DOREL INDUSTRIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 30, 2019 AND 2018

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500, Tour KPMG
Montréal (Québec) H3A 0A3
Canada

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Dorel Industries Inc.

Opinion

We have audited the consolidated financial statements of Dorel Industries Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as of December 30, 2019 and 2018
- the consolidated income statements for the years then ended
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

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

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

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of December 31, 2018, due to the adoption of IFRS 16, *Leases* using a modified retrospective transition approach.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP*

The engagement partner on the audit resulting in this auditors' report is Michael Baratta.

Montréal, Canada

March 11, 2020

*CPA auditor, CA, public accountancy permit No. A120841

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 30, 2019 and 2018
(All figures in thousands of US dollars)

	2019	2018 (1)
ASSETS		
Current assets		
Cash and cash equivalents (Note 29)	$ 39,141	$ 39,272
Trade accounts receivable (Note 7)	398,956	404,359
Inventories (Note 8)	633,614	635,153
Income taxes receivable	8,292	14,284
Other assets (Note 15)	43,853	45,057
	1,123,856	1,138,125
Assets held for sale (Note 9)	6,757	8,464
	1,130,613	1,146,589
Non-current assets		
Property, plant and equipment (Note 11)	163,812	185,794
Right-of-use assets (Note 12)	174,038	–
Intangible assets (Note 13)	238,541	259,580
Goodwill (Notes 14 and 31)	84,478	76,416
Deferred tax assets (Note 27)	60,421	57,674
Other assets (Note 15)	8,203	7,453
	729,493	586,917
	$ 1,860,106	$ 1,733,506
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 16)	$ 59,698	$ 50,098
Trade and other payables (Note 17)	502,999	533,608
Lease liabilities (Note 12)	40,580	–
Income taxes payable	12,510	10,370
Long-term debt (Note 18)	24,233	432,950
Provisions (Note 19)	50,841	40,124
Other liabilities (Note 15)	10,953	12,029
	701,814	1,079,179
Non-current liabilities		
Lease liabilities (Note 12)	147,803	–
Long-term debt (Note 18)	417,869	4,119
Net pension and post-retirement defined benefit liabilities (Note 22)	25,820	29,515
Deferred tax liabilities (Note 27)	12,855	13,860
Provisions (Note 19)	2,699	2,950
Other liabilities (Note 15)	17,080	22,780
	624,126	73,224
EQUITY		
Share capital (Note 23)	203,932	203,313
Contributed surplus	30,873	28,555
Accumulated other comprehensive loss	(114,169)	(105,819)
Other equity	19,189	17,350
Retained earnings	394,341	437,704
	534,166	581,103
	$ 1,860,106	$ 1,733,506
COMMITMENTS, GUARANTEES AND CONTINGENCIES (Note 26)		
EVENT AFTER THE REPORTING DATE (Note 18)		

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

See accompanying notes.

ON BEHALF OF THE BOARD

Martin Schwartz, Director

Jeffrey Schwartz, Director

DOREL INDUSTRIES INC.
CONSOLIDATED INCOME STATEMENTS
For the years ended December 30, 2019 and 2018
(All figures in thousands of US dollars, except per share amounts)

	2019	2018 (1)
REVENUE (Note 31)	$ 2,634,646	$ 2,619,513
Cost of sales (Notes 6 and 8)	2,099,108	2,054,721
GROSS PROFIT	535,538	564,792
Selling expenses	219,679	233,772
General and administrative expenses	188,166	200,041
Research and development expenses	39,695	37,819
Impairment loss on trade accounts receivable (Note 7)	5,759	16,425
Restructuring and other costs (Note 6)	29,526	16,609
Impairment losses on goodwill, intangible assets and property, plant and equipment (Notes 11, 13 and 14)	–	525,639
OPERATING PROFIT (LOSS)	52,713	(465,513)
Finance expenses (Note 30)	50,380	32,650
INCOME (LOSS) BEFORE INCOME TAXES	2,333	(498,163)
Income taxes expense (recovery) (Note 27)		
Current	10,123	11,037
Deferred	2,663	(64,857)
	12,786	(53,820)
NET LOSS	$ (10,453)	$ (444,343)
LOSS PER SHARE (Note 28)		
Basic	$ (0.32)	$ (13.70)
Diluted	$ (0.32)	$ (13.70)

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 30, 2019 and 2018
(All figures in thousands of US dollars)

	2019	2018 (1)
NET LOSS	$ (10,453)	$ (444,343)
OTHER COMPREHENSIVE LOSS:		
Items that are or may be reclassified subsequently to net income:		
Cumulative translation account:		
Net change in unrealized foreign currency gains (losses) on translation of net investments in foreign operations, net of tax of nil	(3,448)	(38,979)
Net gains (losses) on hedge of net investments in foreign operations, net of tax of nil	(2,002)	(4,436)
	(5,450)	(43,415)
Net changes in cash flow hedges:		
Net change in unrealized gains (losses) on derivatives designated as cash flow hedges	(1,814)	2,553
Reclassification to net income	(78)	79
Reclassification to the related non-financial asset	327	1,703
Deferred income taxes (Note 27)	397	(1,124)
	(1,168)	3,211
Items that will not be reclassified to net income:		
Defined benefit plans:		
Remeasurements of the net pension and post-retirement defined benefit liabilities (Note 22)	(2,427)	6,141
Deferred income taxes (Note 27)	695	(1,551)
	(1,732)	4,590
TOTAL OTHER COMPREHENSIVE LOSS	(8,350)	(35,614)
TOTAL COMPREHENSIVE LOSS	$ (18,803)	$ (479,957)

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

See accompanying notes.

DOREL INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 30, 2019 and 2018

(All figures in thousands of US dollars)

	Attributable to equity holders of the Company							
			Accumulated other comprehensive income (loss)					
	Share Capital	**Contributed Surplus**	**Cumulative Translation Account**	**Cash Flow Hedges**	**Defined Benefit Plans**	**Other Equity**	**Retained Earnings**	**Total Equity**
Balance as at December 30, 2017 (1) (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 925,611	$ 1,092,151
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	–	–	(497)	(497)
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	–	–	(3,758)	(3,758)
Adjusted balance as at December 31, 2017 (2)	$ 203,300	$ 27,557	$ (49,478)	$ (3,242)	$ (17,485)	$ 5,888	$ 921,356	$ 1,087,896
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(444,343)	(444,343)
Other comprehensive income (loss)	–	–	(43,415)	3,211	4,590	–	–	(35,614)
	–	–	(43,415)	3,211	4,590	–	(444,343)	(479,957)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)	13	(20)	–	–	–	–	–	(7)
Share-based payments (Note 24)	–	635	–	–	–	–	–	635
Remeasurement of written put option liabilities (Note 15)	–	–	–	–	–	11,462	–	11,462
Dividends on common shares (Note 23)	–	–	–	–	–	–	(38,926)	(38,926)
Dividends on deferred share units (Note 24)	–	383	–	–	–	–	(383)	–
Balance as at December 30, 2018 (2)	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 437,704	$ 581,103
Adjustment on initial application of IFRS 16 (net of tax) (Note 3)	–	–	–	–	–	–	(18,147)	(18,147)
Adjusted balance as at December 31, 2018	$ 203,313	$ 28,555	$ (92,893)	$ (31)	$ (12,895)	$ 17,350	$ 419,557	$ 562,956
Total comprehensive loss:								
Net loss	–	–	–	–	–	–	(10,453)	(10,453)
Other comprehensive loss	–	–	(5,450)	(1,168)	(1,732)	–	–	(8,350)
	–	–	(5,450)	(1,168)	(1,732)	–	(10,453)	(18,803)
Reclassification from contributed surplus due to settlement of deferred share units (Notes 23 and 24)	619	(693)	–	–	–	–	–	(74)
Share-based payments (Note 24)	–	810	–	–	–	–	–	810
Reclassification of the equity component of convertible debentures, net of tax of $727 (Note 18)	–	2,037	–	–	–	(2,037)	–	–
Remeasurement of written put option liabilities (Note 15)	–	–	–	–	–	3,876	–	3,876
Dividends on common shares (Note 23)	–	–	–	–	–	–	(14,599)	(14,599)
Dividends on deferred share units (Note 24)	–	164	–	–	–	–	(164)	–
Balance as at December 30, 2019	$ 203,932	$ 30,873	$ (98,343)	$ (1,199)	$ (14,627)	$ 19,189	$ 394,341	$ 534,166

(1) The Company has initially applied IFRS 15 and IFRS 9 as at December 31, 2017. Under the transition methods chosen, comparative information is not restated.

(2) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

See accompanying notes.

DOREL INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 30, 2019 and 2018
(All figures in thousands of US dollars)

	2019	2018 (1)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (10,453)	$ (444,343)
Items not involving cash:		
Depreciation and amortization (Note 30)	95,785	50,406
Impairment losses on goodwill, intangible assets and property, plant and equipment (Notes 11, 13 and 14)	–	525,639
Unrealized losses (gains) arising on financial assets and financial liabilities classified at fair value through profit or loss	35	350
Share-based payments (Note 24)	333	158
Defined benefit pension and post-retirement costs (Note 22)	816	4,200
Net loss (gain) on disposal of property, plant and equipment and intangible assets and on lease modifications	26	(93)
Restructuring and other costs (Note 6)	2,243	9,682
Finance expenses (Note 30)	50,380	32,650
Income taxes expense (recovery) (Note 27)	12,786	(53,820)
Net changes in balances related to operations (Note 29)	(21,154)	31,856
Income taxes paid	(9,108)	(23,238)
Income taxes received	6,528	6,668
Interest paid	(43,095)	(30,291)
Interest received	664	342
CASH PROVIDED BY OPERATING ACTIVITIES	85,786	110,166
FINANCING ACTIVITIES		
Net increase (decrease) of bank indebtedness (Note 29)	11,302	(2,041)
Proceeds from issuance of long-term debt (Notes 18 and 29)	157,762	18,739
Repayments of long-term debt (Notes 18 and 29)	(162,361)	(29,821)
Financing costs (Note 29)	(3,671)	(213)
Net proceeds from settlement of interest rate swaps (Note 29)	56	108
Increase of written put option liabilities (Note 29)	442	–
Payments of lease liabilities, net of lease incentive received (Note 12)	(43,648)	–
Dividends on common shares (Note 23)	(14,599)	(38,926)
CASH USED IN FINANCING ACTIVITIES	(54,717)	(52,154)
INVESTING ACTIVITIES		
Acquisition of businesses	(162)	(2,953)
Additions to property, plant and equipment, net of subsidy received related to land use rights (Notes 11 and 29)	(21,280)	(33,578)
Disposals of property, plant and equipment	977	3,354
Additions to intangible assets (Notes 13 and 29)	(16,735)	(20,969)
Net proceeds from disposals of assets held for sale (Note 6)	4,821	–
CASH USED IN INVESTING ACTIVITIES	(32,379)	(54,146)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1,179	(1,435)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(131)	2,431
Cash and cash equivalents, beginning of year	39,272	36,841
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 29)	$ 39,141	$ 39,272

(1) The Company has initially applied IFRS 16 as at December 31, 2018. Under the transition method chosen, comparative information is not restated. See Note 3.

See accompanying notes.

NOTE 1 – NATURE OF OPERATIONS

Dorel Industries Inc. (the "Company") is a global consumer products company which designs, manufactures or sources, markets and distributes a diverse portfolio of powerful product brands through its Dorel Home, Dorel Juvenile and Dorel Sports segments. The principal geographic markets for the Company's products are the United States, Europe, Latin America, Canada and Asia. The principal activities of the Company are described in Note 31. The Company, whose shares are traded on the Toronto Stock Exchange ("TSX"), is incorporated and domiciled in Canada. The registered office is in Westmount, Québec.

NOTE 2 – STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND MEASUREMENT

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"), using the US dollar as the reporting currency. The US dollar is the functional currency of the Canadian parent company. All financial information is presented in US dollars and has been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a historical basis except for:

	Measurement basis
Derivative financial instruments	Fair value
Written put option liabilities	Fair value
Share-based payment arrangements	In accordance with IFRS 2, *Share-Based Payment*
Assets held for sale	At the lower of the carrying amount and fair value less costs to sell
Business combinations: identifiable assets acquired and liabilities assumed	At fair value at acquisition date
Net pension and post-retirement defined benefit liabilities	Net total of plan assets measured at fair value less the discounted present value of the defined benefit obligations
Product liability	Discounted present value

These consolidated financial statements were authorized by the Company's Board of Directors for issue on March 11, 2020.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

a) *IFRS 16 – Leases*

In January 2016, the IASB released IFRS 16, *Leases*, which replaced the previous leases standard, IAS 17, *Leases,* and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value.

The Company has adopted IFRS 16 using the modified retrospective method of adoption, with the effect of initially applying this standard recognized at the date of initial application, i.e. December 31, 2018. Accordingly, the cumulative effect of initially applying IFRS 16 has been recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018 and the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Transition options and practical expedients

The Company has elected to apply the following transition options and practical expedients available under IFRS 16:

- *Lease definition*: to grandfather the assessment of which transactions are leases on the date of initial application. Accordingly, the Company applied IFRS 16 only to contracts that were previously identified as leases under IAS 17, *Leases*, and IFRIC 4, *Determining whether an Arrangement contains a Lease*, and applied the definition of leases under IFRS 16 only to contracts entered on or after the date of initial application;
- *Impairment and onerous leases*: to rely on the Company's previous assessment of whether leases are onerous in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before the date of initial application as an alternative to performing an impairment review;
- *Initial direct costs*: to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- *Use of hindsight*: to use hindsight, for example, in determining the lease term of contracts that contain options to extend or terminate the lease on the date of initial application; and
- *Non-lease components*: to not separate lease components from any associated non-lease components.

The Company has elected not to apply the following transition options and practical expedients available under IFRS 16:

- *Short-term leases and leases of low-value items recognition exemptions;*
- *Leases with a short remaining term*; and
- *Discount rates.*

ii. Impact of adopting IFRS 16

The most significant impact as a result of adopting IFRS 16 related to the accounting for the Company's operating leases, as the nature of expenses related to most of the Company's leases changed as IFRS 16 replaced the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Under IAS 17, the Company classified each of its leases at the inception date as either a finance lease or an operating lease, based on the extent to which the risks and rewards of ownership were transferred to the Company. Most of the Company's leases were classified as operating leases as they did not transfer substantially all the risks and rewards of ownership to the Company. Lease payments related to the Company's operating leases were recognized as rent expense in the consolidated income statements on a straight-line basis over the lease term and presented as part of cash flows from operating activities in the consolidated statements of cash flows. Any prepaid rent, accrued rent and deferred rent were recognized under "Other assets", "Trade and other payables" and "Other liabilities", respectively, in the consolidated statements of financial position.

Upon adoption of IFRS 16, the Company recognized right-of-use assets for leases previously classified as operating leases. Right-of-use assets were measured as if IFRS 16 had always been applied, but using the incremental borrowing rate at the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments on a discounted basis, using the incremental borrowing rate at the date of initial application.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, upon adoption of IFRS 16, land use rights were reclassified from intangible assets to right-of-use assets, at the carrying amount previously measured under IAS 38, *Intangible assets*. Assets under finance leases were also reclassified from property, plant and equipment to right-of-use assets and related obligations under finance leases were reclassified from long-term debt to lease liabilities, at the carrying amounts previously measured under IAS 17.

