



Consolidated Financial Statements
December 26, 2020
(in thousands of Canadian dollars)



Independent auditor's report

To the Shareholders of Groupe Colabor Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Groupe Colabor Inc. and its subsidiaries (together, the Company) as at December 26, 2020 and December 28, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the years ended December 26, 2020 and December 28, 2019;
- the consolidated statements of comprehensive income for the years ended December 26, 2020 and December 28, 2019;
- the consolidated statements of changes in equity for the years ended December 26, 2020 and December 28, 2019;
- the consolidated statements of cash flows for the years ended December 26, 2020 and December 28, 2019;
- the consolidated statements of financial position as at December 26, 2020 and December 28, 2019; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 26, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill and trademarks impairment tests</p> <p><i>Refer to note 2 “Significant accounting policies” and note 14 “Impairment” in the consolidated financial statements.</i></p> <p>The book value of goodwill and trademarks totalled \$79 million as at December 26, 2020. Annually, at the year-end date, or when an adverse event occurs, management submits its cash-generating units (“CGU”) to which goodwill or trademarks have been allocated, to an impairment test. An impairment loss is recognized in the consolidated statements of earnings in “Impairment loss on goodwill, intangible assets and property, plant and equipment” for the amount by which the asset’s or the CGU’s carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. The Company uses the fair value less costs to sell method for the impairment test of goodwill and trademarks. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a before-tax interest rate in order to calculate the present value of those cash flows. Management establishes discounted cash flows for the next five years starting from the budget of the following year.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated the determination of the CGUs defined by management.• Evaluated how management determined the recoverable amount.<ul style="list-style-type: none">– Tested the appropriateness of the method applied and test the mathematical accuracy of the discounted cash flows.– Tested the underlying data used in discounted cash flows.– Evaluated the reasonableness of significant assumptions, such as the growth/reduction rates of sales and the ratio of EBITDA to sales by considering the budget approved by the board of directors, and the current and past performance of the CGU.– Professionals with specialized skill and knowledge in the field of valuation assisted us in assessing the adequacy of the discount rate used by management based on available data from comparable companies.



Key audit matter

How our audit addressed the key audit matter

Discounted cash flow projections are based on key assumptions including the application of a sales growth/reduction rate, the ratio of earnings before taxes, interest, depreciation and amortization (EBITDA) to sales, and the discount rate.

We considered this a key audit matter due to the significance of the goodwill and trademarks and the judgments made by management in determining the recoverable amount of CGUs, including the use of key assumptions used by management. As a result, we had to make significant effort to implement the audit procedures to test key assumptions and these have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management. Professionals with specialized skills and knowledge in the field of valuation assisted us in the implementation of our procedures.

Other information

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

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated 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 Jean-François Lecours.

/s/ PricewaterhouseCoopers LLP¹

Montréal, Quebec
February 26, 2021

¹ CPA auditor, CA, public accountancy permit No. A126402

Consolidated Statements of Earnings

For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars, except per share data)

	Notes	52 weeks	
		2020	2019
		(Restated, Note 5)	
		\$	\$
Sales	4	461,319	665,959
Cost of goods sold		384,500	562,322
Gross Margin		76,819	103,637
Operating expenses	6	48,215	76,021
Depreciation and amortization	11, 12, 13	15,112	9,605
Costs not related to current operations	7	1,811	881
Operating earnings		11,681	17,130
Financial expenses	22	6,712	7,023
Earnings before taxes		4,969	10,107
Income taxes	8	1,171	2,605
Net earnings from continuing operations		3,798	7,502
Net earnings (loss) from discontinued operations	5	(12,410)	225
Net earnings (loss)		(8,612)	7,727
Basic and diluted net earnings per share of continuing operations	9	0.04	0.08
Basic and diluted net earnings (loss) per share of discontinued operations	9	(0.12)	—
Basic and diluted net earnings (loss) per share	9	(0.08)	0.08

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive income

For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars)

	Notes	52 weeks	
		2020	2019
		(Restated, Note 5)	
		\$	\$
Net earnings from continuing operations		3,798	7,502
Other comprehensive income from continuing operations		—	—
Comprehensive income from continuing operations		3,798	7,502
Net earnings (loss) from discontinued operations		(12,410)	225
Other items that will not be subsequently reclassified to net earnings:			
Remeasurement of defined benefit pension obligation	21	(899)	(615)
Taxes on other comprehensive loss	8	240	164
Other items of comprehensive loss from discontinued operations		(659)	(451)
Comprehensive loss from discontinued operations		(13,069)	(226)
Comprehensive income (loss)		(9,271)	7,276

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity
For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars)

	Notes	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Total Equity \$
Balance as at December 28, 2019		256,296	1,742	3,706	(161,641)	100,103
Impact of adoption of IFRS 16	2	—	—	—	(2,574)	(2,574)
Restated balance as at December 29, 2019		256,296	1,742	3,706	(164,215)	97,529
Net loss		—	—	—	(8,612)	(8,612)
Other comprehensive loss		—	—	—	(659)	(659)
Comprehensive loss		—	—	—	(9,271)	(9,271)
Stock-based compensation	21	—	—	309	—	309
Stock options exercised	21	4	—	(4)	—	—
Balance as at December 26, 2020		256,300	1,742	4,011	(173,486)	88,567

	Notes	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Total Equity \$
Balance as at December 29, 2018		255,639	1,742	3,891	(168,917)	92,355
Net earnings		—	—	—	7,727	7,727
Other comprehensive loss		—	—	—	(451)	(451)
Comprehensive income		—	—	—	7,276	7,276
Stock-based compensation	21	—	—	32	—	32
Stock options exercised	21	657	—	(217)	—	440
Balance as at December 28, 2019		256,296	1,742	3,706	(161,641)	100,103

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars)

	Notes	52 weeks	
		2020	2019
		\$	(Restated, Note 5) \$
Cash flows from operating activities			
Net earnings from continuing operations		3,798	7,502
Non-cash items			
Deferred income taxes	8	1,199	3,105
Depreciation and amortization		15,112	9,605
Gain on disposal of property, plant and equipment		(152)	—
Financial expenses	22	6,712	7,023
Other		451	577
		27,120	27,812
Net changes in working capital	23	10,179	3,644
		37,299	31,456
Cash flows from investing activities			
Acquisitions of property, plant and equipment	11	(1,343)	(1,831)
Proceeds on disposals of property, plant and equipment	11	210	228
Acquisitions of intangible assets	12	(678)	(174)
Other		358	176
		(1,453)	(1,601)
Cash flows from financing activities			
Net change in the credit facility	16, 23	(2,000)	(32,000)
Lease liabilities payments	2, 13	(7,962)	(741)
Share issued		—	440
Repayment of subordinated debt	16, 23	(3,000)	(10,000)
Refinancing cost paid		(204)	—
Financial expenses paid	22	(6,354)	(6,285)
		(19,520)	(48,586)
Net change in cash and cash equivalents from continuing operations		16,326	(18,731)
Net change in cash and cash equivalents from discontinued operations	5	(1,697)	7,510
Cash and cash equivalents (bank indebtedness) at the beginning		(5,435)	5,786
Cash and cash equivalents (bank indebtedness) at the end		9,194	(5,435)
Other information to provide on cash flows from operating activities			
Tax received		(543)	(1,201)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Financial Position

For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars)

	Notes	As at December 26, 2020 \$	As at December 28, 2019 \$
Assets			
Current assets			
Cash and cash equivalent		9,194	—
Trade and other receivables	10	34,416	72,643
Inventories		35,266	67,747
Other		1,943	3,770
		80,819	144,160
Non-current assets			
Property, plant and equipment	11	6,122	10,486
Intangible assets	12	26,569	31,461
Right-of-use assets	2, 13	38,450	—
Goodwill		70,813	70,813
Deferred tax assets	8	6,351	2,295
Other		4,876	1,933
		153,181	116,988
Total assets		234,000	261,148
Liabilities			
Current liabilities			
Bank indebtedness		—	5,435
Trade and other payables	15	38,519	82,324
Current portion of long-term debt	16	—	2,983
Convertible debentures	17	49,812	—
Current portion of lease liabilities	13	8,828	—
Other		697	1,210
		97,856	91,952
Non-current liabilities			
Long-term debt	16	11,860	17,926
Lease liabilities	2, 13	32,805	—
Convertible debentures	17	—	49,576
Pension obligations	21	2,887	1,553
Deferred tax liabilities	8	25	38
		47,577	69,093
Total liabilities		145,433	161,045
Equity			
Equity attributable to shareholders		88,567	100,103
Total liabilities and equity		234,000	261,148

Commitments (Note 20)

Contingency (Note 27)

Subsequent events (Note 28)

The accompanying notes are an integral part of the consolidated financial statements.

1 Nature of operations

Colabor Group Inc. (hereinafter the “Company”) distributes and markets food and food-related products in Canada.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Company’s shares and convertible debentures are listed on the Toronto Stock Exchange under GCL and GCL.DB.A, respectively.

