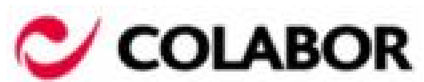

Consolidated Financial Statements
December 25, 2021
(in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Colabor Group Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Colabor Group Inc. and its subsidiaries (together, the Company) as at December 25, 2021 and December 26, 2020, 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 (loss) for the years ended December 25, 2021 and December 26, 2020;
- the consolidated statements of comprehensive income (loss) for the years ended December 25, 2021 and December 26, 2020;
- the consolidated statements of changes in equity for the years ended December 25, 2021 and December 26, 2020;
- the consolidated statements of cash flows for the years ended December 25, 2021 and December 26, 2020;
- the consolidated statements of financial position as at December 25, 2021 and December 26, 2020; and
- the notes to the 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 25, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill and trademark impairment test – Norref Division *Refer to note 2 – Significant accounting policies and note 14 – Impairment to the consolidated financial statements.* The book value of goodwill and trademark for the Norref Division totalled $22 million as at December 25, 2021. Management submits its cash-generating units ("CGUs") to which goodwill or trademark have been allocated to an impairment test annually, or more frequently if events or changes in circumstances indicate that they are impaired. An impairment loss is recognized in the consolidated statement of earnings (loss) as "Impairment loss on goodwill, intangible assets and property, plant and equipment" for the amount by which 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 trademark of the Norref Division.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the determination of the CGU defined by management. • Evaluated how management determined the recoverable amount which included the following: – Tested the appropriateness of the method applied and tested 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 rate of sales and the EBITDA, by considering the budget approved by the Board of Directors, and the current and past performance of the CGU.

Key audit matter	How our audit addressed the key audit matter
To determine the recoverable amount, management estimates expected future cash flows from the 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 first five years starting from the budget of the following year. Discounted cash flow projections are based on key assumptions including the sales growth rate, the earnings before taxes, interest, depreciation and amortization (EBITDA), and the discount rate. We considered this a key audit matter due to the significance of the goodwill and trademark and the judgments made by management in determining the recoverable amount of the CGU, including the use of key assumptions used by management. This has resulted in a high degree of auditor judgment and subjectivity in performing procedures relating to the key assumptions applied by management. Professionals with specialized skills and knowledge in the field of valuation assisted us in performing our procedures.	– 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. • Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of certain key assumptions used by management.

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 LLP[1]

Montréal, Quebec
February 25, 2022

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

COLABOR

Consolidated Statements of Earnings (Loss)

For the years ended December 25, 2021 and December 26, 2020

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

		52 weeks	
		2021	**2020**
	Notes	**$**	**$**
Sales	4	**475,761**	461,319
Cost of goods sold		**395,690**	384,500
Gross Margin		**80,071**	76,819
Operating expenses	6	**54,954**	48,215
Depreciation and amortization	11,12,13	**14,088**	15,112
(Income) costs not related to current operations	7	**(3,768)**	1,811
Operating earnings		**14,797**	11,681
Financial expenses	22	**5,109**	6,712
Earnings before taxes		**9,688**	4,969
Income taxes	8	**1,435**	1,171
Net earnings from continuing operations		**8,253**	3,798
Net loss from discontinued operations	5	**(411)**	(12,410)
Net earnings (loss)		**7,842**	(8,612)
Basic and diluted net earnings per share from continuing operations	9	**0.08**	0.04
Basic and diluted net loss per share from 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.

COLABOR

Consolidated Statements of Comprehensive income (Loss)

For the years ended December 25, 2021 and December 26, 2020

(in thousands of Canadian dollars)

	Notes	52 weeks 2021 $	2020 $
Net earnings from continuing operations		**8,253**	3,798
Other comprehensive income (loss) that will be subsequently reclassified to earnings:			
Changes in fair value of interest rate swap designated as cash flow hedge	24	**145**	—
Income taxes		**(38)**	—
Other comprehensive income from continuing operations		**107**	—
Comprehensive income from continuing operations		**8,360**	3,798
Net loss from discontinued operations		**(411)**	(12,410)
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:			
Remeasurement of defined benefit pension obligation	21	**117**	(899)
Income taxes		**(31)**	240
Other comprehensive income (loss) from discontinued operations		**86**	(659)
Comprehensive loss from discontinued operations		**(325)**	(13,069)
Comprehensive income (loss)		**8,035**	(9,271)

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

COLABOR

Consolidated Statements of Changes in Equity

For the years ended December 25, 2021 and December 26, 2020

(in thousands of Canadian dollars)

	Notes	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Accumulated other comprehensive income	Total Equity
		$	$	$	$	$	$
Balance as at December 26, 2020		**256,300**	**1,742**	**4,011**	**(173,486)**	**—**	**88,567**
Net earnings		—	—	—	**7,842**	—	**7,842**
Other comprehensive income		—	—	—	**86**	**107**	**193**
Comprehensive income (loss)		—	—	—	**7,928**	**107**	**8,035**
Conversion of debentures	17,19	**708**	**(24)**	—	—	—	**684**
Redemption of debentures	17	—	**(1,718)**	**1,718**	—	—	—
Stock-based compensation	21	—	—	**304**	—	—	**304**
Balance as at December 25, 2021		**257,008**	**—**	**6,033**	**(165,558)**	**107**	**97,590**

