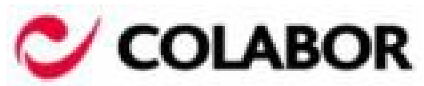

Consolidated Financial Statements
December 28, 2019
(in thousands of Canadian dollars)

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 28, 2019 and December 29, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings loss for the years ended December 28, 2019 and December 29, 2018;
- the consolidated statements of comprehensive income loss for the years ended December 28, 2019 and December 29, 2018;
- the consolidated statements of changes in equity for the years ended December 28, 2019 and December 29, 2018;
- the consolidated statements of cash flows for the years ended December 28, 2019 and December 29, 2018;
- the consolidated statements of financial position as at December 28, 2019 and December 29, 2018; 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.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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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 express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

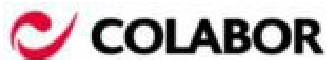
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

(s) PricewaterhouseCoopers LLP

Montréal, Quebec
February 26, 2020

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



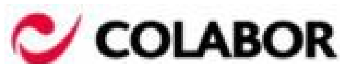
Consolidated Statements of Earnings

For the years ended December 28, 2019 and December 29, 2018

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

	Notes	2019 (52 weeks) $	2018 (52 weeks) (Restated, Note 5) $
Sales	4	**1,060,071**	1,096,411
Cost of goods sold		**918,083**	950,476
Gross Margin		**141,988**	145,935
Operating expenses	6	**123,056**	129,841
Depreciation and amortization	11, 12	**9,801**	10,658
Costs not related to current operations	7	**881**	1,225
Impairment loss on goodwill, intangible assets and property, plant and equipment	13	**243**	2,916
Operating earnings		**8,007**	1,295
Financial expenses	21	**7,158**	7,882
Earnings (loss) before taxes		**849**	(6,587)
Income taxes (recovered)	8	**195**	(1,686)
Net earnings (loss) from continuing operations		**654**	(4,901)
Net earnings from discontinued operations	5	**7,073**	514
Net earnings (loss)		**7,727**	(4,387)
Basic and diluted net earnings (loss) per share of continuing operations	9	**0.01**	(0.05)
Basic and diluted net earnings per share of discontinued operations	9	**0.07**	0.01
Basic and diluted net earnings (loss) per share	9	**0.08**	(0.04)

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



Consolidated Statements of Comprehensive income

For the years ended December 28, 2019 and December 29, 2018

(in thousands of Canadian dollars)

	Notes	2019 (52 weeks) $	2018 (52 weeks) (Restated, Note 5) $
Net earnings (loss) from continuing operations		**654**	(4,901)
Other items that will be subsequently reclassified to net earnings			
Loss on financial instruments at fair value through net earnings		—	(118)
Reclassification to net earnings		—	118
Other items that will not be subsequently reclassified to net earnings			
Remeasurement of defined benefit pension obligation	20	**(615)**	220
Taxes on other comprehensive income	8	**164**	(59)
Other comprehensive income (loss) from continuing operations		**(451)**	161
Comprehensive income (loss) from continuing operations		**203**	(4,740)
Net earnings from discontinued operations		**7,073**	514
Other items of comprehensive income from discontinued operations		—	—
Comprehensive income from discontinued operations		**7,073**	514
Comprehensive income (loss)		**7,276**	(4,226)

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

COLABOR

Consolidated Statements of Changes in Equity

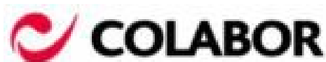
For the years ended December 28, 2019 and December 29, 2018

(in thousands of Canadian dollars)

	Notes	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Total Equity
		$	$	$	$	$
Balance as at December 29, 2018		**255,639**	**1,742**	**3,891**	**(168,917)**	**92,355**
Net earnings		—	—	—	**7,727**	**7,727**
Other comprehensive loss		—	—	—	**(451)**	**(451)**
Comprehensive income		—	—	—	**7,276**	**7,276**
Stock-based compensation	20	—	—	**32**	—	**32**
Stock options exercised	20	**657**	—	**(217)**	—	**440**
Balance as at December 28, 2019		**256,296**	**1,742**	**3,706**	**(161,641)**	**100,103**

	Notes	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Total Equity
		$	$	$	$	$
Balance as at December 30, 2017		258,005	1,742	2,506	(164,691)	97,562
Net loss for the period		—	—	—	(4,387)	(4,387)
Other comprehensive income		—	—	—	161	161
Comprehensive income		—	—	—	(4,226)	(4,226)
Shares cancelled	18	(2,366)	—	1,317	—	(1,049)
Stock-based compensation	20	—	—	68	—	68
Balance as at December 29, 2018		255,639	1,742	3,891	(168,917)	92,355

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



Consolidated Statements of Cash Flows

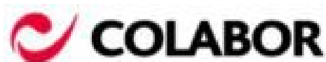
For the years ended December 28, 2019 and December 29, 2018

(in thousands of Canadian dollars)

