Consolidated Financial Statement Report

YEAR ENDED DECEMBER 31, 2022

Lassonde Industries Inc.

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Independent Auditor's Report

To the Shareholders of Lassonde Industries Inc.

Opinion

We have audited the consolidated financial statements of Lassonde Industries Inc (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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 material accounting policy information (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 Corporation as at December 31, 2022 and 2021, 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 Corporation 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was 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 this matter.

Goodwill – Lassonde Pappas and Company Inc. Cash Generating Unit ("identified CGU") - Refer to Notes 2.10 and 18 of the consolidated financial statements

Key Audit Matter Description

The Corporation's evaluation of goodwill impairment involves the comparison of the recoverable amount of each cash generating unit ("CGU"), which is the higher of its fair value less disposal costs and its value in use, to its carrying amount. The Corporation determined the recoverable amount of the identified CGU to be value in use, which was estimated using a discounted cash flow method. This required management to make significant estimates and assumptions related to future cash flow projections and discount rate. At the annual evaluation date, the recoverable amount of the identified CGU exceeded its carrying amount and no impairment was recognized.

We considered this a key audit matter due to the audit effort required in performing audit procedures related to the estimates and assumptions that can significatively impact the recoverable amount of the identified CGU (forecasted revenues and earnings before interest, income taxes, depreciation and amortization ("EBITDA") margins and the selection of the terminal growth and discount rates).

Independent Auditor's Report (continued)

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted revenues and EBITDA margins and the selection of terminal growth and discount rates used to estimate the recoverable amount of the identified CGU included the following, among others:

- Evaluated management's ability to accurately forecast revenues and EBITDA margins by comparing actual results to management's historical forecasts;
- Evaluated the reasonableness of forecasted revenues and EBITDA margins by:
    - Comparing the forecasts to historical revenues and EBITDA margins and internal communications to senior leadership and the Board of Directors detailing business strategies and growth plans;
    - Comparing forecasted revenues to industry reports that are publicly available;
- Evaluated the terminal growth rate by developing a range of independent estimates using available industry data and comparing those to the terminal growth rate selected by management; and
- With the assistance of fair value specialists, evaluated the discount rate by testing the source information underlying the determination of the discount rate and developing a range of independent estimates and comparing those to the discount rate selected by management.

Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor’s Report (continued)

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

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

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

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 Christian Jacques.

/ s / Deloitte LLP [(1)]

March 31, 2023

Montréal, Québec

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(1) CPA auditor, CA, public accountancy permit No. A124341

Lassonde Industries Inc.

Consolidated Statements of Income

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

	Note	Years ended Dec. 31, 2022	Dec. 31, 2021
		$	$
Sales	6	**2,150,975**	1,892,862
Cost of sales		**1,627,628**	1,370,920
Gross profit		**523,347**	521,942
Selling and administrative expenses		**441,999**	403,626
(Gains) losses on capital assets		**76**	(43)
Operating profit		**81,272**	118,359
Share in the profit or (loss) of an associate		**(914)**	(764)
Financial expenses	8	**10,390**	11,124
Other (gains) losses	9	**(634)**	457
Profit before income taxes		**70,602**	106,014
Income tax expense	10	**17,268**	27,562
Profit		**53,334**	78,452
Attributable to:			
Corporation's shareholders		**53,938**	77,511
Non-controlling interest	22	**(604)**	941
		53,334	78,452
Basic and diluted earnings per share (in $)	22	**7.85**	11.18
Weighted average number of shares outstanding (in thousands)	22	**6,875**	6,933

Additional information on income is presented in Note 7.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)
(audited)

	Note	Years ended Dec. 31, 2022	Dec. 31, 2021
		$	$
Profit		**53,334**	78,452
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		**1,622**	175
Reclassification of (gains) losses on financial instruments designated as hedges		**(606)**	2,567
Income tax expense	10	**(261)**	(695)
		755	2,047
Translation difference:			
Exchange difference on translating foreign operations		**38,924**	(2,173)
		39,679	(126)
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		**11,485**	(1,130)
Income tax expense	10	**(3,002)**	299
		8,483	(831)
Benefit cost of the defined benefit plans:			
Remeasurements of the net defined benefit asset or liability	24	**15,001**	13,390
Income tax expense	10	**(3,959)**	(3,541)
		11,042	9,849
		19,525	9,018
Total other comprehensive income (loss)		**59,204**	8,892
Comprehensive income		**112,538**	87,344
Attributable to:			
Corporation's shareholders		**109,114**	86,304
Non-controlling interest	22	**3,424**	1,040
		112,538	87,344

Lassonde Industries Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)
(audited)

	Note	As at Dec. 31, 2022	As at Dec. 31, 2021
		$	$
Assets			
Current			
Cash and cash equivalents		**2,678**	305
Accounts receivable	12	**173,654**	154,369
Income tax recoverable		**12,206**	4,587
Inventories	13	**414,043**	309,748
Derivative instruments		**7,417**	1,657
Other current assets	14	**28,765**	19,083
		638,763	489,749
Derivative instruments		**279**	578
Investment in an associate		**7,439**	8,353
Property, plant and equipment	16	**399,969**	384,389
Intangible assets	17	**198,394**	203,983
Net defined benefit asset	24	**30,855**	22,990
Other non-current assets		**854**	1,182
Goodwill	18	**328,162**	308,371
		1,604,715	1,419,595
Liabilities			
Current			
Bank overdraft		**4,388**	5,028
Accounts payable and accrued liabilities	19	**307,037**	269,115
Income tax payable		**–**	5,638
Derivative instruments		**673**	1,102
Other current liabilities		**5,632**	5,068
Current portion of long-term debt	20	**100,821**	84,387
		418,551	370,338
Derivative instruments		**–**	16
Long-term debt	20	**148,574**	91,045
Long-term incentive plan liabilities		**1,442**	852
Pension plan liabilities	24	**523**	413
Deferred tax liabilities	10	**98,058**	91,424
		667,148	554,088
Shareholders' equity			
Share capital	22	**46,660**	48,136
Contributed surplus		**1,360**	1,375
Accumulated other reserves	22	**94,102**	55,760
Retained earnings		**735,044**	703,144
Non-controlling interest	22	**60,401**	57,092
		937,567	865,507
		1,604,715	1,419,595

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 Corporation's shareholders					
	Share capital	**Contributed surplus**	**Accumulated other reserves i)**	**Retained earnings**	**Non-controlling interest**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance as at December 31, 2021	**48,136**	**1,375**	**55,760**	**703,144**	**57,092**	**865,507**
Profit	**–**	**–**	**–**	**53,938**	**(604)**	**53,334**
Other comprehensive income (loss)	**–**	**–**	**44,134**	**11,042**	**4,028**	**59,204**
Transfer of cash flow hedge (gains) losses to non-financial assets	**–**	**–**	**(5,792)**	**–**	**(115)**	**(5,907)**
Dividends	**–**	**–**	**–**	**(20,496)**	**–**	**(20,496)**
Repurchase of Class A shares ii)	**(1,476)**	**(15)**	**–**	**(12,584)**	**–**	**(14,075)**
Balance as at December 31, 2022	**46,660**	**1,360**	**94,102**	**735,044**	**60,401**	**937,567**
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

i) Includes the hedging reserve and the foreign currency translation reserve, as presented in Note 22.7.

ii) Additional information about the repurchase of Class A shares is presented in Note 22.5.

Additional information on shareholders' equity is presented in Note 22.

