PREMIUM BRANDS HOLDINGS CORPORATION

Consolidated Financial Statements

Fiscal Years Ended
December 30, 2023 and December 31, 2022

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 Company) as at December 30, 2023 and December 31, 2022, and its financial performance and its cash flows for the 52 weeks ended December 30, 2023 and for the 53 weeks ended December 31, 2022 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 balance sheets as at December 30, 2023 and December 31, 2022;
- the consolidated statements of operations for the 52 weeks ended December 30, 2023 and for the 53 weeks ended December 31, 2022;
- the consolidated statements of comprehensive earnings for the 52 weeks ended December 30, 2023 and for the 53 weeks ended December 31, 2022;
- the consolidated statements of cash flows for the 52 weeks ended December 30, 2023 and for the 53 weeks ended December 31, 2022;
- the consolidated statements of changes in shareholders' equity for the 52 weeks ended December 30, 2023 and for the 53 weeks ended December 31, 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52 weeks ended December 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and indefinite lived intangible assets *Refer to note 2 – Summary of material accounting policies, note 6 – Intangible assets and note 7 – Goodwill to the consolidated financial statements.* The Company had goodwill of $1,084.1 million and indefinite lived intangible assets of $232.6 million as at December 30, 2023. Management performs an impairment assessment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill and indefinite lived intangible assets may not be recoverable. The impairment assessment is based on a comparison of the recoverable amount of a cash generating unit (CGU) to the underlying carrying amount of the CGU's net assets, including goodwill and indefinite lived intangible assets. When the carrying amount of the CGU's net assets exceeds its recoverable amount, the difference is charged to earnings. The recoverable amount of the CGU is based on the higher of its fair value less costs of disposal and its value in use. Management used a discounted cash flow model to determine the CGU's value in use. Assessing impairment of goodwill and indefinite lived intangible assets requires management to make significant judgments including making estimates with regards to the amounts and timing of future cash flows and the discount rate to be used to value such cash flows. No impairment was	Our approach to addressing the matter included the following procedures, among others: • Testing how management determined the recoverable amounts of the CGUs: – Testing the appropriateness of the method used and the mathematical accuracy of the discounted cash flow models. – Testing the amounts and timing of the future cash flows by comparing to the Board of Directors approved budget and past performance of the Company. – Evaluating the reasonableness of the discount rate assumptions with the assistance of professionals with specialized skill and knowledge in the field of valuations by considering available data from comparable companies. – Testing the underlying data used in the discounted cash flow models.

Key audit matter	How our audit addressed the key audit matter
recognized as a result of the 2023 impairment assessment. We considered this a key audit matter due to (i) the significance of the goodwill and indefinite lived intangible asset balances and (ii) the significant judgment made by management in determining the recoverable amounts of the CGUs. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the amounts and timing of future cash flows and the discount rate assumptions to be used to value such cash flows. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Coard.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 15, 2024

Premium Brands Holdings Corporation

Consolidated Balance Sheets

(in millions of Canadian dollars)

	December 30, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	27.6	11.4
Accounts receivable (note 24)	509.9	590.8
Inventories (note 3)	746.7	786.1
Prepaid expenses and other assets	43.8	38.0
	1,328.0	1,426.3
Capital assets (note 4)	1,163.9	862.2
Right of use assets (note 5)	565.3	576.0
Intangible assets (note 6)	540.6	558.5
Goodwill (note 7)	1,084.1	1,093.0
Investment in and advances to associates (note 8)	453.5	538.9
Other assets	22.7	23.7
	5,158.1	5,078.6
Current liabilities:		
Cheques outstanding	16.4	19.3
Bank indebtedness (note 9)	-	18.0
Dividends payable (note 16)	34.4	31.3
Accounts payable and accrued liabilities	470.9	419.4
Current portion of puttable interest in subsidiaries (note 12)	30.4	23.1
Current portion of long-term debt (note 10)	2.0	6.5
Current portion of lease obligations (note 5)	53.9	45.4
Current portion of provisions (note 11)	29.9	1.8
	637.9	564.8
Long-term debt (note 10)	1,510.4	1,421.4
Lease obligations (note 5)	583.4	589.3
Puttable interest in subsidiaries (note 12)	42.4	43.9
Deferred revenue	2.8	2.8
Provisions (note 11)	14.5	44.2
Deferred income taxes (note 21)	115.7	120.6
	2,907.1	2,787.0
Convertible unsecured subordinated debentures (note 13)	484.5	478.6
Equity attributable to shareholders:		
Retained earnings	18.8	63.8
Share capital (note 14)	1,703.9	1,702.6
Reserves (note 15)	43.8	46.6
	1,766.5	1,813.0
	5,158.1	5,078.6

Subsequent events (note 28)

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 30, 2023	53 weeks ended December 31, 2022
Revenue	6,261.0	6,029.8
Cost of goods sold (note 19)	5,052.6	4,926.1
Gross profit before depreciation, amortization, and plant start-up and restructuring costs	1,208.4	1,103.7
Interest income from investment in associates (note 8)	60.9	61.8
Selling, general and administrative expenses (note 19)	710.2	661.3
Operating profit before depreciation, amortization, and plant start-up and restructuring costs	559.1	504.2
Depreciation of capital assets (note 4)	86.5	79.5
Amortization of intangible assets (note 6)	13.3	28.8
Amortization of right of use assets (note 5)	60.2	52.0
Accretion of lease obligations (note 5)	26.4	24.5
Plant start-up and restructuring costs	45.3	27.2
Interest and other financing costs (note 20)	150.9	81.4
Acquisition transaction costs	4.4	6.2
Change in value of puttable interest in subsidiaries (note 12)	10.2	5.5
Accretion of provisions (note 11)	2.2	6.8
Remeasurement of provisions (note 11)	-	(21.8)
Equity loss in investments in associates (note 8)	22.5	15.8
Change in value of investments in associates (note 8)	2.5	16.0
Fair value gains on investments in associates (note 8)	-	(19.9)
Other	1.5	0.7
Earnings before income taxes	133.2	201.5
Provision for income taxes (recovery) (note 21)		
Current	43.1	36.4
Deferred	(4.1)	5.0
	39.0	41.4
Earnings	94.2	160.1
Earnings per share (note 17):		
Basic	2.12	3.59
Diluted	2.11	3.57
Weighted average shares outstanding (in millions):		
Basic	44.4	44.6
Diluted	44.6	44.8