	Note	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Accumulated other comprehensive income	Total Equity
		$	$	$	$	$	$
Balance as at December 28, 2019		256,296	1,742	3,706	(161,641)	—	100,103
Impact of adoption of IFRS 16		—	—	—	(2,574)	—	(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

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

COLABOR

Consolidated Statements of Cash Flows

For the years ended December 25, 2021 and December 26, 2020

(in thousands of Canadian dollars)

	Notes	52 weeks 2021 $	2020 $
Cash flows from operating activities			
Net earnings from continuing operations		**8,253**	3,798
Non-cash items			
Deferred income taxes	8	**1,490**	1,199
Depreciation and amortization		**14,088**	15,112
Gain on disposal of property, plant and equipment		**—**	(152)
Financial expenses	22	**5,109**	6,712
Other		**587**	451
		29,527	27,120
Net changes in working capital	23	**(10,775)**	9,316
		18,752	36,436
Cash flows from investing activities			
Acquisitions of property, plant and equipment	11	**(1,727)**	(1,343)
Proceeds on disposals of property, plant and equipment	11	**8**	210
Acquisitions of intangible assets	12	**(511)**	(678)
Other		**388**	1,221
		(1,842)	(590)
Cash flows from financing activities			
Net change in the credit facility	16	**35,500**	(2,000)
Lease liability payments	13	**(8,162)**	(7,962)
Increase in subordinated debt	16	**15,000**	—
Repayment of subordinated debt	16	**(12,000)**	(3,000)
Financing cost paid	16	**(619)**	(204)
Financial expenses paid	22	**(4,320)**	(6,354)
Redemption of convertible debentures	17	**(49,316)**	—
		(23,917)	(19,520)
Net change in cash and cash equivalents from continuing operations		**(7,007)**	16,326
Net change in cash and cash equivalents from discontinued operations	5	**(181)**	(1,697)
Cash and cash equivalents (bank indebtedness) at the beginning		**9,194**	(5,435)
Cash and cash equivalents at the end		**2,006**	9,194
Other information to provide on cash flows from operating activities			
Tax received		**(89)**	(543)

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

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at December 25, 2021 $	As at December 26, 2020 $
Assets			
Current assets			
Cash and cash equivalent		**2,006**	9,194
Trade and other receivables	10	**45,745**	34,416
Inventories		**38,692**	35,266
Other		**1,921**	1,943
		88,364	80,819
Non-current assets			
Property, plant and equipment	11	**5,568**	6,122
Intangible assets	12	**22,855**	26,569
Right-of-use assets	13	**33,471**	38,450
Goodwill		**70,813**	70,813
Deferred tax assets	8	**4,775**	6,351
Other	13	**3,588**	4,876
		141,070	153,181
Total assets		**229,434**	234,000
Liabilities			
Current liabilities			
Trade and other payables	15	**43,667**	38,519
Current portion of long-term debt	16	**3,000**	—
Convertible debentures	17	**—**	49,812
Current portion of lease liabilities	13	**7,828**	8,828
Other		**212**	697
		54,707	97,856
Non-current liabilities			
Long-term debt	16	**46,989**	11,860
Lease liabilities	13	**27,471**	32,805
Pension obligations	21	**2,658**	2,887
Deferred tax liabilities	8	**19**	25
		77,137	47,577
Total liabilities		**131,844**	145,433
Equity			
Equity attributable to shareholders		**97,590**	88,567
Total liabilities and equity		**229,434**	234,000

Commitments (Note 20)
Contingency (Note 27)

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 are listed on the Toronto Stock Exchange under the symbol GCL.

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 December 25, 2021 and December 26, 2020 consisted of 52 weeks each.

Covid-19

During the fiscal year 2021, the Covid-19 pandemic ("pandemic") continued to affect the markets in which the Company and its suppliers operate and to impact customer demand, resulting in lower sales. The Company was still impacted by the government restrictions maintained in Quebec, especially the limited number of customers allowed in restaurants, despite the gradual lifting of certain restrictions at the end of the second quarter, including the resumption of indoor and outdoor dinning and the reopening of several restaurants. On December 30, 2021, the Quebec government announced new restrictions, closing once again the restaurant dining rooms, from December 31, 2021 to January 31, 2022. It is prudent to predict that the disruptions could still persist in the coming quarters in the restaurant industry given the uncertainties surrounding new variants of the virus and the gradual return of workers and tourism, as well as the longer-term impact on the economy and health regulations that will apply.

The duration and impact of the pandemic are unknown at this time, and it is impossible for management to reliably estimate the extent and impact of these developments, as well as the impact on the Company's financial results and financial position for the coming year. Depending on the occurrence of new waves, their 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.