Lassonde Industries Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(audited)

	Note	Years ended Dec. 31, 2022	Dec. 31, 2021
		$	$
Operating activities			
Profit		**53,334**	78,452
Adjustments for:			
Income tax expense	10	**17,268**	27,562
Interest expense	8	**9,466**	10,333
Depreciation of property, plant and equipment and amortization of intangible assets	7	**59,513**	59,505
Change in the fair value of financial instruments		**133**	1,250
Cost of the long-term incentive plan	21	**2,311**	891
Cost of pension plans recognized in profit or loss, net of contributions		**7,246**	(2,026)
Share in the (profit) or loss of an associate		**914**	764
(Gains) losses on capital assets		**76**	(43)
Unrealized foreign exchange (gains) losses		**4,580**	(75)
Other		**159**	138
		155,000	176,751
Change in non-cash operating working capital items	23	**(88,077)**	(48,635)
Income tax received		**608**	4,693
Income tax paid		**(32,517)**	(30,212)
Interest received		**91**	160
Interest paid		**(8,992)**	(8,425)
Settlements of derivative instruments		**(2,114)**	(600)
		23,999	93,732
Financing activities			
Change in revolving operating credit, net of transaction costs		**152,814**	(3,893)
Repayment of long-term debt		**(90,593)**	(38,101)
Dividends paid on Class A shares		**(9,313)**	(10,465)
Dividends paid on Class B shares		**(11,183)**	(12,346)
Repurchase of Class A shares	22	**(14,075)**	(76)
		27,650	(64,881)
Investing activities			
Acquisition of property, plant and equipment		**(41,244)**	(31,770)
Acquisition of intangible assets		**(6,133)**	(5,872)
Net proceeds from the disposal of property, plant and equipment		**79**	43
Acquisition of an investment in an associate		**–**	(1,046)
Acquisition of other non-current assets		**(749)**	(1,302)
Acquisition of derivative instruments		**–**	(454)
		(48,047)	(40,401)
Increase (decrease) in cash and cash equivalents		**3,602**	(11,550)
Cash and cash equivalents at beginning		**(4,723)**	6,803
Effect of exchange rate changes on cash and cash equivalents		**(589)**	24
Cash and cash equivalents at end	23	**(1,710)**	(4,723)

Additional cash flow information is presented in Note 23.

Notes to the Consolidated Financial Statements

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Note 1. Description of the Business

Lassonde Industries Inc. is incorporated under the *Canada Business Corporations Act.* Its Class A subordinate voting shares are listed on the Toronto Stock Exchange under the ticker symbol LAS.A. The head office is located at 755 Principale Street in Rougemont, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, "the Corporation") is a leader in the food and beverages industry in North America. The Corporation develops, manufactures, and markets a wide range of private label and national brand products, including ready-to-drink beverages, fruit-based snacks as well as frozen juice concentrates. The Corporation is also a leading producer of cranberry sauces and specialty food products such as pasta sauces, soups and fondue broths and sauces.

The Corporation's national brands are sold in various packages under several proprietary trademarks as well as under trademarks for which the Corporation is a licensed user. The Corporation also manufactures private label products for the vast majority of major retailers and wholesalers in North America.

Note 2. Significant Information on Accounting Policies

The Corporation's Board of Directors approved these consolidated financial statements on March 31, 2023. 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, 2022.

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

2.1 Consolidation

These consolidated financial statements include the accounts of Lassonde Industries Inc. and of its subsidiaries. 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.

2.1.1 Subsidiaries

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation 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.

2.1.2 Non-controlling interests

Non-controlling interests correspond to the proportionate share of the concerned subsidiaries shareholders' equity.

2.1.3 Investments in an associate

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

An investment in an associate is recognized in the Corporation's consolidated financial statements using the equity method. The investment is initially recognized at cost. It is then adjusted to reflect the Corporation's proportionate share in the profit and other comprehensive income of the associate. At each reporting period, the Corporation 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.

2.2 Currencies

2.2.1 Functional and presentation currency

These consolidated financial statements are presented using the Corporation's functional currency, which is the Canadian dollar. Each entity of the Corporation 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.

2.2.2 Foreign currency translation

Monetary assets and liabilities that are denominated in a currency other than the Corporation'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 Corporation 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.

2.3 Recognition of sales

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

2.3.1 Revenues from product sales

Revenues from product sales are recognized when the Corporation has satisfied the conditions and obligations under the contract and the customer obtains control of the products. Thus, the Corporation recognizes its revenues as follows:

- When the goods are delivered to the customer and the customer accepts possession of them, if the Corporation has an obligation to deliver the goods to a location specified by the customer;
- When the goods leave the Corporation'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 Corporation's obligation is limited to the manufacturing.

The consideration 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.

2.3.2 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.

2.4 Income tax expense

Current tax and deferred tax are recognized in profit or loss, except when they are related to items recognized directly in shareholders' equity or in other comprehensive income.

2.4.1 Current tax

Current tax is established 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 related to previous years.

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.

2.4.2 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.

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.

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.

2.5 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 prorata share of production overhead based on normal production capacity. Inventories also include, coming from the hedging reserve item, foreign exchange gains and losses on derivative instruments used to hedge exchange rate fluctuations affecting inventories purchased in foreign currencies and gains and used to hedge price fluctuations affecting raw materials purchases.

2.6 Property, plant and equipment

2.6.1 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. 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. 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.

2.6.2 Right-of-use assets

At inception of a contract, the Corporation assesses whether the contract is, or contains, a lease, that is, 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 by the Corporation's incremental borrowing rate. Future lease payments include fixed payments, including fixed lease payments in substance, variable payments that depend on an index or rate, initially measured using the index or rate in effect on the start date and extension, termination or purchase options that are reasonably certain to be exercised by the Corporation. 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 initial measurement of the right-of-use asset corresponds to the lease liability, plus any rent payments made on or before the start date and initial costs. 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. The right-of-use asset is reported in the property, plant and equipment item of the Consolidated Statement of Financial Position.

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.

If a lease is modified, the lease liability is remeasured and a corresponding adjustment is made to the right-of-use asset. The gain or loss on lease modification is reported in the (gains) losses on capital assets item of the Consolidated Statement of Income.

2.7 Intangible assets

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

2.8 Impairment of non-financial assets

On each reporting date, the Corporation 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 Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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.

2.9 Government grants

Government grants are recognized only when the Corporation 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.

2.10 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 Corporation's subsidiaries, i.e., the CGUs, that benefit from the synergies of the business combination. The Corporation 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 other 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 of the Consolidated Statement of Income. Goodwill impairment losses are not reversed in subsequent periods.

2.11 Provisions

Provisions are liabilities of uncertain timing and/or amount. Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, if it is more likely than not that the Corporation 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.

2.12 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:

- Current service cost is recognized in profit or loss;
- Net interest on the net defined benefit liability (asset) is recognized in profit or loss.
- 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; and
    - The return on defined benefit plan assets, excluding amounts included in interest income.

2.13 Financial instruments

2.13.1 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 Corporation 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.

2.13.2 Impairment of financial assets classified at amortized cost

On initial recognition and at each reporting date, the Corporation 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. The net change in expected credit losses on financial assets classified at amortized cost is recognized in profit or loss.

2.13.3 Derivative instruments

The Corporation 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 and its long-term debt;
- Eliminate or reduce the risks related to interest rate fluctuations that affect interest expense;
- Reduce the risk of fluctuations in certain raw materials and supply prices; and
- Reduce the risk of fluctuations to the fair market value of the Corporation'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 Corporation 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 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 instruments are recognized in profit or loss in other (gains) losses as change in the fair value of derivative instruments.

2.13.4 Hedge accounting

Documentation

The Corporation uses hedge accounting when it meets the rules for compliance with hedge accounting standards. The Corporation 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 Corporation also systematically determines, at the inception of the hedge and thereafter whether the financial instruments designated as hedges meet the effectiveness requirements.

Cash flow hedge

The Corporation uses hedge accounting to hedge the price risk and the foreign exchange risk of certain purchases of raw materials and supplies, 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 directly from shareholders' equity to the initial carrying amount of the hedged non-financial assets upon acquisition.

When the hedging relationship no longer satisfies hedge accounting rules or when the hedging instrument reaches maturity or is sold, terminated, or exercised, the Corporation 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. Furthermore, when the Corporation 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.

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 Corporation 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 Corporation's past history and experience.

3.2 Measurements of income tax expense

In preparing its Consolidated Financial Statements, the Corporation 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 Corporation's future taxable income and on future tax strategies. A deferred tax asset amount could be reduced 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 Corporation'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 Corporation. 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 Corporation 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 Corporation'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 24 to learn more about the assumptions used.

3.5 Measurements of non-financial assets

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

Refer to Note 18 to learn more about the goodwill impairment test.

Note 4. Adoption of IFRS Standards

4.1 IAS 16 Property, Plant and Equipment

On January 1, 2022, the Corporation adopted the amended version of IAS 16 *Property, Plant and Equipment,* which applies to fiscal years beginning on or after January 1, 2022.

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

4.2 IAS 1 Presentation of Financial Statements

On December 31, 2022, the Corporation early adopted the amended version of IAS 1 *Presentation of Financial Statements,* which applies to the annual periods beginning on or after January 1, 2023.