	Notes	2019 (52 weeks) $	2018 (52 weeks) (Restated, Note 5) $
Cash flows from operating activities			
Net earnings (loss) from continuing operations		**654**	(4,901)
Non-cash items			
Deferred income taxes	8	**705**	(1,446)
Depreciation and amortization	11, 12	**9,801**	10,658
Impairment loss on goodwill, intangible assets and property, plant and equipment	13	**243**	2,916
Financial expenses	21	**7,158**	7,882
Other		**501**	(2,629)
		19,062	12,480
Net changes in working capital	22	**2,936**	1,674
		21,998	14,154
Cash flows from investing activities			
Acquisitions of property, plant and equipment	11	**(2,923)**	(3,537)
Proceeds on disposals of property, plant and equipment	11	**304**	163
Acquisitions of intangible assets	12	**(185)**	(552)
Other		**176**	4,622
		(2,628)	696
Cash flows from financing activities			
Net change in the credit facility	22	**(32,000)**	5,781
Lease payments	22	**(1,000)**	(993)
Share issued	18	**440**	—
Repayment of subordinated debt	15	**(10,000)**	—
Financial expenses paid	21	**(6,419)**	(6,934)
		(48,979)	(2,146)
Net change in cash and cash equivalents from continuing operations		**(29,609)**	12,704
Net change in cash and cash equivalents from discontinued operations	5	**18,388**	(359)
Cash and cash equivalents at the beginning		**5,786**	(6,559)
Cash and cash equivalents at the end[1]		**(5,435)**	5,786
Other information to provide on cash flows from operating activities			
Tax paid (received)		**(1,201)**	427

[1] Cash and cash equivalents include cash in hand of $nil ($5,786 in 2018), net of bank indebtedness of $5,435 ($nil in 2018).

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



Consolidated Statements of Financial Position

For the years ended December 28, 2019 and December 29, 2018

(in thousands of Canadian dollars)

	Notes	As at December 28, 2019 $	As at December 29, 2018 (Restated, Note 2) $
Assets			
Current assets			
Cash		**—**	5,786
Trade and other receivables	10	**72,643**	90,038
Inventories		**67,747**	78,229
Tax receivable		**909**	1,600
Other		**2,861**	2,932
		144,160	178,585
Non-current assets			
Property, plant and equipment	11	**10,486**	11,142
Intangible assets	12	**31,461**	38,090
Goodwill		**70,813**	70,813
Deferred tax assets	8	**2,295**	4,383
Other		**1,933**	581
		116,988	125,009
Total assets		**261,148**	303,594
Liabilities			
Current liabilities			
Bank indebtedness		**5,435**	—
Trade and other payables	14	**82,324**	96,562
Current portion of long-term debt	15	**2,983**	1,027
Other		**1,210**	533
		91,952	98,122
Non-current liabilities			
Long-term debt	15	**17,926**	62,317
Convertible debentures	16	**49,576**	49,341
Pension obligations	20	**1,553**	1,066
Provisions	17	**—**	140
Deferred tax liabilities	8	**38**	253
		69,093	113,117
Total liabilities		**161,045**	211,239
Equity			
Equity attributable to shareholders		**100,103**	92,355
Total liabilities and equity		**261,148**	303,594

Commitments (Note 19)
Contingency (Note 27)
Subsequent events (Note 28)
The accompanying notes are an integral part of the consolidated financial statements.

1 Nature of operations

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

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

The Company's year end is on the last Saturday of December. Colabor's fiscal year is comprised of thirteen periods of four weeks each. The first three quarters are comprised of three periods each and the fourth quarter includes four periods. The Company's sales and net earnings are proportionally less significant for the first, second and third quarters and more significant for the fourth quarter since the latter generally has 33% more days of operation in comparison with the other quarters of the period. Additionally, the Company's sales are seasonal, therefore lower sales volume are recorded during the first quarter in comparison with the other three quarters. The years ended on December 28, 2019 and on December 29, 2018 consisted of 52 weeks each.

2 Significant accounting policies

General information

These consolidated financial statements of the Company are prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standard Board (IASB). The consolidated financial statements have been prepared in accordance with the significant accounting policies described in this note, which have been applied consistently throughout the two years.

These consolidated financial statements have been approved by the Company's Board of Directors during the February 26, 2020 meeting.

Basis of measurement

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

Basis of consolidation

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

The Company has control when it has the power to direct financial and operational policies which have a significant impact on the entity's returns. The subsidiaries are consolidated from the date the Company acquires control until the date control ends. Groupe Colabor Inc. owns 100% of the following subsidiaries : Les Pêcheries Norref Québec inc.; Gestion Colabor inc.; Colabor, société en Commandite; 2096935 Ontario Limited; Transport Paul-Émile Dubé ltée.

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

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

Business combinations

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

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

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

Discontinued operations

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

Comparative figures

The Company has restated its presentation of cash, bank indebtedness and long term debt. In 2018, long-term debt was presented net of cash. The Company has reviewed the compensation criteria in 2019 and has concluded that they were not met in 2019 and 2018. Therefore, comparative figures have been adjusted to reflect this position. The impact of this adjustment on the financial statements is detailed below.