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 30, 2023	53 weeks ended December 31, 2022
Earnings	94.2	160.1
Items that may be realized to earnings (loss) in future periods:		
Unrealized gain (loss) on foreign exchange currency contracts (note 24)	1.5	(0.6)
Unrealized foreign exchange gain (loss) on investment in foreign operations	(5.8)	22.2
Items that will not be realized to earnings in future periods:		
Actuarial gain (loss) on pension plan assets	(1.0)	0.6
Other comprehensive earnings	(5.3)	22.2
Comprehensive earnings	88.9	182.3

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 30, 2023	53 weeks ended December 31, 2022
Cash flows from (used in) operating activities:		
Earnings	94.2	160.1
Items not involving cash:		
Depreciation of capital assets (note 4)	86.5	79.5
Amortization of intangible assets (note 6)	13.3	28.8
Amortization of right of use assets (note 5)	60.2	52.0
Accretion of lease obligations (note 5)	26.4	24.5
Change in value of puttable interest in subsidiaries (note 12)	10.2	5.5
Accretion of provisions (note 11)	2.2	6.8
Remeasurement of provisions (note 11)	-	(21.8)
Equity loss in investment in associates (note 8)	22.5	15.8
Change in value of investments in associates (note 8)	2.5	16.0
Fair value gains on investments in associates (note 8)	-	(19.9)
Non-cash financing costs	7.9	6.8
Deferred income taxes (recovery) (note 21)	(4.1)	5.0
Other	1.5	0.7
	323.3	359.8
Change in non-cash working capital (note 25)	110.6	(263.3)
	433.9	96.5
Cash flows from (used in) financing activities:		
Long-term debt, net	112.2	297.1
Payments for lease obligations (note 5)	(74.0)	(64.2)
Bank indebtedness and cheques outstanding	(20.9)	2.3
Dividends paid to shareholders (note 16)	(134.4)	(122.5)
Proceeds from issuance of convertible debentures – net of issuance costs (note 13)	-	143.0
Common shares purchased for cancellation (note 14)	(1.4)	(13.7)
	(118.5)	242.0
Cash flows from (used in) investing activities:		
Capital asset additions (note 4)	(399.7)	(228.4)
Business and asset acquisitions (note 18)	(5.5)	(122.9)
Payment of provisions (note 11)	(4.3)	(14.5)
Payments to shareholders of non-wholly owned subsidiaries (note 12)	(1.2)	(0.6)
Payments for settlement of puttable interest of non-wholly owned subsidiaries	(2.3)	(1.7)
Net change in share purchase loans and notes receivable	0.5	(5.4)
Investment in and advances to associates – net of distributions	113.3	29.9
	(299.2)	(343.6)
Change in cash and cash equivalents	16.2	(5.1)
Cash and cash equivalents – beginning of year	11.4	16.5
Cash and cash equivalents – end of year	27.6	11.4

Supplemental cash flow information (note 25)

Interest and other financing costs paid	145.3	70.0
Income taxes paid	33.2	81.2

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	Share capital	Reserves	Share-holders' equity
Balance as at December 25, 2021	35.6	1,713.3	25.0	1,773.9
Common shares issued (note 14)	-	1.6	-	1.6
Common shares purchased for cancellation (note 14)	(7.2)	(6.5)	-	(13.7)
Earnings for the year attributable to shareholders	160.1	-	-	160.1
Dividends declared (note 16)	(125.3)	-	-	(125.3)
Actuarial gain on pension obligation	0.6	-	-	0.6
Effect of share based compensation plans (note 14)	-	(5.8)	-	(5.8)
Unrealized loss on foreign exchange contracts (note 24)	-	-	(0.6)	(0.6)
Foreign currency translation adjustment	-	-	22.2	22.2
Balance as at December 31, 2022	63.8	1,702.6	46.6	1,813.0
Common shares purchased for cancellation (note 14)	(0.7)	(0.7)	-	(1.4)
Earnings for the year attributable to shareholders	94.2	-	-	94.2
Dividends declared (note 16)	(137.5)	-	-	(137.5)
Actuarial loss on pension obligation	(1.0)	-	-	(1.0)
Effect of share based compensation plans (note 14)	-	2.0	1.5	3.5
Unrealized gain on foreign exchange contracts (note 24)	-	-	1.5	1.5
Foreign currency translation adjustment	-	-	(5.8)	(5.8)
Balance as at December 30, 2023	18.8	1,703.9	43.8	1,766.5

1. Corporate information

Premium Brands Holdings Corporation (the Company) is incorporated under the Canada Business Corporations Act located at 100-10991 Shellbridge Way, Richmond B.C. Through its subsidiaries, the Company owns a broad range of specialty food manufacturing and premium food distribution and wholesale businesses with operations in Canada and the United States.

The Company's Board of Directors approved these consolidated financial statements on March 14, 2024.

2. Summary of material accounting policies

Basis of presentation

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

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 30, 2023, the Company owns controlling interests of between 70.0% and 96.6% (2022 – 66.2% and 96.6%) in a number of non-wholly owned companies. In all cases, it holds options to purchase the third party interests in these businesses (calls), and in most 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 January 2028, 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. The fair value of the puttable interest in subsidiaries is based on the Company's best estimates of the amounts and timing of the future 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 earnings.

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. The years ended December 30, 2023 and December 31, 2022 were fifty-two and fifty-three weeks, respectively.

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 and leaseholds	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.

Leases

The Company recognizes right of use assets, which represent its rights to use the underlying assets, and lease liabilities, which represent its obligations to make lease payments.

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 incremental long-term borrowing rate of 4.0%. 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 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.

Where the Company is the lessor of an owned property, leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards to the lessee. All other leases are classified as operating leases.