The following table summarizes the impacts of adopting IFRS 16 on the Company's consolidated statement of financial position as at December 31, 2018:

Impact of adopting IFRS 16 as at December 31, 2018	Note	Increase (decrease)
ASSETS		
Current assets		
Other assets	i	$ (2,398)
		(2,398)
Non-current assets		
Property, plant and equipment	ii	(3,842)
Right-of-use assets	iii	183,525
Intangible assets	iv	(16,713)
Deferred tax assets	v	4,589
		167,559
TOTAL ASSETS		$ 165,161
LIABILITIES		
Current liabilities		
Trade and other payables	i	$ (3,714)
Lease liabilities	iii	37,227
Income taxes payable	v	593
Long-term debt	ii	(932)
Provisions	i	(557)
		32,617
Non-current liabilities		
Lease liabilities	iii	157,943
Long-term debt	ii	(1,844)
Deferred tax liabilities	v	(1,208)
Other liabilities	vii	(4,200)
		150,691
EQUITY		
Retained earnings	vi	(18,147)
TOTAL LIABILITIES AND EQUITY		$ 165,161

i. Prepaid expenses, trade and other payables and onerous contract provisions related to previous operating leases were derecognized.
ii. Assets under finance leases were reclassified as right-of-use assets and related obligations under finance leases were reclassified as lease liabilities. In addition, restoration costs within leasehold improvements related to leases were reclassified to right-of-use assets.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Lease liabilities of $195,170 and related right-of-use assets of $183,525 were recognized and presented separately on the Company's consolidated statement of financial position.
iv. Land use rights were reclassified as right-of-use assets.
v. Deferred tax assets increased by $4,589, deferred tax liabilities decreased by $1,208 and income taxes payable increased by $593 as a result of the deferred and current tax impact on the related assets and liabilities.
vi. The cumulative effect of the adjustments resulting from adoption of IFRS 16 was recognized as an adjustment to the opening balance of retained earnings as at December 31, 2018, net of tax of $5,204.
vii. Deferred rent related to previous operating leases included within other liabilities was derecognized.

iii. Reconciliation of operating lease commitments to lease liabilities recognized

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as at December 31, 2018. The weighted average incremental borrowing rate applied as at December 31, 2018 was 4.07%. The lease liabilities as at December 31, 2018 can be reconciled to the operating lease commitments as at December 30, 2018 as follows:

Reconciliation of operating lease commitments to lease liabilities recognized		
Operating lease commitments as at December 30, 2018	$	225,463
Leases not yet commenced to which the lessee is committed		(11,636)
Extension options reasonably certain to be exercised and termination options reasonably certain not to be exercised, net		9,818
Associated non-lease components not separated from lease components		2,300
Lease incentives receivable		(1,489)
Variable lease payments based on an index or a specified rate		643
Other		(1,711)
Additional lease liabilities as a result of the initial application of IFRS 16 as at December 31, 2018 – undiscounted	$	223,388
Discounted using the incremental borrowing rate as at December 31, 2018	$	192,394
Obligations under finance leases reclassified as lease liabilities as at December 31, 2018		2,776
Lease liabilities as at December 31, 2018	$	195,170

b) *Annual Improvements to IFRS Standards 2015–2017 Cycle*

In December 2017, the IASB published *Annual Improvements to IFRS Standards 2015–2017 Cycle*, which includes amendments to the following:

- Income tax consequences under IAS 12, *Income Taxes*, of payments on financial instruments classified as equity.
- Borrowing costs eligible for capitalization under IAS 23, *Borrowing Costs*.

The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application was permitted. The Company adopted these amendments in its consolidated financial statements for the annual period beginning on December 31, 2018. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement*

In February 2018, the IASB issued amendments to IAS 19, *Employee Benefits*, clarifying the accounting when a plan amendment, curtailment or settlement occurs. The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application was permitted.

The amendments clarify:

- that when a defined benefit plan amendment, curtailment or settlement occurs and an entity remeasures its net defined benefit liability or asset, the entity uses the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan; and
- the effect of a plan amendment, curtailment or settlement on the asset ceiling requirements.

The Company adopted the amendments to IAS 19 in its consolidated financial statements for the annual period beginning on December 31, 2018. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES

Except for the change in significant accounting policies described above in Note 3, the accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements of all years presented and have been applied consistently by the Company's entities. Certain comparative amounts in the consolidated financial statements have been reclassified in order to conform to the 2019 consolidated financial statements presentation.

a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 30, 2019 and 2018. The Company consolidates a 100% interest in all its subsidiaries from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee, exposure, or rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company.

The accounting policies of subsidiaries are aligned with the policies of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

b) Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenue and expenses, and disclosure of contingent assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary and in any future periods affected. Actual results could differ from those estimates and such differences could be material.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The most critical judgments and significant estimates and assumptions in applying the accounting policies are described below:

- *Basis of preparation of the consolidated financial statements:*

  At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Assessing the Company's liquidity including expected future compliance with covenants requires significant judgment. The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided. Refer to Note 20 for information regarding the Company's liquidity risk.

- *Impairment testing of goodwill and intangible assets with indefinite useful lives:*

  Significant management estimates are required to determine both fair value and value in use of a cash generated unit (CGU) to which goodwill and intangible assets with indefinite useful lives are allocated. Estimates of fair value, selling costs or the discounted future cash flows related to the CGUs are required. Differences in estimates could affect whether goodwill or intangible assets with indefinite useful lives are in fact impaired and the dollar amount of that impairment.

- *Provisions and contingent liabilities:*

  A provision is recognized if the Company has a present legal or constructive obligation, as a result of past events, that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation for product liability, accrual of product warranties, liabilities for potential litigation claims and settlements. Management must use judgment in determining whether all of the above three conditions have been met to recognize a provision or instead whether a contingent liability is in existence at the reporting date.

  Management formulates a reliable estimate for the obligation once the applicable criteria have been satisfied to recognize the liability. Management's estimate is based on the likelihood and timing of economic outflows, discount rates, historical experience, nature of provision, opinions of legal counsel and other advisors and if there is a claim amount.

- *Income taxes:*

  The Company's income tax provision is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Management's estimates of income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as for changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the provision for income taxes and in valuing income tax assets and liabilities. A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is based on management's estimates of the generation of future taxable income and estimates of the impact of tax planning strategies.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Revenue recognition: sales returns and other customer programs:*

  At contract inception, the Company estimates customer programs and incentive offerings that give rise to variable consideration. Estimated amounts of variable consideration are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. The amount of revenue recognized is adjusted for expected returns, which are estimated by management based on the historical data for the related types of goods sold.

- *Impairment loss allowance for trade accounts receivable:*

  The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

- *Inventory valuation:*

  The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand declines. If actual market conditions are less favourable than previously projected, or if liquidation of the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.

- *Determining the lease term of contracts with extension options and termination options:*

  The Company determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in assessing whether it is reasonably certain to exercise its options to extend its leases or to not exercise its options to terminate its leases, by considering all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Company.

c) Revenue Recognition

The Company generally recognizes revenue at a point in time for all its reporting segments, when control over a product is transferred to a customer. This usually occurs either on shipment or delivery of the goods. The majority of the Company’s contracts across all reporting segments are contracts with customers in which the sale of goods is the only performance obligation.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Programs and Incentive Offerings

Some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Such customer programs and incentive offerings give rise to variable consideration and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. The estimates are based on various assumptions including agreements with comparable customers, past experience with customers and/or products, and other relevant factors. Revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

d) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less.

e) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis and includes:

- the purchase price and other costs directly related to the acquisition of materials;
- the costs directly related to the conversion of materials to finished goods, such as direct labour and an allocation of fixed and variable production overheads, including manufacturing depreciation expense. The allocation of fixed production overheads to the cost of inventories is based on a normal range of capacity of the production facilities. Normal capacity is the average production expected to be achieved over a number of periods under normal circumstances; and
- transfers from other comprehensive income (loss) of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused the inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, limited to the amount of the original write-down.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, such as the purchase price or manufacturing cost, capitalized borrowing costs, as well as other costs incurred in bringing the asset to its present location and condition. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. On-going repairs and maintenance are recognized as an expense as incurred.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment are depreciated as follows:

	Method	Rates/useful lives
Buildings and improvements	Straight-line	20 to 40 years
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	3 to 5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Vehicles	Declining balance	30%
Leasehold improvements	Straight-line	Over the lesser of the useful life and the term of the lease

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of assets not yet in service, from the date they are ready for their intended use.

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at least at each financial year-end, and adjusted prospectively, if appropriate.

g) Leases

At inception, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease, i.e. the date the underlying asset is available for use.

Right-of-Use Assets

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. Cost of right-of-use assets is comprised of:

- the initial measurement amount of the lease liabilities recognized;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract.

Right-of-use assets are depreciated on a straight-line basis over the lesser of i) the estimated useful life of the underlying assets; and ii) the lease term. They are assessed for impairment whenever there is an indication that the right-of-use assets may be impaired.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date over the lease term. The present value of the lease payments is determined using the lessee's incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a function of the lessee's incremental borrowing rate, the nature of the underlying asset, the geographic location of the asset, the length of the lease and the currency of the lease contract. At the commencement date, lease payments generally include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index (e.g. based on inflation index) or a specified rate, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease. Lease payments also include amounts expected to be paid under residual value guarantees and the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

Variable lease payments that do not depend on an index or a specified rate are not included in the measurement of lease liabilities but instead are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced to reflect lease payments made. In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or specified rate, if there is a modification to the lease terms and conditions, a change in the estimate of the amount expected to be payable under residual value guarantee, or if the Company changes its assessment of whether it will exercise a termination, extension or purchase option. The remeasurement amount of the lease liabilities is recognized as an adjustment to the right-of-use asset, or in the consolidated income statement when the carrying amount of the right-of-use asset is reduced to zero.

h) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Internally generated intangible assets, excluding capitalized development and patent costs, are not capitalized and the expenditure is recognized as an expense when incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which the expenditure relates. All other expenditures are recognized as an expense as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The residual value, amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end and adjusted prospectively, if applicable.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized as follows:

	Method	Useful lives
Customer relationships	Straight-line	9 to 25 years
Supplier relationship	Straight-line	10 years
Patents	Straight-line	4 to 18 years
Software licenses	Straight-line	3 to 10 years
Research and development costs	Straight-line	2 to 5 years

Trademarks

Trademarks acquired as part of business acquisitions and registered trademarks are considered to have an indefinite useful life. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, on October 31, or more frequently if an impairment indicator is identified, either individually or at the CGU level.

Research and Development Costs

The Company incurs costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed as incurred unless all of the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Initial capitalization of costs is based on management’s judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project.

Following initial recognition of the deferred development costs as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Deferred development costs are expensed immediately if capitalized projects are not completed.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Business Combinations and Related Goodwill

Business Combinations and Related Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, when control is transferred. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any liability and equity interests issued by the Company on the date control of the acquired company is obtained. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in the consolidated income statement as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Restructuring, transaction costs other than those associated with the issue of debt or equity securities, and other direct costs of a business combination are not considered part of the business acquisition transaction and are expensed as incurred.

Subsequent Recognition of Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs or group of CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortized but tested for impairment at least annually, on October 31, and upon occurrence of an indication of impairment.

Where goodwill forms part of a CGU and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

j) Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication of impairment exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount immediately. Impairment losses are recognized in the consolidated income statements. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis but no lower than the individual assets' fair value.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from long-term plans generally for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The Company assesses the uncertainty of these estimates by making sensitivity analysis.

In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators. The Company assesses the uncertainty of these estimates by making sensitivity analysis.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. An impairment loss in respect of goodwill is not reversed in future periods.

k) <u>Assets Held for Sale</u>

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated while classified as held for sale. Assets held for sale are classified within this category if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets.

l) <u>Foreign Currency</u>

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's subsidiaries at the average exchange rates for the period. The monetary items denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the statement of financial position date and translation gains and losses are included in the consolidated income statement. Non-monetary items denominated in foreign currencies other than the functional currency are translated at historical rates.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

The assets and liabilities of foreign operations, whose functional currency is not the US dollar, are translated into US dollars at the exchange rates in effect at the statement of financial position date. Revenue and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income (loss) in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and monetary items for which the settlement of which is planned but that have been designated as a hedge of the net investment in a foreign operation and to the extent the hedge is effective, are recognized in other comprehensive income (loss) in the cumulative translation account and reclassified from equity to the consolidated income statement on the disposal of the net investment.

m) Financial Instruments

All financial instruments, including derivatives, are recognized in the consolidated statement of financial position initially at fair value when the Company becomes a party to the contractual obligations of the instrument. Except for those incurred on the revolving bank loans, transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are not subsequently recognized at fair value are added/deducted from the financial asset/liability and are amortized using the effective interest rate method over the expected life of the related asset/liability. Transaction costs incurred on the revolving bank loans are recorded at cost less accumulated amortization and amortized as interest expense on a straight-line basis over the term or life of the related debt. These deferred charges are included in other assets in the consolidated statement of financial position.

Financial Assets

On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost using the effective interest method and net of any impairment loss.

The financial assets of the Company that are measured at amortized cost consist of cash and cash equivalents, trade accounts receivable, other receivables, costs relating to revolving bank loans and other financial assets (excluding its derivative financial assets). Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated income statement.

Impairment of Financial Assets

The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime ‘expected credit losses’ (“ECLs”).

The Company measures loss allowances for other receivables in accordance with the following model:

- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment, including forward-looking information. The Company assumes that the credit risk on a financial asset has increased if it is more than 30 days past due.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company considers a financial asset to be in default when either:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as recovering inventory or the Company's credit insurance (if any); or
- the financial asset is more than 90 days past due;

as the Company's historical experience indicates that financial assets that meet either of the above criteria generally have a higher risk of not being recoverable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

i. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics, mainly by geographic area and number of days past due. ECLs are discounted at the effective interest rate of the financial asset.

ii. Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Examples of events that could occur are:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired.

iii. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade accounts receivable are presented separately in the consolidated income statements.

iv. Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of Financial Assets

Financial assets are derecognized when the Company's contractual rights to the cash flows from the respective assets have expired or the Company has transferred its rights to the cash flows from the respective assets and either (i) the Company has transferred substantially all of the risks and rewards of the assets or (ii) the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. Any gain or loss on derecognition is recognized in the consolidated income statement.

Financial Liabilities and Equity Instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the Company classifies its financial liabilities as subsequently measured at either amortized cost or fair value. A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies bank indebtedness, trade and other payables, long-term debt and other financial liabilities (excluding its derivative financial liabilities and written put option liabilities) as financial liabilities measured at amortized cost. Interest expense and foreign exchange gains and losses are recognized in the consolidated income statement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition of Financial Liabilities

Financial liabilities are derecognized when the obligations under the liabilities are discharged, cancelled, expired or are replaced by a new liability with substantially modified terms. Any gain or loss on derecognition is recognized in the consolidated income statement.

n) Derivative Financial Instruments and Hedge Accounting

Derivative Financial Instruments

The Company uses forward exchange contracts and interest rate swap agreements to hedge its foreign currency and interest rate risk exposures. The Company classifies interest rate swap agreements and foreign exchange contracts used for hedging as fair value – hedging instrument, and other foreign exchange contracts as fair value through profit or loss. The Company designates certain foreign exchange contracts and interest rate swap agreements as hedging instruments to hedge the variability in cash flows associated with highly probable forecasted transactions arising from changes in foreign exchange rates and interest rates. The Company also uses non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. Any derivative instrument that does not qualify for hedge accounting is measured at fair value at each reporting date and the changes in fair value are included in net income.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and accumulated in the cash flow hedges reserve in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income (loss) is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net income in the same consolidated income statement caption as the hedged item when realized.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for a cash flow hedge is discontinued, the amount that has been accumulated in the cash flow hedges reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to net income in the same period or periods as the hedged expected future cash flows affect net income.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the cash flow hedges reserve are immediately reclassified to net income.

Net investment hedges

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognized in other comprehensive income (loss) and presented in the cumulative translation account within equity. Any ineffective portion of the foreign exchange gains and losses is recognized immediately in the consolidated income statement. The amount recognized in other comprehensive income (loss) is reclassified to net income as a reclassification adjustment on disposal of the foreign operation.

o) Written Put Options

As part of certain incorporation or business acquisition agreements, the Company has written put options to acquire the non-controlling interest holders stake. Under the terms of these agreements, the holders of the non-controlling interest have an option to sell their stake in the respective companies at a formulaic variable price based mainly on the earnings levels in future periods (the "exit price"). The agreements do not include a minimum exit price.