The amended version standard requires entities to disclose information about their material accounting policies rather than their significant accounting policies. The Corporation applied this modification prospectively. The adoption of this amended version had no impact on the Corporation's consolidated financial statements, except in terms on the accounting policy disclosure presented in Note 2.

Note 5. Future Accounting Changes

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

In February 2021, the International Accounting Standards Board ("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 Corporation believes that these amendments will have no impact on its consolidated financial statements.

5.2 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 Corporation believes that these amendments will have no impact on its consolidated financial statements.

5.3 IAS 1 Presentation of Financial Statements

In January 2020 and October 2022, 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 and in order to clarify the classification of borrowings and other financial liabilities that have covenants that the entity must comply with.

The amendments apply to fiscal years beginning on or after January 1, 2024.

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

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

Note 6. Sales

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Revenues from product sales	**2,123,426**	1,863,121
Revenues from the rendering of services	**26,018**	27,597
Other revenues	**1,531**	2,144
	2,150,975	1,892,862

Note 7. Additional Information on Income

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Write-down of inventories included in cost of sales	**14,656**	11,419
Depreciation of property, plant and equipment included in cost of sales	**28,647**	27,468
Depreciation of property, plant and equipment included in selling and administrative expenses	**7,672**	8,150
Amortization of intangible assets included in selling and administrative expenses	**23,194**	23,887
Expense related to short-term leases or leases of low-value assets	**8,279**	6,754
Expense related to variable lease payments not included in the lease liabilities [i)]	**978**	969
Employee benefits expense	**294,275**	288,467
Scientific research and experimental development expense	**800**	757
Scientific research and experimental development tax credits	**(280)**	(265)

i) The Corporation has supply agreements with one of its suppliers to provide onsite manufacturing and supply of PET bottles at two of the Corporation's facilities. The Corporation 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, 2022 and 2021.

Note 8. Financial Expenses

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Interest on long-term debt	**6,915**	6,849
Interest on lease liabilities	**1,719**	1,886
Amortization of transaction costs	**651**	1,363
Other interest, net of interest income	**181**	235
Interest expense	**9,466**	10,333
Bank expenses	**924**	791
	10,390	11,124

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

Note 9. Other (Gains) Losses

	Years ended Dec. 31, 2022	Years ended Dec. 31, 2021
	$	$
Exchange (gains) losses	**(1,072)**	183
Change in the fair value of derivative instruments	**564**	274
Other (gains) losses	**(126)**	–
	(634)	457

Note 10. Income Tax Expense

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

	Years ended Dec. 31, 2022	Years ended Dec. 31, 2021
	$	$
Profit before income taxes	**70,602**	106,014
Combined statutory tax rate	**26.5%**	26.5%
Income tax expense according to the statutory rate	**18,710**	28,094
Adjustments for:		
Variance in the tax rate resulting from the different tax rates of subsidiaries	**121**	6
Earnings from investments in subsidiaries	**(609)**	(424)
Tax impact on non-deductible or non-taxable items	**58**	362
Impact of changes in tax rates and in tax legislation applicable to deferred tax	**(564)**	41
Tax adjustment related to previous years	**(480)**	(312)
Other	**32**	(205)
	17,268	27,562

10.2 Income taxes recognized in profit or loss

	Years ended Dec. 31, 2022	Years ended Dec. 31, 2021
	$	$
Current tax:		
Current tax expense for the year	**18,045**	27,432
Tax adjustment related to previous years	**862**	(1,328)
	18,907	26,104
Deferred tax:		
Deferred tax (recovery) expense for the year	**267**	401
Impact of changes in tax rates and tax legislation	**(564)**	41
Tax adjustment related to previous years	**(1,342)**	1,016
	(1,639)	1,458
	17,268	27,562

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

10.3 Deferred tax

As at December 31, 2022, the Corporation had unused capital losses totalling $8,416,000 ($8,436,000 as at December 31, 2021) 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 Corporation 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 $214,490,000 as at December 31, 2022 ($219,925,000 as at December 31, 2021) for a potential deferred tax liability of $10,725,000 ($10,996,000 in 2021).

10.4 Change in deferred tax liabilities

	Years ended	
	Dec. 31, 2022	**Dec. 31, 2021**
	$	$
Balance at beginning	**91,424**	84,292
Deferred tax (recovery) expense for the year recognized in profit or loss	**(1,639)**	1,458
Deferred tax (recovery) expense for the year related to other comprehensive income	**7,222**	3,937
Deferred tax (recovery) expense for the year recognized in shareholders' equity	**(2,086)**	1,807
Exchange difference	**3,137**	(70)
Balance at end	**98,058**	91,424

10.5 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, 2022					
	Balance as at Dec. 31, 2021	**Recognized in profit or loss**	**Related to other comprehensive income**	**Recognized in shareholders' equity** i)	**Exchange difference**	**Balance as at Dec. 31, 2022**
	$	**$**	**$**	**$**	**$**	**$**
Derivative instruments	**456**	**(51)**	**3,263**	**(2,086)**	**–**	**1,582**
Property, plant and equipment	**61,564**	**2,579**	**–**	**–**	**1,074**	**65,217**
Intangible assets and goodwill	**42,706**	**5,052**	**–**	**–**	**3,185**	**50,943**
Accounts payable and accrued liabilities	**(5,075)**	**176**	**–**	**–**	**(281)**	**(5,180)**
Defined benefit pension plans	**6,084**	**(2,074)**	**3,959**	**–**	**28**	**7,997**
Long-term debt	**(9,976)**	**418**	**–**	**–**	**(238)**	**(9,796)**
Unused tax losses	**(3,822)**	**(7,216)**	**–**	**–**	**(512)**	**(11,550)**
Other ii)	**(513)**	**(523)**	**–**	**–**	**(119)**	**(1,155)**
	91,424	**(1,639)**	**7,222**	**(2,086)**	**3,137**	**98,058**

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

ii) Includes scientific research and experimental development tax credits.

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

	Year ended December 31, 2021					
	Balance as at Dec. 31, 2020	Recognized in profit or loss	Related to other comprehensive income	Recognized in shareholders' equity i)	Exchange difference	Balance as at Dec. 31, 2021
	$	$	$	$	$	$
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 ii)	(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 shareholders' equity through the transfer of cash flow hedge (gains) losses to non-financial assets.

ii) Includes scientific research and experimental development tax credits.

Note 11. Financial Instruments

11.1 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 Corporation uses the valuation methods described below to determine the fair value of the instrument.

To make the assumptions required by certain valuation models, the Corporation 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 Corporation's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivative instruments.

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

- The fair values of cash and cash equivalents, accounts receivable, bank overdraft and accounts payable and accrued liabilities are approximately equal to their carrying values due to their short-term maturities;
- The fair value of long-term debt 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 Corporation 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 Corporation would receive or pay to transfer the contracts in an orderly transaction between market participants at each reporting date.

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

The carrying value of all of the Corporation's financial instruments approximates their fair value, except for the following:

	As at December 31, 2022		As at December 31, 2021	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	$	**$**	$	$
Long-term debt i)	**249,395**	**246,631**	175,432	177,156

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 Corporation'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, 2022 and 2021, all of the Corporation's financial instruments, including derivative instruments, have been classified as Level 2, and no financial instruments were transferred between levels 1, 2 and 3.

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

11.2 Classification

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Financial assets		
Amortized cost:		
Cash and cash equivalents	**2,678**	305
Accounts receivable	**173,654**	154,369
Fair value through profit or loss:		
Derivative instruments i)	**421**	550
Fair value through other comprehensive income:		
Derivative instruments i)	**7,275**	1,685
Financial liabilities		
Amortized cost:		
Bank overdraft	**4,388**	5,028
Accounts payable and accrued liabilities	**307,037**	269,115
Long-term debt ii)	**249,395**	175,432
Fair value through profit or loss:		
Derivative instruments i)	**558**	863
Fair value through other comprehensive income:		
Derivative instruments i)	**115**	255

i) Includes the current and non-current derivative instruments.

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

11.3 Hedge accounting

11.3.1 Financial instruments designated in a hedging relationship

	As at December 31, 2022			
	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**	**824**	**–**	**824**
Foreign exchange risk:				
Foreign exchange forward contracts	**US$112,000,000** **€7,140,000**	**5,336**	**(115)**	**5,221**

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

	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 solid ("lbs sol.").