Where the Company is the intermediate lessor of a sublease arrangement, the Company determines whether it is a finance or operating lease by assessing: (i) if the terms of sublease transfers substantially all the risks and rewards to the sublessee; and (ii) the present value of the sublease payments in relation to the right of use asset. For finance subleases, the Company derecognizes the right of use assets and recognizes a corresponding lease receivable within lease obligations. Sublease income from operating leases is recognized in earnings.

Brand names and 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 and proprietary brand names acquired as part of a business combination, and determined to have an indefinite useful life, are not amortized but are tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. This is done by comparing the recoverable amount of a cash generating unit (CGU) to the underlying carrying amount of the CGU's net assets, including goodwill. The recoverable amount of the CGU can be based on the higher of its fair value less cost of disposal and its value in use, which uses a discounted cash flow model. When the carrying amount of the CGU exceeds its recoverable amount, the difference is charged to earnings.

Impairment of non-financial assets

Capital assets and finite life intangible assets (customer relationships) 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 its value in use or its fair value less the cost of disposal. Any impairment recognized is measured as the amount by which the carrying value of the asset exceeds its recoverable amount.

Intangible assets consist of acquired brand names and customer relationships. Customer relationships acquired as part of business combinations are amortized on a straight-line basis over 20 years.

Investment in associates

Associates are entities over which the Company has significant influence, but not control, and are 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 associate.

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 earnings 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 records its convertible debentures as a financial liability. The convertible debentures include a Cash Conversion Option (note 13) which is an embedded derivative (option liability). The option liability is revalued at the end of each quarter and recognized in earnings. Interest is recognized in 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 financial liability is equal to the face value of the outstanding convertible debentures.

When the Company purchases and cancels its convertible debentures under a normal course issuer bid (NCIB), 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 have been 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 amounts included in the consolidated balance sheet and the average exchange rate for amounts included in 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 United States based 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 makers who 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 it 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 are initially recognized at fair value and 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 recorded at amortized cost, which includes a provision for expected credit losses. Financial assets that are held for the purpose of collecting the contractual cash flows and/or for selling the financial assets themselves are recorded as measured at fair value and are remeasured each period, with any changes being recorded in either other comprehensive earnings or earnings.

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

The Company, from time to time, uses interest rate swap contracts to manage risks associated with fluctuations in interest rates. All such interest rate swap contracts are used only for risk management purposes. The Company also uses foreign currency forward contracts to manage exchange risks associated with its U.S. dollar payments and receipts and Euro payments.

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

For derivatives 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 are recognized in earnings.

Accounts receivable and notes and loans receivable are classified and measured at amortized cost and are net of expected credit losses.

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

Impairment of financial assets

Financial assets, which are measured at amortized cost, are assessed for the probability of default at initial recognition and reassessed at each reporting period for significant changes in credit risk. The Company evaluates current and forward-looking information such as the financial condition of the obligor, delinquencies in payments of interest or principal, and significant changes in the expected future cash flows of the financial assets to determine if there are significant changes to credit risk. Based on this evaluation, an expected credit loss (ECL) allowance may then be recognized to earnings at initial recognition along with any changes based on reassessments performed at each subsequent reporting period. When there is objective evidence of impairment leading to the conclusion that a financial asset is credit-impaired and there is no reasonable expectation of recovery, it is written off.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized at the time of initial recognition of the receivables.

Critical accounting estimates and judgments

The preparation of consolidated 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 and judgements relate to:

(i) 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 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.

(ii) 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.

(iii) 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.

(iv) Convertible unsecured subordinated debentures

The determination of reasonable fair market values for 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.

(v) 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, which involves using a discounted cash flow model and requires using estimates of discount rates, royalty rates, customer retention rates and future revenues and gross margins; 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.

(vi) 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.

(vii) Plant start-up and restructuring costs

Plant start-up and restructuring costs consist of expenses associated with the start-up of new production capacity, the reconfiguration of existing capacity to gain efficiencies and/or additional capacity, or the restructuring of a business to improve its profitability. 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 (EBP) that provides common share awards, in which all the common shares are purchased on the open market, to eligible officers and employees of the Company and its subsidiaries. Grants under the EBP are treated as equity-settled share based payments, with the common shares granted being measured at their fair values 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 common shares acquired pursuant to the EBP 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.

Normal course issuer bid (NCIB)

When the Company repurchases its own common shares under a NCIB, share capital is reduced by the carrying value. The difference between the purchase price and the carrying value at the time of purchase is recognized in 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 common 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.

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

3. Inventories

	December 30, 2023	December 31, 2022
Raw materials	297.4	308.4
Finished goods	443.2	472.0
Concessionary equipment for sale	6.1	5.7
	746.7	786.1

4. Capital assets

	Land, buildings and leaseholds	Machinery and equipment	Total
December 31, 2022			
Cost	579.6	975.9	1,555.5
Accumulated depreciation	(184.8)	(508.5)	(693.3)
Net book value	394.8	467.4	862.2
December 30, 2023			
Cost	798.5	1,177.7	1,976.2
Accumulated depreciation	(204.3)	(608.0)	(812.3)
Net book value	594.2	569.7	1,163.9

	Land, buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 25, 2021	284.6	332.7	617.3
Acquired through business and asset acquisitions (note 18)	42.0	37.3	79.3
Additions	85.6	142.8	228.4
Disposals	(1.8)	(1.0)	(2.8)
Depreciation	(23.8)	(55.7)	(79.5)
Foreign currency exchange adjustment	8.2	11.3	19.5
Net book value as at December 31, 2022	394.8	467.4	862.2
Acquired through business and asset acquisitions (note 18)	1.2	1.4	2.6
Additions	224.3	175.4	399.7
Disposals	-	(0.3)	(0.3)
Depreciation	(19.4)	(67.1)	(86.5)
Foreign currency exchange adjustment	(6.7)	(7.1)	(13.8)
Net book value as at December 30, 2023	594.2	569.7	1,163.9

