ⁾	Transfer of shareholders' equity ⁱⁱⁱ⁾
	\$	\$	\$
Cash flow hedges			
Interest rate risk			
Interest rate swaps	175	2,567	–
Foreign exchange risk			
Foreign exchange forward contracts	(1,219)	–	7,710
Price risk			
Frozen concentrated orange juice futures	89	–	(586)

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.

	Year ended December 31, 2020		
	Gains (losses) in other comprehensive income ⁱ⁾	Reclassification of (gains) losses in profit or loss ⁱⁱ⁾	Transfer of shareholders' equity ⁱⁱⁱ⁾
	\$	\$	\$
Cash flow hedges			
Interest rate risk			
Interest rate swaps	(1,995)	1,493	–
Foreign exchange risk			
Foreign exchange forward contracts	(853)	–	(2,279)
Price risk			
Frozen concentrated orange juice futures	1,304	–	25

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, 2021 and 2020.

Notes to the Consolidated Financial Statements

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

13.4 Offsetting

The Company has entered into International Swaps & Derivatives Association, Inc. 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, 2021 and 2020, derivative instruments were presented without offsetting. The fair values of derivative instrument assets and liabilities subject to enforceable master netting agreements were, respectively, \$2,235,000 and \$1,118,000 as at December 31, 2021 (\$1,122,000 and \$10,190,000, respectively, as at December 31, 2020).

In addition, as at December 31, 2021, a cash guarantee in an amount of \$6,000 (\$137,000 as at December 31, 2020) was deposited with the issuer of certain derivative instruments to cover their fair value when in a liability position. These amounts were presented without offsetting.

Note 14. Accounts Receivable

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Trade accounts receivable	145,243	139,622
Discounts receivable	6,862	4,123
Other receivables	2,264	4,141
	154,369	147,886

Note 15. Inventories

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Raw materials and supplies	213,670	165,982
Finished goods	96,078	94,629
	309,748	260,611

Note 16. Other Current Assets

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Sales taxes receivable	5,048	4,539
Tax credits receivable	3,255	1,424
Prepaid expenses	10,780	10,534
	19,083	16,497

Notes to the Consolidated Financial Statements

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

Note 17. Property, Plant and Equipment

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

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Owned assets	345,470	347,108
Right-of-use assets	38,919	43,343
	384,389	390,451

17.1 Owned assets

17.1.1 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	\$	\$	\$	\$
Cost				
Balance as at December 31, 2020	196,897	481,313	38,370	716,580
Acquisitions	4,115	21,780	2,468	28,363
Disposals	(28)	(1,062)	(242)	(1,332)
Exchange difference	(362)	(508)	(41)	(911)
Balance as at December 31, 2021	200,622	501,523	40,555	742,700
Accumulated depreciation and impairment losses				
Balance as at December 31, 2020	(54,349)	(281,996)	(33,127)	(369,472)
Depreciation	(4,852)	(22,425)	(2,012)	(29,289)
Disposals	28	1,006	242	1,276
Exchange difference	47	181	27	255
Balance as at December 31, 2021	(59,126)	(303,234)	(34,870)	(397,230)
Net carrying value as at December 31, 2021	141,496	198,289	5,685	345,470
Cost				
Balance as at December 31, 2019	190,775	426,106	36,826	653,707
Acquisitions	5,476	29,807	1,796	37,079
Acquisitions through a business combination	3,121	32,381	223	35,725
Disposals	(657)	(3,649)	(245)	(4,551)
Exchange difference	(1,818)	(3,332)	(230)	(5,380)
Balance as at December 31, 2020	196,897	481,313	38,370	716,580
Accumulated depreciation and impairment losses				
Balance as at December 31, 2019	(49,664)	(262,513)	(31,369)	(343,546)
Depreciation	(5,186)	(24,649)	(2,097)	(31,932)
Disposals	76	3,534	141	3,751
Exchange difference	425	1,632	198	2,255
Balance as at December 31, 2020	(54,349)	(281,996)	(33,127)	(369,472)
Net carrying value as at December 31, 2020	142,548	199,317	5,243	347,108

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, 2021, the Company recognized \$2,225,000 in tax credits for investment and innovation as a reduction to the cost of property, plant and equipment (\$602,000 in tax credits for investment and innovation and \$811,000 in government grants in 2020).

17.1.3 Additional information

	Land and buildings	Machinery and equipment	Other	Total
	\$	\$	\$	\$
As at December 31, 2021				
Property, plant and equipment in progress included in the cost	390	10,858	123	11,371
As at December 31, 2020				
Property, plant and equipment in progress included in the cost	874	21,558	385	22,817

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, 2020	41,924	14	1,405	43,343
Additions	1,664	30	346	2,040
Reductions	–	–	(15)	(15)
Depreciation	(5,822)	(22)	(500)	(6,344)
Exchange difference	(107)	–	2	(105)
Net carrying value as at December 31, 2021	37,659	22	1,238	38,919
Net carrying value as at December 31, 2019	22,816	21	1,525	24,362
Additions	2,517	–	509	3,026
Additions through a business combination	23,031	–	–	23,031
Reductions	–	–	(42)	(42)
Depreciation	(6,183)	(7)	(587)	(6,777)
Exchange difference	(257)	–	–	(257)
Net carrying value as at December 31, 2020	41,924	14	1,405	43,343