When the put option granted to the non-controlling shareholders provides for settlement in cash or in another financial asset by the Company, the Company is required to recognize a liability for the present value of the exercise price of the put option.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

In accounting for this transaction, the Company applies the anticipated acquisition method of accounting. Under this method of accounting, the written put option is accounted for as if the put option had already been exercised and satisfied by the non-controlling shareholders. As a result, the underlying interests are presented as already owned by the Company in the consolidated statements of financial position, the consolidated income statements and the consolidated statements of comprehensive income (loss), even though legally they are still considered non-controlling interest. In other words, profits and losses attributable to the holders of the non-controlling interest that are subject to the put option are presented as attributable to the Company and not as attributable to those non-controlling shareholders.

The written put options are measured at fair value. The Company has chosen to account for the remeasurement of the written put option liability at each reporting period within the other equity account.

p) Employee Benefits

Short-Term Employee Benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of an asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pension Plans

The Company provides defined benefit and defined contribution plans to certain employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined Contribution Plans

Certain benefits are given to employees through defined contribution plans administered by governments. The Company's contributions to these plans are recognized on an accrual basis and expensed as the related service is provided.

Defined Benefit Plans

The Company has a number of contributory defined benefit pension plans providing pension benefits to eligible employees. These plans provide a pension based on length of service and eligible pay. The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

Defined benefit obligations are calculated annually by qualified actuaries as at the statement of financial position year-end date. The actuarial valuations are determined based on management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the net defined benefit obligation for accounting purposes is based on the yield on a portfolio of corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit plan obligations.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of plan assets are deducted from the defined benefit obligation to arrive at the net liability. Plan assets are measured at fair value as at the statement of financial position date. Past service costs arising from plan amendments are recognized in operating income in the year that they arise. Remeasurements of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets, excluding interest, and any changes in the effect of the asset ceiling, if any, are recognized in other comprehensive income (loss) in the period in which they arise.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period;
- net interest expense (income) on the net defined benefit liability (asset) for the period determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
- past service costs; and
- gains or losses on settlements.

Post-Retirement Benefits Other Than Pensions

The Company sponsors post-retirement benefits other than pensions that are classified as a long-term defined benefit arrangement and they include health care and life insurance benefits for retired employees. When the amount of the long-term post-retirement benefits does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. When the amount depends on length of service, the cost of providing these benefits are accrued over the working lives of employees in a manner similar to defined benefit pension cost.

The expected costs of these post-retirement benefits other than pensions are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains or losses on post-employment defined benefit plans arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income (loss) in the period in which they arise.

Significant elements requiring the use of judgment in determining the assets or liabilities and related income or expense for these plans are the discount rate used to value future payment streams, expected trends in health care costs and other actuarial assumptions. Annually, the Company evaluates the significant assumptions to be used to value its pension and post-retirement plan assets and liabilities based on current market conditions and expectations of future costs.

q) Share-Based Payments

Directors' Deferred Share Units (equity-settled)

For the Directors' Deferred Share Unit Plan ("DDSU Plan") offered to its external directors, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is the date the remuneration is to be paid. The amount corresponds to its directors' fees and fees for attending meetings of the Board of Directors or committees.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Executive Deferred Share Units (equity-settled)

For the Executive Deferred Share Unit Plan ("EDSU Plan") offered to its executive officers, the Company records an expense within general and administrative expenses with a corresponding increase to contributed surplus when the units are granted which is on the last business day of each month of the Company's fiscal year in the case of salary and on the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus. The amount corresponds to the portion of salary or bonus elected to be paid in the form of deferred share units.

The discretionary deferred share units ("DSUs") issued under the EDSU Plan are accounted for as equity-settled share-based payment transactions and are measured at fair value at the grant date based on the share price of the Company's Class "B" Subordinate Voting Shares. An expense is recognized over the vesting period as employee benefits expense within general and administrative expenses, with a corresponding amount recognized in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date.

As the Company has the option and intent to settle all the DSUs issued under the DDSU and EDSU Plans in Class "B" Subordinate Voting Shares upon termination of a director or an executive officer, the contributed surplus account is affected on the recognition of the expenses.

Restricted Share Unit Plan (cash-settled)

The restricted share unit ("RSUs") plan entitles senior executives and certain key employees to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. A liability is recognized for the services acquired and is recorded at the fair value of the RSUs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured based on the market price of the Company's Class "B" Subordinate Voting Shares, with any changes in fair value recognized in the consolidated income statement for the period.

Share Appreciation Rights (cash-settled)

The Share Appreciation Rights ("SARs") plan entitles senior executives and certain key employees to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses, over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model. Estimating fair value requires making assumptions in determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Performance Share Units (cash-settled)

The Performance Share Units ("PSUs") plan entitles senior executives and certain key employees to a cash payment. A liability is recognized for the services acquired and is recorded at fair value based on the share price of the Company's Class "B" Subordinate Voting Shares in other long-term liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in employee benefits expense within general and administrative expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated income statement for the period.

r) Income Taxes

Income taxes expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in the consolidated income statements except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income (loss).

Current Income Taxes

Current income taxes is the expected tax payable or receivable on the taxable income or loss for the year using enacted or substantively enacted income tax rates at the reporting date and any adjustment to tax payable or receivable of previous years.

Deferred Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income taxes relate to the expected future tax consequences of differences between the carrying amount of assets and liabilities for financial reporting purposes in the consolidated statement of financial position and their corresponding tax values using the enacted or substantively enacted income tax rate, which are expected to be in effect for the year in which the differences are expected to reverse.

A deferred tax asset is recorded when it is probable that it will be realized in the future. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing on the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets and deferred tax liabilities are recognized on the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Provisions

Provisions are recognized when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the liability. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

Product Liability

The Company insures itself to mitigate its product liability exposure. The estimated product liability exposure requires the use of judgment and is discounted and calculated by an independent actuary based on historical sales volumes, past claims history and management and actuarial assumptions. The estimated exposure includes incidents that have occurred, as well as incidents anticipated to occur on products sold prior to the reporting date.

Significant assumptions used in the actuarial model include management's estimates for pending claims, product life cycle, discount rates, and the frequency and severity of product incidents.

The recorded liability represents the Company's total estimated exposure related to current and future product liability incidents. The Company reviews periodically its recorded product liability provisions and any adjustment is recorded in general and administrative expenses.

Warranty Provisions

A provision for warranty cost is recorded in cost of sales when the revenue for the related product is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of the product sold and in service, counter-warranty coverage available from the Company's suppliers and product recalls.

The Company reviews periodically its recorded product warranty provisions and any adjustment is recorded in cost of sales.

Employee Compensation

Employee compensation consists of bonuses based on length of service and profit sharing offered by certain of the Company's subsidiaries.

Restructuring Provision

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

NOTE 4 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Provisions

Other provisions are mainly composed of litigation provisions and various damage claims having occurred during the period but not covered by insurance companies.

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases not material individually. Reversal of such provisions refers to cases resolved in favour of the Company. The timing of cash outflows of litigation provisions is uncertain as it depends upon the outcome of the proceedings. These provisions are therefore not discounted because their present value would not represent meaningful information.

t) Earnings Per Share (“EPS”)

Basic EPS is computed based on net income attributable to equity holders of the Company divided by the weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares outstanding during the year. Diluted EPS is determined by adjusting the net income attributable to equity holders of the Company and the weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares outstanding during the year for the effects of the exercise of all dilutive elements of stock options, deferred share units and conversion features of the convertible debentures.

u) Fair Value Determination

Certain of the Company’s accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities for both measurement and disclosure purposes. In establishing fair value, the Company uses a fair value hierarchy depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments’ fair value.

NOTE 5 – FUTURE ACCOUNTING CHANGES

New standards and amendments to existing standards have been issued by the IASB, which are mandatory but not yet effective for the year ended December 30, 2019. Management does not expect that any of the new standards and amendments to existing standards issued but not yet effective would have a material impact on the Company’s consolidated financial statements.

NOTE 6 – RESTRUCTURING AND OTHER COSTS

In 2019, the Company recorded total expenses of $31,069 (2018 – $18,867) with respect to restructuring and other costs, of which $1,543 (2018 – $2,258) were recorded within gross profit and $29,526 (2018 – $16,609) were recorded as restructuring and other costs as a separate line within the consolidated income statements.

Restructuring costs

Dorel Juvenile segment

2019 Plan

During the first quarter of 2019, Dorel Juvenile segment has initiated a new restructuring program across several regions, whose main objective is to simplify the organization and optimize its global footprint. These restructuring initiatives are expected to be completed in 2020. In order to improve the Company's competitive position in the marketplace, the following areas of opportunity have been identified:

- In Europe, the objective is to streamline the organization and better leverage its scale of operations by adopting technologies and processes that allow for the centralization of certain operating activities.
- In Latin America, distribution operations based in Colombia and Panama were closed, with supply continuing through a local distributor.
- In Asia, further efficiencies and savings initiatives are anticipated, enabled partly by investments in technology already in place. In addition, the China domestic sales organization is being re-oriented to sell directly to the consumer and is exiting unprofitable product lines and customer arrangements.

Total restructuring costs of $27,386 was recorded during 2019 under this plan. The remaining expected costs associated with these restructuring initiatives will be mostly related to employee severance and termination benefits.

Previous Plan

The main objective of the restructuring activities initiated previously as part of the Dorel Juvenile segment's on-going transformation, was to further align its operations to drive profitable sales growth by concentrating on improved agility with a more market-focused approach to reduce costs and better react to trends in the juvenile industry. The segment re-positioned itself through further investments in digital capabilities, changes in support functions and the re-orientation of its workforce. The ability to develop and bring meaningful products to market faster have been improved by decreasing complexity and by sourcing opportunities to supplement existing best-in-class product development and manufacturing. These restructuring initiatives were essentially completed in the fourth quarter of 2018.

Dorel Sports segment

2019 Plan

During the fourth quarter of 2019, Dorel Sports segment initiated restructuring activities as part of its focus into a more fully integrated operation in various markets. These restructuring initiatives will continue in 2020 as the strategic direction identified will be put into action, and are expected to be completed by the end of 2020.

NOTE 6 – RESTRUCTURING AND OTHER COSTS (continued)

Among the initiatives, in a move to support its next level of growth and to maintain the increasing momentum of its Cannondale brand, Dorel Sports segment is strengthening its European Cycling Sports Group (CSG) operations which will be centralized in the Netherlands. The existing assembly plant in Oldenzaal is being transformed into a new and more modern facility to increase its current production capacity of Cannondale bicycles and e-bikes, and allow for an increased focus on premium quality products. All production and supply related departments are being merged into the new facility. In addition, the office portion of the Oldenzaal facility as well as CSG's Basel, Switzerland location are being closed. Dorel Sports segment will also be consolidating its Brazilian operations by merging its Sao Paulo and Atibaia offices to a new facility located in Sao Paulo. This move will drive cost reductions and improve communications by combining the engineering and product development teams under one roof. Total estimated costs related to these restructuring initiatives are expected to be between $8,000 and $10,000, and will be mostly related to employee severance and termination benefits. Of this estimated range, $3,791 was recorded during the fourth quarter of 2019.

2018 Plan

In the second quarter of 2018, the Company announced it was divesting its performance apparel line of business to focus on its core strategic businesses of bikes, parts and accessories and electric ride-ons and had sold the SUGOI and Sombrio brands. As a result of the sale of the performance apparel line of business, $11,784 was recorded in 2018 as restructuring costs, details of which can be found in the table below.

The expenses recorded in the consolidated income statements related to the restructuring costs consist of the following:

	TOTAL		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018
Inventory markdowns (reversal)*	$ 693	$ 2,258	$ 819	$ 639	$ (126)	$ 1,619
Write-down of long-lived assets (Note 11)*	297	–	–	–	297	–
Other associated costs	553	–	569	–	(16)	–
Recorded within gross profit	$ 1,543	$ 2,258	$ 1,388	$ 639	$ 155	$ 1,619
Employee severance and termination benefits	$ 24,770	$ 6,796	$ 22,694	$ 6,049	$ 2,076	$ 747
Write-down of long-lived assets (Notes 11 and 13)*	3,635	7,962	3,379	–	256	7,962
Net losses from the remeasurement and disposals of assets held for sale*	248	–	248	–	–	–
Curtailment gain on net pension defined benefit liabilities (Note 22)*	(2,285)	(170)	(2,285)	(170)	–	–
Other associated costs	3,158**	1,769**	2,210**	313	948	1,456**
Recorded within a separate line in the consolidated income statements	$ 29,526	$ 16,357	$ 26,246	$ 6,192	$ 3,280	$ 10,165
Total restructuring costs	$ 31,069	$ 18,615	$ 27,634	$ 6,831	$ 3,435	$ 11,784

* non-cash
** includes a non-cash gain of $345 (2018 – $368).

NOTE 6 – RESTRUCTURING AND OTHER COSTS (continued)

Other costs

Dorel Home segment

During the year ended December 30, 2018, Dorel Home segment incurred acquisition-related costs of $252 on legal fees and due diligence costs in connection with the Alphason business acquisition (Note 10). These costs have been included in other costs within restructuring and other costs.

NOTE 7 – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consist of the following:

	2019	2018
Trade accounts receivable – gross	$ 414,491	$ 431,361
Impairment loss allowance (Note 20)	(15,535)	(27,002)
	$ 398,956	$ 404,359

The movement in the impairment loss allowance with respect to trade accounts receivable was as follows:

	2019	2018
Balance, beginning of year	$ 27,002	$ 18,115
Adjustment on initial application of IFRS 9 on December 31, 2017	–	1,582
Adjusted balance, beginning of year, under IFRS 9	27,002	19,697
Net remeasurement of impairment loss allowance	5,759	16,425
Uncollectible accounts written-off	(17,236)	(8,434)
Effect of foreign currency exchange rate changes	10	(686)
Balance, end of year	$ 15,535	$ 27,002

Following the liquidation of Toys“R”Us U.S. in 2018, the Company recorded an impairment loss of $12,481 in the first quarter of 2018. During the fourth quarter of 2019, the Company received a final payment of $1,002 resulting from the settlement agreement with Toys“R”Us U.S. for which it recorded a reversal of $742 of previously recognized impairment losses.

The following table summarizes the impairment (reversal) loss recognized on trade accounts receivable from Toys“R”Us U.S. by reporting segment:

				2019				2018
	Dorel Home	Dorel Juvenile	Dorel Sports	Total	Dorel Home	Dorel Juvenile	Dorel Sports	Total
Impairment (reversal) loss on trade accounts receivable	$ (116)	$ (198)	$ (428)	$ (742)	$ 2,116	$ 3,798	$ 6,567	$ 12,481

NOTE 8 – INVENTORIES

Inventories consist of the following:

		2019		2018
Raw materials	$	103,348	$	103,518
Work in process		6,402		5,574
Finished goods		522,590		524,961
Right to recover returned goods		1,274		1,100
	$	633,614	$	635,153

Amounts recognized as cost of sales in the consolidated income statements include mainly the Company's cost of inventories recognized as an expense. Cost of sales also includes the following inventory related expenses:

		2019		2018
Write-downs of inventories as a result of net realizable value being lower than cost (including amounts presented in Note 6)	$	9,941	$	9,605
Reversal of inventory write-downs recognized in previous years	$	(4,927)	$	(2,939)

NOTE 9 – ASSETS HELD FOR SALE

		2019		2018
Balance, beginning of year	$	8,464	$	8,481
Additions (1)		3,270		–
Remeasurement		(307)		–
Disposals (2)		(4,762)		–
Effect of foreign currency exchange rate changes		92		(17)
Balance, end of year	$	6,757	$	8,464

(1) As part of the restructuring program described in Note 6, one additional property was made available for sale during the third quarter of 2019 within the Dorel Juvenile segment.
(2) During the third quarter of 2019, the Company completed the sale of an underutilized facility that was classified as an asset held for sale as at December 30, 2018, within the Dorel Juvenile segment.

