Consolidated Financial Statements
December 29, 2018
(in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Groupe Colabor Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Groupe Colabor Inc. and its subsidiaries (together, the Company) as at December 29, 2018 and December 30, 2017, 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 Standard Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 29, 2018 and December 30, 2017;
- the consolidated statements of earnings for the years ended December 29, 2018 and December 30, 2017;
- the consolidated statements of comprehensive income for the years ended December 29, 2018 and December 30, 2017;
- the consolidated statements of changes in equity for the years ended December 29, 2018 and December 30, 2017;
- the consolidated statements of cash flows for the years ended December 29, 2018 and December 30, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

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.

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

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 and will 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 on the other information, 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 companies 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 we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, the related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

(s) PricewaterhouseCoopers LLP[1]

Montréal, Quebec
February 21, 2019

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

COLABOR

Consolidated Statements of Earnings

For the years ended December 29, 2018 and December 30, 2017

(in thousands of Canadian dollars)

	Notes	2018 (52 weeks) $	2017 (52 weeks) $
Sales	4	1,202,916	1,319,450
Operating expenses, excluding costs not related to current operations, depreciation and amortization	5	1,184,508	1,294,793
Operating earnings before costs not related to current operations, depreciation and amortization		18,408	24,657
Costs not related to current operations	6	1,225	8,297
Depreciation and amortization		12,432	11,271
Impairment loss on goodwill, intangible assets and property, plant and equipment	11	2,916	16,440
		16,573	36,008
Operating earnings (loss)	4	1,835	(11,351)
Impairment loss on financial instruments at fair value through profit or loss		118	224
Financial expenses	20	7,790	7,571
		7,908	7,795
Earnings (loss) before taxes		(6,073)	(19,146)
Income taxes (recovery)	12	(1,686)	(554)
Net earnings (loss)		(4,387)	(18,592)
Basic and diluted earnings (loss) per share	21	(0.04)	(0.18)

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

Consolidated Statements of Comprehensive income

For the years ended December 29, 2018 and December 30, 2017

(in thousands of Canadian dollars)

	Notes	2018 (52 weeks) $	2017 (52 weeks) $
Net earnings (loss)		(4,387)	(18,592)
Other comprehensive income (loss) that will be subsequently reclassified to earnings			
Loss on financial instruments at fair value through profit or loss		(118)	(399)
Reclassification to earnings		118	224
		—	(175)
Other comprehensive income (loss) that will not be reclassified to earnings			
Remeasurement of pension obligation	19	220	(637)
Taxes on other comprehensive income (loss)	12	(59)	170
		161	(467)
Total other comprehensive income (loss)		161	(642)
Total comprehensive income (loss)		(4,226)	(19,234)

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

Consolidated Statements of Changes in Equity

For the years ended December 29, 2018 and December 30, 2017

(in thousands of Canadian dollars)

	Share capital	Convertible debenture conversion options	Contributed surplus	Other comprehensive income (loss)	Deficit	Total Equity
	$	$	$	$	$	$
Balance as at December 30, 2017	258,005	1,742	2,506	—	(164,691)	97,562
Net loss	—	—	—	—	(4,387)	(4,387)
Other comprehensive income	—	—	—	—	161	161
Total comprehensive loss	—	—	—	—	(4,226)	(4,226)
Shares cancelled (note 17)	(2,366)	—	1,317	—	—	(1,049)
Stock-based compensation (note 19)	—	—	68	—	—	68
Balance as at December 29, 2018	255,639	1,742	3,891	—	(168,917)	92,355

	Share capital	Convertible debenture conversion options	Contributed surplus	Other comprehensive income (loss)	Deficit	Total Equity
	$	$	$	$	$	$
Balance as at December 31, 2016	258,000	1,742	2,168	175	(145,632)	116,453
Net loss	—	—	—	—	(18,592)	(18,592)
Other comprehensive loss	—	—	—	(175)	(467)	(642)
Total comprehensive income	—	—	—	(175)	(19,059)	(19,234)
Shares issued during the period (note 17)	5	—	—	—	—	5
Stock-based compensation (note 19)	—	—	338	—	—	338
Balance as at December 30, 2017	258,005	1,742	2,506	—	(164,691)	97,562

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

COLABOR

Consolidated Statements of Cash Flows

For the years ended December 29, 2018 and December 30, 2017

(in thousands of Canadian dollars)

	Notes	2018 (52 weeks) $	2017 (52 weeks) $
Operating activities			
Net earnings (loss)		(4,387)	(18,592)
Deferred income taxes	12	(1,446)	(1,075)
Depreciation and amortization		12,432	11,271
Impairment loss on goodwill, intangible assets and property, plant and equipment	11	2,916	16,440
Financial expenses	20	7,790	7,571
Other		(2,511)	(554)
		14,794	15,061
Net changes in working capital	22	3,697	3,056
Cash flows from operating activities		18,491	18,117
Investing activities			
Purchase of property, plant and equipment	8	(3,554)	(1,851)
Proceeds on disposal of property, plant and equipment	8	163	330
Purchase of intangible assets	9	(552)	(490)
Other		(32)	(58)
Cash flows used in investing activities		(3,975)	(2,069)
Financing activities			
Use of the credit facility	14	(5,689)	(7,784)
Lease payments	14	(993)	(658)
Share issuance, net of related expenses	17	—	5
Financial expenses paid	20	(6,959)	(6,702)
Cash flows used in financing activities		(13,641)	(15,139)
Net change in bank overdraft		875	909
Bank overdraft at the beginning of the period		(6,559)	(7,468)
Bank overdraft at the end of the period		(5,684)	(6,559)