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-competes agreements	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance as at December 31, 2020	30,335	145,611	216,938	15,632	339	408,855
Acquisitions	5,948	–	–	–	–	5,948
Exchange difference	(66)	(559)	(847)	(56)	(1)	(1,529)
Balance as at December 31, 2021	36,217	145,052	216,091	15,576	338	413,274
Accumulated amortization and impairment losses						
Balance as at December 31, 2020	(17,516)	(53,031)	(100,159)	(14,834)	(285)	(185,825)
Amortization	(1,747)	(7,525)	(13,781)	(781)	(53)	(23,887)
Exchange difference	29	126	227	39	–	421
Balance as at December 31, 2021	(19,234)	(60,430)	(113,713)	(15,576)	(338)	(209,291)
Net carrying value as at December 31, 2021	16,983	84,622	102,378	–	–	203,983
Cost						
Balance as at December 31, 2019	25,600	143,526	217,319	15,888	346	402,679
Acquisitions	4,482	–	–	–	–	4,482
Acquisitions through a business combination	568	4,738	3,639	–	–	8,945
Exchange difference	(315)	(2,653)	(4,020)	(256)	(7)	(7,251)
Balance as at December 31, 2020	30,335	145,611	216,938	15,632	339	408,855
Accumulated amortization and impairment losses						
Balance as at December 31, 2019	(15,576)	(46,581)	(87,207)	(13,775)	(178)	(163,317)
Amortization	(2,191)	(7,623)	(15,197)	(1,342)	(116)	(26,469)
Exchange difference	251	1,173	2,245	283	9	3,961
Balance as at December 31, 2020	(17,516)	(53,031)	(100,159)	(14,834)	(285)	(185,825)
Net carrying value as at December 31, 2020	12,819	92,580	116,779	798	54	223,030

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, 2021	Dec. 31, 2020
	\$	\$
Balance at beginning	309,605	304,702
Acquisitions through a business combination	–	10,754
Exchange difference	(1,234)	(5,851)
Balance at end	308,371	309,605

19.2 Goodwill impairment test

The Company performed annual goodwill impairment tests on its CGUs as at December 31, 2021 in accordance with the policies described in Note 2.14.2. The recoverable values of all the CGUs were determined based on value-in-use calculations that used detailed one-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, 2021 and 2020.

The Company has not changed the valuation method used for goodwill impairment testing since the test conducted during the year ended December 31, 2020.

19.3 Goodwill allocation

Goodwill was allocated to the following CGUs:

	As at	As at
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Lassonde Pappas and Company, Inc. ("LPC")	241,958	242,989
A. Lassonde Inc. ("ALI")	64,317	64,520
Lassonde Specialties Inc. ("LSI")	2,096	2,096
	308,371	309,605

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 budget and the strategic plan approved by management and the Board of Directors and according to the growth projects identified by management. Growth in the Company's operating profit also takes into account the nature of the industry in which it operates as well as market growth projections and maturity. At the end of the five-year projection, the Company evaluates the CGU's terminal value; 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 capital assets pricing model 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	10.6	11.6	11.4
Projected average growth in cash flows	13.0	1.1	6.4

Note 20. Accounts Payable and Accrued Liabilities

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Trade payables and accrued expenses	173,145	166,213
Trade spending	53,376	47,882
Salaries and accrued vacation payable	41,968	45,799
Other	626	325
	269,115	260,219

Note 21. Long-Term Debt

	Notes	As at Dec. 31, 2021	As at Dec. 31, 2020
		\$	\$
Canadian credit facilities:			
CA revolving credit, floating rate, maturing in April 2026	21.1.1	44,373	49,562
Term credit facility, fixed rate, maturing in January 2024 and April 2026	21.1.1	12,569	20,346
U.S. credit facilities:			
U.S. revolving credit, floating rate, maturing in May 2023	21.1.2	1,388	–
Term loan, floating rate, maturing in May 2022	21.1.2	75,766	100,514
Lease liabilities:			
Leases, maturing from March 2022 to December 2035	21.1.3	41,336	45,064
		175,432	215,486
Current portion of long-term debt		(84,387)	(10,676)
		91,045	204,810

21.1 Other terms and conditions

21.1.1 Canadian credit facilities

The Canadian credit facilities were provided by a syndicate of financial institutions to support the Company's Canadian operations. The facilities comprise a committed revolving operating credit ("CA revolving credit") for an authorized amount of \$225,000,000 and a term credit facility for an initially authorized amount of \$32,515,000.

Notes to the Consolidated Financial Statements

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

CA revolving credit

The CA revolving credit 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, 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, 2021 and December 31, 2020, this standby fee was 0.23%.

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.

In October 2021, the Company and syndicate of financial institutions agreed to extend the expiry date to April 2026.

Term credit facility

The term credit facility contains five tranches, three of which matured in October 2020, January 2021 and October 2021. The interest rate of one of the two remaining tranches is renegotiable in 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.

In August 2021, the Company renegotiated the interest rate on one of the tranches of the term credit facility, as planned in the agreement. This tranche bears interest at a rate of 3.20% (previously 6.50%) until its maturity.

In December 2021, the Company exercised the reimbursement option and reimbursed an amount of \$2,270,000. This reimbursement shortens the maturity date of the two remaining tranches of the term credit facility.

As at December 31, 2021, the effective interest rates of the two remaining tranches of the term credit facility were 3.21% and 5.81% (between 3.96% and 6.51% for the four remaining tranches as at December 31, 2020).

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 financial institutions to support the Company's U.S. operations. The credit facilities comprise a committed revolving operating credit ("U.S. revolving credit") for an authorized amount of US\$100,000,000 and a term loan for an initially authorized amount of US\$146,000,000.

In June 2021, the U.S. credit facilities were amended to increase the authorized amount of the U.S. revolving credit from US\$75,000,000 to US\$100,000,000 and to extend its expiry date by one year to May 2023.

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.

U.S. revolving credit

A standby fee, which varies according to a prescribed ratio, is applied to the unused portion of the U.S. revolving credit. As at December 31, 2021 and December 31, 2020, this standby fee was 0.25%.

Notes to the Consolidated Financial Statements

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

Term loan

The Company must annually repay, in four equal quarterly instalments, 7.50% of the principal amount of the term loan. The Company may make penalty-free prepayments at any time.

As at December 31, 2021, the effective interest rate of the term credit facility was 2.58% (2.91% as at December 31, 2020).

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 March 2022 and December 2035. 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 these leases have indefinite lives; they are renewed automatically until one of the parties terminates the lease.