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

5. Leases

Right of use assets

	Buildings and leaseholds	Machinery and equipment	Total
December 31, 2022			
Right of use assets	753.5	41.4	794.9
Accumulated depreciation	(195.5)	(23.4)	(218.9)
Net book value	558.0	18.0	576.0
December 30, 2023			
Right of use assets	792.4	46.0	838.4
Accumulated depreciation	(244.3)	(28.8)	(273.1)
Net book value	548.1	17.2	565.3

	Buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 25, 2021	445.3	19.2	464.5
Acquired through business and asset acquisitions (note 18)	9.2	0.3	9.5
Additions	106.3	5.0	111.3
Disposals	(1.2)	(0.6)	(1.8)
Amortization	(45.9)	(6.1)	(52.0)
Reclassification of subleases	35.4	-	35.4
Foreign currency exchange adjustment	8.9	0.2	9.1
Net book value as at December 31, 2022	558.0	18.0	576.0
Additions	57.1	6.8	63.9
Disposals	(9.2)	(1.2)	(10.4)
Amortization	(53.9)	(6.3)	(60.2)
Foreign currency exchange adjustment	(3.9)	(0.1)	(4.0)
Net book value as at December 30, 2023	548.1	17.2	565.3

Lease obligations

	Buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 25, 2021	490.1	20.2	510.3
Acquired through business and asset acquisitions (note 18)	9.2	0.3	9.5
Payments	(56.6)	(7.6)	(64.2)
Additions	106.3	5.0	111.3
Disposals	(1.3)	(0.6)	(1.9)
Accretion	23.0	1.5	24.5
Reclassification of subleases	35.4	-	35.4
Foreign currency exchange adjustment	9.5	0.3	9.8
Net book value as at December 31, 2022	615.6	19.1	634.7
Payments	(66.0)	(8.0)	(74.0)
Additions	57.1	6.8	63.9
Disposals	(8.2)	(1.1)	(9.3)
Accretion	24.8	1.6	26.4
Foreign currency exchange adjustment	(4.3)	(0.1)	(4.4)
Net book value as at December 30, 2023	619.0	18.3	637.3

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

Minimum lease payments in respect of lease obligations and the effect of discounting cash flows are as follows:

	December 30, 2023
Undiscounted minimum lease payments	
1 year out	75.8
2 years out	74.0
3 years out	71.0
4 years out	66.8
Thereafter	592.9
	880.5
Effect of discounting	(243.2)
Present value of minimum lease payments	637.3
Current portion	(53.9)
	583.4

6. Intangible assets

	Brand names	Customer relationships	Total
December 31, 2022			
Cost	236.0	493.5	729.5
Accumulated amortization	-	(171.0)	(171.0)
Net book value	236.0	322.5	558.5
December 30, 2023			
Cost	232.6	490.6	723.2
Accumulated amortization	-	(182.6)	(182.6)
Net book value	232.6	308.0	540.6

	Brand names	Customer relationships	Total
Net book value as at December 25, 2021	222.6	303.7	526.3
Additions resulting from business and asset acquisitions (note 18)	5.7	39.2	44.9
Amortization	-	(28.8)	(28.8)
Foreign currency exchange adjustment	7.7	8.4	16.1
Net book value as at December 31, 2022	236.0	322.5	558.5
Additions resulting from business and asset acquisitions (note 18)	-	1.9	1.9
Amortization	-	(13.3)	(13.3)
Foreign currency exchange adjustment	(3.4)	(3.1)	(6.5)
Net book value as at December 30, 2023	232.6	308.0	540.6

In assessing brand names for impairment at September 30, 2023, the Company concluded there was no impairment.

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

7. Goodwill

	December 30, 2023	December 31, 2022
Balance – beginning of year	1,093.0	1,001.2
Additions resulting from business and asset acquisitions (note 18)	1.4	70.6
Adjustments to purchase price allocations of prior year acquisitions	0.3	(4.5)
Foreign currency exchange adjustment	(10.6)	25.7
Balance – end of year	1,084.1	1,093.0

In assessing goodwill for impairment at September 30, 2023, the Company concluded there was no impairment.

Goodwill acquired from business and asset acquisitions are primarily attributable to expected earnings growth and synergies in excess of net tangible and intangible assets acquired. A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

8. Investment in associates

	December 30, 2023	December 31, 2022
Balance – beginning of year	538.9	568.8
Acquisition of control in Shaw Bakers, LLC and Golden Valley Farms Inc.	-	(44.4)
Fair value gains upon control in Shaw Bakers, LLC and Golden Valley Farms Inc.	-	19.9
Other investments in and interest bearing advances and receipts to/from associates	(59.6)	24.4
Equity loss in investment in associates	(22.5)	(15.8)
Changes in value of investments in associates	(2.5)	(16.0)
Foreign currency exchange adjustment	(0.8)	2.0
Balance – end of year	453.5	538.9

Investments in associates consists of the Company's investments in businesses which it does not control, including 35% to 40% interests in real estate investment limited partnerships (REILPs) which, on a combined basis, own and lease to the Company seven industrial real estate properties. Equity earnings (loss) in investment in associates includes the Company's proportionate share of the earnings and losses of its investments in associates, the majority of which relates to Clearwater Seafoods Inc. (Clearwater).

During 2023, the associates had total revenues of $708.6 million and a loss of $49.1 million (2022 – revenue of $766.8 million and loss of $30.0 million). As at December 30, 2023, the associates had assets of $1,361.0 million and liabilities of $1,383.4 million (2022 – assets of $1,384.8 million and liabilities of $1,370.0 million).

During 2023, the Company purchased inventory of $90.5 million (2022 – $91.3 million), incurred lease expenses of $16.1 million (2022 – $15.9 million), and earned interest and management fees of $60.9 million (2022 – $61.8 million) from its associates.