The Company's year end is on the last Saturday of December. Colabor's fiscal year is comprised of thirteen periods of four weeks each. The first three quarters are comprised of three periods each and the fourth quarter includes four periods. The Company's sales and net earnings are proportionally less significant for the first, second and third quarters and more significant for the fourth quarter since the latter generally has 33% more days of operation in comparison with the other quarters of the period. Additionally, the Company's sales are seasonal, therefore lower sales volume are generally recorded during the first quarter in comparison with the other three quarters (see below for the pandemic situation). The years ended on December 26, 2020 and on December 28, 2019 consisted of 52 weeks each.

Covid-19

On March 11, 2020, the World Health Organization declared the Covid-19 virus a global pandemic ("pandemic"). This pandemic has forced governments around the world to implement emergency measures to slow the spread of the virus, such as the travel ban, the closure of non-essential services, the confinement of citizens and physical distancing, resulting in an economic slowdown. The Company, as a food distributor, is considered as an essential service and has continued to operate while having implemented various measures to protect its customers, suppliers and employees. This pandemic is expected to continue to have an impact on customer demand, and therefore on the number of employees needed, could require tighter government regulations and increased government intervention, these factors could negatively affect operations, financial results and the balance sheet of the Company.

The duration and impact of the pandemic is currently unknown, and it is impossible for management to reliably estimate the extent and impact of these developments, as well as the impact on the financial results and financial position of the Company for the coming periods. Depending on the duration of this pandemic, its scale and changes in the industry, the impacts could be significant.

2 Significant accounting policies

General information

These consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB). The consolidated financial statements have been prepared in accordance with the significant accounting policies described in this note, which have been applied consistently throughout the two years except for the leases as a result of the adoption of IFRS 16 Leases. The impacts of IFRS 16 on the consolidated financial statements are disclosed in section New accounting policy adopted during the current fiscal year.

These consolidated financial statements have been approved by the Company's Board of Directors during the February 26, 2021 meeting.

Basis of measurement

These consolidated financial statements are presented at historical cost, with the exception of the pension obligation that is measured at the present value of the accrued pension obligation less the fair value of the pension plan assets.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries under its control.

The Company has control when it has the power to direct financial and operational policies which have a significant impact on the entity's returns. The subsidiaries are consolidated from the date the Company acquires control until the date control ends. Colabor Group Inc. owns 100% of the following subsidiaries : Les Pêcheries Norref Québec inc.; Colabor Management Inc.; Colabor Limited Partnership; Transport Paul-Émile Dubé Ltd.

The consolidated financial statements include the accounts of the Company and its subsidiaries, which are all wholly-owned. All transactions and balances between the group's companies are eliminated on consolidation, including unrealized gains and losses on transactions between the group's companies.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

In a business combination, the Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) the fair value of the consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets acquired. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. the gain on a bargain purchase) is recognized in profit or loss immediately.

Discontinued operations

A discontinued operation is a component of the Company which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company and which : represents a separate major line of business or geographical area of operations; is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank indebtedness, demand deposits, highly liquid investments purchased three months or less from maturity that can be converted into cash at a determined amount, outstanding deposits and outstanding cheques.

Revenue recognition

Sales of goods are the only significant source of revenue. Sales of goods in the consolidated statements of earnings are recognized by the Company when control of the goods has been transferred, being when the goods are delivered to customers and when all obligations have been fulfilled. The amounts recognized as sales of goods represent the fair values of the considerations received or receivable from third parties on the sales of goods to customers, net of goods and services taxes and less returns, rebates and discounts, at which time there are no conditions for the payment to become due other than the passage of time. In the case of direct sales to customers, the Company recognizes the product on a net basis since it doesn't control the stocks and is not exposed to their risks.

The Company recognizes customer rebates as a decrease in the selling price in the consolidated statements of earnings. These rebates are recognized when it is highly probable that they will be realized and when they can be reasonably estimated. A contract liability is recognized for the estimated rebates payable to customers.

Supplier rebates

The Company recognizes supplier rebates as a decrease in the prices of suppliers' goods and reduces the purchases of goods and the related inventory in the consolidated statements of earnings and financial position. Some exceptions apply when the cash consideration received is a reimbursement of the additional sales expenses incurred by the reseller, in which case, the rebate is recognized in accordance with the substance of the agreement as a reduction in operating expenses. Additionally, the Company recognizes as revenues the supplier rebates obtained with respect to direct sales to customers.

The Company recognizes these rebates when they are considered as probable and can be reasonably estimated. Receipt probability and estimates are determined on the basis of goods purchase forecasts and contractual terms. Assumptions are reassessed each period.

Income taxes

The income tax expenses comprise current and deferred taxes and are recognized in the consolidated statements of earnings and comprehensive income, other than taxes related to equity, which are deducted from equity. Deferred income tax related to items that have been recognized as other comprehensive income is also recognized in other items of comprehensive income.

Current income tax assets or liabilities comprise those obligations to, or claims from, tax authorities related to the current or prior reporting periods, that are not received or paid at the reporting date. Current income taxes are payable on taxable income, which differs from earnings in the financial statements. Calculation of current taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax base. However, deferred taxes are not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting income. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures are not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

(in thousands of Canadian dollars, except number of shares and per share data)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided that they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always recognized in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Earnings or losses per share

Basic earnings or losses per share are computed by dividing net earnings or losses attributable to the Company's common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings or losses per share are calculated taking into account the potentially dilutive effect of common shares on earnings attributable to the Company's common shareholders and the weighted average number of common shares outstanding. Potentially dilutive common shares are considered to have been converted into common shares at the later of the beginning of the period or the common share issuance date. Potential common shares are related to convertible debentures, the performance stock unit (PSU) plan and the stock options.

Operating segments

Segment information is presented in accordance with IFRS 8, Operating Segments, using information that is reviewed regularly by management to determine the performance of each segment. The same criteria are used to present operating segments and produce internal reports for management. Performance is evaluated according to segment earnings before costs not related to current operations, depreciation, amortization, expenses for stock-based compensation plan, financial expenses and taxes. Intersegment transactions that are in the ordinary course of operations are recognized at fair value.

The operating segments presented are determined in accordance with the Company's structure management and reflect how management evaluates their performance.

The Company has two operating segments: distribution to mostly food service enterprises (the Distribution segment) and sales to food distributors (the Wholesale segment).

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

The cost of inventory comprises costs of purchases and other costs incurred in bringing the inventory to its present location and condition, net of suppliers' rebates.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses.

Property, plant and equipment

Property, plant and equipment are recognized at the acquisition cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes costs incurred to acquire and install the related assets.

Land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis on components with homogeneous useful lives to depreciate the initial cost over their estimated useful lives, taking residual values into account. The useful lives are as follows:

Equipment	From 5 to 15 years
Road vehicles	From 7 to 10 years
Computer equipment	4 years
Leasehold improvements	Initial lease term, 10 to 20 years

The useful lives, depreciation method and residual values are reviewed each year, considering the nature of the asset, its expected use and technological developments.

Assets are depreciated once they are available for use and are recognized in consolidated statements of earnings in "Depreciation and amortization."

The profit or loss on the disposal of an item of property, plant and equipment is the difference between the proceeds of disposition and the carrying amount of the asset and is recognized in results in operating expenses.

Intangible assets

Distribution software, signing bonuses and customer relationships

The intangible assets are recognized at the acquisition cost less accumulated amortization and accumulated impairment losses.

The acquisition cost of distribution software includes costs incurred to acquire and install the related software.

All customer relationships are attributable to business combinations and satisfy the accounting criteria of intangible assets.

The signing bonuses are incurred in connection with the renewal of distribution agreements and are amortized from the date the agreement comes into effect.

These intangible assets are amortized on a straight-line basis to amortize the initial cost over their estimated useful lives, taking residual values into account. The useful lives are as follows:

Distribution software	From 4 to 7 years
Signing bonuses	From 5 to 7 years
Customer relationships	From 2 to 20 years

The useful lives, amortization method and residual values are reviewed each year, taking the nature of the asset, its expected use and technological developments into account.

(in thousands of Canadian dollars, except number of shares and per share data)

Assets are amortized once they are available for use and are recognized in the consolidated statements of earnings in "Depreciation and amortization."

Trademarks

Trademarks have indefinite useful lives considering that management does not intend to dispose of them. They are recognized using the cost model and are not amortized. They are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they are impaired.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the level of the cash-generating unit (CGU). Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent, for the Company, the lowest level at which management monitors goodwill.

CGUs to which goodwill has been allocated and trademarks with an indefinite useful life are tested for impairment when an adverse event occurs and at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in the consolidated statements of earnings in "Impairment loss on goodwill, intangible assets and property, plant and equipment" for the amount by which the asset's or the CGU's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. To determine fair value, management estimates expected future cash flows from each asset or CGU and determines a before-tax interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget. Discount factors are determined individually for each asset or CGU and reflect their respective risk profiles as assessed by management.

Impairment losses for CGUs firstly reduce the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged on a pro rata basis to the other assets in the CGU.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. On assets other than goodwill, an impairment charge is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized.

