PREMIUM BRANDS HOLDINGS CORPORATION

Consolidated Financial Statements

Fiscal Years Ended
December 28, 2019 and December 29, 2018

Independent auditor's report

To the Shareholders of Premium Brands Holdings Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Premium Brands Holdings Corporation and its subsidiaries (together, the Entity) 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 (IFRS).

What we have audited

The Entity's consolidated financial statements comprise:

- the consolidated balance sheets as at December 28, 2019 and December 29, 2018;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- 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 Entity 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.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 Entity 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 John Bunting.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 12, 2020

Premium Brands Holdings Corporation

Consolidated Balance Sheets

(in millions of Canadian dollars)

	December 28, 2019	December 29, 2018
Current assets:		
Cash and cash equivalents	18.4	19.4
Accounts receivable (note 26)	346.5	321.9
Inventories (note 3)	396.2	339.8
Prepaid expenses and other assets	19.4	15.1
	780.5	696.2
Capital assets (note 4)	502.1	476.4
Right of use assets (note 5)	300.4	-
Intangible assets (note 6)	490.2	452.9
Goodwill (note 7)	780.2	776.7
Investment in and advances to associates (note 8)	64.6	26.7
Other assets	19.1	21.6
	2,937.1	2,450.5
Current liabilities:		
Cheques outstanding	16.4	22.0
Bank indebtedness (note 9)	24.9	35.9
Dividends payable (note 16)	19.7	16.0
Accounts payable and accrued liabilities	285.0	246.6
Puttable interest in subsidiaries (note 12)	58.2	77.8
Current portion of long-term debt (note 10)	7.7	10.8
Current portion of lease obligations (note 2)	32.1	-
Current portion of provisions (note 11)	8.5	2.3
	452.5	411.4
Long-term debt (note 10)	603.0	726.4
Lease obligations (note 2)	303.2	-
Deferred revenue	2.8	6.8
Provisions (note 11)	62.4	36.3
Pension obligation	1.2	0.9
Deferred income taxes (note 22)	76.8	84.6
	1,501.9	1,266.4
Convertible unsecured subordinated debentures (note 13)	364.0	360.2
Equity attributable to shareholders:		
Retained earnings	19.9	32.4
Share capital (note 14)	1,023.6	753.9
Reserves (note 15)	27.7	37.6
	1,071.2	823.9
	2,937.1	2,450.5

Commitments and contingencies (note 24)
Subsequent events (note 30)

Approved by the Board of Directors

(signed) George Paleologou Director *(signed) Johnny Ciampi* Director

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

Premium Brands Holdings Corporation

Consolidated Statements of Operations

(in millions of Canadian dollars except per share amounts)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Revenue	3,649.4	3,025.8
Cost of goods sold (note 19)	2,924.1	2,425.1
Gross profit before the below	725.3	600.7
Selling, general and administrative expenses before the below (note 19)	417.6	349.4
	307.7	251.3
Plant start-up and restructuring costs (note 20)	9.6	5.2
Depreciation of capital assets (note 4)	60.0	46.9
Amortization of intangible assets (note 6)	20.6	15.9
Amortization of right of use assets (note 5)	27.9	-
Accretion of lease obligations (note 2)	13.4	-
Interest and other financing costs (note 21)	53.6	47.5
Acquisition transaction costs	3.3	8.2
Change in value of puttable interest in subsidiaries (note 12)	0.5	6.2
Accretion of provisions (note 11)	5.7	1.2
Equity loss in investments in associates (note 8)	2.5	2.7
Earnings before income taxes	110.6	117.5
Provision for income taxes (recovery) (note 22)		
Current	19.1	25.1
Deferred	7.3	(5.6)
	26.4	19.5
Earnings	84.2	98.0
Earnings per share (note 17):		
Basic	2.35	3.03
Diluted	2.34	3.02
Weighted average shares outstanding (in millions):		
Basic	35.8	32.4
Diluted	36.0	32.5

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

Premium Brands Holdings Corporation

Consolidated Statements of Comprehensive Earnings

(in millions of Canadian dollars)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Earnings	84.2	98.0
Actuarial (loss) gain on pension plan assets	(0.8)	0.8
Unrealized loss on interest rate swaps	(0.8)	(0.5)
Unrealized gain on foreign exchange currency contracts	0.7	-
Unrealized foreign exchange (loss) gain on investments in foreign operations	(10.6)	17.4
Comprehensive earnings	72.7	115.7

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

Premium Brands Holdings Corporation

Consolidated Statements of Cash Flows

(in millions of Canadian dollars)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Cash flows from (used in) operating activities:		
Earnings	84.2	98.0
Items not involving cash:		
Depreciation of capital assets	60.0	46.9
Amortization of intangible assets	20.6	15.9
Amortization of right of use assets	27.9	-
Accretion of lease obligations	13.4	-
Change in value of puttable interest in subsidiaries	0.5	6.2
Loss on sales of capital assets	0.3	0.1
Equity loss in investment in associates	2.5	2.7
Deferred revenue	-	0.4
Non-cash financing costs	4.8	5.2
Accretion of provisions	5.7	1.2
Deferred income taxes (recovery)	7.3	(5.6)
	227.2	171.0
Change in non-cash working capital (note 27)	(63.0)	(35.1)
	164.2	135.9
Cash flows from (used in) financing activities:		
Long-term debt – net	(104.9)	244.5
Payments for lease obligations	(35.8)	-
Bank indebtedness and cheques outstanding	(16.6)	37.8
Proceeds from convertible debentures – net of issuance costs	-	164.7
Repayment of convertible debentures	-	(0.5)
Dividends paid to shareholders	(73.1)	(59.7)
Share issuance – net of issuance costs	250.9	164.9
	20.5	551.7
Cash flows from (used in) investing activities:		
Capital asset additions	(87.9)	(71.2)
Business and asset acquisitions (note 18)	(70.9)	(574.0)
Payments to shareholders of non-wholly owned subsidiaries	(2.3)	(2.1)
Payment of provisions	(0.8)	(20.5)
Payment for settlement of puttable interest of non-wholly owned subsidiaries	(0.5)	-
Purchase of shares for employee share loans	-	(11.3)
Net change in share purchase loans and notes receivable	0.7	0.5
Investment in and advances to associates - net of distributions	(24.7)	(5.5)
Proceeds from sales of assets	0.7	0.8
	(185.7)	(683.3)
Increase (decrease) in cash and cash equivalents	(1.0)	4.3
Cash and cash equivalents – beginning of year	19.4	15.1
Cash and cash equivalents – end of year	18.4	19.4

Supplemental cash flow information (note 27)

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

Premium Brands Holdings Corporation

Consolidated Statements of Changes in Shareholders' Equity
(in millions of Canadian dollars)

	Retained earnings (deficit)	Share capital	Reserves	Share-holders' equity
Balance as at December 30, 2017	(3.7)	482.2	19.2	497.7
Common shares issued (note 14)	-	272.1	-	272.1
Earnings for the year attributable to shareholders	98.0	-	-	98.0
Dividends declared (note 16)	(62.7)	-	-	(62.7)
Actuarial gain on pension obligation	0.8	-	-	0.8
Effect of share based compensation plans	-	(0.4)	1.5	1.1
Unrealized loss on interest rate swaps	-	-	(0.5)	(0.5)
Foreign currency translation adjustment	-	-	17.4	17.4
Balance as at December 29, 2018	32.4	753.9	37.6	823.9
Common shares issued (note 14)	-	270.6	-	270.6
Earnings for the year attributable to shareholders	84.2	-	-	84.2
Dividends declared (note 16)	(76.7)	-	-	(76.7)
Actuarial loss on pension obligation	(0.8)	-	-	(0.8)
Effect of share based compensation plans	-	(0.9)	0.8	(0.1)
Unrealized loss on interest rate swaps	-	-	(0.8)	(0.8)
Unrealized gain on foreign exchange contracts	-	-	0.7	0.7
Foreign currency translation adjustment	-	-	(10.6)	(10.6)
Adjustments for IFRS 16 (note 2)	(19.2)	-	-	(19.2)
Balance as at December 28, 2019	19.9	1,023.6	27.7	1,071.2

1. Corporate information

Premium Brands Holdings Corporation (the Company) is incorporated under the Canada Business Corporations Act. Through its subsidiaries, the Company owns a broad range of specialty food manufacturing and premium food distribution and wholesale businesses with operations across Canada and the United States.