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

11.3.2 Hedged items

	As at December 31, 2022		As at December 31, 2021	
	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	**827**	**338**	280	(457)
Foreign exchange risk:				
Cash outflows related to purchases of raw materials in foreign currencies	**5,091**	**3,909**	(1,394)	1,063
Price risk:				
Cash outflows related to purchases of frozen concentrated orange juice	**(6)**	**58**	(167)	382

A negative balance of $175,000 in the hedging reserve relates to foreign currency translation differences for hedging relationships that expired as at December 31, 2022.

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

11.3.3 Hedging gains and losses

	Year ended December 31, 2022		
	Gains (losses) in other comprehensive income	**Reclassification of (gains) losses in profit or loss**	**Transfer of shareholders' equity** [i]
	$	**$**	**$**
Cash flow hedges			
Interest rate risk:			
Interest rate swaps	**1,622**	**(606)**	**–**
Foreign exchange risk:			
Foreign exchange forward contracts	**10,300**	**–**	**(6,446)**
Price risk:			
Frozen concentrated orange juice futures	**1,185**	**–**	**(1,547)**

	Year ended December 31, 2021		
	Gains (losses) in other comprehensive income	**Reclassification of (gains) losses in profit or loss**	**Transfer of shareholders' equity** [i]
	$	$	$
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) Transfer of cash flow hedge (gains) losses to non-financial assets.

No hedge ineffectiveness was recorded during the years ended December 31, 2022 and 2021.

11.4 Offsetting

The Corporation 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, 2022 and 2021, derivative instruments were presented without offsetting. The fair values of derivative instrument assets and liabilities subject to enforceable master netting agreements were, respectively, $7,696,000 and $673,000 as at December 31, 2022 ($2,235,000 and $1,118,000, respectively, as at December 31, 2021).

In addition, as at December 31, 2022, no cash guarantee ($6,000 as at December 31, 2021) 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.

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

Note 12. Accounts Receivable

	As at Dec. 31, 2022	**As at Dec. 31, 2021**
	$	$
Trade accounts receivable	**164,822**	145,243
Discounts receivable	**5,316**	6,862
Other receivables	**3,516**	2,264
	173,654	154,369

Note 13. Inventories

	As at Dec. 31, 2022	**As at Dec. 31, 2021**
	$	$
Raw materials and supplies	**293,049**	213,670
Finished goods	**120,994**	96,078
	414,043	309,748

Note 14. Other Current Assets

	As at Dec. 31, 2022	**As at Dec. 31, 2021**
	$	$
Sales taxes receivable	**11,234**	5,048
Tax credits receivable	**3,176**	3,255
Prepaid expenses	**14,355**	10,780
	28,765	19,083

Note 15. Investment in an Associate

The Corporation 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 its shares are 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 Corporation has the right to designate two nominees out of a total of eight on Diamond’s board of directors. The Corporation concluded that it exercises significant influence over Diamond and uses the equity method to account for this investment.

For the purposes of applying the equity method, the Corporation uses the most recent published consolidated financial statements of the associate at the Corporation’s period-end date, adjusted as needed to take into account significant items occurring after that date.

In June 2021, as part of a private placement, the Corporation 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. At the same time, the Corporation purchased additional shares and warrants for a cash consideration of $1,500,000.

In November 2022, as part of a private placement, the Corporation acquired an unsecured convertible debenture from Diamond in an amount of $500,000.

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

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

	As at Dec. 31, 2022	As at Dec. 31, 2021
	(in units)	(in units)
Common shares	**5,346,506**	5,346,506
% of ownership	**19.2%**	19.2%
Warrants at an exercise price of $2.20 per share, expiring in October 2024	**1,123,959**	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	**128,542**	63,057

Note 16. Property, Plant and Equipment

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

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Owned assets	**367,408**	345,470
Right-of-use assets	**32,561**	38,919
	399,969	384,389

16.1 Owned assets

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

Categories	Depreciation methods	Estimated useful lives or rates
Land and buildings:		
Land	–	–
Parking	Declining balance	10 to 20%
Buildings	Declining balance and straight-line	3% and 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.

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

16.1.1 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	$	$	$	$
Cost				
Balance as at December 31, 2021	**200,622**	**501,523**	**40,555**	**742,700**
Acquisitions	**5,716**	**36,127**	**1,463**	**43,306**
Disposals	**(371)**	**(436)**	**(7)**	**(814)**
Exchange difference	**6,112**	**10,507**	**783**	**17,402**
Balance as at December 31, 2022	**212,079**	**547,721**	**42,794**	**802,594**
Accumulated depreciation and impairment losses				
Balance as at December 31, 2021	**(59,126)**	**(303,234)**	**(34,870)**	**(397,230)**
Depreciation	**(5,077)**	**(23,698)**	**(1,924)**	**(30,699)**
Disposals	**78**	**350**	**7**	**435**
Exchange difference	**(1,492)**	**(5,540)**	**(660)**	**(7,692)**
Balance as at December 31, 2022	**(65,617)**	**(332,122)**	**(37,447)**	**(435,186)**
Net carrying value as at December 31, 2022	**146,462**	**215,599**	**5,347**	**367,408**
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

16.1.2 Government grants

The consideration of tax credits for investment and innovation receivable is recognized against property, plant and equipment. During the year ended December 31, 2022, the Corporation reduced its tax credits for investment and innovation by $359,000 (increase of $2,225,000 in 2021).

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

16.1.3 Additional information

	Land and buildings	Machinery and equipment	Other	Total
	$	$	$	$
As at December 31, 2022				
Property, plant and equipment in progress included in the cost	**722**	**15,682**	**162**	**16,566**
As at December 31, 2021				
Property, plant and equipment in progress included in the cost	390	10,858	123	11,371

16.2 Right-of-use assets

16.2.1 Reconciliation table

	Land and buildings	Machinery and equipment	Other	Total
	$	$	$	$
Net carrying value as at December 31, 2021	**37,659**	**22**	**1,238**	**38,919**
Additions	**3,907**	**–**	**403**	**4,310**
Reductions	**(5,828)**	**–**	**(20)**	**(5,848)**
Depreciation	**(5,085)**	**(14)**	**(529)**	**(5,628)**
Exchange difference	**798**	**2**	**8**	**808**
Net carrying value as at December 31, 2022	**31,451**	**10**	**1,100**	**32,561**
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

Note 17. Intangible Assets

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.

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

17.1 Reconciliation table

	Technologies and software	Trademarks and trade name	Client relationships	Certifications	Non-compete agreements	Total
	$	$	$	$	$	$
Cost						
Balance as at December 31, 2021	**36,217**	**145,052**	**216,091**	**15,576**	**338**	**413,274**
Acquisitions	**6,232**	**–**	**–**	**–**	**–**	**6,232**
Disposals	**(168)**	**–**	**–**	**–**	**–**	**(168)**
Write-offs	**(1,950)**	**–**	**(1,717)**	**(2,900)**	**(336)**	**(6,903)**
Exchange difference	**1,061**	**8,971**	**13,600**	**866**	**(2)**	**24,496**
Balance as at December 31, 2022	**41,392**	**154,023**	**227,974**	**13,542**	**–**	**436,931**
Accumulated amortization and impairment losses						
Balance as at December 31, 2021	**(19,234)**	**(60,430)**	**(113,713)**	**(15,576)**	**(338)**	**(209,291)**
Amortization	**(1,655)**	**(7,769)**	**(13,770)**	**–**	**–**	**(23,194)**
Disposals	**168**	**–**	**–**	**–**	**–**	**168**
Write-offs	**1,950**	**–**	**1,717**	**2,900**	**336**	**6,903**
Exchange difference	**(804)**	**(3,935)**	**(7,520)**	**(866)**	**2**	**(13,123)**
Balance as at December 31, 2022	**(19,575)**	**(72,134)**	**(133,286)**	**(13,542)**	**–**	**(238,537)**
Net carrying value as at December 31, 2022	**21,817**	**81,889**	**94,688**	**–**	**–**	**198,394**
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

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

Note 18. Goodwill

18.1 Reconciliation table

	Years ended Dec. 31, 2022	Years ended Dec. 31, 2021
	$	$
Balance at beginning	**308,371**	309,605
Exchange difference	**19,791**	(1,234)
Balance at end	**328,162**	308,371

18.2 Goodwill impairment test

The Corporation performed annual goodwill impairment tests on its CGUs as at December 31, 2022 in accordance with the policies described in Note 2.10. The recoverable values of all the CGUs were determined based on value-in-use calculations that used detailed five-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, 2022 and 2021.