Assets held for sale presented in the consolidated statements of financial position consist of properties. The fair value measurement of the assets held for sale have been categorized in Level 2 in the fair value hierarchy based on observable market inputs, i.e. offers from third-party buyers for these assets or similar assets or recent market prices of similar properties in similar locations.

NOTE 10 – BUSINESS ACQUISITIONS

2019 acquisition: Canbest

On July 1, 2019, the Company acquired certain assets and operations of Canbest Marketing Inc. ("Canbest"), a Montréal-based company engaged in the development, design and marketing of home furnishings products, for a purchase price of $9,200, which will be paid in three instalments, non-interest bearing (i) $3,200 paid on October 1, 2019; (ii) $3,000 payable on October 1, 2020; and (iii) $3,000 payable on October 1, 2021. Canbest is a sales, marketing and design company which provided these services to the Dorel Home segment. For almost 20 years, Canbest supported Dorel Living in the furniture product categories of wooden bedroom, upholstery, nursery and dining.

The fair value of the consideration transferred of $8,578 was allocated all to goodwill as the fair value of the identifiable assets acquired was not material. The goodwill is attributed to the workforce, know-how and expected supply chain cost synergies and was allocated to the Dorel Home segment. The goodwill is deductible for tax purposes.

2018 acquisition: Alphason

On October 1, 2018, Dorel Home segment acquired the assets and operations of UK-based Alphason for a purchase price of $3,128 (GBP 2,383). Established some 30 years ago, Alphason designs and distributes award-winning home office and audio-visual furniture. The operations have been integrated into Dorel Home's existing Dorel Home Furnishings Europe entity, and will provide Dorel Home with a new base as well as a distribution hub to serve its growing European business. The fair value of the assets acquired and the consideration transferred includes amounts of $814 allocated to customer relationships and $1,281 allocated to goodwill.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and improvements	Machinery and equipment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improvements	Assets not yet in service (1)	Assets under finance leases	Vehicles	Total
Balance as at December 30, 2017	$ 12,947	$ 107,194	$ 124,353	$ 145,145	$ 16,789	$ 61,250	$ 36,569	$ 16,225	$ 5,090	$ 6,602	$ 532,164
Additions	–	342	2,507	2,523	643	2,318	808	24,504	1,548	322	35,515
Disposals	(303)	(1,631)	(1,791)	(1,199)	(1,316)	(2,084)	(7,458)	(117)	(1,077)	(3,377)	(20,353)
Transfer from assets not yet in service	–	–	3,479	15,534	1,365	2,185	751	(23,539)	–	225	–
Effect of foreign currency exchange rate changes	(682)	(3,296)	(2,890)	(2,790)	(619)	(858)	(1,169)	(402)	(184)	(51)	(12,941)
Balance as at December 30, 2018	$ 11,962	$ 102,609	$ 125,658	$ 159,213	$ 16,862	$ 62,811	$ 29,501	$ 16,671	$ 5,377	$ 3,721	$ 534,385
Adjustment on initial application of IFRS 16 (Note 3)	–	–	–	–	–	–	(1,168)	–	(5,377)	–	(6,545)
Adjusted balance as at December 31, 2018	$ 11,962	$ 102,609	$ 125,658	$ 159,213	$ 16,862	$ 62,811	$ 28,333	$ 16,671	$ –	$ 3,721	$ 527,840
Additions	–	923	1,054	1,348	685	1,447	627	16,360	–	202	22,646
Disposals	–	(660)	(2,142)	(3,292)	(1,128)	(1,886)	(3,035)	(1,063)	–	(629)	(13,835)
Transfer from assets not yet in service	–	1,060	3,246	14,488	415	1,619	674	(21,553)	–	51	–
Transfer to assets held for sale (Note 9)	(4,812)	(7,954)	–	–	–	–	–	–	–	–	(12,766)
Effect of foreign currency exchange rate changes	(342)	(971)	(798)	(1,090)	(178)	(207)	(132)	(92)	–	(9)	(3,819)
Balance as at December 30, 2019	$ 6,808	$ 95,007	$ 127,018	$ 170,667	$ 16,656	$ 63,784	$ 26,467	$ 10,323	$ –	$ 3,336	$ 520,066

(1) Assets not yet in service relate mainly to moulds.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment losses

	Land	Buildings and improve-ments	Machinery and equip-ment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improve-ments	Assets not yet in service	Assets under finance leases	Vehicles	Total
Balance as at December 30, 2017	$ –	$ 36,382	$ 78,593	$ 125,764	$ 11,596	$ 50,346	$ 24,261	$ –	$ 2,091	$ 4,105	$ 333,138
Depreciation for the year	–	3,880	7,754	10,659	1,419	4,116	3,215	–	744	689	32,476
Disposals	–	(1,188)	(1,684)	(1,180)	(1,297)	(2,024)	(7,216)	–	(400)	(2,242)	(17,231)
Impairment losses (Note 14)	–	–	–	–	–	757	4,151	1,063	–	–	5,971
Write-down*	–	–	37	–	14	297	324	–	–	–	672
Effect of foreign currency exchange rate changes	–	(771)	(1,433)	(2,303)	(339)	(630)	(838)	–	(95)	(26)	(6,435)
Balance as at December 30, 2018	$ –	$ 38,303	$ 83,267	$ 132,940	$ 11,393	$ 52,862	$ 23,897	$ 1,063	$ 2,340	$ 2,526	$ 348,591
Adjustment on initial application of IFRS 16 (Note 3)	–	–	–	–	–	–	(363)	–	(2,340)	–	(2,703)
Adjusted balance as at December 31, 2018	$ –	$ 38,303	$ 83,267	$ 132,940	$ 11,393	$ 52,862	$ 23,534	$ 1,063	$ –	$ 2,526	$ 345,888
Depreciation for the year	–	3,444	7,206	12,631	1,298	3,550	1,883	–	–	334	30,346
Disposals	–	(665)	(2,031)	(3,260)	(815)	(1,797)	(2,955)	(1,063)	–	(381)	(12,967)
Write-down*	1,542	2,227	564	–	83	29	97	–	–	–	4,542
Transfer to assets held for sale (Note 9)	(1,542)	(7,954)	–	–	–	–	–	–	–	–	(9,496)
Effect of foreign currency exchange rate changes	–	(325)	(481)	(883)	(106)	(145)	(110)	–	–	(9)	(2,059)
Balance as at December 30, 2019	$ –	$ 35,030	$ 88,525	$ 141,428	$ 11,853	$ 54,499	$ 22,449	$ –	$ –	$ 2,470	$ 356,254

* includes amounts presented in Note 6.

Net book value

	Land	Buildings and improve-ments	Machinery and equip-ment	Moulds	Furniture and fixtures	Computer equipment	Leasehold improve-ments	Assets not yet in service	Assets under finance leases	Vehicles	Total
Balance as at December 30, 2018	$ 11,962	$ 64,306	$ 42,391	$ 26,273	$ 5,469	$ 9,949	$ 5,604	$ 15,608	$ 3,037	$ 1,195	$ 185,794
Balance as at December 30, 2019	$ 6,808	$ 59,977	$ 38,493	$ 29,239	$ 4,803	$ 9,285	$ 4,018	$ 10,323	$ –	$ 866	$ 163,812

NOTE 12 – LEASES

The Company has entered into lease contracts mainly for buildings and machinery and equipment, which expire at various dates through the year 2034. Lease contracts are negotiated and entered into by local management. Some leases have extension options and/or termination options included in the contracts for various terms. Some lease payments are based on changes in local price indices, sales or actual space used. The lease contracts do not impose any financial covenants.

a) Right-of-use assets

	Land use rights	Land and buildings	Machinery and equipment	Other	Total
Balance as at December 31, 2018 (Note 3)	$ 16,713	$ 153,200	$ 7,178	$ 6,434	$ 183,525
Additions	–	18,082	1,028	3,222	22,332
Subsidy received	(1,795)*	–	–	–	(1,795)
Depreciation for the year	(452)	(38,281)	(2,379)	(3,783)	(44,895)
Reassessment of lease liabilities and lease modifications	–	15,700	(23)	(58)	15,619
Effect of foreign currency exchange rate changes	–	(657)	(39)	(52)	(748)
Balance as at December 30, 2019	$ 14,466	$ 148,044	$ 5,765	$ 5,763	$ 174,038

* includes $369 received during the third quarter of 2019 and $1,426 reclassified from other liabilities as a result of the negotiation with the Chinese government to finalize a previous subsidy program related to the Company's land use rights.

b) Lease liabilities

The following table summarizes the lease liabilities amounts recognized in the consolidated statement of financial position as at December 30, 2019:

	2019
Current	$ 40,580
Non-current	147,803
Total	$ 188,383

The reconciliation of movements of lease liabilities to cash flows arising from financing activities is as follows:

		Cash used in financing activities	Cash used in operating activities	Non-cash changes				
	Balance as at December 31, 2018 (Note 3)	Payments, net of lease incentive received	Interest paid	Additions	Reassessment of lease liabilities and lease modifications	Interest expense	Effect of foreign currency exchange rate changes	Balance as at December 30, 2019
Lease liabilities	$ 195,170	$ (43,648)*	$ (7,904)	$ 22,332	$ 15,144	$ 7,907	$ (618)	$ 188,383

* includes lease incentive received of $1,798.

NOTE 12 – LEASES (continued)

c) Amounts recognized in the consolidated income statement

		2019
Depreciation of right-of-use assets	$	44,895
Interest expense on lease liabilities (Note 30)	$	7,907
Expense related to variable lease payments not included in the measurement of lease liabilities	$	10,692
Loss (gain) related to lease modifications	$	(475)
Foreign exchange loss (gain) on lease liabilities – lease contracts denominated in a currency different from the functional currency of the lessee	$	542

Rent expense relating to operating leases under IAS 17, including contingent rent expense, was $61,280 in 2018.

d) Cash outflow for leases recognized in the consolidated statement of cash flows

		2019
Operating activities:		
Cash outflow for variable lease payments not included in the measurement of lease liabilities – included within net loss	$	10,692
Cash outflow for interest portion of lease liabilities – included within interest paid		7,904
	$	18,596
Financing activities:		
Cash outflow for principal portion of lease liabilities	$	45,446
Total cash outflow for leases	$	64,042

e) Maturity analysis – contractual undiscounted cash flows of lease liabilities

		2019
Less than 1 year	$	47,217
Between 1 and 5 years		116,703
More than 5 years		51,776
Total contractual undiscounted cash flows of lease liabilities	$	215,696

As at December 30, 2019, the Company had undiscounted future lease payments of $3,914 related to leases not yet commenced to which it was committed, which are not reflected in the measurement of lease liabilities.

NOTE 12 – LEASES (continued)

f) Extension options and termination options

The following table summarizes the potential undiscounted future lease payments that have not been reflected in the measurement of lease liabilities as at December 30, 2019 as it was not reasonably certain that the leases would be extended or not be terminated.

	2019
Extension options	$ 105,235
Termination options (net of payments for penalties for terminating the leases)	$ 8,726

NOTE 13 – INTANGIBLE ASSETS

Cost	Trademarks	Customer relationships	Supplier relation-ship	Patents	Land use rights	Software licenses	Deferred development costs	Total
Balance as at December 30, 2017	$ 352,863	$ 149,642	$ 1,500	$ 26,927	$ 18,948	$ 20,417	$ 120,990	$ 691,287
Additions – internally developed	–	–	–	706	–	4,170	14,572	19,448
Additions – externally acquired	–	402	–	224	87	728	–	1,441
Additions through acquisition of a business (Note 10)	–	814	–	–	–	–	–	814
Disposals	(7,290)	(5,800)	–	(932)	–	(307)	(139)	(14,468)
Effect of foreign currency exchange rate changes	(11,484)	(4,709)	–	(392)	(528)	(1,074)	(4,608)	(22,795)
Balance as at December 30, 2018	$ 334,089	$ 140,349	$ 1,500	$ 26,533	$ 18,507	$ 23,934	$ 130,815	$ 675,727
Adjustment on initial application of IFRS 16 (Note 3)	–	–	–	–	(18,507)	–	–	(18,507)
Adjusted balance as at December 31, 2018	$ 334,089	$ 140,349	$ 1,500	$ 26,533	$ –	$ 23,934	$ 130,815	$ 657,220
Additions – internally developed	–	–	–	536	–	536	11,125	12,197
Additions – externally acquired	–	–	–	146	–	5,059	–	5,205
Disposals	–	–	–	(2,288)	–	(84)	(8,413)	(10,785)
Effect of foreign currency exchange rate changes	(3,425)	(1,383)	–	(141)	–	8	(2,059)	(7,000)
Balance as at December 30, 2019	$ 330,664	$ 138,966	$ 1,500	$ 24,786	$ –	$ 29,453	$ 131,468	$ 656,837

NOTE 13 – INTANGIBLE ASSETS (continued)

Accumulated amortization and impairment losses

	Trademarks	Customer relationships	Supplier relation-ship	Patents	Land use rights	Software licenses	Deferred development costs	Total
Balance as at December 30, 2017	$ 42,002	$ 95,837	$ 1,425	$ 18,890	$ 1,483	$ 8,314	$ 80,710	$ 248,661
Amortization for the year	–	5,621	75	1,543	336	2,388	7,967	17,930
Disposals	(7,290)	(5,800)	–	(932)	–	(307)	–	(14,329)
Impairment losses (Note 14)	142,601	22,502	–	–	–	931	–	166,034
Write down (Note 6)	7,290	–	–	–	–	–	–	7,290
Effect of foreign currency exchange rate changes	(2,381)	(3,460)	–	(304)	(25)	(336)	(2,933)	(9,439)
Balance as at December 30, 2018	$ 182,222	$ 114,700	$ 1,500	$ 19,197	$ 1,794	$ 10,990	$ 85,744	$ 416,147
Adjustment on initial application of IFRS 16 (Note 3)	–	–	–	–	(1,794)	–	–	(1,794)
Adjusted balance as at December 31, 2018	$ 182,222	$ 114,700	$ 1,500	$ 19,197	$ –	$ 10,990	$ 85,744	$ 414,353
Amortization for the year	–	3,573	–	2,128	–	2,790	12,053	20,544
Disposals	–	–	–	(2,288)	–	(84)	(8,413)	(10,785)
Effect of foreign currency exchange rate changes	(3,327)	(1,266)	–	(103)	–	236	(1,356)	(5,816)
Balance as at December 30, 2019	$ 178,895	$ 117,007	$ 1,500	$ 18,934	$ –	$ 13,932	$ 88,028	$ 418,296

Net book value

	Trademarks	Customer relationships	Supplier relation-ship	Patents	Land use rights	Software licenses	Deferred development costs	Total
Balance as at December 30, 2018	$ 151,867	$ 25,649	$ –	$ 7,336	$ 16,713	$ 12,944	$ 45,071	$ 259,580
Balance as at December 30, 2019	$ 151,769	$ 21,959	$ –	$ 5,852	$ –	$ 15,521	$ 43,440	$ 238,541

NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful lives (trademarks) acquired through business combinations are allocated to CGUs or to groups of CGUs. For the purpose of impairment testing, this represents the lowest level within the Company at which the goodwill and trademarks are monitored for internal management purposes, which is not higher than the Company’s operating segments.