Leases**Policy in effect prior to December 29, 2019**

Leases where the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. On initial recognition, the assets held under finance leases are recognized in “Property, plant and equipment” at the lower of fair value or the present value of the minimum lease payments. A corresponding liability is recognized as an obligation under finance leases. In subsequent periods, interest related to the obligation is recognized under “Financial expenses” on the consolidated statements of earnings.

Other leases are operating leases and the leased assets are not recognized on the Company's consolidated statement of financial position. Payments under operating leases are recognized in earnings on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance, are recognized as an expense as they are incurred.

Policy in effect as of December 29, 2019

For the year ended December 26, 2020, the Company adopted IFRS 16. Refer to the section New accounting policy adopted during the current year for the accounting methods applied.

Financial Instruments

a) Classification

The Company determines the classification of financial instruments at initial recognition and classifies them in the following categories for valuation purposes:

- instruments that will be subsequently measured at fair value, either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI)
- instruments that will be measured at amortized cost.

The classification of debt instruments is derived from the Company's business model for the management of financial assets and the contractual cash flow characteristics of those assets. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative) are classified at FVTPL. As for the other equity instruments, the Company may make the irrevocable election (instrument by instrument), on the date of acquisition, to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they should be evaluated at FVTPL (such as held-for-trading instruments or derivatives) or the Company has chosen to evaluate them at FVTPL.

The Company is measuring all its financial assets and liabilities; trade and other receivables, bank indebtedness, trade and other payables, long-term debt and convertible debentures at amortized cost.

b) Assessment

Financial instruments at amortized cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently at amortized cost, less any impairment loss.

Financial instruments at FVTPL

Financial instruments at FVTPL are initially recognized at fair value and the transaction costs are expensed in the consolidated statements of earnings. Realized and unrealized gains and losses arising from changes in the fair value of financial assets and liabilities held by the FVTPL are included in the consolidated statements of earnings in the period in which they occur. When management has elected to record a financial liability at FVTPL, changes in the Company's own credit risk will be recognized in the consolidated statements of earnings.

c) Depreciation

The Company has been prospectively evaluating expected credit losses related to debt instruments recognized at amortized cost and at FVTOCI. The depreciation method applied varies depending on whether or not there is a significant increase in credit risk. For customers, the Company applies the simplified method permitted by IFRS 9, which requires expected losses on lifetime to be recognized from the initial recognition of customers.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights on cash flows from financial assets reach expiry, or when it transfers financial assets and substantially all risks and rewards of ownership to another entity. Gains and losses from derecognition are generally recognized in the consolidated statements of comprehensive income.

The Company applies a forward-looking expected credit loss impairment model on its trade receivable accounts. Under this model, the Company recognizes expected credit losses and expected credit loss changes at the end of each reporting period in order to reflect any change in credit risk since the initial financial assets recognition.

The Company will consider that a financial asset is impaired if it is unlikely that a specific counterpart will meet its financial obligations. Overdue receivables that are not considered bad debt are accounts that are less than 90 days overdue or that should be recovered. Receivables that are more than 90 days overdue, or considered unlikely to be recovered, are written off. To determine whether a debtor will default, the Company takes into account qualitative factors (default of a debtor, review of an amount owed to the Company at conditions that the Company would not have considered otherwise, or evidence that a debtor or issuer will go bankrupt) and quantitative data internally developed and obtained from external sources.

Financial liabilities

The Company derecognizes financial liabilities only when the resulting obligations are discharged, canceled or expired. The difference between the carrying amount of a derecognized financial liability and the consideration paid or payable, including non-monetary assets transferred or liabilities assumed, is recognized in the consolidated statements of earnings.

Convertible Debentures

The convertible debentures are separated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity net of the tax implications, and the attributed amount is not subsequently reviewed. The attributed amount remains over the term of the related convertible debentures. Convertible debenture issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issuance.

(in thousands of Canadian dollars, except number of shares and per share data)

The debt component presented in the consolidated statements of financial position increases over the term of the debenture to the full face value of the outstanding debentures at maturity. The difference, that is, the accretion on convertible debentures, is presented as implicit interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the debentures. Upon conversion of the debentures into common shares by the holders, both of the above-mentioned components are transferred to share capital. If a conversion option is not exercised at the expiry of the convertible debentures, the equity component of the convertible debentures is transferred to contributed surplus.

Financing fees

Debt related financing fees are capitalized and depreciated using the effective interest rate method over the term of the corresponding borrowings. When a repayment is made on a borrowing, the corresponding financing fee is recorded in the net earnings.

Provisions, contingent liabilities and contingent assets

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amounts can be reliably estimated.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in earnings as a financial expense.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension obligation and other employee benefits

The Company provides post-employment benefits through defined contribution plans and a defined benefit plan. Contributions to the defined contribution plans are recognized as an expense in the period that relevant employee services are received. The liability recognized in the consolidated statements of financial position for the defined benefit plan is the present value of the defined benefit obligation at the closing date less the fair value of plan assets.

The remeasurement of the pension obligation, which includes actuarial variances related to the obligations and the return on plan assets in excess of interest income, is recognized in other comprehensive income and immediately in the deficit without subsequent reclassification to earnings.

Stock-based compensation

Stock option plan

The Company has an equity-settled stock option plan for some of its officers and employees. This plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of stock options are measured at their fair values unless they cannot be reasonably determined. If the Company is not able to reliably estimate the fair values of goods or services received, the values are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

Stock-based compensation is ultimately recognized as an expense in the consolidated statements of earnings with a corresponding credit to contributed surplus. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options that ultimately vest are different from that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are credited to share capital as well as the corresponding stock-based compensation that was previously included in contributed surplus.

Performance stock unit plan

The Company has a performance stock units (PSUs) plan for certain officers and employees. The PSUs vest after a maximum three-year period, on the basis of performance targets. The compensation cost is measured on the award date at the fair value of the shares and recognized over the related service period with a corresponding increase in contributed surplus. The Company recognizes the plan expense based on the expected attainment of performance targets. The impact of any change in the number of PSUs to be acquired is recognized in the period the estimate is revised.

Under the PSU plan, shares purchased on the open market on behalf of plan members are recognized at cost as a reduction of equity. If the fair market value of the shares on the award date is greater than the acquisition price paid by the Company, the difference is recognized as contributed surplus. If the fair market value of the shares on the award date is less than the acquisition price paid by the Company, the difference is applied against retained earnings.

Directors' share unit plan

Members of the Company's Board of Directors may elect to receive some or all of their annual fees in the form of Directors' share units (DSUs). The accrued DSU compensation liability is measured at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares. Changes in the liability are recognized as a compensation expense and the liability is included in trade and other payables. As at December 26, 2020, no DSU was granted.

Employee stock ownership plan

The Company has an employee stock ownership plan. Under the terms of this plan, the Company pays contributions calculated on the basis of percentages provided in the plan, in consideration of employee contributions. These contributions are recognized when employees agree to pay their share.

Government grants

On March 27, 2020, the Government of Canada announced a new Canada Emergency Wage Subsidy ("CEWS"), effective since March 15 and currently extended until summer 2021, enabling Canadian businesses to meet the challenges of the pandemic. Certain eligibility criteria must be met in order to be eligible for CEWS and receive a subsidy on salaries paid to employees, including a drop in eligible income which varies according to the periods concerned. The Government of Canada announced the eligibility criteria for the periods up to March 2021. In addition, the Government of Canada announced a new Canada emergency Rent Subsidy ("CERS"), effective on September 27, 2020, and currently until June 2021, to help businesses to cover a part of their commercial rent and property taxes expenses. The Company met the eligibility criteria for these subsidies, allowing it to offset part of the decrease in sales and net loss caused by the pandemic. The Company will continue to monitor developments on the eligibility criteria for subsequent periods.

The Company recognizes subsidies when recovery is reasonably secure. The subsidy is recognized using the cost reduction method, either as a reduction in the expense or in the asset to which it relates.

New accounting policy adopted during the current fiscal year

IFRS 16 - Leases

Accounting policy

In January 2016, the IASB published IFRS 16 which replace IAS 17 *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position by eliminating the distinction between operating leases and finance leases.

In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and the liability including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, largely retains the approach to lessor accounting in IAS 17, and introduces new disclosure requirements.

IFRS 16 applies to fiscal years beginning on or after January 1, 2019. The lease liability is equal to the net present value of future lease payments discounted using the implicit rate of the lease, if this rate can be determined or the Company incremental borrowing rate. The future lease payments include:

- Fixed payments and variable lease payments that are based on an index or a rate;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease if the Company expects to terminate the lease before the term.

Right-of-use assets are measured at cost which includes the initial lease liability amount, adjusted for payments made at or before the lease commencement date, lease incentives, initial direct costs and restoration costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and are depreciated over the shorter period of the lease term or useful life of the underlying asset.

(in thousands of Canadian dollars, except number of shares and per share data)

The Company uses the practical expedient permitted for leases whose underlying assets have a low value and those whose term is less than twelve months.

In May 2020, the IASB also issued an amendment for covid-19-Related Rent Concessions ("Amendment to IFRS 16") which modifies the standard so that lessees can benefit from the exemption to assess whether a covid-19 rent relief is a modification of the rental agreement. Concurrently, the IASB also published a proposed Taxonomy Update to reflect this amendment. This amendment had no impact on the Company's consolidated financial statements.