The Company's Board of Directors approved these consolidated financial statements on March 11, 2020.

2. Summary of significant accounting policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for puttable interests in subsidiaries, provisions, foreign exchange forward contracts, and interest rate swaps, which are measured at fair value.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries after elimination of intercompany transactions and balances.

At December 28, 2019, the Company owns controlling interest of between 62.6% and 94.1% in a number of companies. In all cases, it holds options to purchase the third party interests in these businesses (calls), and in all cases, the third party stakeholders hold options that entitle them to require the Company to purchase their respective interests (puts). The dates in which the puts can be exercised range from any time to February, 2024, with the purchase prices being based on formulas tied to the profitability of the respective businesses.

Based on its majority ownership and control over the operations of these subsidiaries, the Company has consolidated 100% of their operations into its consolidated financial statements, and for the third party interests in these subsidiaries, it has recorded the puts as a financial liability (puttable interest in subsidiaries) at fair value on the consolidated balance sheet. Changes in the value of these financial liabilities are recognized in the consolidated statement of operations (change in value of puttable interest in subsidiaries).

The fair value of the puttable interest in subsidiaries is based on the Company's best estimates of the future amounts and timing of the cash flows of these subsidiaries, including their revenues, expenses, working capital needs, capital expenditures, and financing structures. Changes in the value of the puts resulting from changes in the assumptions used to estimate future put exercise prices are recorded in earnings as determined.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the sum of the fair values of assets given, equity instruments issued, and liabilities incurred or assumed, in exchange for control of the businesses acquired. Acquisition related costs are expensed as incurred.

The excess of the cost of a business combination over the fair value of the underlying identifiable assets acquired and liabilities assumed is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized in the current period as a gain (acquisition bargain purchase gain) in the consolidated statement of operations.

Fiscal year

The fiscal year of the Company is the fifty-two week or fifty-three week period ending the nearest Saturday on or before December 31. Fiscal year 2019 was the fifty-two week period ended December 28, 2019, and fiscal year 2018 was the fifty-two week period ended December 29, 2018.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with original maturities at the date of purchase of three months or less.

Inventories

Raw materials and finished goods inventories are stated at the lower of cost and net realizable value. Cost includes raw materials, manufacturing labor, and direct and indirect overhead, and is determined using either the first-in first-out or weighted average cost methods. Net realizable value is the estimated selling price less applicable selling expenses.

Capital assets

Capital assets are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition or construction of the capital assets.

Capital assets are depreciated once they are complete and available for use. Depreciation is provided on a straight-line or declining balance basis over the period in use at the following annual rates, which are based on the expected useful lives of the assets:

Buildings	2.5% to 5%
Machinery and equipment	5% to 30%

Buildings and leaseholds include the buildings owned by the Company as well as significant leasehold improvements made to facilities leased by the Company. Machinery and equipment includes production equipment, distribution equipment, information technology equipment, vehicles, and office equipment.

Intangible assets

Intangible assets consist of acquired brand names and customer relationships.

Proprietary brand names acquired as part of a business combination, and have been determined to have an indefinite useful life are not amortized but are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that they might be impaired. Under the requirements of the impairment test, the carrying values of the brand names are compared with their fair values and any excess is charged to earnings.

Customer relationships acquired as part of business combinations are amortized on a straight-line basis over 15 to 20 years.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of its underlying net identifiable assets at the time of acquisition. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is assessed based on a comparison of the fair value of a cash generating unit (CGU) to the underlying carrying amount of the CGU's net assets, including goodwill. When the carrying amount of the CGU exceeds its fair value, the difference is charged to earnings.

Impairment of non-financial assets

Capital assets and finite life intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying value of a capital asset or a finite life intangible asset exceeds its recoverable amount, which is the greater of the value in use of the asset or its fair value less the cost to sell it. Any impairment recognized is measured as the amount by which the carrying value of the asset exceeds its recoverable amount.

Investment in associates

Associates are entities over which the Company has significant influence, but not control. Investment in associates is accounted for using the equity method, under which the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Company's pro-rata share of post-investment earnings or loss of the associate, and is reduced by the amount of cash distributions received from the associates.

Joint ventures

Joint ventures are entities in which the Company has a contractual arrangement that establishes joint control over the economic activities of the entity by the Company and another party. Joint ventures are accounted for using the equity method and are included with investment in associates.

Long-term debt

The Company's long-term debt is initially recognized at fair value, net of financing costs. Any difference between the proceeds, net of financing costs, and the redemption value is recognized in the consolidated statement of operations over the term of the debt using the effective interest rate method.

Provisions

Provisions are recognized when there is a probable outflow of economic resources from the Company and the amount of that outflow can be estimated reliably, although the timing or amount of the outflow may be uncertain, due to the outflow being contingent upon the occurrence of certain events, such as a business achieving defined financial targets over a particular period of time. Provisions are calculated using the discounted value of the estimated expenditure required to settle the future obligation, based on the most reliable evidence available at the reporting date. Changes in the value of provisions resulting from changes in the assumptions used to estimate the amounts and timing of future outflows are recognized in earnings.

Convertible unsecured subordinated debentures (convertible debentures)

The Company accounts for convertible debentures by allocating the proceeds of the debentures, net of financing costs, between debt and equity based on estimated fair values of the debt and conversion option, as determined by the residual valuation of the equity component. Under this approach, the debt component is valued first and the difference between the proceeds of the debentures and the fair value of the debt component is assigned to the equity component. Interest expense is recorded as a charge to earnings and is calculated at an effective rate with the difference between the coupon rate and the effective rate being credited to the debt component of the convertible debentures (accretion of convertible debentures) such that, at maturity, the debt component is equal to the face value of the outstanding convertible debentures.

Where the Company has the option to make a cash payment in lieu of issuing shares when a debenture holder submits a notice of conversion, the equity component is recorded as a financial liability and is included with the debt component balance of the convertible debentures.

When the Company purchases and cancels its convertible debentures under a normal course issuer bid, the difference between the book value and fair value of the cancelled convertible debentures is recognized in earnings.

Revenue recognition

For products sold and delivered to customers by third party carriers, revenue is recognized at the time the goods leave the Company's possession and performance obligations are completed, subject to being reasonably measured and collection being reasonably assured. For products sold through the Company's proprietary distribution networks, revenue is recognized when the product is delivered to the customer. Revenue is reported net of rebates, allowances and returns.

Cost of goods sold

Cost of goods sold includes raw materials, manufacturing labor costs and plant overhead costs but excludes depreciation and amortization.

Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities are recognized based on differences between the values of the assets and liabilities used for financial statement purposes and those used for income tax purposes. Deferred income tax assets and liabilities are calculated using substantively enacted tax rates for the period in which the differences are expected to reverse. Deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment and any resulting differences are recognized in earnings.

Foreign currency translation

The Company's United States based operations have a functional currency of U.S. dollars and accordingly have been translated to Canadian dollars using the year end exchange rate for the consolidated balance sheet and the average exchange rate for the year for the consolidated statement of operations. Gains or losses resulting from translation adjustments are recorded as a component of reserves in shareholders' equity until there is a realized reduction in the net investment in the U.S. operation.

Foreign currency accounts of Canadian operations have been translated to Canadian dollars using the year end exchange rate for monetary assets and liabilities and the prevailing exchange rate at the time for income and expense transactions. Gains and losses resulting from this translation are recognized in earnings.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision makers are responsible for allocating resources and assessing the performance of the operating segments.

Financial instruments

The Company recognizes a financial asset or financial liability only when the entity becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets initially recognized at fair value are classified either as measured at amortized cost or measured at fair value. Financial assets held solely for the purpose of collecting the contractual cash flows, where those cash flows represent only payments of principal and interest, are classified as measured at amortized cost, which includes a provision for expected credit losses.

Financial assets that are held both for the purpose of collecting the contractual cash flows and for selling the financial assets themselves are classified as measured at fair value and are re-measured each period, with any changes being recorded in either other comprehensive income or earnings.

Financial liabilities are initially recognized at fair value and, with certain exceptions, are classified as measured at amortized cost.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are re-measured at their fair value in subsequent periods. For derivatives that have not been designated as hedging instruments, the changes in their fair value are recognized in earnings.

For derivatives to be designated as hedging instruments, the Company documents at the inception of the hedging transaction its risk management objectives and strategy and the economic relationship between the hedging instruments and the hedged items, including whether the hedging instrument is expected to offset changes in cash flows of the hedged items. Changes in the effective portion of the fair value of the derivatives that are designated as hedging instruments are recognized in reserves in the equity portion of the Company's consolidated balance sheet and in other comprehensive earnings, while changes in the ineffective portion, if any, of the derivatives are recognized in earnings.

Accounts receivable and notes and loans receivable are classified as measured at amortized cost.

Cheques outstanding, bank indebtedness, dividends payable, accounts payable and accrued liabilities, long-term debt and convertible debentures are classified as measured at amortized cost.

Impairment of financial assets

Financial assets are assessed for indications of impairment at the balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. The factors used to determine whether objective evidence of impairment exists include the financial condition of the obligor and delinquencies in payments of interest or principal.

If objective evidence exists that financial assets are impaired, the carrying amount of the financial assets are reduced to their fair value, either directly or indirectly through the use of an allowance account, and the difference is charged to earnings.

Hedging instruments

The Company, from time to time, uses interest rate swap contracts (swaps) to manage risks associated with fluctuations in interest rates, and all such interest rate swap contracts are used only for risk management purposes. Changes in the fair value of these contracts are recognized in other comprehensive earnings and are recognized in earnings as they are realized.

The Company uses foreign currency forward contracts to manage exchange risks associated with its U.S. dollar payments and receipts and Euro payments. Changes in the fair value of these contracts are recorded in other comprehensive income and are recognized in earnings as they are realized.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to:

(i) Inventories

Internally manufactured products are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing labor and overhead. Inherent in the determination of the cost and valuation of inventories are certain management judgments and estimates with regards to the allocation of overhead and determining the net realizable value.

(ii) Goodwill and intangible assets

The Company assesses the impairment of goodwill and intangible assets with indefinite lives on an annual basis and finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to plan, a change in the Company's business strategy, or significant negative industry or economic trends. Assessing impairment of goodwill and intangible assets with indefinite lives requires significant judgment including identifying appropriate CGUs, making estimates with regards to the amounts and timing of future cash flows and the discount rates to be used to value such cash flows.

(iii) Capital assets

Capital assets are recorded at cost and then depreciated over their estimated useful lives. A significant amount of judgment is required to estimate the useful life of an asset. Changes in the life of an asset are reflected prospectively through changes in future depreciation rates.

(iv) Income tax provision

The provision for deferred income taxes is based on changes in the estimated temporary differences between the value of the assets and liabilities used for tax purposes and those used for accounting purposes. In determining these temporary differences, certain management judgments and estimates are required. Furthermore, deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized.

(v) Puttable interest in subsidiaries

Puttable interest in subsidiaries is calculated based on projections of future cash flows of the applicable subsidiaries. These projections include the cash flows expected to be generated by the subsidiary's operations, as well as cash flows generated by or used in its financing and investing activities. A significant amount of judgment is required in estimating the amounts and timing of these cash flows.

(vi) Convertible unsecured subordinated debentures

The determination of reasonable fair market values for the debt and equity components of convertible unsecured subordinated debentures is based on a variety of quantitative and qualitative factors, including comparative information for other similar financial instruments, and correspondingly requires a significant amount of judgment.

(vii) Business acquisitions and contingent consideration

The allocation of the purchase price associated with the acquisition of a business requires a significant amount of judgment in terms of identifying and determining: (i) the fair market values of the tangible and intangible assets purchased; and (ii) the fair value of liabilities assumed. Furthermore, when an acquisition involves contingent consideration, there is also significant judgment involved in determining the value, if any, of such consideration.

(viii) Provisions

Provisions represent management's best estimate of the fair value of future costs associated with contingent consideration and lease restoration costs. The final settlement of these amounts depends upon future events, and as a result, a significant amount of judgment is required in estimating them.

(ix) Plant start-up and restructuring costs

Plant start-up and restructuring costs consist of costs associated with the start-up of new production capacity and/or the reconfiguration of existing capacity to capture operational benefits. The determination of these costs requires a significant amount of judgment with regards to the identification, measurement and allocation of applicable costs.

Share based compensation plans

The Company has an employee benefit plan that provides common share awards, all of which are purchased on the open market, to eligible directors, officers, executives, and employees of the Company and its subsidiaries. Grants under this plan are treated as equity-settled share based payments, with the shares granted being measured at their fair value on the grant date. This fair value is then expensed based on a graded vesting pattern over the associated vesting period, with the deferred portion recognized as a component of reserves in shareholders' equity.

The Company's unvested shares acquired pursuant to the employee benefit plan are recorded as a reduction to the Company's outstanding share capital, and are recognized as outstanding share capital as they legally vest and ownership is transferred to the beneficiary.

Employee future benefit plan

The Company has a defined benefit pension plan covering certain employees. Benefits under this plan are based on years of service and the employee's compensation level. The Company accrues its obligations under the defined benefit pension plan and the related costs, net of plan assets. The cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. For the purpose of calculating the expected rate of return on plan assets, the fair value method is used.

Any net actuarial gain or loss of the benefit obligation and the fair value of plan assets is recognized as a component of comprehensive earnings and as an adjustment to retained earnings.

Earnings per share

Basic earnings per share is calculated using the earnings for the period attributable to the shareholders of the Company, divided by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the basic weighted average number of shares outstanding during the period is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive effect of convertible debentures is determined using the if-converted method.

Changes in accounting standards

The IASB periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those that management considers most significant to the Company's financial reporting. They are not intended to be a complete list of new pronouncements that may affect the consolidated financial statements.