Consolidated Statements of Financial Position ended December 29, 2018

	Previous Presentation	Adjustment Impact	New Presentation
	$	$	$
Assets			
Current			
Cash	—	5,786	5,786
Liabilities			
Current			
Bank indebtedness	5,684	(5,684)	—
Non-current			
Long-term debt	50,847	11,470	62,317

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

Consolidated Statements of Cash Flows ended December 29, 2018

	Previous Presentation	Adjustment Impact	Discontinued Operations (Note 5)	New Presentation
	$	$	$	$
Cash flows from financing operations				
Net change in the credit facility	(5,689)	11,470	—	5,781
Lease payments	(993)	—	—	(993)
Financial expenses paid	(6,959)	—	25	(6,934)
	(13,641)	11,470	25	(2,146)
Net change in cash and cash equivalents from continuing operations	875	11,470	359	12,704
Net change in cash and cash equivalents from discontinued operations	—	—	(359)	(359)
Cash and cash equivalents at the beginning	(6,559)	—	—	(6,559)
Cash and cash equivalents at the end	(5,684)	11,470	—	5,786

Functional and presentation currency

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

Cash and cash equivalents

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

Revenue recognition

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

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

Supplier rebates

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

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

Income taxes

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

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

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

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

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

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

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

Earnings or losses per share

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

Operating segments

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

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

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

Inventory

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

Distribution software, signing bonuses and customer relationships

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

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

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

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

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

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

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

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

Trademarks

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

Goodwill

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

Impairment of non-financial assets

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

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

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

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

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

Leases

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

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

Financial Instruments

The Company adopted IFRS 9, « Financial Instruments » effective December 31, 2017, for its 2018 reporting fiscal year.

a) Classification

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

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

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

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

b) Assessment

Financial instruments at amortized cost

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

Financial instruments at FVTPL

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

c) Depreciation

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

d) Derecognition

Financial assets

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

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

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

Financial liabilities

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

Convertible Debentures

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

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

Financing fees

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

Pension obligation and other employee benefits

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

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

Stock-based compensation

Stock option plan

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

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

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

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

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

Performance stock unit plan

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

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

Directors' share unit plan

Members of the Company's Board of Directors may elect to receive some or all of their annual fees in the form of Directors' share units (DSUs). The accrued DSU compensation liability is measured at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares. Changes in the liability are recognized as a compensation expense and the liability is included in trade and other payables. As at December 28, 2019, no DSU was granted.

Employee stock ownership plan

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

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 for leases for which the term is 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 provides practical expedient to simplify the transition, including the choice to not re-evaluate existing contracts to determine whether they meet the lease definition under the new standard. At adoption, the Company has the option to apply IFRS 16 retrospectively for each comparative period disclosed or uses a modified retrospective approach by recognizing the cumulative impact of the initial application of the standard as an adjustment to opening deficit. The company has chosen the latter of the two options. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, ie from December 29, 2019 for the Company. Early adoption of this standard is permitted under certain conditions, but the Company did not use this choice.

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 financial expenses. The Company is finalizing the assessment of the extent of the impact of this standard on its consolidated financial statements.

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

3 Significant estimates and judgments

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

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

Supplier rebates

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

Useful lives of depreciable assets

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

Pension obligation

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

Deferred tax assets

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

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

Impairment

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

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

4 Operating segment

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

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

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

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

During the reporting period, the Company has modified the performance measurements of its operating segments, without however modifying the segments' composition. Comparative figures were restated to reflect this change.

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

Segment information can be analyzed as follows[1]:

	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
		(Restated, Note 5)		**(Restated, Note 5)**		**(Restated, Note 5)**		**(Restated, Note 5)**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Segment sales	**887,236**	917,350	**229,973**	242,862	**(57,138)**	(63,801)	**1,060,071**	1,096,411
Operating expenses	**878,643**	912,759	**212,315**	225,337	**(49,851)**	(57,847)	**1,041,107**	1,080,249
Adjusted EBITDA	**8,593**	4,591	**17,658**	17,525	**(7,287)**	(5,954)	**18,964**	16,162

[1] Segments are using the same accounting methods as set forth in significant accounting policies, except for the following elements which are not attributed to the entity's segment earnings : Head Office expenses (employee compensation and other unallocated fees); financial expenses; depreciation and amortization; costs from stock base compensation; costs not related to current operations; impairment loss on goodwill, intangible assets and property, plant and equipment; income tax.

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:

	2019	2018
		(Restated, Note 5)
	$	$
Net earnings (loss) from continuing operations	**654**	(4,901)
Income taxes (recovered)	**195**	(1,686)
Financial expenses	**7,158**	7,882
Operating earnings	**8,007**	1,295
Costs from stock base compensation	**32**	68
Impairment loss on goodwill, intangible assets and property, plant and equipment	**243**	2,916
Costs not related to current operations	**881**	1,225
Depreciation and amortization	**9,801**	10,658
Adjusted EBITDA	**18,964**	16,162

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

Disaggregated revenue

The Company sells the products from its Broadline Distribution segment on two main territories : Ontario and Quebec, whereas products from its Specialized Distribution and Wholesale segments are sold primarily in Quebec. Segment sales per product type and geographic location are reconciled with the Company's sales in the table below :

	2019	2018
		(Restated, Note 5)
	$	$
Distribution		
Broadline		
Ontario	**395,876**	422,782
Québec	**295,700**	306,630
Specialized	**195,660**	187,938
Total distribution	**887,236**	917,350
Wholesale	**229,973**	242,862
Eliminations	**(57,138)**	(63,801)
Total	**1,060,071**	1,096,411

5 Discontinued operations

On May 10, 2019, the Company concluded the sale of the assets of the Viandes Décarie division for an amount of $20,070 including final adjustments related to working capital, of which $17,750 was received at closing. The balance of sale price receivable will be payable over a maximum period of five years according to the terms of the agreement, from which $244 has been received during the reporting period.