These consolidated financial statements have been approved by the Company's Board of Directors during the February 25, 2022 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 as well as derivative financial instruments that are recorded at fair value.

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. (“Norref”); Colabor Management Inc.; Colabor Limited Partnership; and 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.

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 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 income or 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 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.

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
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.

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

Lease for which the Company is the lessee are recognized as a right-of-use assets and a lease liabilities in the consolidated statement of financial position.

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, if any. 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.

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.

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

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 following financial assets and liabilities are measured at amortized cost: trade and other receivables, bank indebtedness, trade and other payables, long-term debt and convertible debentures. The interest rate swap is valued at fair value.

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.

e) Derivative financial instruments and hedging relationship

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Company has designated the interest rate swap as cash flow hedge.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in

hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The full fair value of a derivative financial instrument is classified as a non-current asset or liability when the remaining life of the hedged item is more than 12 months and as a current asset or liability when the remaining life of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings. Amounts accumulated in equity are reclassified to earnings against the gain (loss) on the hedged item when the latter is realized. When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive income at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive income is immediately transferred to the consolidated statement 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.

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.

On March 23, 2021, the Company completed the redemption of all outstanding convertible debentures.

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. A defined benefit plan was also offered to a limited number of employees and is no longer available to new employees. 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.

On March 4, 2021, the Company permanently terminated the PSU plan.

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 25, 2021, 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

In 2020, the Government of Canada implemented a Canada Emergency Wage Subsidy ("CEWS") 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. In addition, the Government of Canada implemented a Canada emergency Rent Subsidy ("CERS") to help businesses to cover a part of their commercial rent and property taxes expenses. The Company met the eligibility criteria for theses subsidies during certain periods of the fiscal year, resulting in offsetting a 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.

Standards Issued but not yet in effect

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1, Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently assessing the impact of these amendments on its accounting policies disclosure.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB amended IAS 12, Income Taxes, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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 key assumptions about future operating results such as the growth rate, the earnings before taxes, financial expenses, depreciation and amortization ratio, and the discount rate. These key 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**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Segment sales	**323,870**	307,664	**196,054**	192,388	**(44,163)**	(38,733)	**475,761**	461,319
Operating expenses	**308,438**	289,428	**178,729**	175,395	**(36,826)**	(32,417)	**450,341**	432,406
Adjusted EBITDA	**15,432**	18,236	**17,325**	16,993	**(7,337)**	(6,316)	**25,420**	28,913

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

	2021	2020
	$	$
Net earnings from continuing operations	**8,253**	3,798
Income taxes	**1,435**	1,171
Financial expenses	**5,109**	6,712
Operating earnings	**14,797**	11,681
Costs from stock base compensation	**303**	309
(Income) costs not related to current operations	**(3,768)**	1,811
Depreciation and amortization	**14,088**	15,112
Adjusted EBITDA	**25,420**	28,913

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 :

	2021	2020
	$	$
Distribution		
Broadline	**243,202**	225,701
Specialized	**80,668**	81,963
Total distribution	**323,870**	307,664
Wholesale	**196,054**	192,388
Eliminations	**(44,163)**	(38,733)
Total	**475,761**	461,319

5 Discontinued operations

Broadline distribution operations in Ontario

On May 11, 2020, the Company announced the closing of the sale of the majority of the assets of its Summit division for an amount of $9,429. A residual amount of $1,003 was received during fiscal year 2021, as a final adjustment and contingent consideration based on sales for the 12 months following the transaction.

The Company has reclassified as discontinued operations all results and cash flows for the current and previous fiscal years, separately from its continuing operations for this division.

Net loss from discontinued operations are as follows:

	2021	2020
	$	$
Sales	—	68,822
Cost of goods sold	(1)	62,408
Gross Margin	1	6,414
Operating expenses	(96)	9,348
Depreciation and amortization	—	2,263
Costs not related to current operations (a)	493	11,014
Operating loss	(396)	(16,211)
Financial expenses	3	493
Loss before taxes	(399)	(16,704)
Income taxes (recovered)	12	(4,294)
Net loss from discontinued operations	(411)	(12,410)

(a) Costs not related to current operations from discontinued operations are as follows:

	2021	**2020**
	$	**$**
Severance costs	—	7,741
Provision for onerous contracts	—	1,504
Provision for obsolescence of inventory and bad debt	—	490
Loss (gain) on disposal [1]	**428**	(1,547)
Closing costs and others	**65**	2,826
Total	**493**	11,014

[1] During fiscal year 2021, the balance of the sale price receivable related to the sale of the Viandes Décarie division in May 2019 was reduced by an amount of $400.