Impact of Adoption of IFRS 16

The Company adopted IFRS 16 on December 29, 2019 using the modified retrospective approach. The Company has recorded the cumulative effects of initial application as adjustment to deficit as at December 29, 2019 without restatement of the comparative period. At the adoption date, lease liability for leases previously classified as operating leases under IAS 17 equals the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate as permitted under IFRS 16. The Company elected to measure the underlying right-of-use asset at an amount equal to the lease liability.

At the adoption date, the Company has used the following practical expedients permitted by IFRS 16:

- Keep the definition of a lease included under IAS 17 for existing contracts at the date of initial application, allowing the Company not to reassess all contracts;
- Apply the standard to a portfolio of leases with similar characteristics and use a single discount rate to the portfolio. This measure has been used for vehicle contracts;
- Exclude initial direct costs from the measurement of the right-of-use asset; and
- Use hindsight in determining lease term at the date of initial application.

Adjustment to opening equity is related to an impairment charge of \$3,308, net of a deferred income taxes of \$734, recorded on the right-of-use assets for which the fair value was lower than the carrying amount.

The impacts of adopting IFRS 16 on the Company's balance sheet as at December 29, 2019 was as follows:

	Balance as at December 28, 2019	Adoption of IFRS 16	Restated balance as at December 29, 2019
	\$	\$	\$
Assets			
Property, plant and equipment	10,486	(2,940)	7,546
Right-of-use assets	—	57,437	57,437
Deferred tax assets	2,295	734	3,029
Total	12,781	55,231	68,012
Liabilities			
Current portion of long-term debt	2,983	(1,004)	1,979
Current portion of leases liabilities	—	11,941	11,941
Long-term debt	17,926	(2,963)	14,963
Lease liabilities	—	49,831	49,831
Total	20,909	57,805	78,714
Equity			
Equity attributable to shareholders	100,103	(2,574)	97,529

The Company used its incremental borrowing rates as at December 29, 2019 to measure lease liabilities, which is 3.58% for buildings and 5.98% for vehicles. The right-of-use assets are attributable to the following underlying assets: buildings for \$41,690 and vehicles for \$15,747.

The following reconciliation is between lease liabilities recognized as at December 29, 2019 and operating leases commitments disclosed under IAS 17 in note 19 *Operating leases and commitments* as at December 28, 2019:

	\$
Operating lease commitments as at December 28, 2019	48,520
Effect of discounting using the incremental borrowing rate	(9,296)
Add: finance leases as at December 29, 2019	3,967
Less: leases for which the underlying asset is low-value	(76)
Add: extension options reasonably certain to be exercised	19,606
Less: contracts as at December 29, 2019 excluded from IFRS 16	(950)
Lease liabilities as at December 29, 2019	61,771
Current portion of lease liabilities	11,941
Non-current portion of lease liabilities	49,830
	61,771

The impact of the adoption of IFRS 16 for the fiscal year ended December 26, 2020, is as follows:

	Continuing operations	Discontinued operations	Total
	\$	\$	\$
Decrease in operating expenses	(8,617)	(2,909)	(11,526)
Increase in financial expenses	1,477	452	1,929
Increase in depreciation and amortization	6,666	1,937	8,603

3 Significant estimates and judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are based on facts and information that are available to management, and are reassessed yearly at the end of each reporting period. The actual results are likely to differ from judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

Supplier rebates

Supplier rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates have been satisfied.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected usage of the Company's assets. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and computer hardware.

Pension obligation

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligation is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The estimates are subject to uncertainties, and may vary significantly in future appraisals of the Company's defined benefit obligations.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss. If a positive forecast of taxable income indicates the probable use of deferred tax assets, especially when it can be utilized without a time limit, those deferred tax assets are usually recognized in full. The

recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Impairment

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

4 Operating segments

The Company has two reportable segments: Distribution and Wholesale. These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

The Distribution segment's operations include the distribution of food products and related products in hotels, restaurants and institutions ("HRI") and retail market. In that segment, the Company distributes specialized products such as meat, fish and sea food ("Specialty Distribution") as well as general food related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

The Wholesale segment's operations include the sale of general food related products to distributors from its distribution center in Boucherville.

The Company and its chief operating decision-maker are assessing the performance of each segment based on adjusted EBITDA, which corresponds to sales minus cost of goods sold and operating expenses from current operations. The other expenses are recorded on a consolidated basis, therefore they are not considered in the adjusted EBITDA. Inter-segment eliminations and others eliminate all intersegment transactions included in the operating earnings for each segment and include headquarters' operations. Transactions between segments are recorded at a value agreed upon by both parties.

	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2020	2019 (Restated, Note 5)	2020	2019 (Restated, Note 5)	2020	2019 (Restated, Note 5)	2020	2019 (Restated, Note 5)
	\$	\$	\$	\$	\$	\$	\$	\$
Segment sales	309,258	491,359	192,388	229,973	(40,327)	(55,373)	461,319	665,959
Operating expenses	291,022	474,082	175,395	212,315	(34,011)	(48,086)	432,406	638,311
Adjusted EBITDA	18,236	17,277	16,993	17,658	(6,316)	(7,287)	28,913	27,648

(in thousands of Canadian dollars, except number of shares and per share data)

The following table presents a reconciliation of the Company's operating segments results with key financial figures presented in its consolidated financial statements:

	2020	2019
	(Restated, Note 5)	
	\$	\$
Net earnings from continuing operations	3,798	7,502
Income taxes	1,171	2,605
Financial expenses	6,712	7,023
Operating earnings	11,681	17,130
Costs from stock base compensation	309	32
Costs not related to current operations	1,811	881
Depreciation and amortization	15,112	9,605
Adjusted EBITDA	28,913	27,648

As mentioned in note 2, the adoption of IFRS 16 had an impact on the accounting treatment of leases compared to 2019 under IAS 17. The comparative figures have not been restated since the Company has elected to adopt this standard as of December 29, 2019 using the modified retrospective method. The impacts of adopting IFRS 16 disclosed in note 2 must be taken into consideration in order to make adjusted EBITDA of 2020 comparable to the corresponding periods of 2019.

Disaggregated revenue

The products from its Distribution and Wholesale segments are sold primarily in Quebec. Segment sales per product type are reconciled with the Company's sales in the table below :

	2020	2019
	(Restated, Note 5)	
	\$	\$
Distribution		
Broadline	225,701	295,700
Specialized	83,557	195,659
Total distribution	309,258	491,359
Wholesale	192,388	229,973
Eliminations	(40,327)	(55,373)
Total	461,319	665,959

5 Discontinued operations

Broadline distribution operations in Ontario

On January 8, 2020, the Company announced the consolidation of Broadline Distribution activities of the Summit Foods division ("Summit") in Ontario into its Mississauga distribution center resulting in the closure of its London and Ottawa distribution centers on February 9 and March 2, 2020, respectively.

On May 11, 2020, the Company announced it had concluded an agreement for the sale of the majority of the assets of its Summit division for an amount of \$9,457, subject to certain adjustments after the closing and a contingent consideration based on sales level in the next 12 months. An amount of \$7,723 was received upon closing of the transaction and a net amount of \$444 was received when finalizing the working capital. The remaining amount will be received in the coming months when the final adjustments are known. The sale includes the activities of independent and franchise restaurants as well as certain assets and transfer of certain sale employees. The Mississauga distribution center was closed in July 2020.

The following table presents the proceeds of disposition and the carrying amount of the net assets sold during the second quarter of 2020:

	\$
Proceeds from disposition	9,457
<hr/>	
Book value of assets and liabilities disposed:	
Trade and other receivables	3,709
Inventories	6,903
Prepaid expenses	661
Right-of-use assets	3,037
Trade and other payables	(2,389)
Lease liabilities	(3,037)
	<hr/> 8,884
Transaction fees	(474)
Gain on disposal	99

Sale of the Viandes Décarie division

On May 10, 2019, the Company concluded the sale of the assets of the Viandes Décarie division for an amount of \$20,070 including final adjustments related to working capital, of which \$17,750 was received at closing. The balance of the sale price receivable will be payable over a maximum period of five years according to the terms of the agreement, from which \$552 has been received as at December 26, 2020.

The Company has reclassified as discontinued operations all earnings and cash flows for the current and previous periods, separately from its continuing operations for these two divisions.

Net earnings (loss) from discontinued operations are as follows:

	2020	2019
	\$	\$
Sales	68,822	431,503
Cost of goods sold	62,408	390,006
Gross Margin	6,414	41,497
Operating expenses	9,348	49,560
Depreciation and amortization	2,263	225
Costs not related to current operations	11,014	(7,799)
Impairment loss on goodwill, intangible assets and property, plant and equipment	—	243
Operating earnings	(16,211)	(732)
Financial expenses	493	140
Loss before taxes	(16,704)	(872)
Income taxes recovered	(4,294)	(1,097)
Net earnings (loss) from discontinued operations	(12,410)	225

The income taxes represents the variation in deferred taxes on right-of-use and recognition of tax attributes.