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

Canadian credit facilities	Recourse to significant Canadian subsidiaries of the Company (including ALI and LSI)
U.S. credit facilities	Entirety of the assets of LPC and its subsidiaries

21.3 Financial ratios

The Company was in compliance with all of its financial ratios as at December 31, 2021 and 2020.

21.4 Assets pledged as collateral to certain lenders

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Financial assets	68,544	73,708
Inventories	138,361	135,298
Property, plant and equipment	142,606	144,323
Intangible assets and goodwill	468,989	492,886
Other assets	10,620	10,682
	829,120	856,897

Notes to the Consolidated Financial Statements

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

21.5 Principal payments

	Revolving credit, term credit and term loan	Lease liabilities		Total principal payments
	Principal	Principal	Interest	
	\$	\$	\$	\$
2022	79,720	4,978	1,715	84,698
2023	5,516	4,791	1,493	10,307
2024	2,050	4,342	1,282	6,392
2025	2,100	4,390	1,086	6,490
2026	45,033	3,992	896	49,025
2027 and thereafter	–	18,843	2,767	18,843
	134,419	41,336	9,239	175,755

Note 22. Long-Term Incentive Plan

During the year ended December 31, 2020, the Company established a long-term incentive plan for executives. This plan provides awards of restricted share units (“RSU”) and share appreciation rights (“SAR”), the values of which are linked to the performance of the Company’s Class A subordinate voting shares.

A compensation expense of \$891,000 was recognized during the year ended December 31, 2021 (\$72,000 in 2020) related to the long-term incentive plan. This expense was calculated with an expected attrition rate of 2.82% over the vesting period of the RSUs and SARs. It also includes changes in the fair value of total return swaps on the Company’s Class A subordinate voting shares that are not subject to hedge accounting.

22.1 Restricted share units

The RSUs vest on the third anniversary of the grant date, subject to continuous service. Each RSU, upon vesting, entitles the participant to receive a cash amount (net of applicable withholding tax) equal to the volume-weighted average trading price of a Class A subordinate voting share of the Company over the last five trading days (“determined fair market value”) on that date. Dividend equivalents credited to the participant are deemed to be reinvested in additional RSUs on an annual basis.

At each reporting date, the fair value of RSUs on the Consolidated Statement of Financial Position is equal to the determined fair market value of the Company’s Class A subordinate voting shares on that date.

The following table presents the change in outstanding RSUs:

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	(in units)	(in units)
Outstanding at beginning	848.3	–
Granted	4,755.5	848.3
Dividend equivalents	104.1	–
Outstanding at end	5,707.9	848.3

As at December 31, 2021 and 2020, no RSUs were vested by the participants.

Notes to the Consolidated Financial Statements

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

22.2 Share appreciation rights

The SARs vest progressively in three equal instalments on each of the first, second and third anniversaries of the grant date, subject to continuous service. SARs can be exercised as of the fifth anniversary of the grant date and they expire eight years after the grant date or on the participant's 65th birthday, whichever comes first. Each SAR, upon vesting, entitles the participant to receive a cash amount (net of applicable withholding tax) equal to the amount by which the determined fair market value of a Class A subordinate voting share of the Company exceeds the exercise price of the SAR. The exercise price of the SAR is equal to the determined fair market value of a Class A subordinate voting share at the grant date of the SAR.

At each reporting date, the fair value of SARs on the Consolidated Statement of Financial Position is determined using the binomial valuation model and is calculated using the present value of estimated projected cash flows. Assumptions are based on market conditions prevailing on the reporting date for the risk-free interest rate and for the closing price of the Class A subordinate voting shares registered on the Toronto Stock Exchange. Assumptions are also based on the assessment of the Company's management of the expected dividend rate, expected volatility and expected attrition rate.

The following table presents the change in outstanding SARs:

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	(in units)	(in units)
Outstanding at beginning	4,251.2	–
Granted	10,682.3	4,251.2
Outstanding at end	14,933.5	4,251.2

As at December 31, 2021, a total of 1,568.5 SARs were vested by the participants (none as at December 31, 2020).

At the grant date, the weighted average fair value of granted SARs and the weighted average assumptions used to value them are as follows:

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
Weighted average fair value of granted SARs during the year	\$33.47	\$36.55
Assumptions:		
Expected dividend yield	1.50%	1.50%
Expected volatility ⁱ⁾	21.00%	21.00%
Risk-free interest rate	1.00%	1.00%

- ⁱ⁾ Expected volatility is based on historical volatility of the Company's Class A subordinate voting shares for a period equivalent to the expected term of the SARs.

Note 23. Other Long-Term Liabilities

	As at	As at
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Employee benefits ⁱ⁾	–	1,234
	–	1,234

- ⁱ⁾ Under the CARES Act, U.S. subsidiaries of the Company benefitted from a payment deferral for certain employee benefits until December 31, 2022.

Notes to the Consolidated Financial Statements

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

Note 24. Shareholders' Equity

24.1 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

24.2 Share capital issued and paid

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Class A shares	42,150	42,157
Class B shares	5,986	5,986
	48,136	48,143

24.3 Number of shares outstanding

	As at Dec. 31, 2021 (in units)	As at Dec. 31, 2020 (in units)
Class A shares	3,180,400	3,180,900
Class B shares	3,752,620	3,752,620
	6,933,020	6,933,520

24.4 Dividend per share

During the year ended December 31, 2021, the Company declared and paid a cumulative dividend of \$3.29 per share (\$2.545 per share during the year ended December 31, 2020) to the holders of Class A and B shares.

On February 16, 2022, the Company declared a dividend of \$0.88 per share to the holders of Class A and B shares registered on February 28, 2022. The dividend totalling \$6,101,000 was payable on March 15, 2022.

24.5 Share repurchase

The Company has re-established its share repurchase program, through the Toronto Stock Exchange in accordance with its policies and regulations. Consequently, the Company may repurchase in cash, by way of a normal course issuer bid, between December 23, 2021 and December 22, 2022, up to 80,000 of its Class A subordinate voting shares. The purchases are made at market prices, without exceeding the price limit set by the Company's management.