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

The following table presents proceeds of disposition and the carrying amount of net assets sold in 2019 :

	$
Proceeds from disposition	**20,070**
Carrying amount of assets and liabilities sold:	
Trade and other receivables	**7,329**
Inventories	**7,152**
Prepaid expenses	**133**
Property, plant and equipment	**722**
Trade and other payables	**(3,065)**
	12,271
Gain on disposal	**7,799**

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

Net earnings from discontinued operations are as follows:

	2019	2018
	$	$
Sales	**37,392**	106,505
Cost of goods sold	**34,245**	97,687
Gross Margin	**3,147**	8,818
Operating expenses	**2,525**	6,504
Depreciation and amortization	**29**	1,774
Costs not related to current operations	**(7,799)**	—
Operating earnings	**8,392**	540
Financial expenses	**6**	26
Earnings before taxes	**8,386**	514
Income taxes (recovered)	**1,313**	—
Net earnings from discontinued operations	**7,073**	514

The income taxes represents the variation in deferred taxes on intangible assets.

Cash flows from discontinued operations are as follows:

	2019	2018
	$	$
Cash flows from operating activities	**622**	4,338
Cash flows from investing activities	**17,772**	(4,672)
Cash flows from financing activities	**(6)**	(25)
Net change in cash and cash equivalent from discontinued operations	**18,388**	(359)

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

6 Operating expenses

	Notes	2019 $	2018 (Restated, Note 5) $
Employee compensation	20	**80,200**	87,030
Leases		**18,912**	18,088
Repair and maintenance		**4,028**	4,675
Utilities		**7,882**	8,905
Other expenses		**12,034**	11,143
		123,056	129,841

7 Costs not related to current operations

	2019 $	2018 (Restated, Note 5) $
Costs of internal restructuring of operations		
Severance and other costs [a]	**444**	2,499
Change in provision for onerous contracts [b]	**—**	(1,194)
Others	**437**	(80)
	881	1,225

[a] **Severance and other costs**

In 2019, the Company has undertaken some changes in the management team, incurring costs not related to current operations. In 2018, Colabor had announced the implementation of efforts on workforce rationalization to optimize the operations, which has incurred the severance and other costs.

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

During fiscal year 2018, the Company has recorded a gain resulting from the termination of an onerous contract.

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

8 Income taxes

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

The following table presents the income tax expenses on the earnings for the years ended :

	2019	2018
		(Restated, Note 5)
	$	$
Income taxes payable		
Fiscal year considered	**70**	26
Prior fiscal years adjustment	**(580)**	(266)
	(510)	(240)
Deferred income tax		
Prior fiscal years adjustment	**649**	(169)
Creation and reversal of temporary differences	**16**	(889)
Deferred income tax assets change related to tax loss or temporary differences not previously accounted	**—**	(390)
Accounting effect on income tax rate change	**40**	2
	705	(1,446)
Total income taxes (recovered)	**195**	(1,686)

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

	2019	2018
		(Restated, Note 5)
	$	$
Income before income taxes	**849**	(6,073)
Combined federal and provincial income tax rate	**26.56 %**	26.62 %
Income taxes (recovered) at statutory rate	**226**	(1,617)
Non-tax deductible items	**151**	219
Non taxable items	**—**	(51)
Adjustment of tax attributes	**108**	—
Other	**(290)**	(237)
Income taxes (recovered)	**195**	(1,686)

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

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

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

				2018
	Balance, beginning of year	**Net 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 issuance 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

	2019	**2018**
	$	**$**
Presented in the :		
Deferred tax assets	**2,295**	4,383
Deferred tax liabilities	**(38)**	(253)
	2,257	4,130

As at December 28, 2019, the Company had capital losses amounting to $4,470 ($4,612 in 2018) for which no deferred tax asset had been recognized. Non-capital losses are expiring between 2038 and 2039.

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

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

9 Per share data

Earnings (loss) per share

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

	2019 $	2018 $
Net earnings (loss) from continuing operations	**654**	(4,901)
Net earnings from discontinued operations	**7,073**	514
Net earnings (loss)	**7,727**	(4,387)
Weighted average number of outstanding shares	**101,346,836**	101,177,944
Effect of dilutive stock options	**388,187**	—
Weighted average number of diluted outstanding shares	**101,735,023**	101,177,944
Basic and diluted net earnings (loss) per share of continuing operations	**0.01**	(0.05)
Basic and diluted net earnings per share of discontinued operations	**0.07**	0.01
Basic and diluted net earnings (loss) per share	**0.08**	(0.04)

Shares hypothetically issued as a result of the conversion of the convertible debentures (20,000,000 shares in 2019 and 2018) and 1,941,471 stock options in 2019 (4,218,943 stock options in 2018) were not included in the calculation of diluted earnings per share for the periods ended December 28, 2019 and December 29, 2018 because of their anti-dilutive effect.