The costs not related to current operations break down as follows:

	2020	2019
	\$	\$
Severance costs	7,741	—
Provision for onerous contracts	1,504	—
Provision for obsolescence of inventory and bad debt	490	—
Gain on disposal	(1,547)	(7,799)
Closing costs and others	2,826	—
Total	11,014	(7,799)

Costs not related to current operations for 2020 result from the closure of London and Ottawa distribution centers which took place in February and March 2020, respectively, as well as the closure of the Mississauga distribution center in July 2020. In 2020, the Company recognized an impairment reversal amounting to \$650 for its distribution centers. The unpaid amounts of its restructuring costs are disclosed in note 18. The costs not related to current operations in 2019 represent the gain on disposal realized on the sale of the Viandes Décarie division.

Cash flows from discontinued operations are as follows:

	2020	2019
	\$	\$
Cash flows from operating activities	(5,593)	(8,836)
Cash flows from investing activities	7,614	16,745
Cash flows from financing activities	(3,718)	(399)
Net change in cash and cash equivalent from discontinued operations	(1,697)	7,510

Cash flows from financing activities from discontinued operations include payments of lease obligations of \$3,285 and finance charges paid on these of \$475.

6 Operating expenses

		2020	2019
		\$	(Restated, Note 5) \$
	Notes		
Employee compensation ⁽¹⁾	21	36,156	50,122
Service contracts and variable portion related to lease contracts	2	2,224	11,435
Repair and maintenance		2,629	2,682
Utilities		2,970	4,377
Other expenses ⁽²⁾		4,236	7,405
		48,215	76,021

⁽¹⁾ During fiscal year 2020, employee compensation are net of CEWS acquired in connection with the pandemic amounting to \$6,883, of which an amount of \$498 is to be received as of December 26, 2020.

⁽²⁾ During fiscal year 2020, the other expenses are net of CERS acquired in connection with the pandemic amounting to \$184.

7 Costs not related to current operations

Costs not related to current operations related to continuing operations break down as follows:

	2020	2019
		(Restated, Note 5)
	\$	\$
Severance costs	511	444
Allowance for bad debt accounts ^(a)	626	—
Others ^(b)	674	437
	1,811	881

^(a) An allowance for bad debt amounting to \$626 was recorded in 2020 following the temporary closure of some of our customers in the restaurant business due to the pandemic.

^(b) On February 24, 2020, the Company announced the decision not to exercise the option to acquire Dubé & Loiselle inc. The Company acquired this option in October 2016 for an amount of \$500. This amount was written off during the first quarter of 2020. Other costs represent legal fees and other charges related to non-current activities.

8 Income taxes

Deferred income tax assets and liabilities related to the deductible and taxable temporary differences and the unused tax losses have been recognized in the consolidated statements of financial position.

The following table presents the income tax expenses on the earnings for the years ended December 26, 2020, and December 28, 2019:

	2020	2019
	(Restated, Note 5)	
	\$	\$
Income taxes payable		
Fiscal year considered	13	70
Prior fiscal years adjustment	(41)	(570)
	(28)	(500)
Deferred income tax		
Prior fiscal years adjustment	229	649
Creation and reversal of temporary differences	970	2,416
Accounting effect on income tax rate change	—	40
	1,199	3,105
Total income taxes	1,171	2,605

The difference between the effective income tax rate and the combined federal and provincial income tax rate in Canada was attributable to the following:

	2020	2019
	(Restated, Note 5)	
	\$	\$
Income before income taxes	4,969	10,107
Combined federal and provincial income tax rate	26.50%	26.56%
Income taxes at statutory rate	1,317	2,684
Non-tax deductible items	280	99
Non taxable items	(14)	—
Adjustment of tax attributes	188	69
Other	(600)	(247)
Income taxes	1,171	2,605

For the years ended December 26, 2020 and December 28, 2019

(in thousands of Canadian dollars, except number of shares and per share data)

The net changes in deferred income tax assets and liabilities, without giving effect to offsetting balances for the same taxing authorities, are as follows:

				2020
	Balance, beginning of year \$	Net earnings \$	Other comprehensive income \$	Balance, end of year \$
Deferred non-capital losses	1,589	2,638	—	4,227
Property, plant and equipment	(126)	282	—	156
Intangible assets	(2,241)	1,386	—	(855)
Goodwill	949	—	—	949
Debt, share and debenture issuance expenses	124	73	—	197
Provisions	454	(318)	—	136
Other	1,508	(232)	240	1,516
Deferred income tax assets	2,257	3,829	240	6,326

				2019
	Balance, beginning of year \$	Net earnings \$	Other comprehensive income \$	Balance, end of year \$
Deferred non-capital losses	2,478	(889)	—	1,589
Property, plant and equipment	(346)	220	—	(126)
Intangible assets	(1,187)	(1,054)	—	(2,241)
Goodwill	1,165	(216)	—	949
Debt, share and debenture issuance expenses	150	(26)	—	124
Provisions	694	(240)	—	454
Other	1,176	168	164	1,508
Deferred income tax assets (liabilities)	4,130	(2,037)	164	2,257

	2020 \$	2019 \$
Presented in the :		
Deferred tax assets	6,351	2,295
Deferred tax liabilities	(25)	(38)
	6,326	2,257

As at December 26, 2020, the Company had capital losses amounting to \$4,942 (\$4,470 in 2019) for which no deferred tax asset had been recognized. Non-capital losses are expiring between 2038 and 2040.

The Company has not recorded deferred tax liabilities related to temporary differences from its subsidiaries because the Company does not expect these earnings to be repatriated and to become taxable in the foreseeable future.

9 Per share data

Earnings (loss) per share

The following table presents the basic and diluted earnings (loss) per share:

	2020	2019 (Restated, Note 5)
	\$	\$
Net earnings from continuing operations	3,798	7,502
Net earnings (loss) from discontinued operations	(12,410)	225
Net earnings (loss)	(8,612)	7,727
Weighted average number of outstanding shares	101,640,026	101,346,836
Effect of dilutive stock options	—	388,187
Weighted average number of basic and diluted outstanding shares	101,640,026	101,735,023
Basic and diluted net earnings per share of continuing operations	0.04	0.08
Basic and diluted net loss per share of discontinued operations	(0.12)	—
Basic and diluted net earnings (loss) per share	(0.08)	0.08

Shares hypothetically issued as a result of the conversion of the convertible debentures (20,000,000 shares in 2020 and 2019) and 2,658,982 stock options in 2020 (1,941,471 stock options in 2019) were not included in the calculation of diluted earnings per share for the fiscal years ended December 26, 2020, and December 28, 2019, because of their non-dilutive effect.

10 Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	26,167	57,873
Supplier rebate receivables	5,254	11,389
Other	2,995	3,381
	34,416	72,643

The Company has examined its trade accounts receivable to detect any indications of impairment. The accounts receivable default rate of the Company is low, less than 0.5%. The aging of trade receivables that had not been impaired was as follows:

	2020	2019
	\$	\$
Current	24,716	56,782
Overdue from 31 to 60 days	1,451	1,074
Overdue more than 60 days	—	17
	26,167	57,873

The changes in the allowance for doubtful accounts recorded for trade receivables are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	906	1,133
Expenses for the year	1,155	706
Write-offs	(921)	(933)
Balance, end of year	1,140	906

The Company's maximum exposure to credit risk on the date of disclosure approaches the carrying amount for each of the above-mentioned classes of receivables.

11 Property, plant and equipment

	Notes	Equipment \$	Road vehicles \$	Computer equipment \$	Leasehold improvements \$	Road vehicles under capital leases \$	Total \$
Year ended December 26, 2020							
Opening net book value		3,385	393	1,010	2,758	2,940	10,486
Acquisitions		731	—	699	133	—	1,563
Disposals from continued operations		—	(26)	—	—	—	(26)
Disposals from discontinued operations		(291)	—	(20)	—	—	(311)
Depreciation		(1,210)	(106)	(382)	(815)	—	(2,513)
Impairment loss	14	—	—	—	(137)	—	(137)
IFRS 16 adoption	2	—	—	—	—	(2,940)	(2,940)
Closing net book value		2,615	261	1,307	1,939	—	6,122
As at December 26, 2020							
Cost		15,693	3,791	5,935	7,950	—	33,369
Accumulated depreciation and impairment		(13,078)	(3,530)	(4,628)	(6,011)	—	(27,247)
Net book value		2,615	261	1,307	1,939	—	6,122
	Note	Equipment \$	Road vehicles \$	Computer equipment \$	Leasehold improvements \$	Road vehicles under capital leases \$	Total \$
Year ended December 28, 2019							
Opening net book value		3,124	688	518	3,356	3,456	11,142
Acquisitions		1,354	22	809	727	78	2,990
Disposals		(38)	(34)	16	(323)	—	(379)
Depreciation		(1,033)	(283)	(333)	(792)	(594)	(3,035)
Impairment loss	14	(22)	—	—	(210)	—	(232)
Closing net book value		3,385	393	1,010	2,758	2,940	10,486
As at December 28, 2019							
Cost		20,069	7,497	6,974	13,054	6,867	54,461
Accumulated depreciation and impairment		(16,684)	(7,104)	(5,964)	(10,296)	(3,927)	(43,975)
Net book value		3,385	393	1,010	2,758	2,940	10,486