During the year ended December 31, 2021, the Company repurchased for cancellation 500 Class A subordinate voting shares at an average price of \$152.00 per share for a cash consideration of \$76,000, of which \$7,000 was applied against capital stock and \$69,000 against retained earnings.

Since the end of fiscal 2021 and until March 23, 2022, the Company repurchased 20,300 Class A subordinate voting shares for a cash consideration of \$3,036,000.

Notes to the Consolidated Financial Statements

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

24.6 Stock option plan

The Company established a stock option plan pursuant to which it may grant stock options for Class A subordinate voting shares to its employees. 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 an annual rate of 20% and expire five to six years after the grant date. As at December 31, 2021 and 2020, there were 150,000 stock options for Class A subordinate voting shares available under the stock option plan, but none had been granted.

24.7 Earnings per share

For the years ended December 31, 2021 and 2020, there were no dilutive items.

24.8 Non-controlling interest

3346625 Canada Inc. owns 10.0% of the share capital of Pappas Lassonde Holdings, Inc.

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

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Sales	935,062	1,062,601
Profit	9,410	40,584
Profit attributable to the non-controlling interest	941	4,058
Comprehensive income	10,396	28,110
Comprehensive income attributable to the non-controlling interest	1,040	2,811

	As at	As at
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Assets		
Current	218,334	227,133
Long-term	626,583	655,165
Liabilities		
Current	184,134	125,417
Long-term	88,783	194,840
Shareholders' equity ⁱ⁾	572,000	562,041
Shareholders' equity attributable to the non-controlling interest	57,092	56,096

i) Dividends totalling \$7,712,000 (US\$6,000,000) were paid during the year ended December 31, 2020 by the subsidiary subject to a non-controlling interest. Of this amount, \$771,000 (US\$600,000) was paid to the non-controlling interest.

Notes to the Consolidated Financial Statements

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

Note 25. Accumulated Other Reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2020	(5,406)	56,728	51,322
Other comprehensive income (loss)	1,033	(1,956)	(923)
Transfer of cash flow hedge (gains) losses to non-financial assets	5,361	–	5,361
Balance as at December 31, 2021	988	54,772	55,760
Balance as at December 31, 2019	(3,613)	68,575	64,962
Other comprehensive income (loss)	(111)	(11,847)	(11,958)
Transfer of cash flow hedge (gains) losses to non-financial assets	(1,682)	–	(1,682)
Balance as at December 31, 2020	(5,406)	56,728	51,322

Note 26. Additional Cash Flow Information

26.1 Change in non-cash operating working capital items

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Accounts receivable	(6,904)	(3,194)
Inventories	(49,655)	26,547
Other current assets	(826)	(21)
Accounts payable and accrued liabilities	7,485	27,409
Other current liabilities	1,265	456
	(48,635)	51,197

26.2 Cash and cash equivalents

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

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Cash	299	6,666
Cash equivalents ⁱ⁾	6	137
Bank overdraft	(5,028)	–
	(4,723)	6,803

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

Notes to the Consolidated Financial Statements

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

26.3 Non-cash transactions

The following table presents the transactions that had no cash impact on financing and investing activities:

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Unpaid acquisitions of property, plant and equipment at the beginning of the year	5,023	4,604
Unpaid acquisitions of property, plant and equipment at the end of the year	3,424	5,023
Investment and innovation tax credits recognized as a reduction to property, plant and equipment acquisitions, net of credits received	(1,806)	120
Unpaid acquisitions of intangible assets at the beginning of the year	318	–
Unpaid acquisitions of intangible assets at the end of the year	379	318
Depreciation of a right-of-use asset incorporated into the cost of an intangible asset	15	15
Net increase in lease liabilities	2,025	2,835
Net increase in right-of-use assets	1,969	2,984
Conversion of the convertible debenture receivable from Diamond into shares and warrants	1,197	–

26.4 Change in liabilities and assets arising from financing activities

	Long-term debt ⁱ⁾	Transaction costs ⁱⁱ⁾
	\$	\$
Balance as at December 31, 2020	215,486	958
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	(3,590)	303
Repayment of long-term debt	(38,101)	–
Changes from non-cash transactions:		
Amortization of transaction costs directly attributable to arranging financing	1,032	(331)
Net increase in lease liabilities	1,969	–
Exchange difference	(1,364)	4
Balance as at December 31, 2021	175,432	934
Balance as at December 31, 2019	265,119	1,098
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	(1,976)	202
Increase in long-term debt, net of transaction costs	(195)	–
Repayment of long-term debt	(71,814)	–
Changes from non-cash transactions:		
Amortization of transaction costs directly attributable to arranging financing	2,004	(343)
Net increase in lease liabilities	2,835	–
Net increase in lease liabilities through a business combination	23,031	–
Exchange difference	(3,518)	1
Balance as at December 31, 2020	215,486	958

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

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

Notes to the Consolidated Financial Statements

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

26.5 Cash outflows related to leases

During the year ended December 31, 2021, the Company disbursed an amount of \$15,418,000 in relation to leases, including an amount of \$5,590,000 that is included in the repayment of long-term debt and an amount of \$1,886,000 that is included in interest paid (\$12,996,000, \$5,682,000 and \$2,175,000, respectively, as at December 31, 2020).

Note 27. Post-Employment Benefits

The post-employment benefits include the following items:

	Notes	Years ended	
		Dec. 31, 2021	Dec. 31, 2020
		\$	\$
Defined benefit plans	27.2	22,990	9,402
Net defined benefit asset		22,990	9,402
Defined contribution plans administered by the Company	27.1	140	25
Defined benefit plans	27.2	273	2,225
Pension plan liabilities		413	2,250

27.1 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, except for the defined contribution supplemental executive retirement plan ("DC SERP"), are contributory plans whereby the Company makes a contribution that varies with the rules specific to each plan.

27.1.1 Defined contribution plans administered by third parties

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 these defined contribution plans.