Cash flows from discontinued operations are as follows:

	2021	**2020**
	$	**$**
Cash flows from operating activities	**(1,181)**	(4,730)
Cash flows from investing activities	**1,003**	6,751
Cash flows from financing activities	**(3)**	(3,718)
Net change in cash and cash equivalent from discontinued operations	**(181)**	(1,697)

6 Operating expenses

	Note	2021 $	2020 $
Employee compensation[1]	21	**42,537**	36,156
Service contracts and variable portion related to lease contracts		**2,727**	2,224
Repair and maintenance		**2,669**	2,629
Utilities		**3,519**	2,970
Other expenses[2]		**3,502**	4,236
		54,954	48,215

[1] Employee compensation is net of CEWS acquired in connection with the pandemic amounting to $2,332 ($6,883 in 2020).

[2] The other expenses are net of CERS acquired in connection with the pandemic amounting to $415 ($184 in 2020).

7 (Income) costs not related to current operations

Income or costs not related to current operations related to continuing operations are as follows:

	2021 $	2020 $
Severance costs	**63**	511
Allowance for bad debt accounts [a]	**—**	626
Others [b]	**(3,831)**	674
	(3,768)	1,811

[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] In 2021, the Ontario Ministry of Finance ("OMF") agreed to partially reimburse Colabor the penalty paid in 2017, plus interest, as final settlement to the notice of objection filed by Colabor in 2017. Effectively, in 2017, Colabor had received and paid a notice of an assessment advice of $6,367 from the OMF in connection with activities involving the sale of tobacco products that took place between 2013 and 2016 within a division in Ontario. Colabor appealed the case in 2019. This amount is expected to be received in the first quarter of 2022. This income is net of legal fees and other charges related to non-recurring activities which are also accounted for in other non-recurring expenses.

On February 24, 2020, the Company announced its decision not to exercise the option to acquire Dubé & Loiselle inc. which was acquired in 2016 for an amount of $500. This amount was written off during the first quarter of 2020.

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 25, 2021, and December 26, 2020:

	2021	**2020**
	$	**$**
Income taxes payable		
Fiscal year considered	**19**	13
Prior fiscal years adjustment	**(74)**	(41)
	(55)	(28)
Deferred income tax		
Prior fiscal years adjustment	**303**	229
Creation and reversal of temporary differences	**1,187**	970
	1,490	1,199
Income taxes	**1,435**	1,171

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

	2021	**2020**
	$	**$**
Income before income taxes	**9,688**	4,969
Combined federal and provincial income tax rate	**26.50%**	26.50%
Income taxes at statutory rate	**2,567**	1,317
Non-tax deductible and non-taxable items	**(1,373)**	266
Adjustment of tax attributes	**229**	188
Other	**12**	(600)
Income taxes	**1,435**	1,171

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

				2021
	Balance, beginning of year	**Net earnings**	**Other comprehensive income**	**Balance, end of year**
	$	**$**	**$**	**$**
Deferred non-capital losses	**4,227**	**(2,714)**	**—**	**1,513**
Property, plant and equipment	**156**	**705**	**—**	**861**
Intangible assets	**(855)**	**654**	**—**	**(201)**
Goodwill	**949**	**(10)**	**—**	**939**
Debt, share and debenture issuance expenses	**197**	**(170)**	**—**	**27**
Provisions	**136**	**394**	**—**	**530**
Other	**1,516**	**(360)**	**(69)**	**1,087**
Deferred income tax assets (liabilities)	**6,326**	**(1,501)**	**(69)**	**4,756**

				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

	2021	**2020**
	$	**$**
Presented in the :		
Deferred tax assets	**4,775**	6,351
Deferred tax liabilities	**(19)**	(25)
	4,756	6,326

As at December 25, 2021, the Company had capital losses amounting to $5,342 ($4,942 in 2020) 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:

	2021	**2020**
	$	**$**
Net earnings from continuing operations	**8,253**	3,798
Net loss from discontinued operations	**(411)**	(12,410)
Net earnings (loss)	**7,842**	(8,612)
Weighted average number of basic outstanding shares	**101,893,919**	101,640,026
Effect of dilutive stock options	**729,987**	—
Weighted average number of diluted outstanding shares	**102,623,906**	101,640,026
Basic and diluted net earnings per share from continuing operations	**0.08**	0.04
Basic and diluted net loss per share from discontinued operations	**—**	(0.12)
Basic and diluted net earnings (loss) per share	**0.08**	(0.08)

As at December 25, 2021, 3,443,995 stock options (2,658,982 stock options in 2020) were not included in the calculation of diluted earnings per share because of their non-dilutive effect, as well as 20,000,000 convertible debentures in 2020.