The Corporation has not changed the valuation method used for goodwill impairment testing since the test conducted during the year ended December 31, 2021.

18.3 Goodwill allocation

Goodwill was allocated to the following CGUs:

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Lassonde Pappas and Company, Inc. (“LPC”)	**258,486**	241,958
A. Lassonde Inc. (“ALI”)	**67,580**	64,317
Lassonde Specialties Inc. (“LSI”)	**2,096**	2,096
	328,162	308,371

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

- The Corporation bases its growth and profitability assumptions on the budget approved by management and the Board of Directors and according to the growth projects identified by management. Growth in the Corporation’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 Corporation 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 Corporation 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.

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

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

	LPC	**ALI**	**LSI**
	%	**%**	**%**
Discount rate	**18.0**	**14.7**	**14.7**
Projected average growth in cash flows	**48.0**	**19.0**	**33.0**

Note 19. Accounts Payable and Accrued Liabilities

	As at Dec. 31, 2022	**As at Dec. 31, 2021**
	$	$
Trade payables and accrued expenses	**225,691**	173,145
Trade spending	**54,592**	53,376
Salaries and accrued vacation payable	**26,210**	41,968
Other	**544**	626
	307,037	269,115

Note 20. Long-Term Debt

	Note	**As at Dec. 31, 2022**	**As at Dec. 31, 2021**
		$	$
Canadian credit facilities:			
CA revolving credit, floating rate, expiring in April 2027	20.1.1	**113,352**	44,373
Term credit facility, fixed rate, expiring in January 2024 and April 2026	20.1.1	**8,930**	12,569
U.S. credit facilities:			
U.S. revolving credit, floating rate, expiring in May 2023	20.1.2	**92,099**	1,388
Term loan, floating rate, matured in December 2022	20.1.2	**–**	75,766
Lease liabilities:			
Leases, expiring from January 2023 to October 2037	20.1.3	**35,014**	41,336
		249,395	175,432
Current portion of long-term debt		**(100,821)**	(84,387)
		148,574	91,045

20.1 Other terms and conditions

20.1.1 Canadian credit facilities

The Canadian credit facilities were provided by a syndicate of financial institutions to support the Corporation'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.

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, 2022 and 2021, this standby fee was 0.23%.

The CA revolving credit facility provides the Corporation 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 November 2022, the Corporation and syndicate of financial institutions agreed to extend the expiry date of the CA revolving credit facility by one year to April 2027. The provisions of the CA revolving credit have also been updated to include fallback provisions to manage the transition of the LIBOR and CDOR benchmark interest rates, which will be, respectively, replaced during fiscal years 2023 and 2024. The benchmark rate alternatives to LIBOR and CDOR will be, respectively, the Secured Overnight Financing Rate ("SOFR") and the Canadian Overnight Repo Rate Average ("CORRA").

Term credit facility

The term credit facility contained 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 Corporation 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.

As at December 31, 2022 and 2021, the effective interest rates of the two remaining tranches of the term credit facility were 3.21% and 5.81%.

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

20.1.2 U.S. credit facilities

The U.S. credit facilities were provided by a syndicate of financial institutions to support the Corporation'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 that expires in May 2023 and a term loan for an initially authorized amount of US$146,000,000, which matured in December 2022.

The credit facilities bear interest at base rate plus 0.25% to 1.00% and/or at LIBOR plus 1.25% to 2.00%. 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, 2022 and 2021, this standby fee was 0.25%.

Term loan

In May 2022, the U.S. credit facilities were amended to extend the term loan maturity date by seven months to December 2022.

As at December 31, 2021, the effective interest rate of the term loan was 2.58%.

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

Subsequent to year end, the Corporation entered into an agreement to amend the U.S. credit facilities. Refer to Note 31.1 to learn more about this agreement.

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

20.1.3 Leases

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

The minimum leasing periods expire at various dates between January 2023 and December 2035. Certain leases include one or more renewal options. When measuring lease liabilities, the Corporation 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.

20.2 Security

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

20.3 Financial ratios

The Corporation was in compliance with all of its financial ratios as at December 31, 2022 and 2021.

20.4 Assets pledged as collateral to certain lenders

	As at Dec. 31, 2022	**As at Dec. 31, 2021**
	$	$
Financial assets	**75,621**	68,544
Inventories	**202,272**	138,361
Property, plant and equipment	**158,984**	142,606
Intangible assets and goodwill	**478,826**	468,989
Other assets	**12,008**	10,620
	927,711	829,120

20.5 Principal payments

	Revolving credit, term credit and term loan	**Lease liabilities**		**Total principal payments**
	Principal	**Principal**	**Interest**	
	$	$	$	$
2023	96,227	4,600	1,413	100,827
2024	2,050	4,054	1,220	6,104
2025	2,100	4,117	1,042	6,217
2026	660	3,295	876	3,955
2027	113,352	2,999	740	116,351
2028 and thereafter	–	15,949	2,155	15,949
	214,389	35,014	7,446	249,403

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

Note 21. Long-Term Incentive Plan

The long-term incentive plan provides awards for certain executives of restricted share units ("RSU") and share appreciation rights ("SAR"), the values of which are linked to the performance of the Corporation's Class A subordinate voting shares.

The initial value and the subsequent revaluation of RSUs and SARs are recognized in profit or loss as a compensation expense over their vesting periods.

A compensation expense of $2,311,000 was recognized during the year ended December 31, 2022 ($891,000 in 2021) 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 Corporation's Class A subordinate voting shares that are not subject to hedge accounting.

21.1 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 Corporation 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 Corporation's Class A subordinate voting shares on that date.

The following table presents the change in outstanding RSUs:

	Years ended	
	Dec. 31, 2022	**Dec. 31, 2021**
	(in units)	(in units)
Outstanding at beginning	**5,707.9**	848.3
Granted	**9,712.0**	4,755.5
Dividend equivalents	**355.8**	104.1
Outstanding at end	**15,775.7**	5,707.9

As at December 31, 2022 and 2021, no RSUs were vested by the participants.

21.2 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 until the earliest of the following: the eighth anniversary of the grant date or on the participant's 65th birthday. 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 Corporation 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 made by the Corporation's management on the expected dividend rate, expected volatility and expected attrition rate.

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

The following table presents the change in outstanding SARs:

	Years ended Dec. 31, 2022	Dec. 31, 2021
	(in units)	(in units)
Outstanding at beginning	**14,933.5**	4,251.2
Granted	**32,164.3**	10,682.3
Outstanding at end	**47,097.8**	14,933.5

As at December 31, 2022, a total of 6,546.3 SARs were vested by the participants (1,568.5 SARs as at December 31, 2021).

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, 2022	Dec. 31, 2021
Weighted average fair value of granted SARs during the year	**$29.55**	$33.47
Assumptions:		
Expected dividend yield	**1.50%**	1.50%
Expected volatility [i]	**21.90%**	21.00%
Risk-free interest rate	**1.00%**	1.00%

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

Note 22. Shareholders' Equity

22.1 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

22.2 Share capital issued and paid

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Class A shares	**40,674**	42,150
Class B shares	**5,986**	5,986
	46,660	48,136

Notes to the Consolidated Financial Statements

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

22.3 Number of shares outstanding

	As at Dec. 31, 2022	As at Dec. 31, 2021
	(in units)	(in units)
Class A shares	**3,069,000**	3,180,400
Class B shares	**3,752,620**	3,752,620
	6,821,620	6,933,020

22.4 Dividend per share

During the year ended December 31, 2022, the Corporation declared and paid dividends totalling $2.98 per share ($3.29 per share during the year ended December 31, 2021) to the holders of Class A and B shares.

On February 15, 2023, the Corporation declared a dividend of $0.70 per share to the holders of Class A and B shares registered on February 27, 2023. The dividend totalling $4,775,000 was payable on March 15, 2023.

22.5 Share repurchase

In 2021, the Corporation had re-established its share repurchase program through the Toronto Stock Exchange in accordance with its policies and regulations. Consequently, the Corporation could 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. Moreover, on August 18, 2022, the Corporation amended its share repurchase program to increase the maximum number of Class A subordinate voting shares that it may repurchase from 80,000 shares to 160,000 shares. The purchases were made at market prices, without exceeding the price limit set by the Corporation's management. The Corporation has not renewed its share repurchase program.