(i) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 with a mandatory effective date of January 1, 2019. The new standard replaces IAS 17 - Leases and carries forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. As a result, the Company recognized right of use assets, which represented its rights to use the underlying assets, and lease liabilities, which represented its obligations to make lease payments. The impact of adopting this standard on the cash flow statement is neutral, and lease payments previously recognized in the consolidated statements of operations are replaced with the amortization of the right of use asset and interest expense on lease obligations.

Right of use assets are initially measured at cost. The right of use asset is subsequently amortized using the straight-line method from the commencement date to the end of its useful life. Right of use assets may periodically be reduced by impairment losses and modified for certain remeasurements of lease obligations.

Lease obligations are initially measured at the present value of the lease payments that are not paid as at the commencement date discounted using the implicit interest rate in the lease. If the implicit interest rate is not readily determined, the lease payments are discounted at the Company's incremental borrowing rate. Remeasurements may periodically occur when there is a change in the lease payments or change in the discount rate. The Company has applied judgment to determine the lease term for some lease contracts that include renewal options and the likelihood of exercising such options, which affects the amount of lease liabilities and right of use assets recognized.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

The Company has adopted the new standard using the modified retrospective method. Comparative periods will not be restated, and the Company has recognized the cumulative effect of IFRS 16 by reporting its carrying amount as if the standard had been applied since the commencement date of the lease and discounted using the incremental borrowing rate at the date of transition. Practical expedients were applied for short-term and low value leases, which are expensed over the lease term.

The following table summarizes the increase (decrease) to the opening balances from adopting IFRS 16 and its cumulative impact, which was recognized as an adjustment to the opening retained earnings in the first quarter of 2019 on December 30, 2018:

Total assets:	
Right of use assets	278.9
Other assets	(0.3)
	278.6
Total liabilities:	
Lease obligations	308.7
Deferred revenue	(4.4)
Deferred income taxes	(6.5)
	297.8
Retained earnings adjustment	(19.2)

During the fifty-two weeks ended December 28, 2019, the adoption of IFRS 16 resulted in the following changes to the Company's consolidated earnings:

	52 weeks ended Dec 28, 2019
Earnings:	
Decrease in operating lease expenses	35.8
Increase in amortization of right of use assets	(27.9)
Increase in accretion of lease obligations	(13.4)
Decrease in provisions for income tax	1.4
	(4.1)

3. Inventories

	December 28, 2019	December 29, 2018
Raw materials	158.2	145.8
Finished goods	231.8	187.4
Concessionary equipment for sale	6.2	6.6
	396.2	339.8

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

4. Capital assets

	Land, buildings and leaseholds	Machinery and equipment	Total
December 29, 2018			
Cost	312.7	505.8	818.5
Accumulated depreciation	(89.2)	(252.9)	(342.1)
Net book value	223.5	252.9	476.4
December 28, 2019			
Cost	341.0	560.4	901.4
Accumulated depreciation	(106.8)	(292.5)	(399.3)
Net book value	234.2	267.9	502.1

	Land, buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 30, 2017	165.6	153.4	319.0
Acquired through business and asset acquisitions (note 18)	49.5	73.6	123.1
Additions	16.0	55.2	71.2
Disposals	-	(1.0)	(1.0)
Depreciation	(14.7)	(32.2)	(46.9)
Foreign currency exchange adjustment	7.1	3.9	11.0
Net book value as at December 29, 2018	223.5	252.9	476.4
Acquired through business and asset acquisitions (note 18)	5.7	3.3	9.0
Additions	26.3	61.6	87.9
Disposals	(1.1)	(2.6)	(3.7)
Depreciation	(16.2)	(43.8)	(60.0)
Foreign currency exchange adjustment	(4.0)	(3.5)	(7.5)
Net book value as at December 28, 2019	234.2	267.9	502.1

5. Right of use assets

	Buildings and leaseholds	Machinery and equipment	Total
December 28, 2019			
Capitalized leases	378.6	28.4	407.0
Accumulated amortization	(95.3)	(11.3)	(106.6)
Net book value	283.3	17.1	300.4

	Buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 30, 2018 (note 2)	265.7	13.2	278.9
Acquired through business and asset acquisitions (note 18)	11.4	0.5	11.9
Additions	36.7	7.6	44.3
Disposals	(2.9)	(0.3)	(3.2)
Amortization	(24.1)	(3.8)	(27.9)
Foreign currency exchange adjustment	(3.5)	(0.1)	(3.6)
Net book value as at December 28, 2019	283.3	17.1	300.4

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

6. Intangible assets

	Brand names	Customer relationships	Total
December 29, 2018			
Cost	202.1	310.3	512.4
Accumulated amortization	-	(59.5)	(59.5)
Net book value	202.1	250.8	452.9
December 28, 2019			
Cost	198.1	371.2	569.3
Accumulated amortization	-	(79.1)	(79.1)
Net book value	198.1	292.1	490.2
Net book value as at December 30, 2017	53.4	147.8	201.2
Additions resulting from business and asset acquisitions (note 18)	147.3	113.9	261.2
Additions	-	1.0	1.0
Amortization	-	(15.9)	(15.9)
Foreign currency exchange adjustment	1.4	4.0	5.4
Net book value as at December 29, 2018	202.1	250.8	452.9
Additions resulting from business and asset acquisitions (note 18)	0.4	66.7	67.1
Amortization	-	(20.6)	(20.6)
Change in ownership structure in non-wholly owned subsidiary	-	(0.2)	(0.2)
Foreign currency exchange adjustment	(4.4)	(4.6)	(9.0)
Net book value as at December 28, 2019	198.1	292.1	490.2

7. Goodwill

	December 28, 2019	December 29, 2018
Balance – beginning of year	776.7	439.1
Additions resulting from business and asset acquisitions (note 18)	24.5	326.5
Adjustments to purchase price allocations of prior year acquisitions	(7.2)	-
Change in ownership structure in non-wholly owned subsidiary	(0.5)	-
Foreign currency exchange adjustment	(13.3)	11.1
Balance – end of year	780.2	776.7

In assessing goodwill for impairment at October 1, 2019, the Company compared the recoverable amount, using the discounted cash flow method, to the carrying amount of each cash generating unit and concluded there was no impairment of goodwill.

8. Investment in associates

	December 28, 2019	December 29, 2018
Balance – beginning of year	26.7	25.5
Investment in and interest-bearing advances to associates	25.0	9.2
Distributions from associates	(0.3)	(3.7)
Equity loss in investment in associates	(2.5)	(2.7)
Change in ownership structure in non-wholly owned subsidiary	16.6	-
Acquisition of controlling interest in associates	-	(1.6)
Foreign currency exchange adjustment	(0.9)	-
Balance – end of year	64.6	26.7

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

During 2019, the associates had total revenues of $114.7 million and a loss of $8.1 million (2018 – revenue of $81.9 million and loss of $6.9 million), and as at December 28, 2019, the associates had assets of $108.4 million and liabilities of $101.3 million (2018 – $97.4 million and $76.1 million).

9. Bank indebtedness

Bank indebtedness consists of amounts drawn on operating lines of credit. As at December 28, 2019, the Company had total operating lines of $78.6 million (2018 – $75.7 million).

All of the Company's operating lines bear interest at floating rates based on bank prime rates, banker's acceptance rates, or LIBOR.