27.1.2 Defined contribution plans administered by the Company

The DC SERP is a non-contributory plan under which the Company grants additional contributions to certain executives of the Company. The contributions are credited to an unfunded notional account and presented as a liability in the Company's Consolidated Statement of Financial Position. Investment income is credited to the notional account at a rate equal to the rate of return of a balanced fund that takes into account the member's age. The contributions and the investment income of this plan vest after one year of service.

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

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Plans offered by the Company	8,211	7,762
State plans ⁱ⁾	11,426	10,655
	19,637	18,417

ⁱ⁾ Includes the Quebec Pension Plan, the Canada Pension Plan and U.S. Social Security.

Notes to the Consolidated Financial Statements

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

27.2 Defined benefit plans

27.2.1 Description of the plans

The Company maintains three defined benefit pension plans, including the defined benefit supplemental executive retirement plan (“DB SERP”).

The DB SERP is a defined benefit plan that provides for an annual annuity payment based on a percentage 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. 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. This annual indexing is subject to a maximum of 3.00%. Upon a plan member’s retirement, the plan guarantees payment of an annuity for a minimum of 120 months.

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.

All defined benefit plans are closed to new members since 2020.

27.2.2 Governance of the DB SERP

The DB 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 managers’ activities are in line with their mandates.

The plan assets are held by the trustee and invested by the investment managers 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 DB 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 DB SERP as at September 30 to determine its funding. If necessary, the Company must fund the DB 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.

27.2.3 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 have been invested in equity securities 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 DB 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.

Notes to the Consolidated Financial Statements

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

Inflation, salary and longevity risk

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

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

i) Potential impact on the defined benefit obligation.

27.2.4 Change in the present value of the defined benefit obligation

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Balance at beginning	85,918	73,458
Total current service cost	4,717	5,070
Past service cost	–	1
Interest cost	2,249	2,580
Benefits paid	(3,243)	(2,961)
Actuarial gains and losses arising from:		
Experience adjustments	(808)	(1,087)
Changes in financial assumptions	(6,042)	8,912
Exchange difference	(9)	(55)
Balance at end	82,782	85,918

As at December 31, 2021, the weighted average duration of the defined benefit obligation was 13.7 years (14.6 years as at December 31, 2020).

27.2.5 Change in the fair value of plan assets

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Balance at beginning	93,095	79,983
Employer contributions	6,631	15,742
Contributions from plan members	–	1
Benefits paid	(3,243)	(2,961)
Administrative expenses	(25)	(17)
Interest income	2,501	2,936
Return on defined benefit plan assets, except amounts included in interest income	6,540	(2,589)
Balance at end	105,499	93,095

Notes to the Consolidated Financial Statements

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

27.2.6 Net defined benefit asset (liability)

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Net defined benefit asset at beginning	7,177	6,525
Employer contributions	6,631	15,742
Benefit cost recognized in profit or loss	(4,490)	(4,731)
Benefit cost recognized in other comprehensive income	13,390	(10,414)
Exchange difference	9	55
Net defined benefit asset at end	22,717	7,177

27.2.7 Benefit cost

The benefit cost was as follows:

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Benefit cost recognized in profit or loss ⁱ⁾		
Current service cost, net of contributions from plan members	4,717	5,070
Net interest	(252)	(356)
Administrative expenses	25	17
	4,490	4,731
Benefit cost recognized in other comprehensive income		
Actuarial gains and losses	(6,850)	7,825
Return on defined benefit plan assets, except amounts included in interest income	(6,540)	2,589
	(13,390)	10,414
	(8,900)	15,145

i) Recognized in selling and administrative expenses.

Notes to the Consolidated Financial Statements

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

27.2.8 Composition of pension plan assets

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

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Assets quoted in an active market		
Fixed income	8,820	10,277
Shares ⁱ⁾	44,662	37,228
Cash and treasury bills	1,417	916
	54,899	48,421
Assets not quoted in an active market		
Alternative investments	4,800	4,949
Deposits in trust ⁱⁱ⁾	45,800	39,725
	50,600	44,674
	105,499	93,095

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.

27.2.9 Expected contributions

During 2022, the Company expects to contribute approximately \$63,000 to its defined benefit pension plans.

27.2.10 Actuarial assumptions

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

	As at Dec. 31, 2021	As at Dec. 31, 2020
Defined benefit obligations		
Discount rate	3.1%	2.5%
Expected rate of compensation increase	5.0%	5.0%
Indexation rate of pensions paid	1.0%	1.0%
Mortality table	CPM 2014 ⁱ⁾	CPM 2014 ⁱ⁾ and RP 2014 Top ⁱⁱ⁾
Benefit costs		
Discount rate	2.5%	3.3%
Expected rate of compensation increase	5.0%	5.0%
Indexation rate of pensions paid	1.0%	1.0%
Mortality table	CPM 2014 ⁱ⁾ and RP 2014 Top ⁱⁱ⁾	CPM 2014 ⁱ⁾ and RP 2014 Top ⁱⁱ⁾

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

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

Notes to the Consolidated Financial Statements

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

27.2.11 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	As at December 31, 2021	
		Impact ⁱ⁾ of increase in assumption	Impact ⁱ⁾ of decrease in assumption
		\$	\$
Discount rate	0.50%	(5,148)	5,715
Expected rate of compensation increase	0.50%	553	(536)
Indexation rate of pensions paid	0.25%	885	(844)
Mortality table:			
Life expectancy of members	1 year	2,589	(2,459)

i) Impact on the defined benefit obligation.

27.2.12 Measurement date

The DB SERP is subject to a full actuarial valuation each year. The most recent full actuarial valuation for pension plan funding purposes was conducted as at September 30, 2021. The other two plans are subject to full actuarial valuations every three years. The most recent full actuarial valuations for pension plan funding purposes were conducted as at December 31, 2020 and as at January 1, 2021.

Note 28. 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 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, 2021 and 2020.

28.1 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, 2021, 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.