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

COLABOR

Consolidated Statements of Financial Position

As at December 29, 2018 and December 30, 2017

(in thousands of Canadian dollars)

	Notes	As at December 29, 2018 $	As at December 30, 2017 $
Assets			
Current			
Trade and other receivables	7	90,038	94,651
Inventory		78,229	78,663
Prepaid expenses		2,911	3,636
Other		1,621	1,124
Current assets		172,799	178,074
Non-current			
Property, plant and equipment	8	11,142	11,140
Intangible assets	9	38,090	46,228
Goodwill	10	70,813	70,813
Deferred tax assets	12	4,383	3,382
Other		581	1,452
Non-current assets		125,009	133,015
Total assets		297,808	311,089
Liabilities			
Current			
Bank overdraft		5,684	6,559
Trade and other payables	13	96,562	97,787
Current portion of long-term debt	14	1,027	758
Other		533	982
Current liabilities		103,806	106,086
Non-current			
Long-term debt	14	50,847	54,129
Convertible debentures	15	49,341	49,105
Pension obligations	19	1,066	1,301
Provisions	16	140	2,267
Deferred tax liabilities	12	253	639
Non-current liabilities		101,647	107,441
Total liabilities		205,453	213,527
Equity			
Share capital		92,355	97,562
Total liabilities and equity		297,808	311,089

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

The Board of Directors approved and authorized the publication of the consolidated financial statements with effect as of February 21, 2019.

On behalf of the Board,

(s) Raymond Paré, Director (s) Robert Cloutier, Director

1 Nature of operations

Groupe Colabor Inc. (hereinafter the "Group") and its wholly owned subsidiaries (hereinafter collectively the "Company") distribute and market food and food-related products in Canada.

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

The Company's year-end is the last Saturday of December. The years ended December 29, 2018 and December 30, 2017 comprised 52 weeks for each.

2 Significant accounting policies

General information

These consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board.

The consolidated financial statements have been prepared in accordance with the significant accounting policies described in this note. These accounting policies have been applied consistently throughout the two years, except from the IFRS 9 Norm which was adopted in 2018.

Basis of measurement

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

Basis of consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries.

The parent company has control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiaries are consolidated from the date the Company acquires control until the date control ends.

The consolidated financial statements include the accounts of the Group 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.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination 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.

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.

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 realize 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 Corporation recognizes as revenues the supplier rebates obtained with respect to direct sales to customers.

These rebates are recognized 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 re-assessed each period.

Functional and presentation currency

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

(in thousands of Canadian dollars)

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.

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 bases. 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 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.

Changes in deferred income tax assets or liabilities are recognized as revenues or expenses, except if they relate to items that have been recognized as other comprehensive income or directly in equity, in which case the corresponding deferred tax is also recognized in other comprehensive income or in equity.

Earnings or losses per share

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

Operating segments

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

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

The accounting policies the Company uses for its segments are the same as those used in its consolidated financial statements, except that the following are not allocated to segment earnings:

- Corporate expenses (employee compensation and other unallocated amounts);
- Finance costs;
- Depreciation of property, plant and equipment and amortization of intangible assets;
- Costs not related to current operations;
- Impairment loss of equity investments, goodwill and intangible assets;
- Income tax expense.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out 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:

Furniture, warehouse equipment and vehicles	From 5 to 15 years
Road vehicles and road vehicles under finance leases	From 7 to 10 years
Computer equipment	4 years
Leasehold improvements	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.

Depreciation is 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 and the carrying amount of the asset and is recognized in results in operating expenses.

Intangible assets

Distribution software, signing bonuses and customer relationships

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

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

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

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

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

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

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

Assets are amortized once they are available for use.

Amortization is 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 testing of goodwill, property, plant and equipment and intangible 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 of goodwill and intangible assets" 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 reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata 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.

Leased property

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

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

Financial Instruments

IAS39

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. After initial recognition they are measured at amortized cost using the effective interest rate method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company includes in this category trade and other receivables and loans receivable.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets include the equity investment in Colabor Investments Inc.

Financial instruments in this class are measured initially at fair value plus transaction costs. Available-for-sale assets are then measured at fair value. Gains and losses are recognized in other comprehensive income and are included in “Other comprehensive income” in the consolidated statements of changes in equity. When the asset is disposed of or is impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified to earnings and the reclassification presented in "Impairment loss on the available-for-sale financial asset” in the consolidated statements of earnings.

c) Impairment of financial assets

All financial assets are tested for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired could include:

- a significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or a financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry sector. Objective evidence that a financial asset is impaired could include the Company's historical collection experience, an increase in the portfolio recovery period and any domestic or local change in economic conditions in correlation with debtors' failure to pay.

Financial liabilities

The Company's financial liabilities include the bank overdraft, trade and other payables excluding sales taxes to remit and compensation payable, rebates payable, obligations arising from leases, credit facility, subordinated debt and convertible debentures.

Financial liabilities in this class are measured initially at fair value less transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method. They are presented in current liabilities when payable within 12 months of the closing date, otherwise, they are presented as non-current.

Interest expense is included in "Finance costs" in the consolidated statements of earnings.

Convertible debentures

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

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.

IFRS 9

In July 2014, the IASB published IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

The company adopted IFRS 9, « Financial Instruments » effective December 31, 2017. The adoption of this standard resulted in changes in accounting policies but no adjustment to the amounts recognized in the consolidated financial statements. Below is the Company's new method of accounting for financial instruments under IFRS 9.