10. Long-term debt

	December 28, 2019	December 29, 2018
Unsecured revolving term loan maturing in September 2023 with no required principal payments until maturity. The loan bears interest at a rate that is calculated quarterly based on the Company's ratio of senior debt to cash flow and can fluctuate from 0.00% to 1.25% percentage points over the bank prime rate or 1.00% to 2.25% percentage points over the banker's acceptance rate	553.9	672.9
Secured term loan maturing in August 2021. The loan bears interest at a rate that is 0.75% percentage points over the bank prime rate or 1.75% percentage points over the banker's acceptance rate	24.8	26.5
US$6.1 million secured Industrial Development Revenue Bond (IRB) with no principal payments until maturity in July 2036. The bond bears interest at the weekly variable rate for such bonds, which averaged 1.50% for 2019	8.0	8.4
Unsecured promissory notes, bearing interest between nil to 6% with maturity dates to July 2025	24.5	29.0
Capital leases and other term loans	2.9	4.0
	614.1	740.8
Financing costs	(3.4)	(3.6)
Current portion	(7.7)	(10.8)
	603.0	726.4

Financial covenants associated with the Company's term loans require the maintenance of certain ratios regarding fixed charge coverage and debt to cash flow. At December 28, 2019, the Company was in compliance with all such covenants.

Scheduled principal repayments on long-term debt are as follows:

2020	7.7
2021	31.9
2022	4.2
2023	560.0
2024	1.6
Thereafter	8.7
	614.1

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

11. Provisions

	Provisions for contingent consideration associated with acquisitions	Provision for lease restoration	Total
Balance as at December 30, 2017	21.5	1.0	22.5
Provisions arising from business and asset acquisitions (note 18)	35.9	-	35.9
Accretion	1.2	-	1.2
Cash payments	(20.5)	-	(20.5)
Settlement through issuance of shares of subsidiary	(0.5)	-	(0.5)
Balance as at December 29, 2018	37.6	1.0	38.6
Provisions arising from business and asset acquisitions (note 18)	29.5	-	29.5
Accretion	5.7	-	5.7
Cash payments	(0.8)	-	(0.8)
Adjustments upon settlement of provisions	(0.7)	-	(0.7)
Foreign currency exchange adjustment	(1.4)	-	(1.4)
Balance as at December 28, 2019	69.9	1.0	70.9

	December 28, 2019	December 29, 2018
Current portion	8.5	2.3
Non-current	62.4	36.3
	70.9	38.6

12. Puttable interest in subsidiaries

	December 28, 2019	December 29, 2018
Balance – beginning of year	77.8	36.7
Change in value of puttable interest in subsidiaries	0.5	6.2
Puttable interest resulting from business and asset acquisitions (note 18)	0.7	35.9
Addition arising from issuance of shares of subsidiary	-	0.5
Purchase of remaining interest of non-wholly owned subsidiary pursuant to put option	(17.6)	-
Cash distributions to non-controlling shareholders with puttable interests	(2.3)	(2.1)
Change in ownership structure in non-wholly owned subsidiary	(0.6)	-
Foreign currency exchange adjustment	(0.3)	0.6
Balance – end of year	58.2	77.8

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

13. Convertible unsecured subordinated debentures

	5.00% Debentures	4.65% Debentures (2016)	4.60% Debentures	4.65% Debentures (2018)	Total
Maturity Date	April 30, 2020	April 30, 2021	Dec. 31, 2023	April 30, 2025	
Balance as at December 30, 2017	21.9	83.7	108.7	-	214.3
Issuance - net of issuance costs	-	-	-	164.7	164.7
Conversions of debentures to common shares	(22.8)	(0.1)	-	-	(22.9)
Repayment on maturity or upon redemption	(0.5)	-	-	-	(0.5)
Accretion	1.4	0.9	1.0	1.3	4.6
Balance as of December 29, 2018	-	84.5	109.7	166.0	360.2

	4.65% Debentures (2016)	4.60% Debentures	4.65% Debentures (2018)	Total
Maturity Date	April 30, 2021	Dec. 31, 2023	April 30, 2025	
Balance as of December 29, 2018	84.5	109.7	166.0	360.2
Accretion	1.0	1.0	1.8	3.8
Balance as of December 28, 2019	85.5	110.7	167.8	364.0

On April 10, 2018, the Company issued $172.5 million of convertible unsecured subordinated debentures (the 4.65% Debentures (2018)) resulting in net proceeds of $164.7 million after transaction costs of approximately $7.8 million. The 4.65% Debentures (2018) bear interest at an annual rate of 4.65% payable semi-annually, have a maturity date of April 30, 2025 and are convertible into common shares of the Company at a conversion price of $182.51.

On April 30, 2018, the Company issued a redemption notice for its 5.00% Debentures resulting in $22.8 million of the debentures being converted at the option of the holders into common shares of the Company and $0.5 million of the debentures being retired through a cash payment.

Cash Conversion Option

All of the Company's convertible unsecured subordinated debentures outstanding as at December 28, 2019 have a cash conversion option. If the Company elects to utilize the cash conversion option, it will pay the holder an amount based on the daily volume weighted average price of its common shares on the Toronto Stock Exchange as measured over a period of ten consecutive trading days commencing on the third day following the conversion date. As a result of having the Cash Conversion Option, the convertible debentures are deemed to have no equity component, and the fair value of the Cash Conversion Option is considered to be a financial liability and is included in the balance of the convertible debentures on the Company's consolidated balance sheet. Changes in the fair value of the Cash Conversion Option are recorded each period in the Company's earnings.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

14. Share capital

	Common shares (millions)	Share capital
Balance as at December 30, 2017	30.8	482.2
Common shares issued as a result of convertible debenture conversions	0.5	22.9
Common shares issued as a result of business and asset acquisitions (note 18)	0.8	84.3
Common shares issued as a result of the issuance of subscription receipts – net of issuance costs	1.5	164.9
Effect of share based compensation plans	0.1	(0.4)
Balance as at December 29, 2018	33.7	753.9
Common shares issued as a result of business acquisitions (note 18)	0.0	2.6
Common shares issued from private placement – net of issuance costs	3.4	250.9
Common shares issued resulting in settlement of puttable interest for non-wholly owned subsidiary	0.2	17.1
Effect of share based compensation plans	-	(0.9)
Balance as at December 28, 2019	37.3	1,023.6

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to: dividends, in proportion to the number of shares held by them, if, as and when declared by the Company's Board of Directors; one vote per share at meetings of the holders of common shares of the Company; and upon liquidation, dissolution or winding-up of the Company, participation in the distribution of the remaining property and assets of the Company. After taking into account the 0.2 million shares held in the Company's Employee Benefit Plan that had not yet vested with the beneficiaries, the Company had 37.5 million shares outstanding at December 28, 2019.

On May 2, 2018, the Company issued $172.7 million of subscription receipts (sub receipt) at a price of $117.35 per sub receipt resulting in net proceeds of $164.9 million after transaction costs of $7.8 million.

On May 21, 2019, the Company completed a private placement of 2.6 million common shares and an additional 0.8 million common shares concurrent with its closing on May 23, 2019 at a price of $76.02 per common shares resulting in net proceeds of $250.9 million after transaction costs of $9.0 million.