12 Intangible assets

	Distribution software \$	Signing bonuses \$	Customer relationships \$	Trademarks \$	Total \$
Year ended December 26, 2020					
Opening net book value	1,090	186	21,643	8,542	31,461
Acquisitions	678	—	—	—	678
Amortization	(538)	(186)	(4,846)	—	(5,570)
Closing net book value	1,230	—	16,797	8,542	26,569

As at December 26, 2020					
Cost	9,109	2,999	90,769	8,542	111,419
Accumulated depreciation and impairment	(7,879)	(2,999)	(73,972)	—	(84,850)
Net book value	1,230	—	16,797	8,542	26,569

	Distribution software \$	Signing bonuses \$	Customer relationships \$	Trademarks \$	Total \$
Year ended December 28, 2019					
Opening net book value	1,521	802	27,225	8,542	38,090
Acquisitions	185	—	—	—	185
Disposal	(8)	—	—	—	(8)
Amortization	(597)	(616)	(5,582)	—	(6,795)
Impairment loss	(11)	—	—	—	(11)
Closing net book value	1,090	186	21,643	8,542	31,461

As at December 28, 2019					
Cost	10,639	2,999	90,770	8,542	112,950
Accumulated depreciation and impairment	(9,549)	(2,813)	(69,127)	—	(81,489)
Net book value	1,090	186	21,643	8,542	31,461

The remaining weighted average life of the depreciable intangible assets with definite useful lives is 4.2 years.

13 Leases

i) The Company as lessee

The main right-of-use assets held under the Company's leases are buildings, road vehicles and others.

As at December 26, 2020, changes in right-of-use assets were as follows:

	Buildings \$	Road vehicles and others \$	Total \$
Year ended December 26, 2020			
Net book value on adoption of IFRS 16	41,690	15,747	57,437
New leases	2,003	430	2,433
Terminations and adjustments from continued operations	(394)	(32)	(426)
Impairment reversal	650	1,132	1,782
Depreciation	(6,933)	(2,339)	(9,272)
Terminations and adjustments from discontinued operations	(8,567)	(4,937)	(13,504)
Closing net book value	28,449	10,001	38,450
As at December 26, 2020			
Cost	34,475	14,566	49,041
Accumulated depreciation and impairment	(6,026)	(4,565)	(10,591)
Net book value	28,449	10,001	38,450

The Company has variable lease payments. These expenses are recorded in operating expenses and amounted to \$1,611 in 2020.

As at December 26, 2020, changes in lease liabilities were as follows:

	Buildings \$	Road vehicles and others \$	Total \$
Year ended December 26, 2020			
Net book value on adoption of IFRS 16	44,996	16,776	61,772
New leases	2,003	430	2,433
Terminations and adjustments from continued operations	(394)	—	(394)
Lease payments	(8,663)	(4,611)	(13,274)
Interest expense on lease liabilities	1,475	552	2,027
Terminations and adjustments related to discontinued operations	(6,149)	(4,782)	(10,931)
Closing net book amount ^(a)	33,268	8,365	41,633
Current portion	5,853	2,975	8,828
Non-current portion	27,415	5,390	32,805

^(a) The net book value of the lease liability includes an amount of \$4,192 related to the asset under sublease as explained in ii) below.

The weighted average incremental borrowing rate was 4.21% as at December 26, 2020. The remaining weighted average life of the lease contracts as at December 26, 2020, was 3.8 years.

Contractual undiscounted payments under leases defined above will be as follows for next coming years:

	\$
2021	10,360
2022	8,604
2023	5,183
2024	4,765
2025	4,024
2026 and thereafter	15,651
	48,587

(in thousands of Canadian dollars, except number of shares and per share data)

ii) The Company as lessor

The Company acts as an intermediate lessor for one building sublease contract.

Finance leases

In 2020, the Company recorded a finance income of \$35. Future minimum lease payments receivable relating the building subleased will be as follows:

	\$
2021	915
2022	915
2023	915
2024	915
2025	915
2026 and thereafter	—
Total undiscounted lease payments receivable	4,575
Unearned finance income	(392)
Accounts receivable on subleases	4,183
Current portion	778
Non-current portion	3,405

The minimum lease payments receivable are included in Other assets on the balance sheet.

14 Impairment

Goodwill and trademarks

For the purpose of impairment tests, the following table presents the carrying value of goodwill and trademarks by CGU:

	2020		2019	
	Goodwill \$	Trademarks \$	Goodwill \$	Trademarks \$
Boucherville Division	50,359	6,700	50,359	6,700
Norref Division	20,454	1,842	20,454	1,842
	70,813	8,542	70,813	8,542

Goodwill and the trademarks are tested for impairment at each year-end using the method of fair value less costs to sell. To measure the recoverable amount of CGUs, the Company established cash flow projections for the first five years on the basis of budgets. Cash flow projections beyond the period covered by the budget were determined using a steady growth rate for subsequent years; this growth rate does not exceed the long-term average growth rate for the Company's segments.

These discounted cash flow projections have been prepared by the management using both historical data and future trends expected by the Company as well as certain key assumptions:

- In 2020, the Company used average growth rates ranging from 2.0% to 14.8% (-6.2% to 1.4% in 2019).
- Earnings before taxes, financial expenses, depreciation and amortization which is based on the internal budget for 2021. Earnings before taxes, financial expenses, depreciation and amortization from 2022 to 2025, as well as the final values, have been extrapolated using these growth rates based mainly on the Consumer Price Index as well as observable market data in which the CGUs operate.
- In 2020, the Company used discount rate of 9.4% (10,1% in 2019). These discount rates represent the weighted average cost of capital for companies operating in the same line of business as the CGUs.

Property, plant and equipment and intangible assets

An impairment loss of \$137 and \$243 was incurred during fiscal 2020 and 2019, respectively, on Summit assets and included in net earnings (loss) from discontinued operations.

15 Trade and other payables

	2020	2019
	\$	\$
Trade payables	26,504	63,288
Salaries and related compensation payables	4,578	6,683
Other	7,437	12,353
	38,519	82,324

16 Long-term debt

	Note	As at December 26, 2020	As at December 28, 2019
		\$	\$
Credit facility ^(a)		—	2,000
Subordinated debt ^(b)		12,000	15,000
Obligations arising from leases repayable at interest rate ranging from 2.95% to 7.28% in 2019	2	—	3,967
Less unamortized financing costs		(140)	(58)
Total debt		11,860	20,909
Current portion of long-term debt		—	2,983
Total long-term debt		11,860	17,926

^(a) Credit facility

The credit facility is comprised of a revolving credit of up to \$90,000 including an operating swingline of \$13,500. By mutual agreement, the credit facility may be increased by an additional \$20,000. It is secured by a first-ranking mortgage on all Company's present and future assets. Amounts borrowed from the credit facility may take various forms and the interest rate varies based on the type of loan. As at December 26, 2020, the credit facility is unused. As at December 28, 2019, the amounts borrowed under the credit facility bore interest at rates varying between 3.55% and 3.66%. As at December 26, 2020, the available credit facility is \$30,047 given the assets on that date. The credit facility is expiring on October 13, 2021. See Note 28, Subsequent events for the conclusion of the new credit facility on February 18, 2021.

The Company is required to respect a fixed charges coverage ratio. As at December 26, 2020, this ratio has been met.

As at December 26, 2020, letters of guarantee amounting to \$1,044 (\$1,044 as at December 28, 2019) had been used to support the lease of one of the Company's distribution centers.

^(b) Subordinated debt

Under the initial terms of the agreement, the subordinated debt had a nominal value of \$25,000 and matured on April 13, 2021. During the fiscal year of 2020 and 2019, the Company has reimbursed a lump sum of \$3,000 and two lump sums for a total of \$10,000, respectively, decreasing the nominal value to \$12,000. Under the terms of the agreement, the interest on the debt is payable monthly at a prime rate of 7.0% in 2020 (8.0% in 2019). The subordinated debt is secured by a mortgage on all Company's present and future assets, which is subordinated to the first-ranking security on the credit facility. On May 29, 2020, the Company signed an agreement to extend the maturity of its subordinated debt until February 15, 2022, on the same conditions.

On February 18, 2021, the Company reimbursed in full the subordinated debt. See note 28, Subsequent events.

Financing costs of \$204 were incurred during the fiscal year ended December 26, 2020, relating to the extension of these two agreements.

17 Debentures

	2020	2019
	\$	\$
Convertible debentures	50,000	50,000
Less unamortized finance costs	188	424
	49,812	49,576

The debentures are convertible at the holders' option into shares at a conversion rate of 400 shares per \$1,000 of debenture capital, for a conversion price of \$2.50 per share (\$2.50 per share in 2019). Under certain circumstances, the Company could redeem some or all of the debentures in advance since April 30, 2015.

The debentures have a nominal value of \$50,000 maturing on October 13, 2021, with an interest rate of 6.0% (6.0% in 2019). Under the terms of the agreement, effective interest rate on the debentures is 6.55% (6.55% in 2019).

See Note 28, Subsequent events, for the announcement of the early redemption of all debentures.