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 as at FVTPL.

As for the other equity instruments, the Company may make the irrevocable election (instrument by instrument), on the day of acquisition, to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they should be evaluated as at FVTPL (such as held-for-trading instruments or derivatives) or the Company has chosen to evaluate them at FVTPL.

Financial instruments comprising embedded derivatives are fully considered to determine whether their cash flows are solely for principal repayments and interest payments.

The Company has made a detailed assessment of its financial assets and liabilities as at December 31, 2017. The following table presents the initial classification under IAS39 and the new classification under IFRS 9:

Financial assets & liabilities	**Initial classification under IAS 39**	**New classification under IFRS 9**
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost

b) Assessment

Financial instruments at amortized cost

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

Financial instruments at FVTPL

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

c) Depreciation

Since December 31, 2017, 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.

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.

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. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

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 finance cost.

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.

In those cases where the possible outflow of economic resources as a result of a present obligation is considered improbable or unlikely, no liability is recognized, unless it was assumed in the course of a business combination.

Pension obligation and other employee benefits

The Company provides post-employment benefits through defined contribution plans and a defined benefit plan.

Contributions to the defined contribution plans are recognized as an expense in the period that relevant employee services are received.

The liability recognized in the consolidated statements of financial position for the defined benefit plan is the present value of the defined benefit obligation at the closing date less the fair value of plan assets.

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

Stock-based compensation

Stock option plan

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

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

Directors' share unit plan

Members of the Company's Board of Directors may elect to receive some or all of their annual fees in the form of Directors' share units (DSUs). The accrued DSU compensation liability is measured at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares. Changes in the liability are recognized as a compensation expense and the liability is included in trade and other payables.

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.

Standards, changes and interpretations issued but not yet effective

IFRS 16, *Leases*

In January 2016, the IASB published IFRS 16 which will replace IAS 17, *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position. An exemption is permitted for leases of low-value assets and a short duration (less than 12 months). In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and the liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements, largely retains the approach to lessor accounting in IAS 17, and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption is permitted in certain circumstances. The Company believes that this new standard will increase the value of property, plant and equipment and the obligations arising under leases, reduce operating expenses, and increase depreciation and amortization and finance costs. The Company has not assessed the impact of the application of this new standard, which will adopted in fiscal year 2020.

3 Significant estimates and judgments

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the 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.

Estimates

Impairment of trade and other receivables

The amount recognized as impairment of trade and other receivables is based on management's assessment of the risks associated with each item of trade and other receivables with reference to losses incurred in prior periods, collection experience and the impact of the current and expected economic conditions.

Supplier rebates

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

Impairment of the available-for-sale financial asset

Management assesses whether there are any indications of impairment of the available-for-sale financial asset at each reporting date. When management determines that the asset is impaired, the cumulative loss recognized in other comprehensive income is reclassified to earnings.

Inventory valuation

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

Useful lives of depreciable assets

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

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.

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 they may vary significantly in future appraisals of the Company's defined benefit obligations.

Significant judgments

Impairment of trademarks and goodwill

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

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

(in thousands of Canadian dollars)

Option to acquire Dubé & Loiselle Inc.

During fiscal 2016, the Company bought an option to acquire Dubé & Loiselle Inc., an entity owned by one of the Company's directors. This purchase option is valid for a period of three years. The Company, believing that it has neither the control nor the influence required over the decisions of Dubé & Loiselle Inc. to consolidate this entity in its financial statements, considers it a related party.

(in thousands of Canadian dollars)

4 Segment reporting

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

Segment information can be analyzed as follows:

			2018			**2017**
	Distribution Segment	**Wholesale Segment**	**Total**	**Distribution Segment**	**Wholesale Segment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Segment sales	917,351	374,659	1,292,010	1,007,199	413,009	1,420,208
Segment operating expenses						
Cost of goods sold	797,264	339,934	1,137,198	877,994	382,113	1,260,107
Employee compensation	76,012	10,468	86,480	75,256	9,386	84,642
Other expenses	39,289	4,628	43,917	39,972	4,775	44,747
	912,565	355,030	1,267,595	993,222	396,274	1,389,496
Segment earnings	4,786	19,629	24,415	13,977	16,735	30,712

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

	2018 $	2017 $
Sales		
Total segment sales	1,292,010	1,420,208
Elimination of intersegment sales	(89,094)	(100,758)
Company sales	1,202,916	1,319,450
Earnings		
Total segment earnings	24,415	30,712
Employee compensation not allocated	4,627	4,336
Other expenses (revenue) not allocated	1,380	1,719
Costs not related to current operations	1,225	8,297
Depreciation and amortization	12,432	11,271
Impairment loss on goodwill, intangible assets and property, plant and equipment	2,916	16,440
Company earnings (loss)	1,835	(11,351)

5 Operating expenses, excluding costs not related to current operations, depreciation and amortization

	2018 $	2017 $
Purchases of goods	1,047,671	1,154,766
Employee benefit expense (Note 19)	91,107	88,978
Other expenses	45,730	51,049
	1,184,508	1,294,793

(in thousands of Canadian dollars)

6 Costs not related to current operations

	2018 $	2017 $
Fees related to tobacco notice [a]	(80)	6,500
Costs of internal restructuring of operations		
Costs for warehouse closure [b]	—	1,484
Severance and other costs [c]	2,499	125
Severance allowances	—	174
Change in provision for onerous contracts[d]	(1,194)	14
	1,225	8,297

The Company has disbursed an amount of $3,367 ($8,176 in 2017) during the period ending December 29, 2018 in connection with the provision established in 2017.