The aggregate carrying amount of goodwill and intangible assets with indefinite useful lives allocated to each CGU is as follows:

	Goodwill		Trademarks	
	2019	**2018**	**2019**	**2018**
Dorel Juvenile – Europe	$ 43,437	$ 44,001	$ 23,450	$ 23,450
Dorel Juvenile – Brazil	–	–	1,145	1,049
Dorel Sports – Mass markets	–	–	121,741	121,741
Dorel Sports – Caloi	–	–	5,433	5,627
Dorel Home	41,041	32,415	–	–
Total	$ 84,478	$ 76,416	$ 151,769	$ 151,867

The continuity of goodwill by segment is presented in Note 31.

NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

On an annual basis, or more frequently if an impairment indicator is triggered, it is necessary to perform an impairment test of goodwill and trademarks. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which goodwill or trademarks are allocated and comparing it to the CGUs' carrying amount. If the CGU to which the trademarks are allocated to are the same as for goodwill, then the same test is used to assess impairment of the goodwill and trademarks. With the exception of Dorel Juvenile – Europe CGU, where the CGU includes both goodwill and trademarks, the CGU of the goodwill was the same as the CGU of the trademarks and therefore the recoverable amount served for both impairment tests.

During the fourth quarter of 2019, the Company performed its annual impairment testing of goodwill and trademarks. As the recoverable amounts of the CGUs were at or higher than their carrying amount, no impairment loss was recorded.

During the second quarter of 2018, as Dorel Juvenile – Latin America's business continued to face a decline in sales and profitability as a result of changes in the market and consumer behaviour, assumptions on projected earnings and cash flows growth for Dorel Juvenile – Latin America CGU were revised. As a result, during the second quarter of 2018, the Company recorded impairment charges on customer relationships of $8,915 and trademarks of $15,278 (Infanti brand) for a total of $24,193, as it had concluded that the recoverable amount based on the value in use was less than the carrying amount of the CGU.

Furthermore, due to the sustained decline in the Company's stock price during 2018, which caused the Company's market capitalization to be significantly lower than the carrying amount of the Company's net assets, assumptions on projected earnings and cash flows growth were revised for the majority of the Company's CGUs during the fourth quarter of 2018. The projections included, among other things, the impacts of the previously announced tariffs on Chinese imports, other inflation and market conditions for the Company's CGUs, more conservative expectations of future revenues and margins compared to prior periods' expectations related to certain trademarks within the CGUs, as well as projected benefits from the Company's past restructuring plans. Furthermore, the Company applied higher risk adjusted discount rates to the projected cash flows of its CGUs for discounted cash flow estimates and/or higher discount rates to derive the multiples used for fair value determination, which reduced the recoverable amounts of each of the Company's CGUs, except the Dorel Home CGU, below their carrying values. As a result, the Company recorded the following impairment charges during the fourth quarter of 2018:

	Fourth quarter of 2018					
	Goodwill (Note 31)	Trademarks (Note 13)	Customer relationships (Note 13)	Software licenses (Note 13)	Property, plant and equipment (Note 11)	Total
Dorel Juvenile – North America	$ 66,826	$ –	$ –	$ –	$ –	$ 66,826
Dorel Juvenile – Europe	143,615	29,170	11,534	–	–	184,319
Dorel Juvenile – Brazil	695	1,063	926	–	–	2,684
Dorel Juvenile – Australia	–	2,717	–	–	–	2,717
Dorel Juvenile – China	7,677	–	–	–	–	7,677
Dorel Sports – Mass markets	134,821	9,059	–	–	–	143,880
Dorel Sports – Independent bike dealers (IBD)	–	53,108	–	931	5,971	60,010
Dorel Sports – Caloi	–	32,206	1,127	–	–	33,333
Total	$353,634	$ 127,323	$ 13,587	$ 931	$ 5,971	$ 501,446

NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

The valuation techniques, significant assumptions and sensitivity analysis applied in the goodwill and trademarks impairment tests are described below:

Valuation Techniques and key assumptions used:

The Company did not make any changes since the prior year to the valuation methodology used to assess the recoverable amounts of its CGUs. The recoverable amount has been defined as the higher of the value in use and the fair value less costs of disposal.

Value in use:

The income approach was used and this is based upon the value of the future cash flows that the CGU will generate going forward. The discounted cash flow method was used which involves projecting cash flows and converting them into a present value equivalent through the use of discounting. The discounting process uses a rate of return that represents the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates, terminal growth rates and discount rates.

The value in use was determined by using discounted cash flow projections from financial budgets approved by senior management. The Company projected revenue growth rates, operating margins, capital expenditures and working capital for a period of five years and applied a terminal long-term growth rate thereafter. In arriving at its forecasts, the Company considered past experience, economic trends such as GDP growth and inflation, as well as industry and market trends. The projections also took into account the expected impact from new product initiatives, customer retention and the maturity of the market in which each CGU operates.

The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented a weighted average cost of capital (WACC) for comparable companies operating in similar industries as the applicable CGU, based on publicly available information. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model and the long-term growth rate used for extrapolation purposes.

Fair value less costs of disposal:

The market approach was used which assumes that companies operating in the same industry will share similar characteristics and that company fair values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate fair value. Under the market approach, fair value is calculated based on earnings before finance expenses, income taxes, depreciation and amortization (“EBITDA”) multiples, earnings before finance expenses and income taxes (“EBIT”) multiples and sales multiples of benchmark companies comparable to the businesses in each CGU. Data for the benchmark companies was obtained from publicly available information. If there is no binding sales agreement or active market for the asset or CGU, the fair value is assessed by using appropriate valuation models dependent on the nature of the asset or CGU, such as the discounted cash flow models.

NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

For trademarks, the fair value is determined using the relief from royalty method, which estimates the value of a tradename by discounting the hypothetical avoided royalty payments to their present value over the economic life of the asset or the excess earnings method, which estimates the value of the intangible asset by quantifying the residual (or excess) cash flows generated by the asset, and discounting those cash flows to the present. The excess earnings method requires the application of contributory asset charges. Contributory asset charges typically include assumed payments for the use of working capital, tangible assets and other intangible assets.

The market approach is most sensitive to the selection of multiples of benchmark companies used and applied premiums or discounts to derive the multiple used in the determination of the fair value. The relief from royalty method is based on inputs such as revenue growth, royalty rates and discount rates. The relief from royalty method is most sensitive to the selection of the royalty rates and to the discount rate used in the determination of the fair value of the trademarks. The determination of the royalty rates requires judgment and is linked with the estimated EBITDA and/or EBIT from the revenue associated with the trademarks. The excess earnings method is most sensitive to future cash flows.

Weighting of valuation techniques:

Given the volatility in capital markets and due to the fact that there are no comparable companies operating within the same industry of the respective CGU, the Company is weighting the results mainly on the income approach. The market approach is used to validate and ensure that the value in use or fair value discounted cash flow model calculations are reasonable and consistent when compared to the market approach values.

However, when there has been volatility in cash flow projections, the market approach value was used. In selecting the recoverable amount, the Company considered the implied enterprise value/EBITDA that would result from this amount, in order to ensure the conclusions at each CGU level reconciled with the market. This has provided further assurance on the amount of impairment, if any. The selection and weighting of the fair value techniques requires judgment.

Key assumptions used in value in use calculations:

The following table presents the basis used as the recoverable amount and the key assumptions used in calculating the recoverable amount:

			2019
	Basis used as recoverable amount	**Pre-tax Discount Rate**	**Terminal Growth Rate**
Dorel Juvenile – Europe	Value in use	12.79%	2.00%
Dorel Sports – Mass markets	Value in use	12.61%	2.00%
Dorel Home	Value in use	17.89%	2.00%

NOTE 14 – IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

			2018
	Basis used as recoverable amount	**Pre-tax Discount Rate**	**Terminal Growth Rate**
Dorel Juvenile – North America	Fair value	(1)	(1)
Dorel Juvenile – Europe	Value in use	14.07%	2.00%
Dorel Juvenile – South of Europe	Fair value (2)	14.20%	2.00%
Dorel Juvenile – Latin America	Value in use	20.26%	4.64%
Dorel Juvenile – Brazil	Fair value (3)	(3)	5.00%
Dorel Juvenile – Australia	Value in use	18.80%	3.00%
Dorel Juvenile – China	Value in use	16.11%	3.00%
Dorel Sports – Mass markets	Value in use	14.46%	2.00%
Dorel Sports – IBD	Fair value (4)	13.95%	(4)
Dorel Sports – Caloi	Fair value (5)	(5)	5.00%
Dorel Home	Value in use	17.89%	2.00%

(1) Based on market approach using a multiple of 7.9x.
(2) Based on the relief from royalty method to determine the fair value of the trademarks using a royalty rate of 0.50%.
(3) Based on an overall market approach using a multiple of 7.1x. In addition, based on the relief from royalty method to determine the fair value of the trademarks using a royalty rate of 2.50% and the excess earnings method for the customer relationships.
(4) Based on the excess earnings method to determine the fair value of the trademarks.
(5) Based on an overall market approach using a multiple of 7.4x. In addition, based on the relief from royalty method to determine the fair value of the trademarks using royalty rates between 1.00% and 2.00% and the excess earnings method for the customer relationships.

The assumptions used by the Company in the future cash flow discounting model and market approach provided are classified as Level 3 in the fair value hierarchy, signifying that they are not based on observable market data. The Company performed the below sensitivity analysis to changes in assumptions for the basis used in the calculations of the recoverable amount of each CGU.

Sensitivity to changes in assumptions for the basis of the calculation of recoverable amounts:

Two key assumptions were identified that if changed, could cause the carrying amount to exceed its recoverable amount. Varying the assumptions in the values of the recoverable amount calculation would have the following effects for the year ended December 30, 2019, assuming that all other variables remained constant:

	Increase in basis points of pre-tax discount rate that would result in carrying value equal to recoverable amount	**Decrease in basis points of terminal long-term growth rate that would result in carrying value equal to recoverable amount**
Dorel Juvenile – Europe	150	250
Dorel Sports – Mass markets	197	170
Dorel Home (1)	1,963	–

(1) The recoverable amount of Dorel Home is not sensitive to its long-term growth rate assumption.

NOTE 15 – OTHER ASSETS AND OTHER LIABILITIES

Other assets consist of the following:

	2019	2018
Prepaid expenses	$ 22,274	$ 26,656
Sales tax receivable	20,292	16,230
Other receivables	5,932	6,414
Costs relating to revolving bank loans (Notes 18 and 29)	1,850	1,624
Other financial assets	1,344	645
Other	364	941
	$ 52,056	$ 52,510
Current	$ 43,853	$ 45,057
Non-current	$ 8,203	$ 7,453

Other liabilities consist of the following:

	2019	2018
Written put option liabilities	$ 8,568	$ 12,002
Sales tax payable	5,530	4,620
Contract liabilities	4,802	7,296
Other financial liabilities	4,562	2,250
Other	4,571	8,641
	$ 28,033	$ 34,809
Current	$ 10,953	$ 12,029
Non-current	$ 17,080	$ 22,780

Written put option liabilities

A summary of the written put options liabilities and certain assumptions to measure the fair value are presented below, representing the interest held by the non-controlling shareholders:

	Dorel Sports Chile S.A.		Silfa Group		Best Brands Group S.A. and Baby Universe SAS	
	2019	2018	2019	2018	2019	2018
Expected payment date or contractual maturity	30% in April 2023	30% in April 2022	30% in April 2023	30% in April 2022	30% in April 2023	30% in April 2022
Discount rate used to determine the fair value of the exit price	2.4%	4.6%	2.4%	4.9%	–%	4.9%
Balance, end of year (1)	$ 1,530	$ 1,419	$ 7,038	$ 10,485	$ –	$ 98

(1) The remeasurement of the fair value of the written put option liabilities is recognized in other equity. The reconciliation of movements in these liabilities is presented in Note 29.

NOTE 16 – BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings as at December 30, 2019 and 2018 were 6.20% and 6.44%, respectively. As at December 30, 2019, the Company had available bank lines of credit amounting to approximately $101,073 (2018 – $111,393) of which $59,698 (2018 – $50,098) have been used. The availability of these funds are dependent on the Company continuing to meet the financial covenants of its credit agreements. As at December 30, 2019, certain of the Company's bank lines of credit amounting to $12,535 are secured by trade accounts receivable representing a carrying value of $5,015.

NOTE 17 – TRADE AND OTHER PAYABLES

	2019	2018
Trade creditors and accruals (1)	$ 454,409	$ 483,786
Salaries payable	39,866	41,027
Refund liability	2,480	2,645
Other accrued liabilities	6,244	6,150
	$ 502,999	$ 533,608

(1) During 2018, the Company entered into trade payables finance program agreements with certain financial institutions to manage payments to some suppliers. As at December 30, 2019, trade payables under this program amount to $6,739 (2018 – $6,027).

NOTE 18 – LONG-TERM DEBT

The terms and conditions of outstanding loans are as follows:

				2019		2018	
	Currency	Nominal interest rate	Maturity date	Face value	Carrying amount	Face value	Carrying amount
Senior unsecured notes, interest payable on the last business day of each quarter	USD	7.50%	July 19, 2024	$125,000	$119,941	$ –	$ –
Revolving bank loans bearing interest at various rates per annum, averaging 5.77% (2018 – 4.67%), total availability of $350,000. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $100,000 on a revolving basis. Extended in July 2019.	USD/ Euro/CAD	LIBOR, Euribor, Canadian or U.S. bank rates plus a margin	July 1, 2021	192,761	192,761	152,728	152,728
Term loan bearing interest at various rates per annum, averaging 5.73% (2018 – 4.34%). Extended in July 2019.	USD	LIBOR plus a margin	July 1, 2021	122,300	121,714	160,800	160,261
Balance of sale on acquisition of Canbest, bearing no interest (Note 10)	USD	–	October 1, 2021	6,000	5,583	–	–
Convertible debentures. Prepaid in July 2019.	USD	5.50%		–	–	120,000	118,344
Other				2,103	2,103	5,736	5,736
Total outstanding loans				$448,164	$442,102	$439,264	$437,069
Current portion					(24,233)		(432,950)
					$417,869		$ 4,119

NOTE 18 – LONG-TERM DEBT (continued)

Senior unsecured notes

On June 17, 2019, the Company entered into a five-year $175,000 senior unsecured notes agreement ("senior unsecured notes") with several institutional lenders. These senior unsecured notes are divided into two tranches: (i) a $125,000 tranche that was fully drawn and used to redeem at par the Company's $120,000 convertible debentures maturing on November 30, 2019; and (ii) a $50,000 tranche that is available for general corporate purposes with the consent of the lenders.

These senior unsecured notes mature five years from the date of the initial advance, bear interest at a rate of 7.50% per annum payable quarterly in cash, rank *pari passu* with all of the Company's other senior unsecured indebtedness and are guaranteed by certain of the Company's subsidiaries. The first tranche of $125,000 was fully drawn by the Company on July 19, 2019 (date of the initial advance).

The financing costs related to the senior unsecured notes amounted to approximately $2,077, of which $1,845 was allocated to the $125,000 tranche and $232 to the $50,000 tranche. The financing costs allocated to the $125,000 tranche were recorded as a reduction of the carrying amount of the senior unsecured notes and will be amortized over the remaining term of the loan using the effective interest rate method. As the $50,000 tranche was not drawn as at December 30, 2019, the related financing costs were recognized as an addition to other assets.

The senior unsecured notes also contain options to prepay the notes prior to their maturity date, which were accounted for as embedded derivatives, separate from the host contract. The fair value of the embedded derivatives related to the prepayment options was not material as at the date of the issuance of the first tranche of the senior unsecured notes and as at December 30, 2019.

On December 30, 2019, the Company amended its senior unsecured notes agreement to modify the covenants in order to be in line with the amended revolving bank loans and term loan financial covenants. A loss on debt modification of $628 was recorded as finance expenses during the fourth quarter of 2019 (Note 30) as a result of the modification of the senior unsecured notes agreement. Total interest expense of $6,069 was also recorded within finance expenses during 2019.