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

10 Trade and other receivables

	2019	2018
	$	$
Trade receivables	**57,873**	77,173
Salaries and related compensation payable	**11,389**	9,090
Other	**3,381**	3,775
	72,643	90,038

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

	2019	2018
	$	$
Current	**56,782**	76,091
Overdue from 31 to 60 days	**1,074**	1,082
Overdue more than 60 days	**17**	—
	57,873	77,173

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

	2019	2018
	$	$
Balance, beginning of year	**1,133**	1,540
Expenses for the year	**706**	907
Write-offs	**(933)**	(1,314)
Balance, end of year	**906**	1,133

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, except number of shares and per share data)

11 Property, plant and equipment

	Note	Equipment	Road vehicles	Computer equipment	Leasehold improvements	Road vehicles under capital leases	Total
		$	$	$	$	$	$
Year ended December 28, 2019							
Opening net book value		**3,124**	**688**	**518**	**3,356**	**3,456**	**11,142**
Acquisitions		**1,354**	**22**	**809**	**727**	**78**	**2,990**
Disposals		**(38)**	**(34)**	**16**	**(323)**	**—**	**(379)**
Depreciation		**(1,033)**	**(283)**	**(333)**	**(792)**	**(594)**	**(3,035)**
Impairment loss	13	**(22)**	**—**	**—**	**(210)**	**—**	**(232)**
Closing net book value		**3,385**	**393**	**1,010**	**2,758**	**2,940**	**10,486**
As at December 28, 2019							
Cost		**20,069**	**7,497**	**6,974**	**13,054**	**6,867**	**54,461**
Accumulated depreciation and impairment		**(16,684)**	**(7,104)**	**(5,964)**	**(10,296)**	**(3,927)**	**(43,975)**
Net book value		**3,385**	**393**	**1,010**	**2,758**	**2,940**	**10,486**

	Note	Equipment	Road vehicles	Computer equipment	Leasehold improvements	Road vehicles under capital leases	Total
		$	$	$	$	$	$
Year ended December 29, 2018							
Opening net book value		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	13	(346)	(309)	(4)	(320)	(1,820)	(2,799)
Closing net book value		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 value		3,124	688	518	3,356	3,456	11,142

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

12 Intangible assets

	Notes	Distribution software $	Signing bonuses $	Customer relationships $	Trademarks $	Total $
Year ended December 28, 2019						
Opening net book value		**1,521**	**802**	**27,225**	**8,542**	**38,090**
Acquisitions		**185**	—	—	—	**185**
Disposals		**(8)**	—	—	—	**(8)**
Amortization		**(597)**	**(616)**	**(5,582)**	—	**(6,795)**
Impairment loss	13	**(11)**	—	—	—	**(11)**
Closing net book value		**1,090**	**186**	**21,643**	**8,542**	**31,461**
As at December 28, 2019						
Cost		**10,639**	**2,999**	**90,770**	**8,542**	**112,950**
Accumulated depreciation and impairment		**(9,549)**	**(2,813)**	**(69,127)**	—	**(81,489)**
Net book value		**1,090**	**186**	**21,643**	**8,542**	**31,461**

	Notes	Distribution software $	Signing bonuses $	Customer relationships $	Trademarks $	Total $
Year ended December 29, 2018						
Opening net book value		1,692	1,420	34,574	8,542	46,228
Acquisitions		552	—	—	—	552
Amortization		(606)	(618)	(7,349)	—	(8,573)
Impairment loss	13	(117)	—	—	—	(117)
Closing net book value		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 value		1,521	802	27,225	8,542	38,090

The remaining weighted average life of the depreciable intangible assets is 5.0 years.

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

13 Impairment

Goodwill and trademarks

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

		2019		2018
	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 2019, the Company used average growth rates ranging from -6.2% to 1.4% (-2.2% to 2.0% in 2018). The cash flows for 2020 are based on the internal budget. The cash flows from 2021 to 2024, as well as the end values were extrapolated using growth rates based primarily on the Consumer Price Index as well as observable market data in which the CGUs are evolving.

b) In 2019, the Company used discount rate of 10.1% (ranging from 10.8% to 11.3% in 2018). These discount rates represent the weighted average cost of capital for companies operating in the same line of business as the CGUs.

Property, plant and equipment and intangible assets

The Company recorded an asset impairment charge without effect on its liquidities of $243 ($2,916 in 2018) which relates primarily to the impairment of certain property, plant and equipment and intangible assets of the Summit division, in the Distribution segment.