10 Trade and other receivables

	2021	**2020**
	$	**$**
Trade receivables	**32,381**	26,167
Supplier rebate receivables	**5,863**	5,254
Other	**7,501**	2,995
	45,745	34,416

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:

	2021	**2020**
	$	**$**
Current	**31,885**	24,716
Overdue from 31 to 60 days	**496**	1,451
	32,381	26,167

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

	2021	**2020**
	$	**$**
Balance, beginning of year	**1,140**	906
Expenses for the year	**224**	1,155
Write-offs	**(690)**	(921)
Balance, end of year	**674**	1,140

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

	Equipment	Road vehicles	Computer equipment	Leasehold improvements	Total
	$	$	$	$	$
Year ended December 25, 2021					
Opening net book value	**2,615**	**261**	**1,307**	**1,939**	**6,122**
Acquisitions	**669**	**—**	**386**	**672**	**1,727**
Disposals from continued operations	**—**	**(4)**	**—**	**—**	**(4)**
Depreciation	**(992)**	**(85)**	**(555)**	**(645)**	**(2,277)**
Closing net book value	**2,292**	**172**	**1,138**	**1,966**	**5,568**
As at December 25, 2021					
Cost	**16,361**	**2,885**	**6,321**	**8,624**	**34,191**
Accumulated depreciation and impairment	**(14,069)**	**(2,713)**	**(5,183)**	**(6,658)**	**(28,623)**
Net book value	**2,292**	**172**	**1,138**	**1,966**	**5,568**

	Note	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		—	—	—	—	(2,940)	(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

12 Intangible assets

	Distribution software	Customer relationships	Trademarks	Total
	$	$	$	$
Year ended December 25, 2021				
Opening net book value	**1,230**	**16,797**	**8,542**	**26,569**
Acquisitions	**511**	**—**	**—**	**511**
Amortization	**(516)**	**(3,709)**	**—**	**(4,225)**
Closing net book value	**1,225**	**13,088**	**8,542**	**22,855**
As at December 25, 2021				
Cost	**9,620**	**90,769**	**8,542**	**108,931**
Accumulated depreciation and impairment	**(8,395)**	**(77,681)**	**—**	**(86,076)**
Net book value	**1,225**	**13,088**	**8,542**	**22,855**

	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

The remaining weighted average life of the depreciable intangible assets with definite useful lives is 3.4 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 25, 2021, changes in right-of-use assets were as follows:

	Buildings	Road vehicles and others	Total
	$	$	$
Year ended December 25, 2021			
Opening net book value	**28,449**	**10,001**	**38,450**
New leases	**2,672**	**—**	**2,672**
Terminations and adjustments from continued operations	**—**	**(65)**	**(65)**
Depreciation	**(5,639)**	**(1,947)**	**(7,586)**
Closing net book value	**25,482**	**7,989**	**33,471**

	Buildings	Road vehicles and others	Total
As at December 25, 2021			
Cost	**36,466**	**13,803**	**50,269**
Accumulated depreciation and impairment	**(10,984)**	**(5,814)**	**(16,798)**
Net book value	**25,482**	**7,989**	**33,471**

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 $1,953 in 2021 ($1,611 in 2020).

As at December 25, 2021, changes in lease liabilities were as follows:

	Buildings	**Road vehicles and others**	**Total**
	$	**$**	**$**
Year ended December 25, 2021			
Opening net book value	**33,268**	**8,365**	**41,633**
New leases	**2,672**	**—**	**2,672**
Terminations and adjustments from continued operations	**—**	**(67)**	**(67)**
Lease payments	**(7,135)**	**(3,127)**	**(10,262)**
Interest expense on lease liabilities	**981**	**342**	**1,323**
Closing net book value (a)	**29,786**	**5,513**	**35,299**
Current portion	**5,299**	**2,529**	**7,828**
Non-current portion	**24,487**	**2,984**	**27,471**

[a] The net book value of the lease liability includes an amount of $3,405 in 2021 related to the asset under sublease as explained in ii) below.

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 value [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 in 2020 related to the asset under sublease as explained in ii) below.

The weighted average incremental borrowing rate was 4.12% as at December 25, 2021 (4.21% as at December 26, 2020). The remaining weighted average life of the lease contracts as at December 25, 2021 was 3.6 years (3.8 years as at December 26, 2020)

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

	$
2022	**8,891**
2023	**5,528**
2024	**5,186**
2025	**4,537**
2026	**2,849**
2027 and thereafter	**12,502**
	39,493

ii) The Company as lessor

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

Finance leases

In 2021, the Company recorded a finance income of $137 ($35 in 2020). Future minimum lease payments receivable relating the building subleased will be as follows:

	$
2022	**915**
2023	**915**
2024	**915**
2025	**915**
2026 and thereafter	**—**
Total undiscounted lease payments receivable	**3,660**
Unearned finance income	**(255)**
Accounts receivable on subleases	**3,405**
Current portion	**806**
Non-current portion	**2,599**

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:

	2021		2020	
	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:

a) In 2021, the Company used average growth rates ranging from 2.0% to 12.6% (2.0% to 14.8% in 2020).

b) Earnings before taxes, financial expenses, depreciation and amortization which is based on the internal budget for 2022. Earnings before taxes, financial expenses, depreciation and amortization from 2023 to 2026, 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.

c) In 2021, the Company used discount rate of 10.0% (9.4% in 2020). These discount rates represent the weighted average cost of capital for companies operating in the same line of business as the CGUs.