Notes to the Consolidated Financial Statements

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

The three largest clients accounted for 40.8% of the trade accounts receivable balance as at December 31, 2021 (39.5% as at December 31, 2020) and for 37.0% of the Company's sales for the year ended December 31, 2021 (31.7% of sales for the year ended December 31, 2020). Each of these three clients accounted for more than 10% of the Company's sales for the year ended December 31, 2021, i.e., for 13.3%, 12.8% and 10.9%, respectively (two of these clients accounted for more than 10% of the Company's sales for the year ended December 31, 2020, i.e., for 11.8% and 10.2%, respectively).

The Company regularly examines and reviews the financial position 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 and external credit specialists based on information collected from relevant sources of information and on the Company's experience with its clients;
- The Company's Canadian subsidiaries take out credit insurance on the majority of their sales made outside Canada;
- The Company's U.S. subsidiaries take out credit insurance on the majority of their sales; and
- The terms of credit may vary depending on the client's credit risk.

As at December 31, 2021, 94.0% of trade accounts receivable were aged less than 61 days (94.3% as at December 31, 2020). The tables below show the Company's trade accounts receivable aging net of the allowance for doubtful accounts:

	As at December 31, 2021				
	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	\$	\$	\$	\$	\$
Trade accounts receivable					
Within the term	129,095	6,300	–	–	135,395
Past due	–	1,072	2,389	6,387	9,848
	129,095	7,372	2,389	6,387	145,243

	As at December 31, 2020				
	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	\$	\$	\$	\$	\$
Trade accounts receivable					
Within the term	124,753	5,541	–	–	130,294
Past due	–	1,344	2,705	5,279	9,328
	124,753	6,885	2,705	5,279	139,622

The Company considers trade accounts receivable to be past due when they exceed 45 to 60 days, depending on the credit conditions applicable to the client. The Company assesses expected credit losses at each reporting period. Non-compliance with payment deadlines and financial difficulties are the main factors considered when identifying high-risk receivables. The Company recognizes an allowance for doubtful accounts or writes off the trade account receivable when management believes that the expected recoverable amount is lower than the actual amount of the trade account receivable. As at December 31, 2021 and 2020, the allowance for doubtful accounts was insignificant.

As at December 31, 2021 and 2020, 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.

Notes to the Consolidated Financial Statements

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

28.2 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, 2021, the Company had authorized revolving credit facilities for which the available amount may not exceed, respectively, \$225,000,000 and US\$100,000,000 to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to these revolving credit facilities are described in Note 21.

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

	As at December 31, 2021					Total
	Carrying value	Contractual cash flows				
		0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	
\$	\$	\$	\$	\$	\$	
Non-derivative financial liabilities						
Bank overdraft	5,028	5,028	–	–	–	5,028
Accounts payable and accrued liabilities	269,115	269,115	–	–	–	269,115
Long-term debt ⁱ⁾	175,432	84,698	16,699	55,515	18,843	175,755
Interest payments ⁱⁱ⁾	–	3,550	4,811	3,041	2,767	14,169
	449,575	362,391	21,510	58,556	21,610	464,067
Derivative instrument (assets) liabilities						
Interest rate swaps	223	251	(28)	–	–	223
Foreign exchange forward contracts ⁱⁱⁱ⁾	(617)					
Cash outflows		157,061	–	–	–	157,061
Cash inflows		(157,895)	–	–	–	(157,895)
Frozen concentrated orange juice futures	(189)	(189)	–	–	–	(189)
Total return swaps	15	–	15	–	–	15
	(568)	(772)	(13)	–	–	(785)
	449,007	361,619	21,497	58,556	21,610	463,282

i) Contractual cash flows do not include transaction costs recognized as a reduction to long-term debt.

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, 2020					Total
	Carrying value	Contractual cash flows				
		0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	
\$	\$	\$	\$	\$	\$	
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	260,219	260,219	–	–	–	260,219
Long-term debt ⁱ⁾	215,486	11,060	138,825	62,377	24,971	237,233
Interest payments ⁱⁱ⁾	–	6,483	5,254	1,895	56	13,688
	475,705	277,762	144,079	64,272	25,027	511,140
Derivative instrument (assets) liabilities						
Interest rate swaps	3,002	–	3,002	–	–	3,002
Foreign exchange forward contracts ⁱⁱⁱ⁾	6,303					
Cash outflows		196,974	–	–	–	196,974
Cash inflows		(190,519)	–	–	–	(190,519)
Frozen concentrated orange juice futures	(249)	(249)	–	–	–	(249)
Total return swap	12	–	12	–	–	12
	9,068	6,206	3,014	–	–	9,220
	484,773	283,968	147,093	64,272	25,027	520,360

i) Contractual cash flows do not include transaction costs recognized as a reduction to long-term debt.

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.

28.3 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, foreign exchange risk and price risk.

28.3.1 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 is exposed to fair value risk from its fixed-rate financial obligations.

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

The Company strives to maintain an appropriate combination of fixed-rate 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 while 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.

Notes to the Consolidated Financial Statements

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

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, 2021 and 2020, the Company had interest rate swap agreements to cover the impact of future fluctuations in LIBOR interest rates, applicable to the term loan and to the CA revolving credit, on the Company's cash flows. These swaps are designated in a hedging relationship.

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

	As at December 31, 2021			
	Maturity	Fixed / floating rate	Notional amount	Fair value
				\$
Interest rate swap – Fixed-rate payer	March 2022	2.8675% / 3-month LIBOR	US\$15,000,000 ⁱ⁾	(125)
Interest rate swap – Fixed-rate payer	March 2022	2.8695% / 3-month LIBOR	US\$15,000,000 ⁱ⁾	(126)
Interest rate swap – Fixed-rate payer	March 2023	0.5760% / 3-month LIBOR	US\$35,000,000	28

ⁱ⁾ The notional amount of the interest rate swap reflects a decrease of US\$45,000,000 compared to the initial notional amount, as planned in the agreement.