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

14 Trade and other payables

	2019	2018
	$	$
Trade payables	**63,288**	72,844
Priority payables	**6,683**	8,326
Other	**12,353**	15,392
	82,324	96,562

15 Long-term debt

	2019	2018
	$	$
Credit facility [(a)]	**2,000**	34,000
Subordinated debt [(b)]	**15,000**	25,000
Obligations arising from leases repayable in variable monthly instalments until July 2025, at interest rate ranging from 2.95% to 7.28%	**3,967**	4,905
Less unamortized financing costs	**(58)**	(561)
Total debt	**20,909**	63,344
Current portion of long-term debt	**2,983**	1,027
Total long-term debt	**17,926**	62,317

[(a)] Credit facility

The credit facility is composed of a revolving credit facility in a maximum amount of $140,000, a term loan of $18,000 (unused as at December 28, 2019) and a $15,000 line of credit. 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 28, 2019, the facility consisted of a loan and banker's acceptances bearing interest at rates varying between 3.55% and 3.66% (between 2.19% and 3.95% as at December 29, 2018). The credit facility is expiring on October 13, 2020.

The Company is required to respect a fixed charges coverage ratio. As at December 28, 2019, this ratio has been met and the availability of the credit facility amounted to $68,470.

As at December 28, 2019, letters of guarantee amounting to $1,044 ($4,612 as at December 29, 2018) had been used to support the lease of one of the Company's distribution centers.

[(b)] **Subordinated Debt**

The subordinated debt has a nominal value of $25,000 maturing on April 13, 2021. During the fiscal year 2019, the Company has reimbursed two lump sums for a total of $10,000, decreasing the nominal value to $15,000. Under the terms of the agreement, the interest on the debt is payable monthly at a prime rate of 8.0% in 2019 (7.0% in 2018). The subordinated debt is secured by a mortgage on all Company's present and future assets, which is subordinated to the first-ranking security on the credit facility.

16 Debentures

	2019 $	2018 $
Convertible debentures	**50,000**	50,000
Less unamortized finance costs	**424**	659
	49,576	49,341

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 2018). Under certain circumstances, the Company could redeem some or all of the debentures in advance since April 30, 2015.

The debentures have a nominal value of $50,000 maturing on October 13, 2021 with an interest rate of 6.0% (6.0% in 2018). Under the terms of the agreement, effective interest rate on the debentures is 6.55% (6.55% in 2018).

17 Provisions

	2019 $	2018 $
Balance, beginning of year	**597**	3,196
Gain on termination of an onerous contract	—	(1,194)
Changes to assumptions	**613**	—
Accretion expense	—	56
Provisions used during the year	—	(1,461)
Balance, end of year	**1,210**	597
Current[(1)]	**1,210**	457
Non-current	—	140
Balance, end of year	**1,210**	597

[(1)] The current portion is included in "Others" in the current liabilities.

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

18 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

		2019		**2018**
	Number	**Amount $**	**Number**	**Amount $**
Outstanding, beginning of the year	**101,177,932**	**255,639**	102,112,832	258,005
Issued (cancelled) during the year	**500,000**	**657**	(934,900)	(2,366)
Outstanding, end of the year	**101,677,932**	**256,296**	101,177,932	255,639

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

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

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 common shares or just under 1% of its outstanding shares, which were automatically cancelled.

19 Operating leases and commitments

The Company has entered into various leases expiring through to January 2028 for which it has recognized an expense of $18,912 ($18,088 in 2018). The Company's obligation under one of these leases is secured by a $1,044 letter of guarantee. Minimum lease payments under the Company's operating leases as at December 28, 2019 are as follows:

	$
Less than 1 year	**14,427**
From 1 to 5 years	**28,901**
Over 5 years	**5,192**
	48,520

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

20 Employee compensation

a) Employee benefit expenses

	2019	2018
		(Restated, Note 5)
	$	$
Salaries	**62,888**	67,604
Fringe benefit costs	**12,937**	14,779
Expenses for stock-based compensation plan	**32**	68
Pensions – defined benefit plan	**83**	170
Pensions – defined contribution plans	**1,228**	1,351
Pensions – government defined contribution plans	**3,032**	3,058
	80,200	87,030

b) Stock-based compensation

Stock option plan

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

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

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

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

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

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:

	2019 **Granted during the year**	**2018** **Granted during the year**
Weighted average fair value of the options	**$0.30**	$0.31
Risk-free interest rate	**1.51%**	2.20%
Expected volatility of shares	**60%**	55%
Expected annual dividend	**—**	—
Expected term	**6.25 years**	5.5 years
Share price at date of grant	**$0.59**	$0.72
Exercise price at date of grant	**$0.60**	$0.88
Exercise period	**4 years**	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:

		2019		**2018**
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding, beginning of year	**4,218,943**	**1.69**	5,550,420	1.79
Granted	**2,215,000**	**0.60**	1,000,000	0.88
Exercised	**(500,000)**	**0.88**	—	—
Forfeiture	**(1,732,222)**	**1.01**	(2,125,727)	1.38
Expired	**(785,250)**	**3.87**	(205,750)	3.72
Outstanding, end of year	**3,416,471**	**0.94**	4,218,943	1.69
Exercisable options	**840,082**	**1.63**	1,463,850	2.74

Forfeited stock options have generated a reversal of $300 in 2019 ($589 in 2018) in the stock based compensation expense.