Convertible debentures

In June 2019, the Company provided the holders of the convertible debentures with a redemption notice. During the second quarter of 2019, the Company revised its estimated cash flows related to its convertible debentures considering the expected early redemption of the convertible debentures on July 22, 2019. Accordingly, the Company recorded a loss on revision of estimated payments related to its convertible debentures in the amount of $670 during the second quarter of 2019, within finance expenses (see Note 30). On July 22, 2019, the Company redeemed its convertible debentures, in whole, at the par value of $120,000, plus accrued and unpaid interest amounting to $935, using the net proceeds from the senior unsecured notes. The equity component of the convertible debentures totaling $2,037, net of tax, was reclassified to contributed surplus.

Revolving bank loans and term loan

On March 8, 2019, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to modify the covenants to permit additional indebtedness with other lenders to refinance and repay the convertible debentures. In addition, the covenants were adjusted in light of the previous twelve months results of operations in order to facilitate their compliance. The amendment also extended the maturity date to July 1, 2021 if the convertible debentures were repaid or refinanced by May 30, 2019. On May 8, 2019, the Company amended its Credit Agreement with respect to its revolving bank loans and term loan to extend their maturity date to the earlier of (i) July 1, 2021 and (ii) July 31, 2019 if the convertible debentures had not been repaid or refinanced, in cash or in shares of the Company, by that date.

NOTE 18 – LONG-TERM DEBT (continued)

As the convertible debentures were repaid on July 22, 2019, the maturity date of the revolving bank loans and term loan was extended to July 1, 2021. On September 30, 2019, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to modify the covenants in order to facilitate their compliance.

Following the March 8, 2019 amendment, the principal repayments of the term loan are as follows:

(i) – four quarterly instalments of $3,750 starting in April 2019 to the extent the maturity date has not yet occurred;
– quarterly instalments of $5,000 starting in April 2020 to the extent the maturity date has not yet occurred; and
– any remaining outstanding amount on the maturity date;

(ii) 50% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is more than 3.0x at the end of any quarter or 25% of the quarterly Excess Cash Flow (1) to be applied as principal repayment for any quarter where the indebtedness to adjusted EBITDA ratio is equal to or greater than 2.5x and less than or equal to 3.0x at the end of any quarter; and

(iii) an amount equal to the aggregate amount of the indebtedness to refinance and repay the convertible debentures which would be in excess of $150,000 payable no later than the business day following that on which such financing occurs. On July 22, 2019, the Company redeemed its convertible debentures.

(1) Excess Cash Flow is defined as the quarterly adjusted EBITDA less income taxes paid, net paid additions to property, plant and equipment and intangible assets, interest paid, scheduled repayments of long-term debt and acquisition-related costs paid plus or minus the net changes in balances related to operations.

Under the term loan, the Company is required to make quarterly instalments corresponding to the quarterly Excess Cash Flow, in addition to its quarterly fixed instalments, as principal repayments. $7,700 was repaid on April 5, 2019 related to the December 30, 2018 Excess Cash Flow calculation. As at December 30, 2019, the required instalment as a result of the Excess Cash Flow calculation amounts to $1,840 and has been presented within the current portion of long-term debt.

The total financing costs related to the Credit Agreement amendments amounted to approximately $1,564, of which $1,112 was allocated to the revolving bank loans and $452 to the term loan. As the amendments and restatements of the Credit Agreement were accounted for as non-substantial modifications, the total financing costs allocated to the revolving bank loans were recorded as an addition to other assets and are being amortized as interest expense on a straight-line basis over the term of the related debt.

The total financing costs allocated to the term loan were recorded as a reduction of its carrying amount and are being amortized over the remaining term of the loan using the effective interest rate method. There was no material impact on the carrying amount of the revolving bank loans and term loan as a result of the modifications of the Credit Agreement.

Assets secured under revolving bank loans and term loan

As at December 30, 2019, the revolving bank loans and the term loan are secured by certain of the Company's trade accounts receivable, inventories, property, plant and equipment and intangible assets, with a carrying value of $249,659, $469,916, $70,611 and $27,300, respectively.

NOTE 18 – LONG-TERM DEBT (continued)

Financial covenants

The availability of the funds under the revolving bank loans, including the accordion feature, and the $50,000 tranche under the senior unsecured notes are dependent on the Company continuing to meet the financial covenants under its credit agreements. Under the senior unsecured notes, revolving bank loans and term loan, the Company is subject to certain covenants, including maintaining certain financial ratios. In the event the Company is not able to meet its quarterly debt covenant requirements, the senior unsecured notes, revolving bank loans and term loan will become due in full at the date of non-compliance.

During the first and third quarters of 2019, certain of the Company's borrowing covenant requirements with respect to its revolving bank loans and term loan were amended. As at December 30, 2019, the Company was compliant with all its amended borrowing covenant requirements and the senior unsecured notes, revolving bank loans and term loan were not due on demand on December 30, 2019. On March 9, 2020, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to facilitate their compliance based on the quarterly forecasted projections for 2020.

NOTE 19 – PROVISIONS

	Product liability (1)	Warranty provision (2)	Employee compensation	Restructuring provision (Note 6)	Other provisions	Total
Balance as at December 30, 2018	$ 27,260	$ 7,939	$ 1,629	$ 3,103	$ 3,143	$ 43,074
Adjustment on initial application of IFRS 16 (Note 3)	–	–	–	(557)	–	(557)
Adjusted balance as at December 31, 2018	$ 27,260	$ 7,939	$ 1,629	$ 2,546	$ 3,143	$ 42,517
Arising during the year	4,995	12,281	229	29,353	1,728	48,586
Utilized	(3,750)	(10,664)	(151)	(16,429)	(1,759)	(32,753)
Unused amounts reversed	(3,283)	(443)	(351)	(527)	(61)	(4,665)
Effect of foreign currency exchange rate changes	(2)	(11)	(35)	(99)	2	(145)
Balance as at December 30, 2019	$ 25,220	$ 9,102	$ 1,321	$ 14,844	$ 3,053	$ 53,540
Current as at December 30, 2019	$ 25,220	$ 9,102	$ –	$ 14,844	$ 1,675	$ 50,841
Non-current as at December 30, 2019	–	–	1,321	–	1,378	2,699
	$ 25,220	$ 9,102	$ 1,321	$ 14,844	$ 3,053	$ 53,540
Current as at December 30, 2018	$ 27,260	$ 7,939	$ –	$ 3,103	$ 1,822	$ 40,124
Non-current as at December 30, 2018	–	–	1,629	–	1,321	2,950
	$ 27,260	$ 7,939	$ 1,629	$ 3,103	$ 3,143	$ 43,074

(1) Given the nature of the risks, it is not possible to estimate when any eventual liabilities may have to be settled, thus product liability provisions have been presented as current.
(2) It is expected that most of these costs will be incurred in the next financial year, thus warranty provision has been presented as current.

NOTE 20 – FINANCIAL INSTRUMENTS

Financial instruments – carrying values and fair values

Fair value disclosure

The Company has determined that the fair value of its current financial assets and liabilities approximates their respective carrying amounts as at the consolidated statement of financial position dates because of the short-term nature of those financial instruments. For long-term debt bearing interest at variable rates, the fair value is considered to approximate the carrying amount. For long-term debt bearing interest at fixed rates, the fair value is estimated using level 2 inputs in the fair value hierarchy based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

The fair value of the long-term debt bearing interest at fixed rates is as follows:

		2019		**2018**
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt – bearing interest at fixed rates	$ 127,627	$ 130,281	$ 124,080	$ 123,702

Fair value measurement

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Should any of the inputs to these models or changes in assumptions about these factors occur, this could affect the reported fair value of financial instruments. The Company's financial assets and liabilities measured at fair value consist of derivative financial instruments and written put option liabilities. The balance of the Company's derivative financial assets and liabilities are not significant as at December 30, 2019 and 2018.

Management of risks arising from financial instruments

In the normal course of business, the Company is subject to various risks relating to foreign exchange, interest rate, credit and liquidity. The Company manages these risk exposures on an on-going basis. In order to limit the effects of changes in foreign exchange rates on its revenues, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing or anticipated risks, commitments or obligations based on its past experience. The following analysis provides a measurement of risks arising from financial instruments.

Foreign Exchange Rate Risk

The Company's main source of foreign exchange rate risk resides in sales and purchases of goods denominated in currencies other than the functional currency of each of the Company's entities. Fluctuations in the respective foreign exchange rates relative to the functional currency of each of the Company's entities will create volatility in the Company's cash flows and in the reported amounts in its consolidated income statements. The Company's financial debt mainly consists of long-term debt issued in US dollars for which no foreign currency hedging is required.

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

Most short-term lines of credit, overdrafts and long-term debt commonly used by the Company's entities are in the currency of the borrowing entity and therefore carry no foreign exchange rate risk. Inter-company loans/borrowings are economically hedged as appropriate, whenever they present a net exposure to foreign exchange rate risk and some are used to hedge net investments in their foreign subsidiaries. Additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities at the rates of exchange at each financial position date, the impact of which is reported as a foreign exchange gain or loss in the consolidated income statements. In order to mitigate the foreign exchange rate risk, from time to time, the Company uses various derivative financial instruments such as swaps, options, futures and forward contracts to hedge against adverse fluctuations in foreign currency rates.

Derivative financial instruments are used as a method for meeting the risk reduction objectives of the Company by generating offsetting cash flows related to the underlying position with respect to the amount and timing of forecasted transactions. The terms of the derivatives range, in general, from one to twelve months. The Company does not hold or use derivative financial instruments for trading or speculative purposes.

The following tables provide an indication of the Company's significant foreign currency exposures of financial assets and liabilities denominated in currencies other than the functional currency of each of the Company's entities, as well as the amount of revenue and expenses that were denominated in foreign currencies other than the functional currency of each of the Company's entities. The tables below do not consider the effect of foreign exchange contracts. Amounts are presented in the equivalent US $.

				2019				2018
	USD	CAD	Euro	RMB	USD	CAD	Euro	RMB
Cash and cash equivalents	$ 3,383	$ 368	$ 46	$ 1,979	$ 1,598	$ 726	$ 397	$ 2,563
Trade accounts receivable	5,328	12,420	882	363	6,723	12,195	903	95
Bank indebtedness	–	–	–	–	(41)	–	–	–
Trade and other payables	(43,594)	(7,862)	(242)	(20,171)	(45,326)	(11,683)	(375)	(25,628)
Long-term debt	–	(27,635)	–	–	–	(2,542)	–	–
Inter-company loans	(35,649)	578	13,349	11,343	(19,174)	543	13,158	11,456
Consolidated statement of financial position exposure excluding derivatives	$(70,532)	$(22,131)	$ 14,035	$(6,486)	$ (56,220)	$ (761)	$ 14,083	$(11,514)

				2019				2018
	USD	CAD	Euro	RMB	USD	CAD	Euro	RMB
Revenue	$ 29,140	$ 69,670	$ 5,024	$ 4,876	$ 33,502	$ 84,882	$ 5,502	$ 4,232
Expenses	(353,321)	(87,468)	(46,713)	(100,853)	(317,209)	(99,736)	(50,110)	(94,807)
Net exposure	$(324,181)	$ (17,798)	$ (41,689)	$ (95,977)	$ (283,707)	$ (14,854)	$ (44,608)	$ (90,575)

Net foreign exchange loss amounting to $2,818 (2018 – $1,334) was recognized in the consolidated income statement during 2019.

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

The following outlines the main foreign exchange rates applied in the preparation of the consolidated financial statements:

	2019		2018	
	Year-to-date average rate	**Reporting date rate**	**Year-to-date average rate**	**Reporting date rate**
CAD to USD	0.7539	0.7702	0.7716	0.7329
Euro to USD	1.1197	1.1220	1.1802	1.1457
BRL to USD	0.2535	0.2488	0.2736	0.2577
RMB to USD	0.1448	0.1436	0.1512	0.1454

Based on the Company's foreign currency exposures noted above and the foreign exchange contracts in effect in 2019 and 2018, varying the above foreign exchange rates to reflect a 5 percent weakening of the currencies, other than the functional currency of each of the Company's entities, would have the following effects, assuming that all other variables remained constant:

	2019				2018			
Source of variability from changes in foreign exchange rates	**USD**	**CAD**	**Euro**	**RMB**	**USD**	**CAD**	**Euro**	**RMB**
Financial instruments, including foreign exchange contracts for which the Company does not apply hedge accounting	$ 3,498	$ 1,473	$ (702)	$ 324	$ 2,781	$ 38	$ (704)	$ 576
Revenue and expenses	16,209	890	2,084	4,799	14,185	743	2,230	4,529
Increase (decrease) on pre-tax income	$ 19,707	$ 2,363	$ 1,382	$ 5,123	$ 16,966	$ 781	$ 1,526	$ 5,105
Increase (decrease) on other comprehensive income (loss)	$ (1,279)	$ –	$ (99)	$ –	$ (1,066)	$ –	$ (63)	$ –

An assumed 5 percent strengthening of the currencies, other than the functional currency of each of the Company's entities, would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Cash flow hedges – Foreign exchange contracts

The Company enters into foreign exchange contracts to manage its foreign currency exposure associated with forecasted inventory purchases or other type of expenses. Most of the Company's foreign exchange contracts are designated as hedging instruments in cash flow hedges of forecast of inventory purchases or other type of expenses.

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probably forecast transactions, i.e. notional amount and expected payment date. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange contracts is identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The main source of ineffectiveness in the hedge relationships are:

- effect of the counterparty's and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- difference in the timing of cash flows of the hedged items and hedging instruments; and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The total notional amount of the Company's outstanding foreign exchange contracts was $45,065 (2018 – $32,948). The fair value of the Company's derivative financial instruments relating to commitments to buy and sell foreign currencies through foreign exchange contracts is not material as at December 30, 2019 and 2018.

Net investment hedges

A foreign currency exposure also arises from the net investment in foreign subsidiaries, as a result of the translation of the net investment into the functional currency of their parent entity. Two of the Company's subsidiaries (having a Euro functional currency) have designated a USD inter-company loan and a portion of their revolving bank loans as the hedging instruments in the hedge of their respective foreign net investments (having a US dollar functional currency), in order to mitigate their exposure to the US dollar foreign exchange rate risk on these net investments. Gains or losses on the retranslation of these hedging instruments are transferred to other comprehensive income (loss) to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged items and the hedging instruments as the net investments create a translation risk that will match the foreign exchange rate risk on the USD inter-company loan and the portion of the revolving bank loans (the "hedging instruments"). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instruments is identical to the hedged risk components. The hedge ineffectiveness will arise when the amount of the net investments in the foreign subsidiaries becomes lower than the amount of the related hedging instruments.

As at December 30, 2019, the carrying amounts of the inter-company loan and the revolving bank loans designated as hedging instruments were $76,594 (2018 – $82,407) and $20,000 (2018 – $25,000), respectively. The impact of these hedging instruments and the hedged items on the consolidated statements of financial position was not material as at December 30, 2019 and 2018.

Interest Rate Risk

The Company is exposed to interest rate fluctuations, related primarily to its revolving bank loans and its term loan, for which amounts drawn are subject to LIBOR, Euribor, Canadian or U.S. bank rates in effect at the time of borrowing, plus a margin. The Company manages its interest rate exposure by entering into swap agreements consisting of exchanging variable rates for fixed rates for an extended period of time. All other long-term debts have fixed interest rates and are therefore not exposed to interest rate risk.

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

The Company uses interest rate swap agreements to lock-in a portion of its debt cost and reduce its exposure to the variability of interest rates by exchanging variable rate payments for fixed rate payments. During the first quarter of 2019, the Company entered into a new interest rate swap agreement to replace interest rate swap agreements that had matured on March 26, 2019. The Company has designated its interest rate swaps as cash flow hedges for which it uses hedge accounting. A summary of the interest rate swap agreements designated as hedging instruments is as follows:

		2019			2018
Fixed rate	Notional amount	Maturity	Fixed rate	Notional amount	Maturity
2.32%	$ 50,000	April 9, 2024	1.75%	$ 50,000	March 26, 2019

The impact of the hedging instruments on the consolidated statements of financial position is not material as at December 30, 2019 and 2018.