[a] **Fees related to tobacco notice**

During 2017, Colabor received a preliminary assessment advice (the "Advice") from the Ontario Ministry of Finance related to commercial activities concerning the sale of tobacco products on First Nation territory which took place between September 2013 and 2016 at a division in Ontario. The Advice related mainly to sales that took place during a short period of time between 2013 and 2014 with one customer in particular and for which the Ontario Ministry of Finance considers that sales taxes should have been collected and remitted. The Advice led to the recognition of a provision for Assessment Advice on the Corporation's interim financial statements for the third quarter of 2017. During the fourth quarter, Colabor received an assessment advice (the "Assessment") of $6,400 which it paid from its available liquidities during the quarter. The Corporation subsequently filed a Notice of Objection in accordance to the procedure.

[b] **Costs for warehouse closure**

On January 31, 2017, the Company announced the closure of the Vaughan warehouse, effective on April 30, 2017.

[c] **Separation premium and others**

The Company made several changes within the executive team leading to costs not related to current operations. On November 16, 2018, Colabor has announced the implementation of an employees' rationalization plan in order to optimize its operating activities.

[d] **Change in provision for onerous contracts**

During the third quarter of 2018, the Company recorded a gain following the termination of an onerous contract.

(in thousands of Canadian dollars)

7 Trade and other receivables

	2018 $	2017 $
Trade accounts	77,173	76,370
Supplier rebates receivable	9,090	13,347
Other	3,775	4,934
	90,038	94,651

The Company examined its trade accounts receivable to detect any indications of impairment. It was determined that some trade accounts receivable were impaired and, accordingly, an allowance was recognized. The aging of trade accounts receivable that had not been impaired was as follows:

	2018 $	2017 $
Current (from 0 to 60 days)	76,091	75,174
Overdue from 61 to 90 days	1,082	1,196
Overdue more than 90 days	—	—
	77,173	76,370

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

	2018 $	2017 $
Balance, beginning of year	1,540	1,347
Expenses for the year	907	799
Writes-offs	(1,314)	(606)
Balance, end of year	1,133	1,540

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.

(in thousands of Canadian dollars)

8 Property, plant and equipment

	Furniture, warehouse equipment and vehicules	Road vehicules	Computer equipment	Leasehold improvements	Road vehicules under capital leases	Total
	$	$	$	$	$	$
Year ended December 29, 2018						
Opening net book amount	2,816	1,319	523	3,543	2,939	11,140
Acquisitions	2,205	40	307	1,002	3,129	6,683
Disposals	34	43	—	(90)	(10)	(23)
Depreciation	(1,585)	(405)	(308)	(779)	(782)	(3,859)
Impairment loss (Note 11)	(346)	(309)	(4)	(320)	(1,820)	(2,799)
Closing net book amount	3,124	688	518	3,356	3,456	11,142
As at December 29, 2018						
Cost	19,165	7,989	6,198	12,781	7,547	53,680
Accumulated depreciation and impairment	(16,041)	(7,301)	(5,680)	(9,425)	(4,091)	(42,538)
Net book amount	3,124	688	518	3,356	3,456	11,142

	Land	Furniture, warehouse equipment and vehicules	Road vehicules	Computer equipment	Leasehold improvements	Road vehicules under capital leases	Total
	$	$	$	$	$	$	$
Year ended December 30, 2017							
Opening net book amount	—	4,153	1,602	751	4,107	2,515	13,128
Acquisitions	—	732	546	424	265	1,040	3,007
Transfers	—	—	—	60	—	—	60
Disposals	—	(266)	(116)	—	—	(1)	(383)
Depreciation	—	(980)	(489)	(458)	(782)	(615)	(3,324)
Impairment loss		(823)	(224)	(254)	(47)	—	(1,348)
Closing net book amount	—	2,816	1,319	523	3,543	2,939	11,140
As at December 30, 2017							
Cost	—	16,948	9,353	5,891	11,869	4,428	48,489
Accumulated depreciation and impairment	—	(14,132)	(8,034)	(5,368)	(8,326)	(1,489)	(37,349)
Net book amount	—	2,816	1,319	523	3,543	2,939	11,140

(in thousands of Canadian dollars)

9 Intangible assets

	Distribution software	Signing bonuses	Customer relationships	Trademarks	Total
	$	$	$	$	$
Year ended December 29, 2018					
Opening net book amount	1,692	1,420	34,574	8,542	46,228
Acquisitions	552	—	—	—	552
Amortization	(606)	(618)	(7,349)	—	(8,573)
Impairment loss (Note 11)	(117)	—	—	—	(117)
Closing net book amount	1,521	802	27,225	8,542	38,090
As at December 29, 2018					
Cost	10,747	2,999	95,089	8,542	117,377
Accumulated depreciation and impairment	(9,226)	(2,197)	(67,864)	—	(79,287)
Net book amount	1,521	802	27,225	8,542	38,090