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

The following table presents information related to the outstanding stock options as at December 28, 2019:

Granted date	Expiration year	Exercise price	Number of options outstanding	Number of exercisable options
		$		
March 2013	2020	7.75	43,600	43,600
May 2014	2021	3.70	50,000	50,000
June 2015	2022	1.04	150,000	150,000
October 2016	2026	0.88	500,000	250,000
December 2016	2026	1.36	657,871	346,482
May 2019	2028	0.60	475,000	—
May 2019	2028	0.74	300,000	—
June 2019	2028	0.88	150,000	—
July 2019	2028	1.02	60,000	—
August 2019	2028	0.94	30,000	—
November 2019	2028	0.47	1,000,000	—
			3,416,471	840,082

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 28, 2019, no common shares may be acquired by plan participants at the share bid price. In 2019, no performance stock was issued.

c) Pension obligation and employee future benefits

As at December 28, 2019, the Company had a defined benefit pension plan and contributed to group defined contribution plans.

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

Since March 1, 2017, the Company decided that active members of the plan will stop accumulating benefits.

Information about the defined benefit pension plan is as follows:

	2019	2018
	$	$
Accrued benefit obligation		
Balance, beginning of year	**9,049**	9,664
Financial expenses	**342**	327
Benefits paid	**(773)**	(367)
Actuarial gains or losses	**1,272**	(575)
Balance, end of year	**9,890**	9,049

	2019	2018
	$	$
Plan assets		
Fair value, beginning of year	**7,983**	8,363
Interest income	**303**	283
Actual return in excess of interest income	**657**	(355)
Employer contributions	**178**	70
Administrative expenses	**(11)**	(11)
Benefits paid	**(773)**	(367)
Fair value, end of year	**8,337**	7,983
Funded status - Pension plan deficit	**(1,553)**	(1,066)

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

The plan assets are composed of the following for fiscal years 2019 and 2018:

				2019
	Listed	**Unlisted**	**Total**	**Total**
	$	**$**	**$**	**%**
Cash and cash equivalents	**384**	**—**	**384**	**4.6%**
Equity instruments - Level 1				
Canada	**990**	**—**	**990**	**11.9%**
International	**1,933**	**—**	**1,933**	**23.2%**
	2,923	**—**	**2,923**	**35.1%**
Debt instruments - Level 2				
Corporate bonds	**4,547**	**—**	**4,547**	**54.5%**
Real estate - Level 3	**—**	**483**	**483**	**5.8%**
Total assets	**7,854**	**483**	**8,337**	**100.0%**

				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%

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

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

	2019 $	2018 $
Net interest	**39**	44
Administrative expenses	**11**	11
Amount recognized in earnings	**50**	55

The remeasurement of the pension obligation is as follows:

	2019 $	2018 $
Actuarial gains or losses		
Change in financial assumptions	**(1,272)**	575
Actual return in excess of interest income	**657**	(355)
Amount recognized in other comprehensive income	**(615)**	220

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

	2019	2018
Benefit costs		
Discount rate	**3.95%**	3.45%
Rate of compensation increase	**n/a**	n/a
Accrued benefit obligation		
Discount rate	**3.15%**	3.95%
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).

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

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:

	2019	**2018**
	$	**$**
Increase of 0.5% in the discount rate	**(786)**	(654)
Decrease of 0.5% in the discount rate	**888**	831

21 Financial expenses and financial expenses paid

	2019	**2018**
		(Restated, Note 5)
	$	**$**
Interest on credit facility	**1,673**	2,254
Interest on subordinated debt	**1,812**	1,813
Effective interest on debentures	**3,227**	3,227
Accretion expense	—	56
Other	**446**	533
Financial expenses	**7,158**	7,882
Effective interest on long-term debt and accretion expense	**(338)**	(360)
Amortization of financial expenses	**(401)**	(588)
Financial expenses paid	**6,419**	6,934

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

22 Cash flow

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:

	2019	2018
	$	$
Trade and other receivables	**10,066**	3,159
Inventories	**3,330**	(237)
Other assets	**712**	108
Trade and other payables	**(11,172)**	(1,365)
Other liabilities	**—**	9
	2,936	1,674

Change in liabilities from financing operations

	Obligations arising from leases	Credit facility	Subordinated debt	Convertible debentures	Total
	$	$	$	$	$
Balance as at December 29, 2018	**4,905**	**33,577**	**24,862**	**49,341**	**112,685**
Cash flows	**(1,000)**	**(32,000)**	**(10,000)**	**—**	**(43,000)**
Net change in non-cash items					
Acquisitions - finance leases	**62**	**—**	**—**	**—**	**62**
Other non-cash movements	**—**	**402**	**101**	**235**	**738**
Balance as at December 28, 2019	**3,967**	**1,979**	**14,963**	**49,576**	**70,485**

	Obligations arising from leases	Credit facility	Subordinated debt	Convertible debentures	Total
	$	$	$	$	$
Balance as at December 30, 2017	2,767	27,301	24,819	49,105	103,992
Cash flows	(993)	5,780	—	—	4,787
Net change in non-cash items					
Acquisitions - finance leases	3,131	—	—	—	3,131
Other non-cash movements	—	496	43	235	774
Balance as at December 29, 2018	4,905	33,577	24,862	49,341	112,685

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

23 Economic dependence

One customer in the Distribution segment accounted for 20.7% of the Company's sales in 2019 (19.7% in 2018) and 24.8% of the trade accounts receivables (20.9% in 2018).