During the year ended December 31, 2022, the Corporation repurchased for cancellation 111,400 Class A subordinate voting shares at an average price of $126.34 per share for a cash consideration of $14,075,000.

During the year ended December 31, 2021, the Corporation 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.

22.6 Earnings per share

For the years ended December 31, 2022 and 2021, there were no dilutive items.

22.7 Accumulated Other Reserves

	Hedging reserve	**Foreign currency translation reserve**	**Total**
	$	**$**	**$**
Balance as at December 31, 2021	**988**	**54,772**	**55,760**
Other comprehensive income (loss)	**9,109**	**35,025**	**44,134**
Transfer of cash flow hedge (gains) losses to non-financial assets	**(5,792)**	**–**	**(5,792)**
Balance as at December 31, 2022	**4,305**	**89,797**	**94,102**
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

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

22.8 Non-controlling interest

3346625 Canada Inc. owns 10.0% of the share capital of Pappas Lassonde Holdings, Inc. (“PLH”). PLH is the parent company of the Corporation’s U.S. subsidiaries.

The following tables present certain consolidated financial information PLH:

	Years ended	
	Dec. 31, 2022	**Dec. 31, 2021**
	$	$
Sales	**1,058,765**	935,062
Profit	**(6,039)**	9,410
Profit attributable to the non-controlling interest	**(604)**	941
Comprehensive income	**34,243**	10,396
Comprehensive income attributable to the non-controlling interest	**3,424**	1,040

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Assets		
Current	**292,253**	218,334
Non-current	**648,720**	626,583
Liabilities		
Current	**248,695**	184,134
Non-current	**87,184**	88,783
Shareholders’ equity	**605,094**	572,000
Shareholders’ equity attributable to the non-controlling interest	**60,401**	57,092

Note 23. Additional Cash Flow Information

23.1 Change in non-cash operating working capital items

	Years ended	
	Dec. 31, 2022	**Dec. 31, 2021**
	$	$
Accounts receivable	**(11,932)**	(6,904)
Inventories	**(92,924)**	(49,655)
Other current assets	**(8,930)**	(826)
Accounts payable and accrued liabilities	**25,327**	7,485
Other current liabilities	**382**	1,265
	(88,077)	(48,635)

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

23.2 Cash and cash equivalents

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

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Cash	**2,678**	299
Cash equivalents	**–**	6
Bank overdraft	**(4,388)**	(5,028)
	(1,710)	(4,723)

23.3 Non-cash transactions

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

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Unpaid acquisitions of property, plant and equipment at the beginning of the year	**3,424**	5,023
Unpaid acquisitions of property, plant and equipment at the end of the year	**5,270**	3,424
Investment and innovation tax credits recognized against property, plant and equipment acquisitions, net of credits received	**359**	(1,806)
Unpaid acquisitions of intangible assets at the beginning of the year	**379**	318
Unpaid acquisitions of intangible assets at the end of the year	**470**	379
Depreciation of a right-of-use asset incorporated into the cost of an intangible asset	**8**	15
Net increase (decrease) in right-of-use assets	**(1,538)**	1,969
Net increase (decrease) in lease liabilities	**(1,762)**	2,025
Conversion of the convertible debenture receivable from Diamond into shares and warrants	**–**	1,197

23.4 Change in liabilities and assets arising from financing activities

	Long-term debt i)	Transaction costs ii)
	$	**$**
Balance as at December 31, 2021	**175,432**	**934**
Changes arising from financing activities:		
Change in revolving operating credit, net of transaction costs	**152,927**	**113**
Repayment of long-term debt	**(90,593)**	**–**
Changes from non-cash transactions:		
Amortization of transaction costs	**316**	**(335)**
Net increase in lease liabilities	**(1,762)**	**–**
Exchange difference	**13,075**	**9**
Balance as at December 31, 2022	**249,395**	**721**

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

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

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

	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	1,032	(331)
Net increase in lease liabilities	1,969	–
Exchange difference	(1,364)	4
Balance as at December 31, 2021	175,432	934

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

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

23.5 Cash outlfows related to leases

During the year ended December 31, 2022, the Corporation disbursed an amount of $16,890,000 in relation to leases, including an amount of $5,449,000 that is included in the repayment of long-term debt and an amount of $1,719,000 that is included in interest paid ($15,418,000, $5,590,000 and $1,886,000, respectively, as at December 31, 2021).

Note 24. Post-Employment Benefits

The post-employment benefits include the following items:

		Years ended	
	Note	Dec. 31, 2022	Dec. 31, 2021
		$	$
Defined benefit plans	24.2	**30,855**	22,990
Net defined benefit asset		**30,855**	22,990
Defined contribution plan administered by the Corporation	24.1	**280**	140
Defined benefit plans	24.2	**243**	273
Pension plan liabilities		**523**	413

24.1 Defined contribution plans

Defined contribution plans include the pension plans offered by the Corporation and state plans, namely, pension plans established by governments. The Corporation's defined contribution pension plans, except for the defined contribution supplemental executive retirement plan ("DC SERP"), are contributory plans whereby the Corporation makes a contribution that varies with the rules specific to each plan.

The Corporation recognizes the contributions made under defined contribution plans in profit or loss as compensation expense in the period in which the employees rendered the services entitling them to the contributions.

24.1.1 Defined contribution plans administered by third parties

The assets of the defined contribution plans offered by the Corporation are held by trustees on behalf of the employees. The contributions paid by the Corporation 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.

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

24.1.2 Defined contribution plans administered by the Corporation

The DC SERP is a non-contributory plan under which the Corporation grants additional contributions to certain executives of the Corporation. The contributions are credited to an unfunded notional account and presented as a liability in the Corporation'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, 2022	**Dec. 31, 2021**
	$	$
Plans offered by the Corporation	**8,556**	8,326
State plans [i)]	**12,433**	11,426
	20,989	19,752

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

24.2 Defined benefit plans

24.2.1 Description of the plans

The Corporation 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 Corporation 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 have been closed to new members since 2020.

24.2.2 Governance of the DB SERP

The DB SERP is administered by the Corporation 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 Corporation's management. Management's responsibility is to oversee asset management to ensure the payment of benefits and minimize the Corporation'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 Corporation receives an actuarial valuation of the DB SERP as at September 30 to determine its funding. If necessary, the Corporation 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.

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

24.2.3 Exposure to actuarial risk

The Corporation 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 has been invested in equity securities to maximize return. Since equity securities are inherently volatile and risky, the Corporation 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.

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.

24.2.4 Change in the present value of the defined benefit obligation

	Years ended Dec. 31, 2022	Years ended Dec. 31, 2021
	$	$
Balance at beginning	**82,782**	85,918
Total current service cost	**2,769**	4,717
Interest cost	**2,552**	2,249
Benefits paid	**(3,735)**	(3,243)
Actuarial gains and losses arising from:		
Experience adjustments	**(1,914)**	(808)
Changes in financial assumptions	**(19,116)**	(6,042)
Exchange difference	**–**	(9)
Balance at end	**63,338**	82,782

As at December 31, 2022, the weighted average duration of the defined benefit obligation was 11.5 years (13.7 years as at December 31, 2021).

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

24.2.5 Change in the fair value of plan assets

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Balance at beginning	**105,499**	93,095
Employer (net withdrawals) net contributions	**(4,937)**	6,631
Benefits paid	**(3,735)**	(3,243)
Administrative expenses	**(10)**	(25)
Interest income	**3,162**	2,501
Return on defined benefit plan assets, except amounts included in interest income	**(6,029)**	6,540
Balance at end	**93,950**	105,499

24.2.6 Net defined benefit asset (liability)

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Net defined benefit asset at beginning	**22,717**	7,177
Employer (net withdrawals) net contributions	**(4,937)**	6,631
Benefit cost recognized in profit or loss	**(2,169)**	(4,490)
Benefit cost recognized in other comprehensive income	**15,001**	13,390
Exchange difference	**–**	9
Net defined benefit asset at end	**30,612**	22,717

24.2.7 Benefit cost

The benefit cost was as follows:

	Years ended Dec. 31, 2022	Dec. 31, 2021
	$	$
Benefit cost recognized in profit or loss [i]**:**		
Current service cost, net of contributions from plan members	**2,769**	4,717
Net interest	**(610)**	(252)
Administrative expenses	**10**	25
	2,169	4,490
Benefit cost recognized in other comprehensive income:		
Actuarial gains and losses	**(21,030)**	(6,850)
Return on defined benefit plan assets, except amounts included in interest income	**6,029**	(6,540)
	(15,001)	(13,390)
	(12,832)	(8,900)

i) Recognized in selling and administrative expenses.