15. Reserves

	Non-controlling interest reserve	Foreign currency translation adjustment	Foreign exchange contracts and Interest rate swaps	Share based compensation reserve	Total
Balance as at December 30, 2017	(3.5)	15.5	0.5	6.7	19.2
Effect of share based compensation plans	-	-	-	1.5	1.5
Unrealized loss on interest rate swaps	-	-	(0.5)	-	(0.5)
Unrealized foreign exchange translation gain on foreign operations	-	17.4	-	-	17.4
Balance as at December 29, 2018	(3.5)	32.9	-	8.2	37.6
Effect of share based compensation plans	-	-	-	0.8	0.8
Unrealized loss on interest rate swaps	-	-	(0.8)	-	(0.8)
Unrealized gain on foreign exchange contracts	-	-	0.7	-	0.7
Unrealized foreign exchange translation loss on foreign operations	-	(10.6)	-	-	(10.6)
Balance as at December 28, 2019	(3.5)	22.3	(0.1)	9.0	27.7

16. Dividends

During 2018, the Company declared dividends to shareholders of $62.7 million or $1.90 per share. The record dates of these dividends were as follows:

Record date	Amount	Per share
March 29, 2018	14.8	0.475
June 29, 2018	15.9	0.475
September 28, 2018	16.0	0.475
December 28, 2018	16.0	0.475
2018 dividends declared	62.7	1.900
Accumulated dividends declared – beginning of year	339.2	
Accumulated dividends declared – end of year	401.9	

During 2019, the Company declared dividends to shareholders of $76.7 million or $2.10 per share. The record dates of these dividends were as follows:

Record date	Amount	Per share
March 29, 2019	17.7	0.525
June 28, 2019	19.7	0.525
September 30, 2019	19.6	0.525
December 31, 2019	19.7	0.525
2019 dividends declared	76.7	2.100
Accumulated dividends declared – beginning of year	401.9	
Accumulated dividends declared – end of year	478.6	

17. Earnings per share

(in millions of shares and dollars, except per share amounts)	December 28, 2019	December 29, 2018
Weighted average number of shares outstanding	35.8	32.4
Adjustment for shares held pursuant to the employee benefit plan	0.2	0.1
Diluted weighted average number of shares outstanding	36.0	32.5
Net earnings attributable to shareholders	84.2	98.0
Basic earnings per share	$ 2.35	$ 3.03
Diluted earnings per share	$ 2.34	$ 3.02

The Company has two sources of potential dilution to its earnings per share: convertible debentures which are convertible into common shares, and the vesting of shares acquired pursuant to the Company's employee benefit plan. The convertible debentures were determined to be anti-dilutive and are therefore excluded from the calculation of the diluted weighted average number of shares outstanding.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

18. Business and asset acquisitions

During the 52 weeks ended December 28, 2019, the Company invested $104.6 million in the acquisition of the following businesses and assets:

Business	Primary Business Activities	Investment	Purchase Date
Assets related to certain sales of products co-packed by one of the Company's business	Protein marketing and sales	100% interest	Jan 17, 2019
Mavros Foods & Distributors Inc.	Concessionary products distribution	80% interest	Feb 19, 2019
Hancock Gourmet Lobster Co.	Value-added seafood processing	100% interest	May 3, 2019
Viandex Inc.	Foodservice distributor	100% interest	Aug 16, 2019
Maine Coast Shellfish, LLC	Seafood distribution	100% interest	Oct 4, 2019
Multi-Task Cold Storage Inc.	Cold storage logistics	62.6% interest	Nov 21, 2019

The following table summarizes the preliminary estimates of the fair values of the assets acquired and consideration paid for the 2019 acquisitions:

Net assets acquired:	
Net working capital	5.3
Capital assets	9.0
Intangible assets – brand names	0.4
Intangible assets – customer relationships	66.7
Goodwill	24.5
Right of use assets	11.9
Lease obligations	(11.9)
Deferred income taxes	(0.6)
Puttable interest	(0.7)
	104.6
Investment:	
Cash (net of cash acquired)	70.9
Common shares	2.6
Unsecured promissory notes	1.6
Provisions for contingent consideration	29.5
	104.6

During 2019, these acquisitions contributed incremental revenues of approximately $66.9 million and incremental earnings after amortization, interest, accretion and taxes of approximately $5.1 million. The Company estimates these acquisitions would have contributed incremental revenues of approximately $262.2 million and incremental earnings after amortization, interest, and taxes of approximately $7.1 million had they been acquired at the beginning of the year.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

During the 52 weeks ended December 29, 2018, the Company invested $753.0 million in the acquisition of the following businesses and assets:

Business	Primary Business Activities	Investment	Purchase Date
The Meat Factory Limited	Protein production	100% interest	Mar 23, 2018
Frandon Seafoods Inc.	Seafood distribution	100% interest	Mar 23, 2018
Country Prime Meats Ltd.	Meat snack production	100% interest	Mar 29, 2018
McLean Meats Inc.	Protein marketer	Increased interest by 30% to 66.2%	Apr 6, 2018
Penguin Meats Supply Ltd.	Protein distribution	100% interest	Apr 22, 2018
Concord Premium Meats Ltd.	Protein production	100% interest	May 28, 2018
Oberto Sausage Company	Protein production	100% interest	May 31, 2018
Select Food LLC	Sandwich production	100% interest	Jul 6, 2018
Yorkshire Valley Farms Ltd.	Protein production	62.6% interest	Jul 27, 2018
Ready Seafood Co.	Seafood distribution and processor	100% interest	Sep 18, 2018
L.Walker Seafoods Ltd.	Seafood distribution	100% interest	Nov 22, 2018
Smokemaster Gourmet Food	Seafood processor	100% interest	Dec 21, 2018

The following table summarizes the preliminary estimates of the fair values of the assets acquired and consideration paid for the 2018 acquisitions:

Net assets acquired:	
Net working capital	117.9
Capital assets	123.1
Intangible assets – brand names	147.3
Intangible assets – customer relationships	113.9
Goodwill	326.5
Deferred income taxes	(39.8)
Puttable interest	(35.9)
	753.0
Investment:	
Cash (net of cash acquired)	574.0
Funded debt assumed	34.5
Common shares	84.3
Unsecured promissory notes	23.7
Provisions for contingent consideration	35.9
Carrying value of investment in associates	0.6
	753.0

During 2018, these acquisitions contributed incremental revenues of approximately $478.9 million and incremental earnings after amortization, interest, accretion and taxes of approximately $6.9 million. The Company estimates these acquisitions would have contributed incremental revenues of approximately $960.0 million and incremental earnings after amortization, interest, accretion and taxes of approximately $40.3 million had they been acquired at the beginning of the year.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

19. Expenses by nature

Cost of goods sold

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Materials	2,472.8	2,085.8
Salaries and benefits	282.7	240.0
Overhead and other operating expenses	168.6	99.3
	2,924.1	2,425.1

Selling, general and administrative expenses before depreciation, amortization, and plant start-up and restructuring costs

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Salaries and benefits	200.0	163.2
Overhead and other operating expenses	217.6	186.2
	417.6	349.4

20. Plant start-up and restructuring costs

Plant start-up and restructuring costs consist of expenses associated with the start-up of new production capacity or the reconfiguration of existing capacity to gain efficiencies and/or additional capacity.

During 2019, the Company incurred $9.6 million (2018 - $5.2 million) in plant start-up and restructuring costs relating primarily to: (i) three new capacity expansion projects that commenced operations in the third quarter of 2019, namely, a new 50,000 square foot lobster processing facility in Saco, ME, a new 45,000 square foot distribution and seafood processing facility in Montreal, and a 25,000 square foot expansion of the Company's cooked protein plant in Montreal; (ii) a new 105,000 square foot state-of-the-art distribution and custom cutting facility in the GTA that commenced operations in the fourth quarter of 2018; and (iii) a new 22,300 square foot culinary plant for fresh salads, soups and sauces in Surrey, BC that also commenced operations in the fourth quarter of 2018.