No impairment was recognized as of December 25,2021. There is measurements uncertainty for the Norref's CGU, since adverse changes in one or a combination of the Company's key assumptions could cause a significant change in the recoverable amounts of these assets. As result of the impairment test, the Company concluded that the recoverable amount of the Norref's CGU exceeded its carrying amount by $1,669.

With all the other variables held constant, a decrease in the discount rate of 0.5% would reduce the excess by $1,861 and a decrease in the EBITDA margin of 0.5% would reduce the excess by $4,836.

Property, plant and equipment and intangible assets

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

15 Trade and other payables

	2021	2020
	$	$
Trade payables	**31,882**	26,504
Salaries and related compensation payables	**3,362**	4,578
Other	**8,423**	7,437
	43,667	38,519

16 Long-term debt

	As at December 25, 2021	As at December 26, 2020
	$	$
Credit facility[(a)]		
Term loan	**28,500**	—
Revolving credit	**7,000**	—
Subordinated debts[(b)]	**15,000**	12,000
Less unamortized financing costs	**(511)**	(140)
Total debt	**49,989**	11,860
Current portion of long-term debt	**3,000**	—
Total long-term debt	**46,989**	11,860

[(a)] Credit facility

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 swing line, which was amended on September 17, 2021. 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 the assets of the Company and by those of some of 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 which were met as at December 25, 2021. The term loan is repayable quarterly, for an annual amount of $3,000 of which two installments for a total of $1,500 was reimbursed during the fiscal year 2021. By mutual agreement, the credit facility may be increased by $20,000 and matures on February 18, 2025. As at December 25, 2021, the availability under the credit facility is $41,986.

[(b)] **Subordinated debts**

On February 18, 2021, the Company entered into an agreement for a $20,000 new subordinated debt, of which $15,000 has been disbursed at closing and $5,000 was available until February 18, 2022 at the Company's option, which was amended on September 28, 2021. The subordinated debt bears interest at a rate of 7.25% to 8.25% depending on the Company's leverage ratios, payable quarterly and matures on February 18, 2026. The subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility.

The existing subordinated debt, as at December 26, 2020, in the amount of $12,000 was fully repaid on February 18, 2021.

Financing costs of $619 were incurred during the fiscal year 2021, in connection with the execution of these two credit agreements.

17 Debentures

	As at December 25, 2021 $	As at December 26, 2020 $
Convertible debentures	—	50,000
Less unamortized financing costs	—	(188)
	—	49,812

On March 23, 2021, the Company completed the redemption of all outstanding convertible debentures in the aggregate principal unpaid amount of $49,316. Following the conversions described in Note 19, the balance of $49,316 was redeemed at a price of $1,000 per debenture, plus accrued and unpaid interest to, but excluding, March 23, 2021. An amount of $1,718 representing the equity component of the convertible debentures was transferred to contributed surplus in connection with the debentures for which the conversion option was not exercised by the maturity date.

The convertible debentures that were listed on the Toronto Stock Exchange under the symbol GCL.DB.A were delisted on March 23, 2021.

18 Provisions

	2021 $	2020 $
Balance, beginning of year	**1,436**	1,210
Changes to assumptions	—	(360)
Additional provision[(1)]	—	10,503
Provisions used during the year[(1)]	**(1,383)**	(9,917)
Balance, end of year	**53**	1,436
Current	**53**	1,436
Non-current	—	—
Balance, end of year	**53**	1,436

[(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 in July 2020 resulted in costs not related to current operations. As at December 25, 2021, unpaid amounts for severance costs of $47 and for onerous contracts of $6 are included in Trade and other payables on the balance sheet ($300 and $1,136 as at December 26, 2020).

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

	Number	As at December 25, 2021 Amount $	Number	As at December 26, 2020 Amount $
Outstanding, beginning of year	**101,681,285**	**256,300**	101,677,932	256,296
Issued	**273,600**	**708**	3,353	4
Outstanding, end of year	**101,954,885**	**257,008**	101,681,285	256,300

There were no outstanding preferred shares during the periods covered.

On February 18, 2021, the Company announced its intention to early redeem all of the issued and outstanding convertible debentures. The terms of the convertible debentures gave the holders the right to convert, prior to the announced redemption date of March 23, 2021, their convertible debentures at a conversion price of $2.50 per share. According to these terms, on March 17, 2021, 267,600 common shares were issued for an aggregate amount of $669 and on March 22, 2021, 6,000 common shares were issued for an aggregate amount of $15.