The following tables summarize Clearwater's financial information:

	December 30, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	21.9	28.2
Accounts receivable	72.0	106.9
Other current assets	114.0	113.1
	207.9	248.2
Non-current assets	922.2	888.8
	1,130.1	1,137.0

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

	December 30, 2023	December 31, 2022
Current liabilities:		
Accounts payable and accrued liabilities	67.0	120.6
Current portion of long-term debt and other liabilities	4.4	3.7
Other current liabilities	1.6	10.9
	73.0	135.2
Non-current liabilities	1,099.4	1,016.2
	1,172.4	1,151.4

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Revenue	580.1	604.5
Depreciation and amortization	46.8	44.6
Interest on senior debt and shareholders' debt	79.0	66.1
Management and quota license fees paid to shareholders	23.7	34.0
Tax expense	4.6	0.8
Loss in Clearwater	(48.1)	(37.5)
Equity loss in investment in Clearwater	(24.1)	(18.8)

9. Bank indebtedness

Bank indebtedness consists of amounts drawn on operating lines of credit. As at December 30, 2023, the Company had total available operating lines of $189.9 million (2022 – $203.9 million).

All of the Company's operating lines bear interest at floating rates based on bank prime rates, banker's acceptance rates, or secured overnight financing rates (SOFR).

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

10. Long-term debt

	December 30, 2023	December 31, 2022
Unsecured revolving term loan maturing in November 2026 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 performance relative to certain environmental and social objectives. The interest rate can fluctuate from nil to 1.25 percentage points over the bank prime rate or 1.00 to 2.38 percentage points over the banker's acceptance rate or SOFR.	1,504.6	1,414.4
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 3.37% for 2023.	8.1	8.3
Unsecured promissory notes, bearing interest between 1.5% to 6.0% with maturity dates to December 2029	2.9	9.1
Other term loans	0.4	0.6
	1,516.0	1,432.4
Financing costs	(3.6)	(4.5)
Current portion	(2.0)	(6.5)
	1,510.4	1,421.4

The Company's unutilized debt capacity as at December 30, 2023 was $744.9 million (2022 – $525.0 million) less approximately $10.9 million (2022 – $11.4 million) in outstanding letters of credit.

Financial covenants associated with the Company's unsecured revolving term loans require the maintenance of certain ratios regarding fixed charge coverage and debt to cash flow. The Company was in compliance with all such covenants applicable at December 30, 2023.

Subsequent to the year, the Company amended its unsecured revolving term loan agreement to update changes in its trade receivables purchase program, definitions of key terms for clarity, administrative procedures and reports, reference to regulatory governmental bodies, benchmark interest rates, and financial covenants.

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

2024	2.0
2025	0.6
2026	1,504.8
2027	0.2
2028 and thereafter	8.4
	1,516.0

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

11. Provisions

	December 30, 2023	December 31, 2022
Balance – beginning of year	46.0	71.1
Provisions arising from business and asset acquisitions (note 18)	1.2	2.1
Accretion	2.2	6.8
Cash payments	(4.3)	(14.5)
Remeasurement of provisions	-	(21.8)
Foreign currency exchange adjustment	(0.7)	2.3
Balance – end of year	44.4	46.0

	December 30, 2023	December 31, 2022
Current portion	29.9	1.8
Non-current	14.5	44.2
	44.4	46.0

12. Puttable interest in subsidiaries

	December 30, 2023	December 31, 2022
Balance – beginning of year	67.0	27.1
Puttable interest arising from business and asset acquisitions (note 18)	-	35.2
Change in value of puttable interest in subsidiaries	10.2	5.5
Purchase of remaining interest of non-wholly owned subsidiary pursuant to put option	(2.3)	(3.3)
Cash distributions to non-controlling shareholders with puttable interests	(1.2)	(0.6)
Foreign currency exchange adjustment	(0.9)	3.1
Balance – end of year	72.8	67.0

	December 30, 2023	December 31, 2022
Current portion	30.4	23.1
Non-current	42.4	43.9
	72.8	67.0

13. Convertible unsecured subordinated debentures

	4.65% Debentures	4.20% Debentures	5.40% Debentures	Total
Maturity date	Apr 30, 2025	Sep 30, 2027	Sep 30, 2029	
Balance as of December 25, 2021	169.9	161.1	-	331.0
Issuance of debentures	-	-	143.0	143.0
Accretion (note 20)	2.1	1.5	1.0	4.6
Balance as of December 31, 2022	172.0	162.6	144.0	478.6

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

On June 13, 2022, the Company issued $150.0 million of convertible unsecured subordinated debentures (the 5.40% Debentures) resulting in net proceeds of $143.0 million after transaction costs of approximately $7.0 million. The 5.40% Debentures bear interest at an annual rate of 5.40% payable semi-annually, have a maturity date of September 30, 2029 and are convertible into common shares of the Company at a conversion price of $160.25 per common share.

	4.65% Debentures	4.20% Debentures	5.40% Debentures	Total
Maturity date	Apr 30, 2025	Sep 30, 2027	Sep 30, 2029	
Balance as of December 31, 2022	172.0	162.6	144.0	478.6
Accretion (note 20)	2.3	1.6	2.0	5.9
Balance as of December 30, 2023	174.3	164.2	146.0	484.5

Cash Conversion Option

All of the Company's convertible unsecured subordinated debentures outstanding as at December 30, 2023 have a cash conversion option. If the Company elects to utilize this 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 (TSX) as measured over a period of ten consecutive trading days commencing on the third day following the conversion date.

14. Share capital

	Common shares (millions)	Share capital
Balance as at December 25, 2021	44.6	1,713.3
Common shares issued in settlement of puttable interest	0.0	1.6
Common shares purchased and cancelled	(0.2)	(6.5)
Effect of share based compensation plans	0.0	(5.8)
Balance as at December 31, 2022	44.4	1,702.6
Common shares purchased and cancelled	(0.0)	(0.7)
Effect of share based compensation plans	0.0	2.0
Balance as at December 30, 2023	44.4	1,703.9

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to: (i) dividends, in proportion to the number of common shares held by them, if, as and when declared by the Company's Board of Directors, (ii) one vote per common share at meetings of the holders of common shares of the Company; and (iii) 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 common shares held in the Company's employee benefit plan that had not yet vested with the beneficiaries, the Company had 44.6 million common shares outstanding as at December 30, 2023.