21. Interest and other financing costs

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Interest on convertible debentures	17.2	15.0
Interest on long-term debt	28.6	24.9
Interest on bank indebtedness	2.5	1.6
Accretion of convertible debentures	3.8	4.6
Amortization of deferred financing costs	1.0	0.6
Other	0.5	0.8
	53.6	47.5

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

22. Income taxes

	December 28, 2019	December 29, 2018
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	98.9	18.5
Deferred tax asset to be recovered within 12 months	19.8	4.3
Deferred tax liabilities:		
Deferred tax liability to be paid after more than 12 months	(181.0)	(100.0)
Deferred tax liability to be paid within 12 months	(14.5)	(7.4)
Net deferred tax liabilities	(76.8)	(84.6)

	December 28, 2019	December 29, 2018
Net deferred tax liabilities – beginning of year	(84.6)	(47.8)
Charged to earnings	(7.3)	5.6
Charged to equity	0.7	(1.4)
Deferred tax resulting from business acquisitions and prior year adjustment	6.6	(39.8)
IFRS 16 adjustment	6.5	-
Foreign currency exchange adjustment	1.3	(1.2)
Net deferred tax liabilities – end of year	(76.8)	(84.6)

As at December 28, 2019, the Company has $19.1 million (2018 – $17.5 million) of non-capital losses that may be available for deduction against taxable income in future years. All of these losses expire in 2028 or later.

The provision for income taxes varies from the basic combined federal, provincial, and state income taxes as a result of differing treatment of the deductibility of certain amounts for accounting and taxation purposes. The variations are as follows:

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Weighted average federal and provincial statutory income tax rate of parent company	26.6%	26.9%
Earnings before income taxes	110.6	117.5
Income tax based on statutory rate	29.4	31.6
Non-deductible expenses	5.4	7.2
Income subject to lower tax rates and others	(2.7)	(6.5)
Adjustment for changes in enacted tax laws and rates	(5.7)	(2.6)
Recovery of deferred tax expense due to internal reorganization	-	(10.2)
Provision for income taxes	26.4	19.5

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

23. Segmented information

The Company has two reportable segments, Specialty Foods and Premium Food Distribution, as well as corporate costs (Corporate). The Specialty Foods segment consists of its specialty food manufacturing businesses and the Premium Food Distribution segment consists of its differentiated distribution and wholesale businesses. Corporate consists of the Company's head office activities, including strategic leadership, finance and information systems. The operating businesses within each reportable segment have been aggregated as they have similar economic characteristics.

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Revenue:		
Specialty Foods	2,416.0	2,043.8
Premium Food Distribution	1,233.4	982.0
	3,649.4	3,025.8
Gross profit before depreciation, amortization, and plant start-up and restructuring costs:		
Specialty Foods	544.2	448.4
Premium Food Distribution	181.1	152.3
	725.3	600.7
Selling, general and administrative expenses before depreciation, amortization, and plant start-up and restructuring costs:		
Specialty Foods	292.8	237.5
Premium Food Distribution	109.5	95.1
Corporate	15.3	16.8
	417.6	349.4
Segment earnings (loss) before depreciation, amortization, and plant start-up and restructuring costs:		
Specialty Foods	251.4	210.9
Premium Food Distribution	71.6	57.2
Corporate	(15.3)	(16.8)
	307.7	251.3
Plant start-up and restructuring costs:		
Specialty Foods	1.9	2.3
Premium Food Distribution	7.7	2.9
	9.6	5.2
Depreciation of capital assets:		
Specialty Foods	52.5	41.9
Premium Food Distribution	6.2	3.8
Corporate	1.3	1.2
	60.0	46.9
Amortization of intangible assets:		
Specialty Foods	11.1	9.6
Premium Food Distribution	9.5	6.3
	20.6	15.9
Segment operating earnings (loss):		
Specialty Foods	185.9	157.1
Premium Food Distribution	48.2	44.2
Corporate	(16.6)	(18.0)
	217.5	183.3

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Segment operating earnings	217.5	183.3
Interest and other financing costs	53.6	47.5
Amortization of right of use assets	27.9	-
Accretion of lease obligations	13.4	-
Acquisition transaction costs	3.3	8.2
Change in value of puttable interest in subsidiaries	0.5	6.2
Accretion of provisions	5.7	1.2
Equity loss in investments in associates	2.5	2.7
Provision for income taxes	26.4	19.5
Earnings	84.2	98.0

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Capital asset additions:		
Specialty Foods	58.8	51.9
Premium Food Distribution	26.9	16.2
Corporate	2.2	3.1
	87.9	71.2
Revenue:		
Canada	2,232.9	1,974.5
United States	1,416.5	1,051.3
	3,649.4	3,025.8

	December 28, 2019	December 29, 2018
Total assets:		
Specialty Foods	1,905.4	1,718.3
Premium Food Distribution	915.4	657.7
Corporate	116.3	74.5
	2,937.1	2,450.5

The Company has two customers that accounted for 14.0% and 12.8% of its revenue during 2019 (2018 – one customer accounting for 16%), and all of which were primarily recorded in the Specialty Foods segment.

24. Commitments and contingencies

a. The Company leases land, warehouses, offices and equipment under operating leases that expire from 2020 and onwards. The aggregate future minimum annual rental payments under these leases are as follows:

2020	38.9
2021	35.1
2022	30.6
2023	26.6
2024	21.2
2025 and thereafter	95.6
	248.0

b. The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

25. Share based compensation

Employee benefit plan

In 2006, the Company established an employee benefit plan (EBP) in which officers and key employees of the Company are eligible to participate. Pursuant to the EBP, the Company, at the discretion of its Board of Directors, sets aside a pool of funds annually based upon a variety of considerations including growth in the Company's free cash flow per share. The Company then purchases common shares in the open market with this pool of funds which are, in turn, allocated to the participants. The Company holds such common shares until ownership vests to each participant.

For Canadian resident employees, the common shares issued under the EBP generally vest as follows: (i) one-third on the grant date; (ii) one-third on the first anniversary of the grant date; and (iii) one-third on the second anniversary of the grant date. For U.S. resident employees the common shares generally all vest on the second anniversary of the grant date. Vesting can be accelerated at the discretion of the Company's Board of Directors or on the occurrence of certain events such as a change of control. Vested EBP common shares are held by the Company until the end of the third calendar year following the date of grant unless an earlier distribution is requested by the respective participant.

Long-term realized value plan

In 2016, the Company established a new long-term realized value plan (LTRVP) in which certain officers and key employees of the Company are eligible to participate.

Pursuant to the LTRVP, the Company, at the discretion of its Board of Directors, determines the amount, if any, to be allocated to participants under the LTRVP based upon a variety of considerations including: (i) the return earned by the Company's shareholders over an extended period of time; (ii) the sustainability of shareholder returns; and (iii) the success of the Company's business expansion and acquisition activities. The Company then pays out forty percent (40%) of the LTRVP allocation in cash on the allocation date and sixty percent (60%) as an EBP grant.

Employee share ownership plan

In 2008, the Company adopted an employee share ownership plan (ESOP) whereby employees may subscribe, through payroll withholdings, to purchase up to $1,500 per year of the Company's shares, and the Company provides a matching contribution of up to $225 per year. All shares purchased under the ESOP are bought in the open market.