Credit Risk

Credit risk stems primarily from the potential inability of clients or counterparties to discharge their obligations and arises primarily from the Company's trade accounts receivable. The Company may also have credit risk relating to cash and cash equivalents, foreign exchange contracts and interest rate swap agreements resulting from defaults by counterparties, which it managed by entering into financial instruments with a variety of creditworthy parties. When entering into foreign exchange contracts and interest rate swap agreements, the counterparties are large Canadian and International banks.

The credit risk to which the Company is exposed arises principally from the Company's trade accounts receivables. Substantially all trade accounts receivable arise from the sale to the retail industry. The Company performs on-going credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, a portion of the total trade accounts receivable is insured against possible losses. The carrying amount of the Company's financial assets represents the maximum exposure to credit risk.

In 2019, sales to one major customer represented 28.6% (2018 – 28.9%) of total revenue. As at December 30, 2019, one customer accounted for 14.2% (2018 – 21.6%) of the Company's total trade accounts receivable balance.

The Company's exposure to credit risk for trade accounts receivable by geographic area, based on the location of the selling entity, was as follows:

	2019	2018
Canada	$ 24,179	$ 19,455
United States	188,036	196,986
Europe	93,700	96,286
Latin America	64,579	63,927
Asia	20,508	18,031
Other countries	7,954	9,674
	$ 398,956	$ 404,359

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

The Company's exposure to credit risk for trade accounts receivable by type of customer was as follows:

	2019	2018
Mass-market retailers	$ 220,654	$ 216,550
Specialty/independent stores	178,302	187,809
	$ 398,956	$ 404,359

The following table provides information about the exposure to credit risk and ECLs for trade accounts receivable. The ECLs were calculated based on actual credit loss experience and informed credit assessment, including forward-looking information.

				2019
	Weighted-average loss rate	Trade accounts receivable - gross	Impairment loss allowance	Trade accounts receivable - net
Current (not past due)	0.9%	$ 327,135	$ (3,018)	$ 324,117
Past due 0-30 days	2.6%	37,684	(980)	36,704
Past due 31-60 days	6.3%	15,468	(978)	14,490
Past due 61-90 days	5.2%	6,099	(315)	5,784
Past due over 90 days	36.4%	28,105	(10,244)	17,861
		$ 414,491	$ (15,535)	$ 398,956

				2018
	Weighted-average loss rate	Trade accounts receivable - gross	Impairment loss allowance	Trade accounts receivable - net
Current (not past due)	0.6%	$ 338,480	$ (1,992)	$ 336,488
Past due 0-30 days	1.3%	38,934	(507)	38,427
Past due 31-60 days	2.2%	12,317	(268)	12,049
Past due 61-90 days	10.2%	5,715	(582)	5,133
Past due over 90 days	65.9%	35,915	(23,653)	12,262
		$ 431,361	$ (27,002)	$ 404,359

Liquidity Risk

Liquidity risk is the risk of being unable to honor financial commitments by the deadlines set out under the terms of such commitments. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in "Capital Management" (Note 21). It also manages liquidity risk by continuously monitoring actual and projected cash flows matching the maturity profile of financial assets and liabilities. During 2019 and 2018, the Company entered into trade payables finance program agreements with certain financial institutions to manage payments to some suppliers, which is an integral part of the Company's liquidity risk management process. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business, including acquisitions or other major investments or divestitures.

NOTE 20 – FINANCIAL INSTRUMENTS (continued)

As the Company is subject to certain covenants, including maintaining certain financial ratios, in the event the Company is not able to meet its quarterly debt covenant requirements, the senior unsecured notes, revolving bank loans and term loan will become due in full at the date of non-compliance. While management believes that future cash flows from operations and availability under existing/renegotiated banking arrangements will be adequate to support the Company's financial liabilities, assessing the Company's liquidity including expected future compliance with covenants requires significant judgment. The Company does not expect a liquidity problem in the foreseeable future, however no assurance can be provided. On March 9, 2020, the Company amended and restated its Credit Agreement with respect to its revolving bank loans and term loan to facilitate their compliance based on the quarterly forecasted projections for 2020.

The following table summarizes the contractual maturities of financial liabilities of the Company as at December 30, 2019, excluding future interest payments but including accrued interest:

	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Bank indebtedness	$ 59,698	$ 59,698	$ –	$ –	$ –
Trade and other payables	502,999	502,999	–	–	–
Long-term debt:					
Senior unsecured notes	125,000	–	–	125,000	–
Revolving bank loans and term loan	315,061	20,590	294,471	–	–
Balance of sale on acquisition of Canbest	6,000	3,000	3,000	–	–
Other	2,103	932	1,171	–	–
Other liabilities:					
Written put option liabilities	8,568	–	–	8,568	–
Other financial liabilities	4,562	607	2,491	1,140	324
Total	$ 1,023,991	$ 587,826	$ 301,133	$ 134,708	$ 324

NOTE 21 – CAPITAL MANAGEMENT

The Company's objectives in managing capital are to provide sufficient liquidity to support its operations while generating a reasonable return to shareholders, give the flexibility to take advantage of growth and development opportunities of the business and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company's capital structure is composed of net debt and equity. Net debt consists of interest-bearing debt less cash and cash equivalents.

The Company manages its capital structure in light of changes in economic conditions and the requirements of the ratio required to be adhered to for covenant purposes. In order to maintain or adjust the capital structure, the Company may elect to adjust the amount of dividends paid to shareholders, return capital to its shareholders, issue new shares or increase/decrease net debt.

The Company monitors its capital structure using the ratio of indebtedness to adjusted EBITDA (as defined below). This ratio is calculated as follows: indebtedness / adjusted EBITDA and it represents the ratio required for financial covenants and it must be kept below a certain threshold so as not to be in breach of its debt agreements. During the three months ended March 31, 2019, the Company revised its definition of indebtedness and adjusted EBITDA in its indebtedness to adjusted EBITDA ratio in order to align management monitoring of its capital structure with the financial ratios calculation under the covenants of its long-term debt. The revision consists mainly of removing the effect of adopting IFRS 16 from indebtedness and adjusted EBITDA and to include the convertible debentures in indebtedness. On July 22, 2019, the Company redeemed its convertible debentures.

NOTE 21 – CAPITAL MANAGEMENT (continued)

Indebtedness

Indebtedness is equal to the aggregate of bank indebtedness, face value of long-term debt (excluding leases), guarantees (including all letters of credit and standby letters of credit) and written put option liabilities based on current earnings level less cash and cash equivalents up to a maximum amount of $25,000 subject to certain conditions. For the purpose of the calculation of the indebtedness to adjusted EBITDA ratio, the written put option liabilities are based on current earnings level as opposed to the fair value, which is a function of earnings levels in future periods, and is reflected in the consolidated financial statements.

Adjusted EBITDA

Adjusted EBITDA is defined as net income (loss) before finance expenses, income taxes, depreciation and amortization, impairment losses on goodwill, intangible assets and property, plant and equipment, restructuring and other costs, expenses incurred as a result of the wind-down of the Toys“R”Us, Inc. (“Toys“R”Us”) business and liquidation of inventory in its U.S. stores up to a maximum of $25,000, unpaid (paid) product liability costs related to judgments, stock option plan expense, excluding the net impact of adopting IFRS 16. Adjusted EBITDA is based on the last four quarters ending on the same date as the consolidated statement of financial position date used to compute the indebtedness but including retroactively the results of operations of the acquired businesses.

Indebtedness to adjusted EBITDA ratio calculation

	2019	2018
Bank indebtedness	$ 59,698	$ 50,098
Face value of long-term debt (2018 – excluding convertible debentures) (Note 18)	448,164	319,264
Guarantees (Note 26 b))	15,601	18,627
Written put option liabilities (based on current earnings level)	3,832	4,041
Less: cash and cash equivalents	(24,707)	(19,895)
Removing the effect of adopting IFRS 16	1,699	–
Indebtedness	$ 504,287	$ 372,135

	For the trailing four quarters	
	2019	2018
Net loss	$ (10,453)	$ (444,343)
Finance expenses (Note 30)	50,380	32,650
Income taxes expense (recovery) (Note 27)	12,786	(53,820)
Depreciation and amortization (Note 30)	95,785	50,406
Impairment losses on goodwill, intangible assets and property, plant and equipment (Notes 11, 13 and 14)	–	525,639
Restructuring and other costs (Note 6)	31,069	18,867
Expenses incurred as a result of the wind-down of Toys“R”Us	–	12,917
Removing the effect of adopting IFRS 16	(52,735)	–
Adjusted EBITDA	$ 126,832	$ 142,316

	2019	2018
Indebtedness to adjusted EBITDA ratio	3.98:1	2.61:1

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS

The Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees.

The plans provide benefits based on a defined benefit amount and length of service. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accumulated benefit method for the plans where future salary levels do not affect the amount of employee future benefits and the projected benefit method for the plans where future salaries or cost escalation affect the amount of employee future benefits.

The changes in net liability arising from defined benefit obligations are as follows:

		2019		2018
	Pension benefits	Post-retirement benefits	Pension benefits	Post-retirement benefits
Present value of the defined benefit obligations under wholly or partially funded plans:				
Balance, beginning of year	$ 65,753	$ 9,033	$ 75,550	$ 10,828
Current service cost	1,922	44	2,847	69
Interest cost	2,041	297	2,084	379
Participants contributions	720	–	826	–
Benefits paid	(2,010)	(499)	(1,849)	(561)
Past service costs	–	(2,351)	–	–
Effect of foreign currency exchange rate changes	(528)	–	(1,310)	–
Remeasurement (gains) losses recognized in other comprehensive income (loss)	7,350	(433)	(12,225)	(1,682)
Restructuring giving rise to curtailments (Note 6)	(2,285)	–	(170)	–
Balance, end of year	$ 72,963	$ 6,091	$ 65,753	$ 9,033
Plan assets:				
Fair value, beginning of year	$ 45,337	$ –	$ 51,141	$ –
Interest income on plan assets	1,532	–	1,499	–
Remeasurement gains (losses) recognized in other comprehensive income (loss)	4,601	–	(7,644)	–
Employer contributions	3,894	499	2,495	561
Participants contributions	720	–	826	–
Benefits paid	(2,010)	(499)	(1,849)	(561)
Effect of foreign currency exchange rate changes	(335)	–	(811)	–
Additional charges	(395)	–	(320)	–
Fair value, end of year	$ 53,344	$ –	$ 45,337	$ –
Effect of asset ceiling*	$ (110)	$ –	$ (66)	$ –
Net liability arising from defined benefit obligations	$ (19,729)	$ (6,091)	$ (20,482)	$ (9,033)

* includes effect of foreign currency exchange rate changes.

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Remeasurements of the net defined benefit liabilities recorded during the years ended:

		2019		2018
	Pension benefits	**Post-retirement benefits**	**Pension benefits**	**Post-retirement benefits**
Remeasurement gains (losses) recognized in other comprehensive income (loss):				
Return on plan assets (excluding amounts included in net interest expense)	$ 4,601	$ –	$ (7,644)	$ –
Actuarial gains and losses arising from changes in demographic assumptions	536	43	1,552	37
Actuarial gains and losses arising from changes in financial assumptions	(12,288)	(674)	4,445	400
Actuarial gains and losses arising from experience adjustments	4,402	1,064	6,228	1,245
Change in the effect of asset ceiling	(45)	–	(69)	–
	$ (2,794)	$ 433	$ 4,512	$ 1,682

		2019		2018
	Pension benefits	**Post-retirement benefits**	**Pension benefits**	**Post-retirement benefits**
Remeasurement gains (losses) accumulated in other comprehensive income (loss):				
Balance, beginning of year	$ (7,994)	$ (8,632)	$ (12,453)	$ (10,314)
Recognized during the year in other comprehensive income (loss)	(2,794)	433	4,512	1,682
Effect of foreign currency exchange rate changes	(66)	–	(53)	–
Balance, end of year	$ (10,854)	$ (8,199)	$ (7,994)	$ (8,632)

		2019		2018
	Pension benefits	**Post-retirement benefits**	**Pension benefits**	**Post-retirement benefits**
Changes in the asset ceiling:				
Balance, beginning of year	$ (66)	$ –	$ –	$ –
Change in the effect of asset ceiling	(45)	–	(69)	–
Effect of foreign currency exchange rate changes	1	–	3	–
Balance, end of year	$ (110)	$ –	$ (66)	$ –

The Company's asset ceiling represents the present value of future economic benefits available in the form of reductions in future contributions.

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Net retirement costs for the defined benefit plans included in the consolidated income statements comprise the following:

		2019		**2018**
	Pension benefits	**Post-retirement benefits**	**Pension benefits**	**Post-retirement benefits**
Current service cost	$ 1,922	$ 44	$ 2,847	$ 69
Net interest expense	509	297	585	379
Past service costs	–	(2,351)	–	–
Additional charges	395	–	320	–
Effect of curtailments (Note 6)	(2,285)	–	(170)	–
Net retirement expense for the year	$ 541	$ (2,010)	$ 3,582	$ 448
Actual return on plan assets	$ 6,133	$ –	$ (6,145)	$ –

Other than the curtailment gain presented within the restructuring and other costs (Note 6), the pension and post-retirement expense is recognized within general and administrative expenses whereas the production-related portion thereof is recognized within cost of sales.

Under the Company's defined contribution plans, total expense was $4,506 (2018 – $4,318) and is recorded within the appropriate headings of expenses by function. Total cash payments for employee future benefits for 2019, consisting of cash contributed by the Company to its funded plans, cash contributed to its defined contribution plans and benefits paid directly to beneficiaries for unfunded plans, was $8,899 (2018 – $7,374).

Actuarial assumptions and sensitivity analysis

Weighted-average assumptions used to determine benefit obligations:

	Pension benefits		**Post-retirement benefits**	
	2019	**2018**	**2019**	**2018**
Discount rate	2.21%	3.18%	2.83%	4.00%
Rate of compensation increase	2.13%	2.22%	n/a	n/a

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

Weighted-average assumptions used to determine net periodic cost:

	Pension benefits		Post-retirement benefits	
	2019	2018	2019	2018
Discount rate	3.18%	2.79%	(1)	3.60%
Rate of compensation increase	2.22%	2.59%	n/a	n/a
Post-retirement mortality at age 65 for current pensioners (male)	19.2 years	19.4 years	19.1 years	19.6 years
Post-retirement mortality at age 65 for current pensioners (female)	22.1 years	22.4 years	21.6 years	22.1 years
Post-retirement mortality at age 65 for current pensioners aged 45 (male)	20.2 years	20.8 years	20.7 years	21.2 years
Post-retirement mortality at age 65 for current pensioners aged 45 (female)	23.3 years	23.8 years	23.2 years	23.7 years

(1) 4.00% for the eight months ended August 31, 2019 (measurement date) and 2.62% for the four months ended December 30, 2019.

At December 30, 2019, the weighted-average duration of the defined benefit obligations was 19.0 years for the pension benefits (2018 – 17.7 years) and 9.1 years for the post-retirement benefits (2018 – 10.7 years).

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Pension benefits 2019		Post-retirement benefits 2019		Pension benefits 2018		Post-retirement benefits 2018	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	$ (3,342)	$ 3,598	$ (135)	$ 141	$ (2,798)	$ 3,001	$ (235)	$ 245
Rate of compensation increase (0.5% movement)	$ 654	$ (632)	n/a	n/a	$ 677	$ (645)	n/a	n/a

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net periodic cost by the amounts shown below.