	Distribution software	Signing bonuses	Customer relationships	Trademarks	Total
	$	$	$	$	$
Year ended December 30, 2017					
Opening net book amount	2,283	3,600	41,168	8,542	55,593
Acquisitions	382	110	—	—	492
Transfers	(60)	(75)	—	—	(135)
Amortization	(554)	(799)	(6,594)	—	(7,947)
Impairment loss (Note 11)	(359)	(1,416)	—	—	(1,775)
Closing net book amount	1,692	1,420	34,574	8,542	46,228
As at December 30, 2017					
Cost	10,195	2,999	95,089	8,542	116,825
Accumulated depreciation and impairment	(8,503)	(1,579)	(60,515)	—	(70,597)
Net book amount	1,692	1,420	34,574	8,542	46,228

(in thousands of Canadian dollars)

10 Goodwill

	2018 $	2017 $
Balance, beginning of year	70,813	84,130
Impairment loss (Note 11)	—	(13,317)
Balance, end of year	70,813	70,813

11 Impairment

Impairment testing of goodwill and trademarks

The following table presents the carrying value of goodwill and trademarks by CGU:

	2018		2017	
	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 and the strategic plan approved by the Board of Directors. Cash flow projections beyond the period covered by the budgets and the strategic plan 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 projections have been prepared using both historical data and future trends expected by the Company as well as certain key assumptions:

a) In 2018, the Company used average growth rates ranging from -2.2% to 2.2% (2017 : 0.9% to 3.3%). These growth rates are based primarily on the Consumer Price Index as well as observable market data in which the CGUs are evolving.

b) In 2018, the Company used discount rates ranging from 10.8% to 11.3% (2017 : 10.8% to 11.3%). These discount rates represent the weighted average cost of capital for companies operating in the same line of business as the CGUs.

In 2017, the Company recorded an asset impairment charge without effect on its liquidities of $13,317 which relates primarily to the impairment of goodwill at the Boucherville division, in the Wholesale segment, and to certain tangible and intangible assets of the Summit division, in the Distribution segment. The goodwill impairment reflects the recent loss of volume and the revision of growth prospects at the Summit division, which also have an impact on future procurement synergies that could be realized at the Boucherville division.

Tangible and intangible assets

Depreciable long-term assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

The Company recorded an asset impairment charge without effect on its liquidities of $2,916 ($3,123 in 2017) which relates primarily to the impairment of tangible and intangible assets of the Summit division, in the Distribution segment. The following table presents those impairment :

	Net book value before impairment charge	Impairment charge	Net book value as at December 29, 2018
	$	$	$
Ontario Division			
Tangible assets	2,799	2,799	—
Intangible assets	117	117	—
	2,916	2,916	—

	Net book value before impairment charge	Impairment charge	Net book value as at December 30, 2017
	$	$	$
Ontario Division			
Tangible assets	1,697	1,348	349
Intangible assets	1,775	1,775	—
	3,472	3,123	349

12 Income tax

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 for the years ended :

	December 29, 2018	**December 30, 2017**
	$	$
Income taxes payable		
Period considered	26	521
Prior periods adjustment	(266)	—
	(240)	521
Deferred income tax		
Prior periods adjustment	(169)	278
Creation and reversal of temporary differences	(889)	(3,579)
Deferred income tax assets change related to tax loss or temporary differences not previously accounted	(390)	2,226
Accounting effect on income tax rate change	2	—
	(1,446)	(1,075)
Total Income Tax on Earnings	(1,686)	(554)

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

	2018	**2017**
	$	**$**
Income before income taxes	(6,073)	(19,146)
Combined federal and provincial income tax rate	26.62 %	26.68 %
Expected tax expense	(1,617)	(5,108)
Non-tax deductible items	219	2,020
Non taxable items	(51)	—
Adjustment of tax attributes	—	200
Impairment losses on goodwilll	—	2,228
Other	(237)	106
Tax expense	(1,686)	(554)

(in thousands of Canadian dollars)

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

				2018
	Balance, beginning of year	**Earnings**	**Other comprehensive income**	**Balance, end of year**
	$	**$**	**$**	**$**
Deferred non-capital losses	2,494	(16)	—	2,478
Property, plant and equipment	(587)	241	—	(346)
Intangible assets	(2,869)	1,682	—	(1,187)
Goodwill	1,408	(243)	—	1,165
Share and debenture issue expenses	316	(166)	—	150
Provisions	855	(161)	—	694
Other	1,126	109	(59)	1,176
Deferred income tax assets (liabilities)	2,743	1,446	(59)	4,130

				2017
	Balance, beginning of year	**Earnings**	**Other comprehensive income**	**Balance, end of year**
	$	**$**	**$**	**$**
Deferred non-capital losses	2,612	(118)	—	2,494
Property, plant and equipment	(625)	38	—	(587)
Intangible assets	(3,938)	1,069	—	(2,869)
Goodwill	327	1,081	—	1,408
Share and debenture issue expenses	731	(415)	—	316
Provisions	1,997	(1,142)	—	855
Other	394	562	170	1,126
Deferred income tax assets (liabilities)	1,498	1,075	170	2,743

As at December 29, 2018, the Company had capital losses amounting to $4,612 ($4,612 in 2017) for which no deferred tax asset had been recognized.