Normal Course Issuer Bid (NCIB)

On July 22, 2022, the TSX accepted the Company's notice of intention to make a NCIB to purchase for cancellation up to 2,239,887 common shares, representing 5% of the Company's issued and outstanding common shares at that time. The NCIB commenced on July 26, 2022 and terminated on July 25, 2023. Any purchases under the NCIB were subject to the terms and limitations applicable to it and were made through the facilities of the TSX at the market price at the time of purchase.

In 2022, the Company purchased and cancelled 167,086 common shares under the NCIB for $13.7 million, which resulted in share capital being reduced by $6.5 million and retained earnings being reduced by $7.2 million.

In January 2023, the Company purchased and cancelled 17,500 common shares under the NCIB for $1.4 million, which resulted in share capital being reduced by $0.7 million and retained earnings being reduced by $0.7 million.

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

On July 27, 2023, the Company renewed its NCIB under which it is authorized to purchase for cancellation up to 2,231,469 common shares, representing 5% of its issued and outstanding common shares at that time. The renewed NCIB commenced on July 31, 2023, and will terminate on July 30, 2024, or on such earlier date as the Company completes its purchase of the maximum number of common shares permitted. Any purchases under the renewed NCIB will be subject to the terms and limitations applicable to it and will be made through the facilities of the TSX at the market price at the time of purchase. No common shares have been purchased under the renewed NCIB.

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 25, 2021	(3.5)	18.2	(2.4)	12.7	25.0
Unrealized loss on foreign exchange contracts	-	-	(0.6)	-	(0.6)
Unrealized foreign exchange translation gain on foreign operations	-	22.2	-	-	22.2
Balance as at December 31, 2022	(3.5)	40.4	(3.0)	12.7	46.6
Effect of share based compensation plans	-	-	-	1.5	1.5
Unrealized gain on foreign exchange contracts	-	-	1.5	-	1.5
Unrealized foreign exchange translation loss on foreign operations	-	(5.8)	-	-	(5.8)
Balance as at December 30, 2023	(3.5)	34.6	(1.5)	14.2	43.8

16. Dividends

During 2022, the Company declared dividends to shareholders of $125.3 million or $2.80 per common share. The record dates of these dividends were as follows:

Record date	Amount	Per share
March 31, 2022	31.3	$0.70
June 30, 2022	31.3	$0.70
September 30, 2022	31.4	$0.70
December 30, 2022	31.3	$0.70
2022 dividends declared	125.3	$2.80
Accumulated dividends declared – beginning of year	682.1	
Accumulated dividends declared – end of year	807.4	

During 2023, the Company declared dividends to shareholders of $137.5 million or $3.08 per common share. The record dates of these dividends were as follows:

Record date	Amount	Per share
March 31, 2023	34.3	$0.77
June 30, 2023	34.4	$0.77
September 29, 2023	34.4	$0.77
December 29, 2023	34.4	$0.77
2023 dividends declared	137.5	$3.08
Accumulated dividends declared – beginning of year	807.4	
Accumulated dividends declared – end of year	944.9	

17. Earnings per share

(in millions of shares and dollars, except per share amounts)	December 30, 2023	December 31, 2022
Weighted average number of shares outstanding	44.4	44.6
Adjustment for shares held pursuant to the employee benefit plan	0.2	0.2
Diluted weighted average number of shares outstanding	44.6	44.8
Net earnings attributable to shareholders	94.2	160.1
Basic earnings per share	$ 2.12	$ 3.59
Diluted earnings per share	$ 2.11	$ 3.57

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

18. Business and asset acquisitions

During the 52 weeks ended December 30, 2023, the Company invested $6.9 million in the acquisition of the following business:

Business	Primary Business Activity	Investment	Business Segment	Purchase Date
Menu-Mer Ltée.	Foodservice distribution	100%	Premium Food Distribution	Nov 4, 2023

The following table summarizes the provisional fair values of the net assets acquired and consideration paid for the acquisition completed during the 52 weeks ended December 30, 2023:

Net assets acquired:	
Net working capital	1.6
Capital assets	2.6
Intangible assets – customer relationships	1.9
Goodwill	1.4
Deferred income taxes payable	(0.6)
	6.9
Investment:	
Cash (net of cash acquired)	5.5
Cash consideration payable	0.2
Provisions for contingent consideration	1.2
	6.9

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

During the 53 weeks ended December 31, 2022, the Company invested $125.0 million in the acquisition of the following businesses and assets:

Business	Primary Business Activity	Investment	Business Segment	Purchase Date
Shaw Bakers, LLC	Artisan bread production	Increase from 50% to 73.72%	Specialty Foods	Dec 31, 2021
Leonetti Food Distributors Inc.	Sandwich production	100%	Specialty Foods	Feb 28, 2022
Rocky Mountain Flatbread	Artisan pizza production	100%	Specialty Foods	Feb 28, 2022
Beechgrove Country Foods Inc.	Cooked protein production	100%	Specialty Foods	Mar 04, 2022
Golden Valley Farms Inc.	Deli meats production	Increase from 50% to 100%	Specialty Foods	May 10, 2022
King’s Command Foods	Cooked meats production	100%	Specialty Foods	Jun 12, 2022

The following table summarizes the fair values of the net assets acquired and consideration paid for acquisitions completed during the 53 weeks ended December 31, 2022:

Net assets acquired:	
Net working capital	18.2
Capital assets	79.3
Intangible assets – customer relationships	39.2
Intangible assets – brand names	5.7
Goodwill	70.6
Right of use assets	9.5
Lease obligations	(9.5)
Puttable interest	(35.2)
Deferred income taxes payable	(8.4)
Carrying value of investments in associates	(44.4)
	125.0
Investment:	
Cash (net of cash acquired)	122.9
Provisions for contingent consideration	2.1
	125.0

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

19. Expenses by nature

Cost of goods sold before depreciation, amortization, and plant start-up and restructuring costs

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Materials	4,045.2	4,010.1
Labor, overhead and freight	1,007.4	916.0
	5,052.6	4,926.1