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

24.2.8 Composition of pension plan assets

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

	As at Dec. 31, 2022	As at Dec. 31, 2021
	$	$
Assets quoted in an active market:		
Fixed income	**5,101**	8,820
Shares [i]	**38,254**	44,662
Cash and treasury bills	**33**	1,417
	43,388	54,899
Assets not quoted in an active market:		
Alternative investments	**4,645**	4,800
Deposits in trust [ii]	**45,917**	45,800
	50,562	50,600
	93,950	105,499

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

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

24.2.9 Expected contributions

During 2023, the Corporation expects to contribute approximately $64,000 to its defined benefit pension plans.

24.2.10 Actuarial assumptions

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

	As at Dec. 31, 2022	As at Dec. 31, 2021
Defined benefit obligations:		
Discount rate	**5.3%**	3.1%
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]
Benefit costs:		
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]

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

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

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

24.2.11 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 Corporation's accounting policies described in Note 2.12. The actual results of items subject to assumptions may differ.

		As at December 31, 2022	
Assumption	**Change in assumption**	**Impact [i] of increase in assumption**	**Impact [i] of decrease in assumption**
		$	**$**
Discount rate	0.50%	**(3,328)**	**3,653**
Expected rate of compensation increase	0.50%	**347**	**(337)**
Indexation rate of pensions paid	0.25%	**343**	**(329)**
Mortality table:			
Life expectancy of members	1 year	**1,496**	**(1,451)**

i) Impact on the defined benefit obligation.

24.2.12 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, 2022. 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 25. Managing Financial Risk Arising From Financial Instruments

In the normal course of business, the Corporation 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 Corporation's overall financial risk management program aims to minimize the negative effects of these risks on its profit or loss. The Corporation 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 Corporation's financial risks arising from financial instruments as at the reporting date, i.e., December 31, 2022 and 2021.

25.1 Credit risk

Credit risk is the risk of a counterparty failing to meet its commitments. The Corporation's credit risk comes mainly from cash and cash equivalents, accounts receivable and derivative instrument assets. As at December 31, 2022, 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 expected credit losses, that are estimated by the Corporation's management based on past experience and its assessment of current economic conditions. The Corporation may also be exposed to credit risk when it has significant discounts receivable from certain suppliers.

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

The three largest clients accounted for 42.1% of the trade accounts receivable balance as at December 31, 2022 (40.8% as at December 31, 2021) and for 38.9% of the Corporation's sales for the year ended December 31, 2022 (37.0% of sales for the year ended December 31, 2021). Each of these three clients accounted for more than 10% of the Corporation's sales for the year ended December 31, 2022, i.e., for 14.7%, 12.6% and 11.6%, respectively (each of these clients accounted for more than 10% of the Corporation's sales for the year ended December 31, 2021, i.e., for 13.3%, 12.8% and 10.9%, respectively).

The Corporation 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 Corporation 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 Corporation's experience with its clients;
- The Corporation's Canadian subsidiaries take out credit insurance on the majority of their sales made outside Canada;
- The Corporation'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, 2022, 93.0% of trade accounts receivable were aged less than 61 days (94.0% as at December 31, 2021). The tables below show the Corporation's trade accounts receivable aging net of the expected credit losses:

	As at December 31, 2022				
	0 to 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
	$	**$**	**$**	**$**	**$**
Trade accounts receivable					
Within the term	**139,885**	**12,541**	**–**	**–**	**152,426**
Past due	**–**	**858**	**2,584**	**8,954**	**12,396**
	139,885	**13,399**	**2,584**	**8,954**	**164,822**

	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

The Corporation 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 Corporation 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 Corporation recognizes an expected credit loss 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, 2022 and 2021, the expected credit losses were insignificant.

As at December 31, 2022 and 2021, the Corporation'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.

25.2 Liquidity risk

Liquidity risk refers to the possibility of the Corporation not being able to meet its financial obligations when they become due. The Corporation 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.

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

The Corporation 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 Corporation'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, 2022, the Corporation had a CA revolving credit and a U.S. revolving credit to ensure that sufficient funds are available to meet its financial requirements, and for which the available amount may not exceed, respectively, $225,000,000 and US$100,000,000. The terms and conditions related to these revolving credit facilities are described in Note 20.

The following tables present a maturity analysis, up to the contractual due dates, of the Corporation'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 Corporation 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, 2022					
		Contractual cash flows				
	Carrying value	0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	Total
	$	$	$	$	$	$
Non-derivative financial liabilities						
Bank overdraft	**4,388**	**4,388**	**–**	**–**	**–**	**4,388**
Accounts payable and accrued liabilities	**307,037**	**307,037**	**–**	**–**	**–**	**307,037**
Long-term debt [i]	**249,395**	**100,827**	**12,321**	**120,306**	**15,949**	**249,403**
Interest payments [ii]	**–**	**10,903**	**15,895**	**9,940**	**2,155**	**38,893**
	560,820	**423,155**	**28,216**	**130,246**	**18,104**	**599,721**
Derivative instrument (assets) liabilities						
Interest rate swaps	**(824)**	**(824)**	**–**	**–**	**–**	**(824)**
Foreign exchange forward contracts [iii]:	**(5,876)**					
Cash outflows		**287,115**	**–**	**–**	**–**	**287,115**
Cash inflows		**(293,393)**	**–**	**–**	**–**	**(293,393)**
Total return swaps	**(302)**	**(44)**	**(258)**	**–**	**–**	**(302)**
	(7,002)	**(7,146)**	**(258)**	**–**	**–**	**(7,404)**
	553,818	**416,009**	**27,958**	**130,246**	**18,104**	**592,317**

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. Refer to the summary tables of foreign exchange forward contracts of Note 25.3.2.

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

	As at December 31, 2021					
		Contractual cash flows				
	Carrying value	0 to 12 months	13 to 36 months	37 to 60 months	Thereafter	Total
	$	$	$	$	$	$
Non-derivative financial liabilities						
Bank overdraft	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 swap	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, refer to the summary tables of foreign exchange forward contracts of the Note 25.3.2.

25.3 Market risk

Market risk is the Corporation'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 Corporation is primarily exposed to interest rate risk, foreign exchange risk, and price risk.

25.3.1 Interest rate risk

Interest rate risk is the Corporation's exposure to increases or decreases in financial instrument values caused by fluctuations in interest rates. The Corporation 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 Corporation'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 Corporation.

The Corporation 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.

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

Term financing is used mainly in relation to the Corporation's long-term obligations stemming from acquisitions of non-current assets and business combinations. The revolving credit facilities are mainly used to finance the Corporation's working capital and essentially fluctuate according to seasonal factors specific to the Corporation. The Corporation 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, 2022 and 2021, the Corporation 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 Corporation's cash flows. These swaps are designated in a hedging relationship.

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

	As at December 31, 2022			
	Maturity	**Fixed / floating rate**	**Notional amount**	**Fair value**
				$
Interest rate swap – Fixed-rate payer	**March 2023**	**1.3406% / 1-month LIBOR**	**US$30,000,000**	**333**
Interest rate swap – Fixed-rate payer	**March 2023**	**0.5760% / 3-month LIBOR**	**US$35,000,000**	**491**

	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.

Sensitivity analysis for interest rate risk

According to the balances of the Corporation's floating-rate loans and interest rate swaps as at December 31, 2022, all other factors being equal, a 1% increase in the interest rate would have had an unfavourable impact of $863,000 on profit or loss and a favourable impact of $162,000 on other comprehensive income for the year ended December 31, 2022. A 1% decrease in the interest rate would have had an impact of a similar magnitude but in the opposite direction on the Corporation's profit or loss and other comprehensive income.

25.3.2 Foreign exchange risk

Foreign exchange risk is the Corporation'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.