(in thousands of Canadian dollars)

13 Trade and other payables

	2018 $	2017 $
Trade payables	72,844	78,168
Priority payables	8,326	8,034
Other	15,392	11,585
	96,562	97,787

14 Long-term debt

	As at December 29, 2018 $	As at December 30, 2017 $
Credit facility [(a)]	22,530	28,137
Subordinated Debt [(b)]	25,000	25,000
Obligations arising from leases	4,905	2,767
	52,435	55,904
Less: Unamortized financing costs	562	1,017
Less: Current portion of long-term debt	1,027	758
	50,847	54,129

[(a)] **Credit facility**

On October 13, 2016, the Company reached an agreement with its lenders to extend its credit facility in a maximum amount of $140,000 for a three-year term. On August 31, 2018, the Company obtained a one-year extension of the credit facility on the same terms, expiring on October 13, 2020. By mutual agreement, the credit facility may be increased by an additional $30,000. It is secured by a first-ranking mortgage on all Company's present and future assets. Amounts borrowed from the credit facility may take various forms and the interest rate varies based on the type of loan. As at December 29, 2018, the facility consisted of a loan and banker’s acceptances bearing interest at rates varying between 2.19% and 3.95% (between 2.86% and 3.20% as at December 30, 2017).

The Company is required to respect a fixed charges coverage ratio. As at December 29, 2018, this ratio had been respected. As at December 29, 2018, the availability of the credit facility is at $56,046.

As at December 29, 2018, letters of guarantee amounting to $4,612 ($1,764 as at December 30, 2017) had been used to support the leasing of one of the Company’s distribution centers and the line of credit with a supplier.

(in thousands of Canadian dollars)

[b] **Subordinated Debt**

The subordinated debt has a nominal value of $25M maturing on April 13, 2021. Under the terms of the agreement, interest on the debt is payable monthly at a prime rate of 7.0% in 2018 (6.5% in 2017). The subordinated debt is secured by a mortgage on all Company's present and future assets, which is underlying of the first-ranking security on the credit facility.

15 Debentures

	2018 $	**2017** $
Convertible debentures	50,000	50,000
Less: Unamortized finance costs	659	895
	49,341	49,105

The debentures are convertible at the holder's option into shares at a conversion rate of 400 shares per $1,000 of debenture capital, for a conversion price of $2.50 per share ($2.50 per share in 2017). Under certain circumstances, the Company could have redeemed some or all of the debentures in advance after April 30, 2015. There were no advance redemptions during the year ended December 29, 2018.

The debentures have a nominal value of $50M maturing on October 13, 2021 with an interest rate of 6.0% (6.0% in 2017). Under the terms of the agreement, effective interest rate on the debentures is 6.55% (6.55% in 2017).

16 Provisions

	2018 $	**2017** $
Balance, beginning of year	3,196	4,004
Gain on termination of an onerous contract	(1,194)	—
Changes to assumptions	—	14
Accretion expense	56	106
Provisions used during the year	(1,461)	(928)
Balance, end of year	597	3,196
Current	457	929
Non-current	140	2,267

(in thousands of Canadian dollars)

17 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

	As at December 29, 2018		As at December 30, 2017	
	Number	**Amount $**	**Number**	**Amount $**
Outstanding, beginning of the year	102,112,832	258,005	102,107,832	258,000
Issued (cancelled) during the year	(934,900)	(2,366)	5,000	5
Outstanding, end of the year	101,177,932	255,639	102,112,832	258,005

There were no outstanding preferred shares during the periods covered.

On January 15, 2018, Colabor announced the reduction in the number of its outstanding shares resulting from the ongoing liquidation and dissolution of Investments Colabor Inc., an investment company in which Colabor was a shareholder. Colabor received its proportionate allocation of the shares, being 934,900 shares or just under 1% of its outstanding shares, which were automatically canceled. The number of outstanding shares was reduced from 102,112,832 to 101,177,932 at the date of this announcement.

On January 4, 2017, 5,000 new shares were issued in connection with the conversion of stock options, for an amount of $5.

18 Operating leases and commitments

The Company has entered into various leases expiring through to January 2028, which call for minimum lease payments of $58,226. The Company's obligation under one of these leases is secured by a $1,014 letter of guarantee. Minimum lease payments under the Company's operating leases are as follows:

	2018 $
Less than 1 year	13,455
From 1 to 5 years	35,923
Over 5 years	8,848
	58,226

(in thousands of Canadian dollars)

19 Employee compensation

Employee benefit expense

	2018 $	2017 $
Salaries	71,228	69,393
Fringe benefit costs	15,110	14,685
Expenses for stock-based compensation plans	68	338
Pensions – defined benefit plans	170	23
Pensions – defined contribution plans	1,351	1,373
Pensions – government defined contribution plans	3,180	3,166
	91,107	88,978

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.

The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following weighted average assumptions for options granted during the period:

	2018
	Granted February 5
Weighted average fair value of the options	$ 0.31
Risk-free interest rate	2.20 %
Expected volatility of shares	55 %
Expected annual dividend	-
Expected term	5.5 years
Share price at date of grant	$ 0.72
Exercise price at date of grant	$ 0.88
Exercise period	5 years

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

	2018		**2017**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of year	5,550,420	1.79	5,721,920	1.15
Awarded	1,000,000	0.88	—	—
Forfeiture	(2,125,727)	1.38	—	—
Expired	(205,750)	3.72	(171,500)	5.01
Outstanding, end of year	4,218,943	1.69	5,550,420	1.79
Exercisable options	1,463,850	2.74	1,239,000	3.48

(in thousands of Canadian dollars)

The following table presents information related to the outstanding stock options as at December 29, 2018:

Granted year	Expiration year	Exercise price	Number of options outstanding	Number of exercisable options
		$		
2012	2019	7.59	99,400	99,400
2013	2020	7.75	153,200	153,200
2013	2020	4.43	20,000	20,000
2014	2021	3.70	360,000	310,000
2015	2022	1.04	456,250	381,250
2016	2026	0.88	1,000,000	500,000
2016	2026	1.36	1,130,093	—
2018	2028	0.88	1,000,000	—
			4,218,943	1,463,850

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 29, 2018, no common shares may be acquired by plan participants at the share bid price. In 2018, no performance stock was issued.