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

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Salaries and benefits	325.6	297.8
Overhead and other operating expenses	384.6	363.5
	710.2	661.3

20. Interest and other financing costs

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Interest on convertible debentures	22.4	18.8
Interest on long-term debt	115.9	54.2
Interest on bank indebtedness	4.7	1.6
Accretion of convertible debentures	5.9	4.6
Amortization of deferred financing costs	2.0	2.2
	150.9	81.4

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

21. Income taxes

	December 30, 2023	December 31, 2022
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	209.2	193.8
Deferred tax asset to be recovered within 12 months	39.6	24.9
Deferred tax liabilities:		
Deferred tax liability to be paid after more than 12 months	(342.4)	(317.9)
Deferred tax liability to be paid within 12 months	(22.1)	(21.4)
Net deferred tax liabilities	(115.7)	(120.6)

	December 30, 2023	December 31, 2022
Net deferred tax liabilities – beginning of year	(120.6)	(105.2)
Charged to earnings	4.1	(5.0)
Deferred tax resulting from business acquisitions and prior year adjustment	(0.8)	(8.0)
Foreign currency exchange adjustment	1.6	(2.4)
Net deferred tax liabilities – end of year	(115.7)	(120.6)

As at December 30, 2023, the Company had $120.8 million (2022 – $67.0 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 30, 2023	53 weeks ended December 31, 2022
Weighted average federal and provincial statutory income tax rate of parent company	26.5%	26.5%
Earnings before income taxes	133.2	201.5
Income tax based on statutory rate	35.3	53.4
Non-deductible expenses	6.5	7.2
Changes in fair value of investments in associates	(0.9)	(5.3)
Remeasurement of provisions	-	(5.8)
Income subject to lower tax rates and other	(1.9)	(8.1)
Provision for income taxes	39.0	41.4

In December 2021, the Organization for Economic Cooperation and Development (“OECD”) released a draft legislative framework in its efforts to reform the international tax system. The proposed Pillar Two rules are set to ensure that large multinational enterprises pay a global minimum tax of 15% within the jurisdictions they operate in.

Pillar Two legislation has not been enacted or substantively enacted in the jurisdictions, in which the Company operates. Upon enactment, this legislation is expected to be applicable to the Company and be effective as of January 1, 2024. The Company will continue to monitor the impact of proposed and enacted legislative changes in the geographic regions in which it operates.

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

22. Segmented information

The Company has two reportable segments, Specialty Foods and Premium Food Distribution, as well as non-segmented investment income and 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 as well as certain seafood processing businesses. Investment income includes interest and management fees generated from the Company's businesses that are accounted for using the equity method. 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.

As part of a realignment of certain businesses and management responsibilities, in 2023, the Company reclassified a business from the Premium Food Distribution segment to the Specialty Foods segment. Segmented information for the comparative period has been retrospectively restated.

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022 (restated)
Revenue:		
Specialty Foods	4,097.0	3,801.1
Premium Food Distribution	2,164.0	2,228.7
	6,261.0	6,029.8
Gross profit before depreciation, amortization, and plant start-up and restructuring costs:		
Specialty Foods	882.0	773.2
Premium Food Distribution	326.4	330.5
	1,208.4	1,103.7
Selling, general and administrative expenses:		
Specialty Foods	482.5	450.3
Premium Food Distribution	199.3	185.9
Corporate	28.4	25.1
Interest Income from investment in associates	(60.9)	(61.8)
	649.3	599.5
Segment earnings (loss) before depreciation, amortization, accretion, and plant start-up and restructuring costs:		
Specialty Foods	399.5	322.9
Premium Food Distribution	127.1	144.6
Corporate	(28.4)	(25.1)
Interest Income from investment in associates	60.9	61.8
	559.1	504.2
Depreciation of capital assets:		
Specialty Foods	74.4	68.1
Premium Food Distribution	10.9	9.9
Corporate	1.2	1.5
	86.5	79.5
Amortization of intangible assets:		
Specialty Foods	7.8	16.3
Premium Food Distribution	5.5	12.5
	13.3	28.8
Amortization of right of use assets:		
Specialty Foods	35.3	28.4
Premium Food Distribution	24.2	22.9
Corporate	0.7	0.7
	60.2	52.0

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

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022 (restated)
Accretion of lease obligations:		
Specialty Foods	12.8	10.0
Premium Food Distribution	13.3	14.2
Corporate	0.3	0.3
	26.4	24.5
Plant start-up and restructuring costs:		
Specialty Foods	43.6	25.6
Premium Food Distribution	1.7	1.6
	45.3	27.2
Segment operating earnings (loss):		
Specialty Foods	225.6	174.5
Premium Food Distribution	71.5	83.5
Corporate	(30.6)	(27.6)
Interest Income from investment in associates	60.9	61.8
	327.4	292.2
Interest and other financing costs	150.9	81.4
Acquisition transaction costs	4.4	6.2
Change in value of puttable interest in subsidiaries	10.2	5.5
Accretion of provisions	2.2	6.8
Remeasurement of provisions	-	(21.8)
Equity loss in investments in associates	22.5	15.8
Change in value of investments in associates	2.5	16.0
Fair value gains on investments in associates	-	(19.9)
Other	1.5	0.7
Provision for income taxes	39.0	41.4
Earnings	94.2	160.1

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022 (restated)
Capital asset additions:		
Specialty Foods	365.9	209.5
Premium Food Distribution	32.6	17.7
Corporate	1.2	1.2
	399.7	228.4
Assets:		
Canada	3,173.3	3,146.8
United States	1,984.8	1,931.8
	5,158.1	5,078.6
Revenue:		
Canada	3,690.7	3,655.6
United States	2,570.3	2,374.2
	6,261.0	6,029.8

The Company has two customers that accounted for 14.4% and 12.7%, respectively, of its revenue during 2023 (2022 – 13.6% and 13.0%, respectively).