18 Provisions

	2020	2019
	\$	\$
Balance, beginning of year	1,210	597
Changes to assumptions	(360)	613
Additional provision ⁽¹⁾	10,503	—
Provisions used during the year ⁽¹⁾	(9,917)	—
Balance, end of year	1,436	1,210
Current	1,436	1,210
Non-current	—	—
Balance, end of year	1,436	1,210

⁽¹⁾ The closure of its distribution centers located in Ottawa and London resulting from the announcement made by the Company in January 2020 and the one located in Mississauga, as mentioned in Note 5, resulted in costs not related to current operations. As at December 26, 2020, unpaid amounts for severance costs of \$300 and for onerous contracts of \$1,136 are included in Trade and other payables on the balance sheet.

19 Share-capital

Authorized

Unlimited number of participating, voting common shares without par value.

Unlimited number of preferred shares that may be issued in series, whose designation, rights, restrictions and conditions related to each series shall be established at their time of issue.

Issued and fully paid common shares

	2020		2019	
	Number	Amount \$	Number	Amount \$
Outstanding, beginning of the year	101,677,932	256,296	101,177,932	255,639
Issued during the year	3,353	4	500,000	657
Outstanding, end of the year	101,681,285	256,300	101,677,932	256,296

There were no outstanding preferred shares during the fiscal year covered.

On October 21, 2020, 3,353 common shares were issued as part of conversion of stock-option for an amount of \$4.

On July 31, 2019, 500,000 common shares were issued as part of conversion of stock-option for an amount of \$657.

20 Commitments

The Company has entered into service contracts mainly for maintenance, the duration of which extends over various periods up to January 2025. Future minimum payments of the Company details as follows as of December 26, 2020:

	\$
Less than 1 year	459
From 1 to 5 years	265
	724

21 Employee compensation

a) Employee benefit expenses

	Note	2020 \$	2019 (Restated, Note 5) \$
Salaries	6	25,759	39,446
Fringe benefit costs		7,765	7,912
Expenses for stock-based compensation plan		309	32
Pensions – defined contribution plans		723	790
Pensions – government defined contribution plans		1,600	1,942
		36,156	50,122

b) Stock-based compensation

Stock option plan

The Company adopted a stock option plan (hereinafter the "Option Plan") authorizing its Board of Directors to issue stock options entitling its directors, officers and employees to acquire common shares of the Company (hereinafter the "Shares"). The Company's Board of Directors implemented this plan in 2010.

The maximum number of Shares of the Company that can be issued pursuant to options awarded under the Option Plan is equivalent to 10% of the number of the Company's outstanding Shares at the time of the award, and the total number of Shares of the Company reserved to award options to a single person cannot be greater than 5% of the Shares of the Company. Since the Option Plan does not provide for a set maximum number of Shares of the Company that can be issued thereunder, it will have to be re-approved by the shareholders of the Company every three years from the date of the Annual Meeting of the Company.

The price for which the Shares of the Company may be subscribed pursuant to any option granted under the Option Plan of the Company is the market price. For the purposes of the Option Plan, "market price" means the volume weighted average trading price for the Shares of the Company during five trading days on the TSX prior to the applicable date of grant.

Unless the Board of Directors of the Company determines otherwise on the date of grant, any option granted will be vested and become exercisable by the eligible participant who has been granted an option (hereinafter an "Optionee") in four equal tranches on the first, second, third and fourth anniversaries of the date of grant, or according to a performance condition. The Optionee may then exercise any vested option at any time no later than the seventh or the tenth anniversary of the date of grant or such earlier date fixed by the Board of Directors (hereinafter the "Expiry Date") and all unexercised options shall expire and terminate and be of no further force or effect whatsoever following such Expiry Date.

If approved by the Board of Directors of the Company, in lieu of paying the applicable exercise price, an Optionee may elect to acquire the number of Shares of the Company determined by subtracting the applicable exercise price from the market price of the Shares of the Company on the date of exercise, multiplying the difference by the number of Shares of the Company in respect of which the option was otherwise being exercised and then dividing that product by such market price.

During fiscal year 2020, the Company did not grant any option to acquire common shares of the Company (2,215,000 options granted in 2019). The weighted average fair value of the options granted was estimated at the award date using a binomial option pricing model based on the following weighted average assumptions for options granted during the fiscal year 2019:

	2019
	Granted during the year
Weighted average fair value of the options	\$0.30
Risk-free interest rate	1.51 %
Expected volatility of shares	60 %
Expected annual dividend	—
Expected term	6.25 years
Share price at date of grant	\$0.59
Exercise price at date of grant	\$0.60
Exercise period	4 years

(in thousands of Canadian dollars, except number of shares and per share data)

A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	Number of options	2020 Weighted average exercise price \$	Number of options	2019 Weighted average exercise price \$
Outstanding, beginning of the year	3,416,471	0.94	4,218,943	1.69
Granted	—	—	2,215,000	0.60
Exercised	(12,500)	0.60	(500,000)	0.88
Forfeiture	(375,000)	0.75	(1,732,222)	1.01
Expired	(369,989)	1.84	(785,250)	3.87
Outstanding, end of the year	2,658,982	0.84	3,416,471	0.94
Exercisable options	1,471,436	1.04	840,082	1.63

Forfeited stock options have generated a reversal of \$87 in 2020 (\$300 in 2019) in the stock-based compensation expense.

The following table presents information related to the outstanding stock options as at December 26, 2020:

Granted date	Expiration year	Exercise price \$	Number of options outstanding	Number of exercisable options
May 2014	2021	3.70	50,000	50,000
June 2015	2022	1.04	150,000	150,000
October 2016	2026	0.88	500,000	500,000
December 2016	2026	1.36	518,982	415,186
May 2019	2029	0.60	380,000	91,250
July 2019	2029	1.02	30,000	7,500
August 2019	2029	0.94	30,000	7,500
November 2019	2029	0.47	1,000,000	250,000
			2,658,982	1,471,436

Performance stock unit plan

Under the terms of the Company's performance stock unit (PSU) plan, introduced on April 28, 2010, common shares may be granted to certain employees of the Company. A trustee appointed to administer the PSU plan purchases common shares on the market as necessary and holds them until such time as ownership is vested to each participant. The common shares vest after a maximum three-year period, on the basis of incentive targets. On the vesting date, PSU plan participants will receive dividends on all common shares held on their account between the grant date and the applicable vesting date. Unvested common shares will be forfeited if the participant resigns for a reason other than his retirement or is terminated for just cause prior to the applicable vesting date. In such an event, these common shares will be sold and the proceeds returned to the Company. Dividends on these common shares will also be remitted to the Company.

As at December 26, 2020, no common shares may be acquired by plan participants at the share bid price. In 2020, no performance stock was issued.

c) Pension obligation and employee future benefits

As at December 26, 2020, the Company had a defined benefit pension plan and contributed to group defined contribution plans.

The defined benefit pension plan is offered to a restricted number of employees only and is not available to new employees. Under the terms of this plan, a certain percentage of salary is converted into pension components each year. Pension benefits under this plan are paid when the beneficiary reaches retirement age.

Since March 1, 2017, the Company decided that active members of the plan will stop accumulating benefits. The announcement of the closing of the sale of the majority of the assets of its Summit division resulted in the termination of employment of all remaining active members of the plan as well as a settlement.

Information about the defined benefit pension plan is as follows:

	2020	2019
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	9,890	9,049
Financial expenses	283	342
Benefits paid	(311)	(773)
Actuarial gains or losses	1,135	1,272
Benefit payments in respect of a settlement	(2,430)	—
Actuarial loss from a settlement	467	—
Balance, end of year	9,034	9,890

	2020	2019
	\$	\$
Plan assets		
Fair value, beginning of year	8,337	7,983
Interest income	227	303
Actual return in excess of interest income	236	657
Employer contributions	102	178
Administrative expenses	(14)	(11)
Benefits paid	(311)	(773)
Benefit payments in respect of a settlement	(2,430)	—
Fair value, end of year	6,147	8,337
Funded status - Pension plan deficit	(2,887)	(1,553)

The plan assets are composed of the following for fiscal years 2020 and 2019:

				2020
	Listed	Unlisted	Total	Total
	\$	\$	\$	%
Cash and cash equivalents	285	—	285	4.6 %
Equity instruments - Level 1				
Canada	798	—	798	13.0 %
International	1,401	—	1,401	22.8 %
	2,199	—	2,199	35.8 %
Debt instruments - Level 2				
Corporate bonds	3,166	—	3,166	51.5 %
Real estate - Level 3	—	497	497	8.1 %
Total assets	5,650	497	6,147	100.0 %
				2019
	Listed	Unlisted	Total	Total
	\$	\$	\$	%
Cash and cash equivalents	384	—	384	4.6 %
Equity instruments - Level 1				
Canada	990	—	990	11.9 %
International	1,933	—	1,933	23.2 %
	2,923	—	2,923	35.1 %
Debt instruments - Level 2				
Corporate bonds	4,547	—	4,547	54.5 %
Real estate - Level 3	—	483	483	5.8 %
Total assets	7,854	483	8,337	100.0 %

The pension expense of the defined benefit pension plan is as follows:

	2020	2019
	\$	\$
Net interests	56	39
Administrative expenses	14	11
Actuarial gains or losses from a settlement	467	—
Amount recognized in earnings from discontinued operations	537	50

The remeasurement of the pension obligation is as follows:

	2020	2019
	\$	\$
Actuarial gains or losses		
Change in financial assumptions	(1,135)	(1,272)
Actual return in excess of interest income	236	657
Amount recognized in other comprehensive income	(899)	(615)

The significant actuarial assumptions used by the Company are as follows:

	2020	2019
Benefit costs		
Discount rate	3.15 %	3.95 %
Rate of compensation increase	n/a	n/a
Accrued benefit obligation		
Discount rate	2.45 %	3.15 %
Rate of compensation increase	n/a	n/a

The assumption on the mortality rate is based on the Canadian Private Sector Mortality Table (CPM2014Priv), published by the Canadian Institute of Actuaries (CIA).