Pension obligation and employee future benefits

As at December 29, 2018, the Company had a defined benefit pension plan and contributed to group defined contribution plans.

The defined benefit pension plan is offered to 54 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.

Information about the defined benefit pension plan is as follows:

	2018 $	2017 $
Accrued benefit obligation		
Balance, beginning of year	9,664	9,026
Current service costs	—	36
Finance costs	327	347
Employee contributions	—	19
Benefits paid	(367)	(590)
Actuarial gains or losses	(575)	826
Balance, end of year	9,049	9,664

	2018 $	2017 $
Plan assets		
Fair value, beginning of year	8,363	8,364
Interest income	283	321
Actual return in excess of interest income	(355)	189
Employer contributions	70	121
Employee contributions	—	19
Administrative expenses	(11)	(61)
Benefits paid	(367)	(590)
Fair value, end of year	7,983	8,363
Funded status - Pension plan deficit	(1,066)	(1,301)

The plan assets are composed of the following for fiscal 2018 and 2017:

				2018
	Listed $	**Unlisted $**	**Total $**	**Total %**
Cash and cash equivalents	393	—	393	4.9%
Equity instruments - Level 1				
Canada	857	—	857	10.7%
International	1,782	—	1,782	22.4%
	2,639	—	2,639	33.1%
Debt instruments - Level 2				
Corporate bonds	4,497	—	4,497	56.3%
Real estate - Level 3	—	454	454	5.7%
Total assets	7,529	454	7,983	100.0%

				2017
	Listed $	**Unlisted $**	**Total $**	**Total %**
Cash and cash equivalents	417	—	417	5.0%
Equity instruments - Level 1				
Canada	1,004	—	1,004	12.0%
International	1,924	—	1,924	23.0%
	2,928	—	2,928	35.0%
Debt instruments - Level 2				
Corporate bonds	4,602	—	4,602	55.0%
Real estate - Level 3	—	416	416	5.0%
Total assets	7,947	416	8,363	100.0%

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

	2018 $	2017 $
Current service costs	—	36
Net interest	44	26
Administrative expenses	11	61
Amount recognized in earnings	55	123

The remeasurement of the pension obligation is as follows:

	2018 $	2017 $
Actuarial gains or losses		
Change in financial assumptions	575	(826)
Actual return in excess of interest income	(355)	189
Amount recognized in other comprehensive income	220	(637)

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

	2018	2017
Fringe benefit costs		
Discount rate	3.45 %	3.95 %
Rate of compensation increase	n/a	2.75 %
Accrued benefit obligation		
Discount rate	3.95 %	3.45 %
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:

	2018 **$**	**2017** **$**
Increase of 0.5% in the discount rate	(654)	(790)
Decrease of 0.5% in the discount rate	831	895

20 Finance costs and finance costs paid

	2018 **$**	**2017** **$**
Interest on bank borrowings	2,254	2,140
Interest on subordinated debt	1,813	1,685
Effective interest on debentures	3,227	3,227
Accretion expense on onerous contracts provision	56	106
Other	440	413
Finance costs	7,790	7,571
Effective interest on long-term debt and accretion expense on onerous contracts provision	(360)	(406)
Amortization of finance costs	(471)	(463)
Finance costs paid	6,959	6,702

(in thousands of Canadian dollars)

21 Per-share data

Earnings (loss) per share

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

	2018 $	2017 $
Net earnings (loss)	(4,387)	(18,592)
Weighted average number of outstanding shares used to calculate the basic and diluted earnings per share	101,177,944	102,074,277
Basic and diluted earnings (loss) per share	(0.04)	(0.18)

Shares hypothetically issued as a result of the conversion of the convertible debentures (20,000,000 shares in 2018 and 2017) and the exercise of stock options (4,218,943 shares in 2018, 5,550,420 shares in 2017) were not included in the calculation of diluted earnings per share for the periods ended December 29, 2018 and December 30, 2017 because of an anti-dilutive effect.

22 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:

	2018 $	2017 $
Trade and other receivables	4,613	5,330
Inventories	434	4,583
Prepaid expenses	725	(555)
Other assets	(539)	657
Trade and other payables	(1,545)	(7,366)
Other liabilities	9	407
	3,697	3,056

(in thousands of Canadian dollars)

		Liabilities from financing activities			
	Cash/bank overdraft	Finance leases due within 1 year	Finance leases due after 1 year	Borrow due after 1 year	Total
	$	$	$	$	$
Net debt as at December 30, 2017	6,559	758	2,009	52,120	61,446
Cash flows	(875)	(993)	—	(5,688)	(7,556)
Acquisitions - finance leases	—	—	3,129	—	3,129
Other non-cash mouvements	—	1,262	(1,262)	539	539
Net debt as at December 29, 2018	5,684	1,027	3,876	46,971	57,558

		Liabilities from financing activities			
	Cash/bank overdraft	Finance leases due within 1 year	Finance leases due after 1 year	Borrow due after 1 year	Total
	$	$	$	$	$
Net debt as at December 31, 2016	7,468	550	1,835	59,376	69,229
Cash flows	(909)	(658)	—	(7,784)	(9,351)
Acquisitions - finance leases	—	—	1,040	—	1,040
Other non-cash mouvements	—	866	(866)	528	528
Net debt as at December 30, 2017	6,559	758	2,009	52,120	61,446

23 Economic dependence

One customer in the Distribution segment accounted for 19.7% of the Company’s sales in 2018 (20% in 2017).