	As at December 31, 2020			
	Maturity	Fixed / floating rate	Notional amount	Fair value
				\$
Interest rate swap – Fixed-rate payer	March 2022	2.8675% / 3-month LIBOR	US\$40,000,000 ⁱ⁾	(1,326)
Interest rate swap – Fixed-rate payer	March 2022	2.8695% / 3-month LIBOR	US\$40,000,000 ⁱ⁾	(1,327)
Interest rate swap – Fixed-rate payer	March 2023	0.5760% / 3-month LIBOR	US\$35,000,000	(349)

ⁱ⁾ The notional amount of the interest rate swap reflects a decrease of US\$20,000,000 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, 2021, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of \$616,000 on profit or loss and a favourable impact of \$495,000 on other comprehensive income for the year ended December 31, 2021. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in the opposite direction on the Company's profit or loss and other comprehensive income.

28.3.2 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, long-term debt and intercompany balances denominated in foreign currencies;
- ♦ Net investments in its foreign operations, as they use the U.S. dollar as their functional currency; and
- ♦ The value of transactions denominated in foreign currencies by entities that have the Canadian dollar as their functional currency:
 - The purchases of raw materials, supplies and equipment denominated in foreign currencies made by Canadian entities; and
 - Sales made by Canadian entities concluded in foreign currencies.

Notes to the Consolidated Financial Statements

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

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 profit or loss, on certain foreign currency purchases of capital assets, and on certain debts denominated in foreign currencies. Under this policy, the Company must identify, by geographic segment, any potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

To mitigate foreign exchange risk, the Company employs various strategies in the course of its activities, including the use of derivative instruments and natural hedge management techniques. A corporate treasury department carries out the strategy used to hedge this risk.

The following table presents a summary of financial instruments denominated in currencies other than the functional currencies of the entities:

	As at Dec. 31, 2021	As at Dec. 31, 2020
	\$	\$
Financial assets		
Cash and cash equivalents	2,153	1,558
Accounts receivable	16,221	18,055
Financial liabilities		
Bank overdraft	(1,315)	(4)
Accounts payable and accrued liabilities	51,447	37,349
Long-term debt	44,373	44,562

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

As at December 31, 2021				
	Maturity	Rate	Total contractual amount	Total net fair value
		in C\$		\$
Forward contracts – US\$ purchase	1 to 10 months	1.2035 to 1.2890	US\$117,000,000	536
Forward contracts – € purchase	1 to 12 months	1.4380	€6,645,000	81

As at December 31, 2020				
	Maturity	Rate	Total contractual amount	Total net fair value
		in C\$		\$
Forward contracts – US\$ purchase	1 to 12 months	1.2714 to 1.3952	US\$165,350,000	(7,148)
Forward contracts – US\$ sale	1 to 7 months	1.3126 to 1.3146	US\$21,175,000	820
Forward contracts – € purchase	1 to 12 months	1.5620	€4,456,000	25

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

Sensitivity analysis for foreign exchange risk

According to the balances as at December 31, 2021 of the Company's financial instruments denominated in foreign currencies, excluding the balances of foreign operations, and according to foreign exchange forward contracts on that date, 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 \$253,000 on profit or loss and a favourable impact of \$2,927,000 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, 2021.

Notes to the Consolidated Financial Statements

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

28.3.3 Price risk

Raw material price risk

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

As at December 31, 2021 and 2020, the Company owned frozen concentrated orange juice futures. These futures are subject to hedge accounting.

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

As at December 31, 2021				
	Maturity	Fixed price in US\$ / lbs sol.	Total quantity	Total net fair value \$
Futures	3 and 5 months	1.2650 to 1.4150	1,830,000 lbs sol.	189

As at December 31, 2020				
	Maturity	Fixed price in US\$ / lbs sol.	Total quantity	Total net fair value \$
Futures	3 and 5 months	1.1490 to 1.2680	3,600,000 lbs sol.	249

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 \$323,000 on the fair value of the Company's frozen concentrated orange juice futures as at December 31, 2021, whereas a 10% decrease in the price of frozen concentrated orange juice would have had an impact of similar magnitude but in the opposite direction.

Other price risk

To mitigate the effects of fluctuations in the share price of the Company's Class A subordinate voting shares on the fair value of the long-term incentive plan, the Company entered into total return swap agreements of these shares. The total return swaps are not subject to hedge accounting.

The following tables present a summary of the Company's total return swaps:

As at December 31, 2021				
	Maturity	Fixed price in C\$ / share	Total quantity	Total net fair value \$
Total return swaps	December 2023 and 2024	158.64 et 158.78	10,979 shares	(15)

As at December 31, 2020				
	Maturity	Fixed price in C\$ / share	Total quantity	Total net fair value \$
Total return swap	December 2023	180.54	1,632 shares	(12)

Notes to the Consolidated Financial Statements

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

Sensitivity analysis for other price risk

According to grants made under the long-term incentive plan and the total return swap as at December 31, 2021, all other factors being equal, a 10% increase or decrease in the share price of the Company's Class A subordinate voting shares as at December 31, 2021 would not have had a significant impact on profit or loss for the year ended December 31, 2021.

Note 29. 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 so as not to exceed, all other factors being equal, a percentage of the Company's total debt to capital (debt-to-capital ratio) of 55% while keeping the business's capital cost competitive with its peers;
- Maintain financial flexibility so that business opportunities may be seized when they arise; and
- Support business growth while maintaining a dividend payment level of approximately 25% of the previous year's profit or loss attributable to the Company's shareholders, subject to the approval of the Company's Board of Directors.

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

The Company monitors its capital using the debt-to-capital ratio. As at December 31, 2021, the debt-to-capital ratio was 16.9% (21.3% as at December 31, 2020).

The objectives, policies and procedures used to manage capital have not changed since the previous year.

Dividends paid over the last three quarters of 2021 and during the first quarter of 2022 represent, on an annualized basis, approximately 25% of the 2020 profit or loss attributable to the Company's shareholders.