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

20 Commitments

The Company has entered into service contracts mainly for maintenance, the duration of which extends over various periods up to July 2026. Future minimum payments of the Company details as follows as of December 25, 2021:

	$
Less than 1 year	**963**
From 1 to 5 years	**546**
	1,509

21 Employee compensation

a) Employee benefit expenses

	Note	2021 $	2020 $
Salaries	6	**32,662**	25,759
Fringe benefit costs		**7,084**	7,765
Expenses for stock-based compensation plan		**304**	309
Pensions – defined contribution plans		**780**	723
Pensions – government defined contribution plans		**1,707**	1,600
		42,537	36,156

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 2021, the Company granted 1,680,000 stock options to acquire common shares of the Company (no option granted in 2020). 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 2021:

	2021 **Granted during the year**
Weighted average fair value of the options	**$0.46**
Risk-free interest rate	**0.85%**
Expected volatility of shares	**61%**
Expected annual dividend	**—**
Expected term	**4.9 years**
Share price at date of grant	**$1.12**
Exercise price at date of grant	**$1.12**

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

		2021		**2020**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of year	**2,658,982**	**0.84**	3,416,471	0.94
Granted	**1,680,000**	**1.12**	—	—
Exercised	**—**	**—**	(12,500)	0.60
Forfeiture	**(60,000)**	**0.76**	(375,000)	0.75
Expired	**(105,000)**	**2.27**	(369,989)	1.84
Outstanding, end of year	**4,173,982**	**0.92**	2,658,982	0.84
Exercisable options	**1,811,482**	**0.89**	1,471,436	1.04

Forfeited stock options have generated a reversal of $14 in 2021 ($87 in 2020) in the stock-based compensation expense.

The following table presents information related to the outstanding stock options as at December 25, 2021:

Granted date	Expiration year	Exercise price	Number of options outstanding	Number of exercisable options
		$		
June 2015	2022	1.04	110,000	110,000
October 2016	2026	0.88	500,000	500,000
December 2016	2026	1.36	518,982	518,982
May 2019	2029	0.60	335,000	167,500
August 2019	2029	0.94	30,000	15,000
November 2019	2029	0.47	1,000,000	500,000
March 2021	2031	1.09	200,000	—
March 2021	2031	1.08	150,000	—
May 2021	2031	1.11	300,000	—
June 2021	2031	1.11	30,000	—
August 2021	2031	1.14	1,000,000	—
			4,173,982	**1,811,482**

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 25, 2021, no common shares may be acquired by plan participants at the share bid price. In 2021, no performance stock was issued.

The Company definitively terminated this PSU plan on March 4, 2021.

c) Pension obligation and employee future benefits

As at December 25, 2021, the Company had a defined benefit pension plan and contributed to group defined contribution plans.

The defined benefit pension plan was 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. On February 26 2021, the Company approved the complete wind-up of the plan as of May 31, 2021. As at December 25, 2021, the legal process around the wind-up is not complete.

Information about the defined benefit pension plan is as follows:

	2021	**2020**
	$	**$**
Accrued benefit obligation		
Balance, beginning of year	**9,034**	9,890
Financial expenses	**208**	283
Benefits paid	**(333)**	(311)
Actuarial gains or losses	**(443)**	1,135
Benefit payments in respect of a settlement	**—**	(2,430)
Actuarial loss from a settlement	**—**	467
Balance, end of year	**8,466**	9,034

	2021	**2020**
	$	**$**
Plan assets		
Fair value, beginning of year	**6,147**	8,337
Interest income	**148**	227
Actual return in excess of interest income	**(326)**	236
Employer contributions	**174**	102
Administrative expenses	**(2)**	(14)
Benefits paid	**(333)**	(311)
Benefit payments in respect of a settlement	**—**	(2,430)
Fair value, end of year	**5,808**	6,147
Funded status - Pension plan deficit	**(2,658)**	(2,887)

The plan assets are composed of the following for fiscal years 2021and 2020:

				2021
	Listed	**Unlisted**	**Total**	**Total**
	$	**$**	**$**	**%**
Debt instruments - Level 2				
Corporate bonds	**508**	**—**	**508**	**8.7%**
Life annuity buy-in contract - Level 3	**—**	**5,300**	**5,300**	**91.3%**
Total assets	**508**	**5,300**	**5,808**	**100.0%**

				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%

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

	2021	**2020**
	$	**$**
Net interests	**60**	56
Administrative expenses	**2**	14
Actuarial losses from a settlement	**—**	467
Amount recognized in earnings from discontinued operations	**62**	537

The remeasurement of the pension obligation is as follows:

	2021 $	2020 $
Actuarial gains or losses		
Change in financial assumptions	**443**	(1,135)
Actual return in excess of interest income	**(326)**	236
Amount recognized in other comprehensive income	**117**	(899)

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

	2021	2020
Benefit costs		
Discount rate	**2.45 %**	3.15 %
Rate of compensation increase	**n/a**	n/a
Accrued benefit obligation		
Discount rate	**3.00 %**	2.45 %
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:

	2021 $	2020 $
Increase of 0.5% in the discount rate	**(433)**	(509)
Decrease of 0.5% in the discount rate	**477**	563