(in thousands of Canadian dollars)

24 Related party transactions

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

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

	2018 $	2017 $
Consolidated statements of earnings		
Sales	27,537	29,651
Consolidated statements of financial position		
Trade and other receivables less rebates payable [a]	126	1,604
Call option from Dubé & Loiselle Inc. [b]	500	500

[a] In 2018, the rebates of $1,559 (607$ in 2017) were made in accordance with various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of business, and were recognized against merchandise sales.

[b] As part of the recapitalization transaction carried out in October 2016, the Company paid $500 to Robraye Management Ltd. in consideration of the option to acquire Dubé & Loiselle Inc. within three years of the closure of the recapitalization transaction. This option was recognized in prepaid expenses;

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:

	2018 $	2017 $
Short-term employee benefits		
Salaries, including bonuses and special allocations	4,451	3,926
Directors' fees	390	333
Fringe benefit costs	224	230
Total short-term employee benefits	5,065	4,489
Defined contribution pension plans	137	157
Share-based payments	538	712
Total compensation	5,740	5,358

25 Fair value of financial instruments

The fair value of the trade and other receivables, the loans receivable, the bank overdraft, the trade and other payables (excluding taxes and salaries payable) as well as the short-term portion of bank borrowing, 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:

	As at December 29, 2018		As at December 30, 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial assets				
Non-current				
Financial instruments at fair value through profit or loss	—	—	847	847
Financial liabilities				
Non-current				
Credit facility	22,108	22,108	27,301	27,301
Subordinated debt	24,862	24,929	24,819	24,931
Convertible debentures	49,341	31,500	49,105	44,000
	96,311	78,537	101,225	96,232

The fair value of the financial instruments at fair value through profit or loss was primarily determined using the bid price on the closing date for the underlying asset.

The fair value of the non-current portion of bank borrowings is equivalent to the carrying amount.

The fair value of subordinated debt was determined by discounting future cash flows at 7.0% (6.5% as at December 30, 2017), the current rate of subordinated debt.

The fair value of the liability component of the convertible debentures was determined based on the trading price on December 29, 2018.

(in thousands of Canadian dollars)

Financial instruments measured at fair value

Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

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

The Company's financial instruments measured at fair value consisted of the equity investment in Colabor Investments Inc. (Level 2) during the periods of 2017. Following the liquidation of Colabor Investments Inc. in the first quarter of 2018, the Company no longer holds financial assets measured at fair value (level 2) as at December 29, 2018. The Company's financial liabilities are as follows: Credit facility (Level 1), Debenture (Level 1), Subordinated debt (Level 2).

26 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 2017, the Company's capital is composed of the bank overdraft, bank borrowings, long-term debt, debentures and shareholders' equity. In addition to its conservative approach to safeguarding the statement of financial position, the Company achieves this objective through the prudent management of internally-generated capital, by optimizing the use of capital at a lower cost and using capital to finance growth initiatives.

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

27 Financial risk management objectives and policies, and financial risks

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

(in thousands of Canadian dollars)

Financial risks

The Company's main financial risk exposure and its financial risk management policies are detailed as follows:

Interest rate risk

The bank borrowings bear 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 comprise any interest rate risk since they do not bear interest at variable rates. The Company manages its interest rate risk exposure through an appropriate mix of fixed-rate and variable-rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a reasonably possible 1% fluctuation in the bank prime rate based on current market conditions would have an $372 impact on earnings in 2018 ($427 in 2017).

Credit risk

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

The Company's credit risk is primarily attributable to its trade accounts receivable and loans receivable. 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. Additionally, certain more risky customers are insured. As at December 29, 2018, the Company had guarantees for 1% of its trade accounts receivable (1% as at December 30, 2017) and 0% of its trade accounts receivable were insured (8% on December 30, 2017).

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

The credit risk related to loans receivable is not diversified. For some of its loans, the Company has a movable mortgage on the assets held by the borrower.

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. In light of the cash sources available to the Company, management believes that the liquidity risk is low.

(in thousands of Canadian dollars)

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

						2018
	Carrying amount	Maturing in less than 12 months	Maturing in 1 to 2 years	Maturing in 3 to 5 years	Maturing in more than 5 years	Total
	$	$	$	$	$	$
Bank overdraft	5,684	5,684	—	—	—	5,684
Trade and other payables	84,184	84,184	—	—	—	84,184
Credit facility	22,530	795	23,172	—	—	23,967
Obligations under leases	4,903	1,023	2,000	1,210	659	4,892
Subordinated debt	25,000	1,750	27,250	—	—	29,000
Convertible debentures	50,000	2,992	55,384	—	—	58,376
	192,301	96,428	107,806	1,210	659	206,103

						2017
	Carrying amount	Maturing in less than 12 months	Maturing in 1 to 2 years	Maturing in 3 to 5 years	Maturing in more than 5 years	Total
	$	$	$	$	$	$
Bank overdraft	6,559	6,559	—	—	—	6,559
Trade and other payables	85,694	85,694	—	—	—	85,694
Credit facility	28,137	907	28,870	—	—	29,777
Obligations under leases	2,767	875	1,258	957	—	3,090
Subordinated debt	25,000	1,750	28,125	—	—	29,875
Convertible debentures	50,000	2,992	5,984	52,392	—	61,368
	198,157	98,777	64,237	53,349	—	216,363