26. Financial instruments

Fair value

Assets and liabilities carried at fair value are classified using a hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy includes three levels: Level 1 – quoted prices in active markets, Level 2 – measurements determined using valuation models that employ observable inputs and Level 3 – measurements determined using valuation models that employ unobservable inputs. The foreign currency contracts and interest rate swap contracts are considered to be Level 2 financial instruments, and puttable interest in subsidiaries is considered to be a Level 3 financial instrument.

The carrying values of cash and cash equivalents, accounts receivable, cheques outstanding, bank indebtedness, dividends payable and accounts payable and accrued liabilities approximate their fair values because of their short-term maturities.

The carrying value of puttable interest in subsidiaries approximates fair values due to the carrying value of these instruments being adjusted to fair value at the end of each fiscal year.

The carrying value of long-term debt and lease obligations approximates fair value because the instruments bear interest at either floating rates or effective interest rates which approximate current market rates for similar debt instruments.

Financial risk management

The Company's activities result in exposure to a variety of financial risks, including those relating to foreign currency, interest rates, credit and liquidity.

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

Foreign currency risk

To reduce the risk associated with purchases denominated in currencies other than the Canadian dollar, the Company, from time to time, enters into foreign currency contracts. The Company does not hold foreign currency contracts for speculative purposes.

As at December 28, 2019, the Company had outstanding foreign currency contracts for: (i) the purchase of US$31.2 million at rates between C$1.3065 and C$1.3419, (ii) the sale of US$68.4 million at rates between C$1.2860 and C$1.3286, and (iii) the purchase of €2.8 million at rates between C$1.4572 and C$1.4780 over the next twelve months. As at December 28, 2019, the Company recorded in respect of these contracts a gain of $0.7 million (2018 – $nil) in other comprehensive income.

Based on the outstanding contracts as at December 28, 2019 for the net sale of U.S. dollars, a change of $0.01 in the value of the U.S. dollar relative to the Canadian dollar would result in an unrealized loss (if the U.S. dollar strengthens) or an unrealized gain (if the U.S. dollar weakens) of approximately $0.1 million in other comprehensive income.

Interest rate risk

All of the Company's bank indebtedness and approximately 96% (2018 – 96%) of its long-term debt bear interest at floating rates. The Company manages some of its interest rate exposure by entering into, from time to time, interest rate swap contracts.

In June 2019, the Company entered into interest rate swap contracts (the Swaps) fixing the rate of interest on US$200.0 million of its long-term debt at an effective interest rate of 1.685% plus 1.00% to 2.25% depending on its ratio of debt to cash flow, until July 2022. As at December 28, 2019, the fair market value loss recognized in other comprehensive income on these contracts was $0.8 million.

As at December 28, 2019, a change of 0.25 basis points in the effective interest rate for the remaining term of the Swaps would result in an unrealized gain (if interest rates increase) or an unrealized loss (if interest rate decrease) of approximately $1.3 million.

Credit risk

The Company is subject to credit risk primarily through its accounts receivable. This risk is mitigated by the Company's diversified customer base, its customer credit evaluation procedures and the ongoing monitoring of the collectability of its trade accounts receivable.

Pursuant to their respective terms, accounts receivable are aged as follows:

	December 28, 2019	December 29, 2018
Trade accounts receivable		
Outstanding 1-30 days	303.7	263.8
Outstanding 31-60 days	24.3	31.7
Outstanding 60+ days	9.9	9.2
	337.9	304.7
Allowance for doubtful accounts	(1.4)	(1.4)
Other receivables	10.0	18.6
	346.5	321.9

The change in the allowance for doubtful accounts provision for 2019 and 2018 is as follows:

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Balance – beginning of year	1.4	0.9
Bad debt expense	1.5	0.8
Accounts receivable written off - net of recoveries	(1.5)	(0.3)
Balance – end of year	1.4	1.4

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

The Company is also exposed to credit risk on (i) its cash deposits, which are primarily with Canadian chartered banks; and (ii) foreign currency and interest rate swap contracts, which are with major international institutions with strong credit ratings.

Liquidity risk

As part of its strategy to manage liquidity risk, the Company regularly monitors and reviews both actual and forecasted cash flows and maintains unutilized credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Such forecasting takes into consideration the Company's debt and other financing plans as well as the debt covenant ratio requirements of its lenders.

27. Supplemental cash flow information

The Company paid interest of $46.0 million (2018 – $36.8 million) and income taxes of $6.9 (2018 – $35.8 million) during 2019.

The change in non-cash working capital is made up of the following components:

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Accounts receivable	(26.0)	(11.1)
Inventories	(62.7)	(13.0)
Prepaid expenses	(3.8)	(2.7)
Accounts payable and accrued liabilities	29.5	(8.3)
	(63.0)	(35.1)

The Company had $nil non-cash financing activities (2018 – $22.9 million relating to the conversion of convertible unsecured subordinated debentures into common shares).

28. Capital disclosures

The Company's objective in managing its capital, which currently consists of common shareholders' equity, convertible debentures and lease obligations, and long-term debt, is to minimize its cost of capital while ensuring it:

(a) has the ability to absorb reasonably anticipated shocks to its business;
(b) is able to maintain its quarterly dividend policy; and
(c) has adequate capital to pursue its organic and acquisition-based growth objectives.

The key indicators used by the Company to monitor its capital structure are its total funded debt to EBITDA ratio, senior funded debt to EBITDA ratio and its unutilized debt capacity. The total funded debt to EBITDA ratio is calculated as the Company's total funded debt less cash and cash equivalents divided by the trailing twelve months EBITDA normalized for recent business and asset acquisitions. The senior funded debt to EBITDA ratio is calculated as the Company's senior funded debt less cash and cash equivalents divided by the trailing twelve months EBITDA normalized for recent business and asset acquisitions. Unutilized debt capacity is calculated as the Company's total credit facilities plus cash and cash equivalents less amounts drawn on its credit facilities.

Factors that the Company considers in determining appropriate senior and total funded debt to EBITDA levels and unutilized credit capacity include the following:

(a) the cash flows expected to be generated by its operations over the next twelve months;
(b) anticipated business and asset acquisitions and project capital expenditures over the next twelve months;
(c) dividends to be paid to shareholders over the next twelve months;
(d) the cost of issuing additional equity, convertible debentures and/or debt; and
(e) the Company's covenant requirements with its senior lenders.

The Company's unutilized debt capacity at December 28, 2019 was $347.7 million (2018 - $218.8 million).

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

29. Key management compensation

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Salaries and short-term benefits	5.3	4.0
Post-employment benefits	0.1	0.1
Share based compensation	1.8	3.4
	7.2	7.5

Key management includes the Company's Board of Directors, CEO, CFO and three most highly compensated executive officers of the Company.

30. Subsequent events

Subsequent to December 28, 2019 the following events occurred:

Acquisitions

The Company invested $32.8 million, including $1.1 million of contingent consideration, in the acquisition of the following businesses:

(millions of dollars)				
Business	Primary Business Activity	Investment Interest	Segment	Purchase Date
Inform Brokerage Inc.	Specialty food brokerage and distribution	100%	Premium Food Distribution	Dec 31, 2019
La Felinese Salumi	Protein production	16.67%	Equity investment	Feb 20, 2020
Bavarian Meats	Protein production	100%	Specialty Foods	Mar 3, 2020

Increase in Dividend Rate

In March 2020 the Company increased its quarterly dividend by 10.0% to $0.5775 per share, or $2.31 per share on an annual basis.