22 Financial expenses and financial expenses paid

	2021 $	2020 $
Interest on credit facility	**1,302**	822
Interest on subordinated debt	**1,131**	1,009
Effective interest on debentures	**934**	3,227
Interest on lease obligations	**1,324**	1,552
Other	**418**	102
Financial expenses	**5,109**	6,712
Variation of accrued interest	**(353)**	—
Accretion expense on debenture	**(188)**	(236)
Amortization of financial expenses	**(248)**	(122)
Financial expenses paid	**4,320**	6,354

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:

	2021	**2020**
	$	**$**
Trade and other receivables	**(11,779)**	14,547
Inventories	**(3,426)**	6,937
Other assets	**258**	705
Trade and other payables	**5,125**	(11,529)
Other liabilities	**(953)**	(1,344)
	(10,775)	9,316

Change in liabilities from financing activities:

	Lease liabilities	**Credit facility**	**Subordinated debt**	**Convertible debentures**	**Total**
	$	**$**	**$**	**$**	**$**
Balance as at December 26, 2020	**41,633**	**—**	**11,860**	**49,812**	**103,305**
Cash flows	**(8,162)**	**35,500**	**3,000**	**(49,316)**	**(18,978)**
Net change in non-cash items					
Refinancing cost paid	**—**	**(393)**	**(226)**	**—**	**(619)**
Other non-cash movements	**1,828**	**189**	**59**	**(496)**	**1,580**
Balance as at December 25, 2021	**35,299**	**35,296**	**14,693**	**—**	**85,288**

	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	(3,967)	61,772	—	—	—	57,805
Balance as at December 26, 2020	—	41,633	—	11,860	49,812	103,305

24 Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables 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:

		2021		**2020**
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial asset				
Non-current				
Derivative financial instrument	**145**	**145**	—	—
Financial liabilities				
Current				
Convertible debentures	—	—	49,812	49,500
Non-current				
Credit facility	**35,185**	**35,500**	—	—
Subordinated debt	**14,804**	**15,000**	11,860	11,969
	49,989	**50,500**	61,672	61,469

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (6.5% as at December 26, 2020), the current rate of subordinated debt.

In addition, in April 2021, the Company entered into an interest rate swap for a total nominal value of $15,000 to cover the risk of interest rate fluctuations on a portion of its credit facility beginning in March 2022 until maturity in 2025. The interest rate fixed by the swap is 1.43%. Since this interest rate swap meet the hedge accounting conditions, changes in fair value are recognized in other comprehensive income.

The fair value of the interest rate swap is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. As at December 25, 2021, the fair value of the interest rate swap is an asset and is accounted for under Other in the non-current assets of the consolidated statement of financial position for an amount of $145.

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; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

As at December 25, 2021, the Company has classified the fair value measurement of the credit facility, the subordinated debt and of the interest rate swap as Level 2. There was no transfer between the levels during the fiscal year 2021.

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. The Company manages its exposure to interest rate risk by favoring an appropriate mix of fixed and floating rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a reasonably possible 1.0% fluctuation in the interest rate on current market conditions would have an impact of $612 on earnings in 2021 (nil in 2020).

In addition, in April 2021, the Company entered into an interest rate swap for a total nominal value of $15,000 with a financial institution in order to hedge the risk of fluctuations in interest rates on a portion of its credit facility beginning in March 2022 and until maturity in 2025. The Company periodically reviews the level of the debt on which the interest rates must be fixed.

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 25, 2021, the Company had guarantees for about 1.4% of its trade accounts receivable (1.8% as at December 26, 2020). In addition, following the beginning of the pandemic, the payment terms of some customers have been modified for prepayments or payments on delivery in order to minimize credit risks.

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. 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 funds available under the credit facility in place.

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

					2021
	Carrying amount	**Maturing in less than 12 months**	**Maturing in 1 to 3 years**	**Maturing in 3 to 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade and other payables	**43,667**	**43,667**	**—**	**—**	**43,667**
Credit facility	**35,185**	**4,434**	**8,897**	**26,837**	**40,168**
Subordinated debt	**14,804**	**1,088**	**2,175**	**16,269**	**19,532**
	93,656	**49,189**	**11,072**	**43,106**	**103,367**

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 2020, the Company's capital is composed of the bank overdraft, bank borrowings, long-term debt 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 25, 2021, and December 26, 2020, 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. 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	2021	2020
		$	**$**
Sales		**18,957**	15,884
Trade and other receivables, net of remittances [a]		**1,223**	187

[a] In 2021, the rebates of $1,683 ($1,193 in 2020) 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 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:

	2021	2020
	$	**$**
Short-term employee benefits		
Salaries, including bonuses and special allocations	**3,438**	2,772
Directors' fees	**396**	365
Fringe benefit costs	**145**	191
Total short-term employee benefits	**3,979**	3,328
Defined contribution pension plans	**184**	100
Share-based payments	**278**	289
Total compensation	**4,441**	3,717

27 Contingency

Since the second quarter of 2019, a lawsuit from a client for an amount of $5,250 (US$4,200) has been initiated against the Company, alleging a default to the terms of the agreement. The Company intends to defend itself vigorously.