Foreign exchange risk is managed in accordance with the Corporation's foreign exchange risk management policy. The objective of this policy is to mitigate the impact of foreign exchange rate fluctuations on the Corporation's profit or loss, on certain foreign currency purchases of capital assets, and on certain debts denominated in foreign currencies. Under this policy, the Corporation must identify, by geographic segment, any potential foreign exchange risk arising from its operations. The policy also prohibits speculative foreign exchange transactions.

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

To mitigate foreign exchange risk, the Corporation 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, 2022	As at Dec. 31, 2021
	$	$
Financial assets		
Cash and cash equivalents	**2,466**	2,153
Accounts receivable	**32,417**	16,221
Financial liabilities		
Bank overdraft	**–**	(1,315)
Accounts payable and accrued liabilities	**30,172**	51,447
Long-term debt	**108,352**	44,373

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

	As at December 31, 2022			
	Maturity	**Rate**	**Total contractual amount**	**Total net fair value**
		in C$		**$**
Forward contracts – US$ purchase	**1 to 10 months**	**1.2446 to 1.3728**	**US$209,000,000**	**5,612**
Forward contracts – € purchase	**1 to 12 months**	**1.4245**	**€7,140,000**	**264**

	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

Foreign exchange forward contracts are contracts whereby the Corporation 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, 2022 of the Corporation'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 $1,867,000 on profit or loss and a favourable impact of $4,378,000 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, 2022.

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

25.3.3 Price risk

Raw material price risk

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

As at December 31, 2021, the Corporation owned frozen concentrated orange juice futures. These futures are subject to hedge accounting. The Corporation did not own frozen concentrated orange juice futures as at December 31, 2022.

The following table present a summary of the Corporation's frozen concentrated orange juice futures:

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

Other price risk

To mitigate the effects of fluctuations in the share price of the Corporation's Class A subordinate voting shares on the fair value of the long-term incentive plan, the Corporation 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 Corporation's total return swaps:

	As at December 31, 2022			
	Maturity	**Fixed price**	**Total quantity**	**Total net fair value**
		in C$ / share		**$**
Total return swaps	**Dec. 2023 to Dec. 2025**	**103.10 and 111.74**	**42,158 shares**	**302**

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

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, 2022, all other factors being equal, a 10% increase in the share price of the Corporation's Class A subordinate voting shares would have had a favourable impact of $222,000 on profit or loss, while a 10% decrease would have had an unfavourable impact of $247,000 on profit or loss for the year ended December 31, 2022.

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

Note 26. Capital Management

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

The Corporation'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 Corporation'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 shareholder return level by paying a dividend that reflects financial results, capital requirements, free cash flow, and the Corporation's outlook. The declaration and payment of dividends on the Corporation's common shares as well as their amount are the prerogative of the Corporation's Board of Directors.

The Corporation 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 Corporation may use to adjust its capital level and manage the relationship between shareholders' equity and debt levels.

The Corporation monitors its capital using the debt-to-capital ratio. As at December 31, 2022, the debt-to-capital ratio was 21.0% (16.9% as at December 31, 2021).

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

Note 27. Commitments and Contingencies

27.1 Commitments

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

	2023	2024	2025	2026	2027	2028 and thereafter
	$	$	$	$	$	$
Service and marketing agreements	7,510	2,389	1,135	693	668	4,115
Commitments to purchase property, plant and equipment	23,420	3,915	–	–	–	–
Commitments to purchase raw materials [i)]	326,208	1,654	–	–	–	–
Leases not yet started	153	594	610	752	771	9,494
	357,291	8,552	1,745	1,445	1,439	13,609

i) Certain raw materials purchase commitments were established using market prices as at December 31, 2022. They are therefore subject to future fluctuations.

27.2 Letters of credit

As at December 31, 2022, the Corporation had letters of credit outstanding totalling $1,289,000 ($446,000 as at December 31, 2021).

27.3 Proceedings and claims

In the normal course of business, the Corporation is exposed to various proceedings and claims. The Corporation 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 Corporation's current consolidated financial position or on profit or loss.

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

Note 28. Segment Information

The business segments are determined based on the Corporation's internal reporting and management structure. The results of the operating segments are regularly reviewed by the Corporation'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 Corporation has determined that it has only one reportable operating segment. This single operating segment generates revenues from the sale of a wide range of products, including ready-to-drink beverages, fruit-based snacks, frozen juice concentrates and specialty food products as well as from rendering services related to the sale of these products. The internal reporting system and management structure reflects how the Corporation manages the business and how it classifies its operations for planning and performance measurement purposes. Accordingly, the Corporation manages its business segment as a single strategic operating unit.

Sales are attributed to the geographic segment based on the location where the Corporation has transferred control of the goods to the customer. The geographic segment of non-current assets and goodwill is based on the locations of the assets.

28.1 Sales by geographic segment

	Years ended	
	Dec. 31, 2022	**Dec. 31, 2021**
	$	$
Canada	**962,639**	868,727
United States	**1,183,500**	1,019,242
Other	**4,836**	4,893
	2,150,975	1,892,862

28.2 Certain non-current assets and goodwill by geographic segment

	As at December 31, 2022		
	Canada	**United States**	**Total**
	$	**$**	**$**
Property, plant and equipment	**230,139**	**169,830**	**399,969**
Intangible assets	**29,093**	**169,301**	**198,394**
Goodwill	**18,637**	**309,525**	**328,162**

	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

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

Note 29. Related Party Transactions

As at December 31, 2022 and 2021, the Corporation was controlled by 3346625 Canada Inc., an entity controlled by Mr. Pierre-Paul Lassonde, Chairman of the board of the Corporation. As at December 31, 2022, this entity held 0.44% of the Corporation's Class A subordinate voting shares, 100% of its Class B multiple voting shares, and 92.47% of its voting rights (0.42% of the Corporation's Class A subordinate voting shares, 100% of its Class B multiple voting shares, and 92.22% of its voting rights as at December 31, 2021).

The minority interest is also owned by 3346625 Canada Inc. The transactions and balances related to the minority interest are described in Note 22.8.

The dividends paid are approved by the Corporation'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.

29.1 Transactions and balances between related parties

The Corporation carried out the following transactions with related parties:

	Year ended December 31, 2022				
	3346625 Canada Inc.	Key management personnel i)	Associate	Other related parties ii)	Total
	$	$	$	$	$
Transactions					
Dividends paid	11,223	71	–	–	11,294
Employee benefits expense	–	7,436	–	298	7,734
Professional fees expense	–	15	–	–	15
Short-term lease expense	–	–	–	23	23
Purchase of inventories	–	–	–	219	219
Commission income	–	–	345	–	345
Chargebacks	117	44	–	25	186
Account balances					
Accounts receivable	36	3	810	7	856
Accounts payable and accrued liabilities	–	15	–	–	15

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.

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

	Year ended December 31, 2021				
	3346625 Canada Inc.	Key management personnel i)	Associate	Other related parties ii)	Total
	$	$	$	$	$
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.

29.2 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, 2022	Dec. 31, 2021
	$	$
Short-term employee benefits i)	**5,692**	10,260
Share-based payment for long-term employee benefits	**560**	776
Post-employment benefits	**1,184**	2,197
	7,436	13,233

i) Includes directors' fees.

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

Note 30. Interests in Other Entities

The following table presents the Corporation's main subsidiaries and associates as at December 31, 2022 and 2021:

		% of ownership		
Entities	**Consolidation method**	**2022**	**2021**	**Country**
Subsidiaries				
A. Lassonde Inc.	Fully consolidated	**100%**	100%	Canada
Lassonde Specialties Inc.	Fully consolidated	**100%**	100%	Canada
Lassonde Pappas and Company, Inc.	Fully consolidated	**90%**	90%	United States
Apple & Eve, LLC	Fully consolidated	**90%**	90%	United States
Old Orchard Brands, LLC	Fully consolidated	**90%**	90%	United States
Associate				
Diamond Estates Wines & Spirits Inc.	Equity method	**19.2%**	19.2%	Canada

Note 31. Event After the Reporting Period

31.1 U.S. credit facilities

On January 6, 2023, the Corporation entered into an agreement to amend the U.S. credit facilities to include the various requests for amendments accepted between May 31, 2018 and January 5, 2023, to extend the expiry date by two years and seven months, and to raise the authorized amount of the U.S. revolving credit by US$60,000,000. As a result of this agreement, the credit facilities comprise a U.S. revolving credit committed for a period of three years for an authorized amount of US$160,000,000.