24 Financial Instruments

A) Fair value

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

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

	2019		**2018**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial liabilities				
Non-current				
Credit facility	—	—	22,108	22,108
Subordinated debt	**14,963**	**14,957**	24,862	24,929
Convertible debentures	**49,576**	**42,260**	49,341	31,500
	64,539	**57,217**	96,311	78,537

The fair value of subordinated debt was determined by discounting future cash flows at 6.5% (8.0% as at December 29, 2018), the current rate of subordinated debt.

The fair value of the convertible debentures was determined based on the trading price on December 28, 2019.

Fair value measurement

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

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

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

As at December 28, 2019, the Company has classified the fair value measurement of non-current liabilities presented in the table above as follows: Credit facility (Level 2), Convertible debentures (Level 1) and Subordinated debt (Level 2). There was no transfer between the levels during the fiscal year 2019.

B) Financial risks management

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

Interest rate risk

The credit facility bears interest at variable rates, and this exposes the Company to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not result in any interest rate risk since they do not bear interest at variable rates. The Company manages its 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 1.0% fluctuation in the bank prime rate based on current market conditions would have an impact of $nil on earnings in 2019 ($0.4 million in 2018).

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, except for what is mentioned at note 25. The Company requires a guarantee or letter of credit from some of its customers. As at December 28, 2019, the Company had guarantees for 1.0% of its trade accounts receivable (1.0% as at December 29, 2018).

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.

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

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. The Company is expecting to be able to meet its obligations for the next 12 months by using future cash flows from operating activities. Because its credit facility is expiring in October 2020, the Company is in discussion regarding refinancing and is currently exploring different options. The Company has always been able to finance itself in the past and the management continue to believe that it will be able to refinance itself and cover its liquidity needs in a foreseeable future.

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

				2019
	Carrying amount	**Maturing in less than 12 months**	**Maturing in 1 to 3 years**	**Total**
	$	**$**	**$**	**$**
Bank overdraft	**5,435**	**5,435**	**—**	**5,435**
Trade and other payables	**82,324**	**82,324**	**—**	**82,324**
Credit facility	**2,000**	**2,062**	**—**	**2,062**
Subordinated debt	**15,000**	**975**	**15,278**	**16,253**
Convertible debentures	**50,000**	**2,992**	**52,392**	**55,384**
	154,759	**93,788**	**67,670**	**161,458**

25 Capital management

The Company's objective when managing its capital is to safeguard its assets and its ability to continue as a going concern, while maximizing its growth and providing a return to shareholders. As was the case in 2018, the Company's capital is composed of the bank overdraft, bank borrowings, long-term debt, debentures and shareholders' equity. In addition to its conservative approach to safeguarding the statement of financial position, the Company achieves this objective through the prudent management of internally-generated capital, by optimizing the use of capital at a lower cost and using capital to finance growth initiatives.

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

As at December 28, 2019 and December 29, 2018, the Company was in compliance with all debt covenants and was not subject to any other externally imposed capital requirements.

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

26 Related party transactions

The Company's related party transactions are those concluded with key management personnel and administrators. Unless otherwise indicated, none of the transactions have special features or special conditions. Amounts are usually paid in cash.

Transactions with Dubé & Loiselle inc., a company owned by one of the Company's administrator

	2019	2018
	$	$
Consolidated Statements of Earnings		
Sales	**26,130**	27,537
Consolidated Statements of Financial Position		
Trade and other receivables, net of remittances [a]	**447**	126
Dubé & Loiselle inc. purchase option [b]	**500**	500

[a] In 2019, the remittances of $918 ($1,559 in 2018) 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 an amount of $500 to Robraye Management Ltd. in consideration for the option to acquire Dubé & Loiselle inc. This option was recognized in the prepaid expenses (see note 28).

Transactions with key management personnel

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

	2019	2018
	$	$
Short-term employee benefits		
Salaries, including bonuses and special allocations	**2,823**	4,451
Directors' fees	**451**	390
Fringe benefit costs	**219**	224
Total short-term employee benefits	**3,493**	5,065
Defined contribution pension plans	**108**	137
Share-based payments	**26**	62
Total compensation	**3,627**	5,265

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

27 Contingency

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

28 Subsequent events

On January 8, 2020, Colabor announced the consolidation of its Broadline distribution activities in Ontario into its Mississauga distribution center, which resulted in the closure of its Ottawa and London distribution centers. This decision was made in accordance with initiative taken to transform and optimize Colabor's activities in Ontario, as previously announced and which resulted in the early termination of Colabor and Recipe Unlimited's supply agreement. As per the early termination terms of this contract, distribution activities related to Recipe's restaurants will cease gradually until March 2, 2020 and at the end of the agreement, Recipe will buy the remaining stock as of this date. Restructuring costs, especially severance fees and warehouse closure costs are expected.

On February 24, 2020, Colabor announced the decision not to exercise the option to acquire Dubé & Loiselle inc. The Company acquired this option in October 2016 for a sum of $500. This amount, which is classified in other short-term assets, will be written-off in the first quarter of 2020.