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

	December 30, 2023	December 31, 2022 (restated)
Total assets:		
Specialty Foods	3,263.2	3,131.9
Premium Food Distribution	1,477.5	1,446.0
Corporate	417.4	500.7
	5,158.1	5,078.6

23. Share based compensation plans

Employee benefit plan (EBP)

In 2006, the Company established the EBP pursuant to which eligible officers and employees of the Company have the option of receiving their short-term incentive bonus, which is based upon a variety of considerations including growth in the Company's free cash flow per common share, in the form of an EBP grant. The Company then makes a cash contribution to the EBP in respect of the EBP grants, which is used to purchase common shares in the open market. The common shares are then, in turn, allocated to the participants.

The EBP holds such common shares until ownership vests to each participant. For Canadian resident employees, the EBP common shares 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 EBP 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 of the Company. Once such common shares are vested, the participant is able to request withdrawal of such common shares, and the common shares are then transferred into the name of the participant. Vested common shares are held by the EBP until the earlier of: (i) the end of the third calendar year following the grant date; and (ii) the date on which such common shares are withdrawn from the EBP by the participant.

Long-term realized value plan (LTRVP)

In 2016, the Company established a LTRVP pursuant to which certain senior executives 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 40% of the LTRVP allocation in cash on the allocation date and 60% as an EBP grant.

Director's Share Unit Plan (DSU Plan)

In 2020, the Company established a DSU Plan where certain members of its Board of Directors are eligible to participate and elect to receive all or a portion of their director compensation in the form of Director's Share Units (DSU). The DSU Plan also allows the Board of Directors to grant additional DSUs as compensation to members of its Board of Directors from time to time. Each DSU is a notional unit equivalent in value to a common share of the Company. All DSUs vest immediately and can only be redeemed for cash when the participant retires from the Board of Directors and any other role with the Company.

Employee share ownership plan (ESOP)

In 2008, the Company established an ESOP whereby employees may subscribe, through payroll withholdings, to purchase up to $1,500 per year of the Company's common shares, and the Company provides a matching 15% contribution of up to $225 per year, which is also used to purchase common shares for such employee. All common shares purchased under the ESOP are bought in the open market.

24. 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 significant unobservable inputs. The foreign currency contracts and option liabilities related to the convertible debentures 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 values of long-term debt and lease obligations approximate fair values because the instruments bear interest at either floating rates or effective interest rates, which approximate current market rates for similar debt instruments.

The carrying value of puttable interest in subsidiaries are recorded at fair value at the end of each fiscal year. Refer to Note 2 for information about these fair value measurements.

Financial risk management

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

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 30, 2023, the Company had outstanding foreign currency contracts for: (i) the purchase of US$43.2 million at rates between C$1.3161 and C$1.3868; and (ii) the sale of US$65.5 million at rates between C$1.2881 and C$1.3667. For the fifty-two weeks ending December 30, 2023, the Company recorded in respect of these contracts a gain of $1.5 million (2022 – loss of $0.6 million) in other comprehensive earnings.

Based on the outstanding contracts as at December 30, 2023 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 $0.2 million in other comprehensive earnings.

Interest rate risk

All of the Company's bank indebtedness and approximately 99% (2022 – 99%) of its long-term debt bear interest at floating rates. The Company manages some of its exposure to floating interest rates by entering into, from time to time, interest rate swap contracts.

As at December 30, 2023, the Company did not hold any interest rate swap contracts.

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

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 and advances to associates. For trade receivables, the simplified approach is applied for determining expected credit losses, which is based on historical counterparty default rates and adjusted for relevant forward-looking information. Since the majority of the Company's customers are considered to have low default risk and its historical default rate and frequency of losses are low, the lifetime expected credit loss allowance for trade receivables as at December 30, 2023 is shown in the table below. The credit loss for the Company's advances to associates as at December 30, 2023 is nominal.

The Company has a trade receivables purchase agreement with the a Canadian chartered bank whereby the Company can sell its trade receivables to the bank at the Company's discretion. The facility has a limit of US$100.0 million (2022 – US$50.0 million) for total allowable trade receivables to be sold at any time. Throughout the year, US$515.9 million (2022 - US$49.8 million) cumulative trade receivables were sold under the program. As at December 30, 2023, the Company had total trade receivables sold of US$97.9 million (2022 - $49.8 million).

The aging of the Company's account receivables is as follows:

	December 30, 2023	December 31, 2022
Trade accounts receivable		
Outstanding 1-30 days	422.7	480.5
Outstanding 31-60 days	30.6	47.0
Outstanding 60+ days	11.1	24.4
	464.4	551.9
Credit loss allowance	(4.3)	(4.0)
Other receivables	49.8	42.9
	509.9	590.8

The change in the Company's credit loss allowance for provision is as follows:

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Balance – beginning of year	4.0	3.2
Credit loss expense – net of reversals	0.3	0.8
Balance – end of year	4.3	4.0

Liquidity risk

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

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

25. Supplemental cash flow information

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

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Accounts receivable	78.1	(36.6)
Interest on advances to investments in associates	(54.7)	(54.3)
Inventories	35.1	(104.8)
Prepaid expenses	(5.3)	(7.5)
Accounts payable and accrued liabilities	57.4	(60.1)
	110.6	(263.3)

26. Capital disclosures

The Company's objective in managing its capital, which currently consists of common shareholders' equity, convertible debentures, 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 strategies.

The key indicators used by the Company to monitor its capital structure are its total funded debt to earnings before interest, taxes, depreciation, and amortization (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 its trailing twelve months EBITDA adjusted for recent business and asset acquisitions as well as plant start-up and restructuring costs (Adjusted EBITDA). The senior funded debt to EBITDA ratio is calculated as the Company's senior funded debt less cash and cash equivalents divided by its trailing twelve months Adjusted EBITDA. 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.

27. Key management compensation

	52 weeks ended December 30, 2023	53 weeks ended December 31, 2022
Salaries and short-term benefits	7.1	6.8
Post-employment benefits	0.1	0.1
Share based compensation	3.9	3.1
	11.1	10.0

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

28. Subsequent events

Subsequent to December 30, 2023, the Company increased its quarterly dividend by 10.4% to $0.85 per share, or $3.40 per share on an annual basis.