Note 30. Commitments and Contingencies

30.1 Commitments

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

	2022	2023	2024	2025	2026	2027 and thereafter
	\$	\$	\$	\$	\$	\$
Service and marketing agreements	6,317	3,619	1,985	819	658	4,774
Commitments to purchase property, plant and equipment	10,318	—	—	—	—	—
Commitments to purchase raw materials ⁱ⁾	283,508	2,183	—	—	—	—
Leases not yet started	221	270	275	281	287	48
	300,364	6,072	2,260	1,100	945	4,822

- ⁱ⁾ Certain raw materials purchase commitments were established using market prices as at December 31, 2021. They are therefore subject to future fluctuations.

Notes to the Consolidated Financial Statements

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

30.2 Letters of credit

As at December 31, 2021, the Company had letters of credit outstanding totalling \$446,000 (\$1,261,000 as at December 31, 2020).

30.3 Proceedings and claims

In the normal 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 the amount can be reliably estimated. Management believes that any settlement arising from these claims will not have a significant effect on the Company's current consolidated financial position or on profit or loss. Therefore, no provision has been recognized in these consolidated financial statements.

Note 31. 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; fruit-based snacks; 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 control of the goods to the customer. The geographic segment of long-term assets and goodwill is based on the locations of the assets.

31.1 Sales by geographic segment

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Canada	868,727	825,090
United States	1,019,242	1,149,568
Other	4,893	6,267
	1,892,862	1,980,925

31.2 Certain long-term assets and goodwill by geographic segment

	As at December 31, 2021		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	226,940	157,449	384,389
Intangible assets	24,728	179,255	203,983
Goodwill	18,637	289,734	308,371
	270,305	626,438	896,743

	As at December 31, 2020		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	228,318	162,133	390,451
Intangible assets	21,112	201,918	223,030
Goodwill	18,637	290,968	309,605
	268,067	655,019	923,086

Notes to the Consolidated Financial Statements

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

Note 32. Related Party Transactions

As at December 31, 2021 and 2020, 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, 2021 and 2020, this entity held 0.42% of the Company's Class A subordinate voting shares, 100% of its Class B multiple voting shares, and 92.22% of its voting rights.

The minority interest is also owned by 3346625 Canada Inc. The transactions and balances related to the minority interest are described in Note 24.8.

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.

32.1 Transactions and balances between related parties

The Company carried out the following transactions with related parties:

	Year ended December 31, 2021				Total
	3346625 Canada Inc.	Key management personnel ⁱ⁾	Associate	Other related parties ⁱⁱ⁾	
	\$	\$	\$	\$	\$
Transactions					
Dividends paid	12,391	86	–	–	12,477
Employee benefits expense	–	13,233	–	284	13,517
Professional fees expense	–	13	–	–	13
Short-term lease expense	–	–	–	23	23
Purchase of inventories	–	–	–	272	272
Commission income	–	–	205	–	205
Chargebacks	90	5	–	28	123
Account balances					
Accounts receivable	23	4	421	6	454
Accounts payable and accrued liabilities	–	13	–	–	13

i) Key management personnel include the members of the Board of Directors as well as the President and Chief Operating Officer and the 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, 2020				
	3346625 Canada Inc.	Key management personnel ⁱ⁾	Associate	Other related parties ⁱⁱ⁾	Total
	\$	\$	\$	\$	\$
Transactions					
Dividends paid	9,585	70	–	–	9,655
Employee benefits expense	–	14,494	–	278	14,772
Professional fees expense	–	12	–	8	20
Short-term lease expense	–	–	–	23	23
Purchase of inventories	–	–	–	111	111
Commission income	–	–	207	–	207
Account balances					
Accounts receivable	26	–	125	7	158

i) Key management personnel include the members of the Board of Directors as well as the President and Chief Operating Officer and the 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.

32.2 Compensation of key management personnel

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

	Years ended	
	Dec. 31, 2021	Dec. 31, 2020
	\$	\$
Short-term employee benefits ⁱ⁾	10,260	11,630
Share-based payment for long-term employee benefits	776	72
Post-employment benefits	2,197	2,792
	13,233	14,494

i) Includes directors' fees.

Notes to the Consolidated Financial Statements

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

Note 33. Interests in Other Entities

33.1 List of subsidiaries and associates

The following table presents the Company's subsidiaries and associates as at December 31, 2021 and 2020:

Entities	Consolidation method	% of ownership		Country
		2021	2020	
Subsidiaries				
A. Lassonde Inc. ⁱ⁾	Fully consolidated	100%	100%	Canada
Sun-Rype Products Ltd. ⁱ⁾	Fully consolidated	–	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
Apple & Eve, LLC	Fully consolidated	90%	90%	United States
Lassonde Pappas and Company, Inc.	Fully consolidated	90%	90%	United States
Old Orchard Brands, LLC	Fully consolidated	90%	90%	United States
Sun-Rype Concentrates, Inc	Fully consolidated	90%	90%	United States
Sun-Rype Products (USA), Inc.	Fully consolidated	90%	90%	United States
A&E Acquisition, LLC	Fully consolidated	90%	90%	United States
Clement Pappas NC, LLC	Fully consolidated	90%	90%	United States
CP Maryland, LLC	Fully consolidated	90%	90%	United States
Delsea Farms, LLC	Fully consolidated	90%	90%	United States
Northland Products, LLC	Fully consolidated	90%	90%	United States
Old Orchard Brands Real Estate Holdings, LLC	Fully consolidated	90%	90%	United States
Pomona Holdings, Inc.	Fully consolidated	90%	90%	United States
Pappas Foods, L.L.C.	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
Lassonde Luxembourg SARL ⁱⁱ⁾	Fully consolidated	–	100%	Luxembourg
Lassonde Hungary, Kft	Fully consolidated	100%	100%	Hungary
Associate				
Diamond Estates Wines & Spirits Inc.	Equity method	19.2%	19.2%	Canada

i) On January 1, 2021, the Company merged its subsidiaries Sun-Rype Products Ltd. and A. Lassonde Inc. The entity resulting from this merger is A. Lassonde Inc.

ii) Dissolved during the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

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

33.2 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.