A change of 0.5% in the discount rate used in the actuarial assumptions would have had the following impacts on the pension obligation, leaving all other actuarial assumptions unchanged:

	2020	2019
	\$	\$
Increase of 0.5% in the discount rate	(509)	(786)
Decrease of 0.5% in the discount rate	563	888

22 Financial expenses and financial expenses paid

	2020	2019
	\$	(Restated, Note 5) \$
Interest on credit facility	822	1,673
Interest on subordinated debt	1,009	1,812
Effective interest on debentures	3,227	3,227
Interest on lease obligations	1,552	—
Other	102	311
Financial expenses	6,712	7,023
Accretion expense on debenture	(236)	(236)
Amortization of financial expenses	(122)	(502)
Financial expenses paid	6,354	6,285

23 Cash flows

Net change in working capital

The following table presents the net change in working capital between the two year-ends, taking into account items of working capital assumed during business combinations and the disposal of a wholly owned subsidiary:

	2020	2019
	\$	\$
Trade and other receivables	15,410	6,602
Inventories	6,937	(1,194)
Other assets	705	659
Trade and other payables	(11,529)	(2,423)
Other liabilities	(1,344)	—
	10,179	3,644

Change in liabilities from financing activities

	Obligations arising from leases	Lease liabilities	Credit facility	Subordinated debt	Convertible debentures	Total
	\$		\$	\$	\$	\$
Balance as at December 28, 2019	3,967	—	1,979	14,963	49,576	70,485
Cash flows	—	(7,962)	(2,000)	(3,000)		(12,962)
Net change in non-cash items						
Refinancing cost paid	—	—	—	(204)	—	(204)
Other non-cash movements	—	(12,177)	21	101	236	(11,819)
Adoption of IFRS 16 (note 2)	(3,967)	61,772	—	—	—	57,805
Balance as at December 26, 2020	—	41,633	—	11,860	49,812	103,305
		Obligations arising from leases	Credit facility	Subordinated debt	Convertible debentures	Total
		\$	\$	\$	\$	\$
Balance as at December 29, 2018		4,905	33,577	24,862	49,341	112,685
Cash flows		(1,000)	(32,000)	(10,000)	—	(43,000)
Net change in non-cash items						
Acquisitions - finance leases		62	—	—	—	62
Other non-cash movements		—	402	101	235	738
Balance as at December 28, 2019		3,967	1,979	14,963	49,576	70,485

24 Financial Instruments

A) Fair value

Fair value of cash, trade and other receivables, bank indebtedness, trade and other payables as well as current portion of long-term debt, is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

		2020		2019
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial liabilities				
Current				
Convertible debentures	49,812	49,500	—	—
Non-current				
Subordinated debt	11,860	11,969	14,963	14,957
Convertible debentures	—	—	49,576	42,260
	61,672	61,469	64,539	57,217

The fair value of subordinated debt was determined by discounting future cash flows at 6.5% (6.5% as at December 28, 2019), the current rate of subordinated debt.

The fair value of the convertible debentures was determined based on the trading price on December 26, 2020.

Fair value measurement

When determining an asset or a liability's fair value, the Company uses observable market data as much as possible. Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at December 26, 2020, the Company has classified the fair value measurement of liabilities presented in the table above as follows: Convertible debentures (Level 1) and Subordinated debt (Level 2). There was no transfer between the levels during the fiscal year 2020.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure and its financial risk management policies are detailed below. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates.

As the balance of the credit facility was entirely repaid during the first quarter of 2020, a reasonably possible 1.0% fluctuation in the bank prime rate based on current market conditions would not have had a significant impact on net earnings in 2020 (\$20 in 2019).

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and other assets represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its trade accounts receivable and other assets. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee or letter of credit from some of its customers. As at December 26, 2020, the Company had guarantees for about 1.8% of its trade accounts receivable (1.0% as at December 28, 2019). In addition, following the pandemic, the payment terms of some customers have been modified for prepayments or payments on delivery in order to minimize credit risks. An additional provision for bad debts amounting to \$626 was recorded during the fiscal year 2020, following the temporary closure of some of our customers in the restaurant industry.

The Company's policy is to have each customer undergo a credit check.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget estimates and cash flow forecasts to ensure it has the necessary funds to fulfill its obligations. These forecasts are updated on a regular basis to consider the impacts of the rapidly evolving pandemic. According to our updated forecast based on information currently available to management, the Company is expecting to be able to meet its obligations for the next 12 to 15 months by using future cash flows from operating and financing activities. See note 28, Subsequent events for details related to financing agreements signed after December 26, 2020.

Undiscounted cash flows, including capital and interest related to the Company's liabilities expire as follows:

				2020
	Carrying amount \$	Maturing in less than 12 months \$	Maturing in 1 to 3 years \$	Total \$
Trade and other payables	38,519	38,519	—	38,519
Subordinated debt	12,000	780	12,097	12,877
Convertible debentures	50,000	52,384	—	52,384
	100,519	91,683	12,097	103,780

25 Capital management

The Company's objective when managing its capital is to safeguard its assets and its ability to continue as a going concern, while maximizing its growth and providing a return to shareholders. As was the case in 2019, the Company's capital is composed of the bank overdraft, bank borrowings, long-term debt, debentures and shareholders' equity. In addition to its conservative approach to safeguarding the statement of financial position, the Company achieves this objective through the prudent management of internally-generated capital, by optimizing the use of capital at a lower cost and using capital to finance growth initiatives.

The Company intends to maintain a flexible capital structure that is consistent with the above objectives and in order to make adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may acquire shares for cancellation in connection with a normal course issuer bid, issue new shares, raise capital through debt instruments (secured, unsecured, convertible or other) or refinance current debt through various instruments with different characteristics.

As at December 26, 2020, and December 28, 2019, the Company was in compliance with all debt covenants and was not subject to any other externally imposed capital requirements.

26 Related party transactions

The Company's related party transactions include transactions with its key management personnel and directors. Unless otherwise indicated, none of the transactions comprise special characteristics or terms and conditions, and no guarantee has been provided or received. The balances are generally paid in cash.

Transactions with Dubé & Loiselle Inc., an entity owned by a member of the Company's Board of Directors

	Note	2020 \$	2019 \$
Sales		15,884	26,936
Trade and other receivables, net of remittances ^(a)		187	447
Dubé & Loiselle inc. purchase option	7	—	500

^(a) In 2020, the rebates of \$1,193 (\$1,277 in 2019) were made in accordance with various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of business, and were recognized against merchandise sales.

Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and the Executive Committee. The compensation of key management personnel includes the following expenses:

	2020 \$	2019 \$
Short-term employee benefits		
Salaries, including bonuses and special allocations	2,772	2,823
Directors' fees	365	451
Fringe benefit costs	191	219
Total short-term employee benefits	3,328	3,493
Defined contribution pension plans	100	108
Share-based payments	289	26
Total compensation	3,717	3,627

27 Contingency

During the second quarter of 2019, a lawsuit of \$7,700 has been initiated by a client against the Company alleging a default to the terms of the agreement. The Company intends to defend itself vigorously.

28 Subsequent events

On February 18, 2021, the Company entered into a new senior secured credit facility for a total amount of \$80,000, including a term loan of \$30,000 and a revolving credit of \$50,000, of which \$5,000 in operating swingline. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 3.25% depending on the Company's leverage ratios. The credit facility is guaranteed by its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some ratios essentially related to consolidated adjusted EBITDA, financial expenses and total debt. The term loan is repayable by an amount of \$3,000 per year. By mutual agreement, the credit facility may be increased by \$20,000. This credit facility is maturing in February 2025.

On February 18, 2021, the Company also entered into an agreement for a new subordinated debt of \$20,000 of which \$15,000 has been disbursed at closing and \$5,000 is available to be disbursed until February 2022 at the Company's option. The subordinated debt bears interest at a rate varying between 7.25% to 8.25% depending on the Company's leverage ratios and have a five years term..

This refinancing was used to repay the previous subordinated debt as at December 26, 2020, in an amount of \$12.0 million and will serve to redeem the convertible debentures.

On February 18, 2021, the Company announced its intent to proceed with the early redemption of all convertible debentures issued and outstanding on March 23, 2021.