	Pension benefits 2019		Post-retirement benefits 2019		Pension benefits 2018		Post-retirement benefits 2018	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	$ (283)	$ 312	$ (8)	$ 9	$ (207)	$ 227	$ (12)	$ 13
Rate of compensation increase (0.5% movement)	$ 87	$ (84)	n/a	n/a	$ 86	$ (85)	n/a	n/a

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

The assumed health care cost trend used for measurement of the accumulated post-retirement benefit obligation is 8% in 2019, decreasing gradually to 5% in 2023 and remaining at that level thereafter.

Assumed health care cost trends have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	2019		2018	
	Increase	Decrease	Increase	Decrease
Effect on total of service and interest cost	$ 25	$ (21)	$ 36	$ (31)
Effect on post-retirement benefit obligation	$ 535	$ (465)	$ 709	$ (618)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

The measurement date used for plan assets and pension benefits was December 30 for both 2019 and 2018 and the measurement date used for post-retirement benefits was August 31, 2019 and December 30, 2018. The most recent actuarial valuations for the pension plans and post-retirement benefit plans are dated January 1, 2019. The most recent actuarial valuation of the pension plans for funding purposes was as of January 1, 2019, and the next required valuation will be as of January 1, 2020.

Plan assets are held in trust and their weighted average allocations were as follows as at the measurement date:

	2019		2018	
Debt securities				
Mutual funds - fixed income securities				
United States	$ 8,909	17%	$ 8,274	18%
Europe	100	–	15	–
International	2,091	4	2,189	5
Total debt securities	$ 11,100	21%	$ 10,478	23%
Other				
Insurance contracts	$ 20,644	39%	$ 16,581	36%
Mutual funds - specialty	1,943	3	1,694	4
Total other	$ 22,587	42%	$ 18,275	40%
Equity securities				
Canada	$ 159	1%	$ 145	–%
United States	10,915	20	8,404	19
Europe	1,709	3	1,433	3
International	3,869	7	3,102	7
Total equity securities	$ 16,652	31%	$ 13,084	29%
Cash and cash equivalents	$ 3,005	6%	$ 3,500	8%
Total	$ 53,344	100%	$ 45,337	100%

All debt securities, all equity securities and all other mutual funds - specialty are valued based on quoted prices (unadjusted) for identical assets and liabilities in active markets. All insurance contracts do not have a quoted market price.

NOTE 22 – PENSION & POST-RETIREMENT BENEFIT PLANS (continued)

The Company expects $5,284 in contributions to be paid to the funded defined benefit plans and $522 in benefits to be paid for the unfunded plans in 2020.

Other

Certain of the Company's subsidiaries have elected to act as a self-insurer for certain costs related to all active employee health and accident programs. The expense for the year ended December 30, 2019 was $7,573 (2018 – $7,892) under this self-insured benefit program.

NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

The share capital of the Company is as follows:

Authorized

- An unlimited number of preferred shares without nominal or par value, issuable in series and fully paid.
- An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.
- An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

Details of the issued and outstanding shares are as follows:

	2019		2018	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of year	4,188,775	$ 1,767	4,189,835	$ 1,768
Converted from Class "A" to Class "B" (1)	(300)	–	(1,060)	(1)
Balance, end of year	4,188,475	$ 1,767	4,188,775	$ 1,767
Class "B" Subordinate Voting Shares				
Balance, beginning of year	28,250,414	$ 201,546	28,248,611	$ 201,532
Converted from Class "A" to Class "B" (1)	300	–	1,060	1
Reclassification from contributed surplus due to settlement of deferred share units (Note 24)	41,046	619	743	13
Balance, end of year	28,291,760	$ 202,165	28,250,414	$ 201,546
TOTAL SHARE CAPITAL		$ 203,932		$ 203,313

(1) During the year ended December 30, 2019, the Company converted 300 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares (2018 – 1,060) at an average rate of $0.63 per share (2018 – $0.63 per share).

Nature and purpose of other components of equity

Contributed Surplus

The contributed surplus account is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

NOTE 23 – SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (continued)

Other Comprehensive Income (Loss)

Cumulative Translation Account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary assets or liabilities that hedge the Company's net investment in foreign operations.

Cash Flow Hedges

The cash flow hedges account comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Defined Benefit Plans

The defined benefit plans account comprises the remeasurement of the net pension and post-retirement defined benefit liabilities.

Other Equity

The other equity account comprises the remeasurement of the present value of the written put option liabilities.

Dividends on common shares

The following dividends were declared and paid by the Company:

	2019	2018
$0.45 per share on the outstanding Class "A" Multiple Voting Shares, Class "B" Subordinate Voting Shares (2018 – $1.20 per share)	$ 14,599	$ 38,926

On March 14, 2019, the Company announced that it had adjusted its quarterly dividend from the prior $0.30 a share to $0.15 a share for the current year. During the first three quarters of 2019, a quarterly dividend of $0.15 per share was declared by the Board of Directors. On September 30, 2019, the Board of Directors suspended the declaration of the Company's dividends.

NOTE 24 – SHARE-BASED PAYMENTS

The following table summarizes the share-based payments expense (recovery) recognized within general and administration expenses:

	2019	2018
DSU – Directors	$ 291	$ 135
DSU – Executive	519	500
RSU	(164)	333
SAR	(4)	(814)
PSU	(626)	(1,044)
	$ 16	$ (890)

NOTE 24 – SHARE-BASED PAYMENTS (continued)

The following table summarizes the carrying amount of the Company's RSU, SAR and PSU plans (cash-settled) recognized in the consolidated statements of financial position:

	2019	2018
Trade and other payables	$ 392	$ 376
Other long-term liabilities	555	1,586
	$ 947	$ 1,962

Directors' Deferred Share Unit Plan

The Company has a Directors' Deferred Share Unit Plan (the "DDSU Plan") under which an external director of the Company may elect annually to have their director's fees paid in the form of DSUs. A plan participant may also receive dividend equivalents paid in the form of DSUs.

The number of DSUs received by a director is determined by dividing the amount of the remuneration to be paid in the form of DSUs on that date or dividends to be paid on payment date (the "Award Dates") by the fair market value of the Company's Class "B" Subordinate Voting Shares on the Award Date. The Award Date is the last day of each quarter of the Company's fiscal year in the case of fees forfeited and the date on which the dividends are payable in the case of dividends. The fair market value of the Company's Class "B" Subordinate Voting Shares is equal to their average closing trading price during the five trading days preceding the Award Date. Upon termination of a director's service, a director may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs credited to the director's account multiplied by the fair market value of the Class "B" Subordinate Voting Shares on the date a notice of redemption is filed by the director; or
(b) the number of Class "B" Subordinate Voting Shares equal to the number of DSUs in the director's account; or
(c) a combination of cash and Class "B" Subordinate Voting Shares.

Of the 350,000 DSUs authorized for issuance under the plan, 138,889 were available for issuance under the DSU plan as at December 30, 2019.

The changes in outstanding number of DSUs are as follows:

	2019	2018
DSUs outstanding, beginning of year	155,701	137,849
Issued for fees forfeited	47,126	8,574
Issued for dividend equivalents (1)	8,284	9,278
DSUs outstanding, end of year	211,111	155,701

(1) DSUs issued for dividend equivalents for the year ended December 30, 2019 amount to $67 (2018 – $171) which were charged to retained earnings and credited to contributed surplus.

NOTE 24 – SHARE-BASED PAYMENTS (continued)

Executive Deferred Share Unit Plan

The Company has an Executive Deferred Share Unit Plan (the “EDSU Plan”) under which executive officers of the Company may elect annually to have a portion of their annual salary and bonus paid in the form of DSUs. The EDSU Plan assists the executive officers in attaining prescribed levels of ownership of the Company’s shares. A plan participant may also receive dividend equivalents paid in the form of DSUs. The number of DSUs received by an executive officer is determined by dividing the amount of the salary and bonus to be paid in the form of DSUs on that date or dividends to be paid on payment date (the “Award Dates”) by the fair market value of the Company’s Class “B” Subordinate Voting Shares on the Award Date. The Award Date is the last business day of each month of the Company’s fiscal year in the case of salary, the date on which the bonus is, or would otherwise be, paid to the participant in the case of bonus and the date on which the dividends are payable in the case of dividends. The fair market value of the Company’s Class “B” Subordinate Voting Shares is equal to their weighted average trading price during the five trading days preceding the Award Date.

The Board of Directors may also grant discretionary DSUs with vesting conditions, such as service and non-market performance conditions. The holders of the discretionary DSUs are entitled to dividends declared by the Company which are recognized in the form of additional DSUs awards equivalent in value to the dividends paid on the Company’s Class “B” Subordinate Voting Shares. The vesting conditions of these additional DSUs awards are subject to the same performance vesting conditions as the underlying discretionary DSUs.

Upon termination of an executive officer’s service, an executive officer may receive, at the discretion of the Board of Directors, either:

(a) cash equal to the number of DSUs credited to the executive officer’s account multiplied by the fair market value of the Class “B” Subordinate Voting Shares on the date a notice of redemption is filed by the executive officer; or
(b) the number of Class “B” Subordinate Voting Shares equal to the number of DSUs in the executive officer’s account; or
(c) a combination of cash and Class “B” Subordinate Voting Shares.

Of the 750,000 DSUs authorized for issuance under the plan, 527,770 were available for issuance under the EDSU Plan as at December 30, 2019.

The changes in outstanding number of DSUs are as follows:

	2019	**2018**
DSUs outstanding, beginning of year	178,743	140,885
Issued for salaries and bonus paid	59,071	22,768
Discretionary DSUs granted (1)	18,864	22,610
Issued for dividend equivalents (2)	12,365	11,639
Performance adjustment	(2,971)	(18,254)
Forfeited	(9,604)	–
Settlement of deferred share units (3)	(34,238)	(905)
DSUs outstanding, end of year	222,230	178,743
Total vested, end of year	194,323	157,950

(1) On December 5, 2019, the Company granted 18,864 discretionary DSUs. On July 4, 2018, the Company granted 22,610 discretionary DSUs. The discretionary DSUs granted vest in whole after a 3-year performance cycle and have performance vesting conditions. The number of discretionary DSUs that can vest can be up to 1.5 times the actual number of discretionary DSUs awarded if exceptional financial performance is achieved.

NOTE 24 – SHARE-BASED PAYMENTS (continued)

(2) DSUs issued for dividend equivalents for the year ended December 30, 2019 amount to $97 (2018 – $212) which were charged to retained earnings and credited to contributed surplus.
(3) During the year ended December 30, 2019, 34,238 DSUs were settled for which $693 was debited to contributed surplus and $619 credited to share capital; the difference representing the withholding taxes the Company was required by law to withhold upon settlement.

Long-term incentive plans (cash-settled)

The Company has the following long-term incentive plans for senior executives and certain key employees:

- A restricted share unit (RSUs) plan that entitles them to a cash payment equal to the number of the Company's Class "B" Subordinate Voting Shares underlying the vested RSUs multiplied by the weighted average trading price during the five trading days immediately preceding the vesting date. The RSUs granted vest in whole after three years from the date of the issuance of the grant. The RSUs vest based on service conditions and are not subject to performance conditions. A plan participant may also receive dividend equivalents paid in the form of RSUs.
- A share appreciation rights (SARs) plan that entitles them to a cash payment based on the increase in the share price of the Company's Class "B" Subordinate Voting Shares from the grant date to the settlement date. The SARs vest based on service conditions and are not subject to performance conditions.
- A performance share unit (PSUs) plan that entitles them to a cash payment. The PSUs vest based on non-market performance conditions. The number of PSUs that can vest can be up to 1.5 times the actual number of PSUs awarded if exceptional financial performance is achieved. A plan participant may also receive dividend equivalents paid in the form of PSUs.

The changes in outstanding number of RSUs, SARs and PSUs are as follows:

			2019			2018
	RSU	SAR	PSU	RSU	SAR	PSU
Outstanding, beginning of year	172,151	799,191	225,386	71,343	977,211	320,060
Granted (1)	85,628	–	175,092	102,267	–	201,480
Issued for dividend equivalents	9,208	–	17,819	8,075	–	22,521
Performance adjustment	–	–	(120,727)	–	–	(185,190)
Settled	–	–	(31,965)	–	–	(107,038)
Expired	–	(420,287)	–	–	(113,771)	–
Forfeited	(20,096)	(40,820)	(38,018)	(9,534)	(64,249)	(26,447)
Outstanding, end of year	246,891	338,084	227,587	172,151	799,191	225,386

(1) The weighted average share price at the date the RSUs and PSUs were granted, on December 5, 2019, was $4.20. The weighted average share price at the date the RSUs and PSUs were granted, on July 4, 2018, was $17.12.

NOTE 25 – COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel includes the Company's senior management and members of its Board of Directors. The following table summarizes the amounts recognized as an expense related to the Company's key management personnel:

	2019	2018
Wages and salaries	$ 4,209	$ 6,783
Social security costs	250	319
Contributions to defined contribution plans	7	7
Share-based payments	71	(689)
	$ 4,537	$ 6,420

NOTE 26 – COMMITMENTS, GUARANTEES AND CONTINGENCIES

a) Capital expenditures commitments

As at December 30, 2019, the Company has capital expenditure commitments of approximately $5,474 and commitments for expenditures related to marketing of approximately $2,950 due in 2020.

b) Guarantees

In the normal course of business, the Company granted irrevocable standby letters of credit issued by highly rated financial institutions and other guarantees to various third parties to indemnify them in the event the Company does not perform its contractual obligations, such as payment of product liability claims, lease and licensing agreements, duties and workers compensation claims. As at December 30, 2019, standby letters of credit and other guarantees outstanding totalled $15,601. As many of these guarantees will not be drawn upon, these amounts are not indicative of future cash requirements. No material loss is anticipated by reason of such agreements and guarantees and no amounts have been accrued in the Company's consolidated financial statements with respect to these guarantees.

c) Contingencies

The Company is currently a party to various claims and legal proceedings. If management believes that a loss arising from these matters is probable and can reasonably be estimated, that amount of the loss is recorded, or the middle of the range estimated liability when the loss is estimated using a range and no point within the range is more probable than another. When a loss arising from such matters is probable, legal proceedings against third parties or counterclaims are recorded only if management, after consultation with outside legal counsels, believes such recoveries are virtually certain to be realized. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations.

NOTE 27 – INCOME TAXES

Variations of income taxes expense (recovery) from the basic Canadian federal and provincial combined tax rates applicable to income before income taxes are as follows:

	2019		2018	
	$	**%**	**$**	**%**
Income (loss) before income taxes	2,333	–	(498,163)	–
PROVISION FOR INCOME TAXES (1)	611	26.2	(131,016)	26.3
ADD (DEDUCT) EFFECT OF:				
Difference in statutory tax rates of foreign subsidiaries	(1,898)	(81.4)	10,933	(2.2)
Non-recognition of tax benefits related to tax losses and temporary differences	31,180	1,336.5	20,344	(4.1)
Tax incentives	(1,236)	(53.0)	(888)	0.2
Non-deductible impairment of goodwill	–	–	53,414	(10.7)
Permanent differences	(17,061)	(731.3)	(6,593)	1.3
Tax rates changes	157	6.7	(1,174)	0.2
Foreign exchange and other – net	1,033	44.3	1,160	(0.2)
	12,786	548.0	(53,820)	10.8

(1) The applicable statutory tax rates are 26.2% and 26.3%, respectively for the years ended December 30, 2019 and 2018. The Company's applicable tax rate is the Canadian combined rate applicable in the jurisdictions in which the Company operates.

The components of deferred income tax expense (recovery) are:

	2019	2018
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	$ 2,506	$ (63,683)
Effect of tax rates changes	157	(1,174)
	$ 2,663	$ (64,857)

The deferred tax assets and liabilities in the consolidated statements of financial position are as follows:

	2019	2018
Deferred tax assets	$ 60,421	$ 57,674
Deferred tax liabilities	(12,855)	(13,860)
	$ 47,566	$ 43,814

NOTE 27 – INCOME TAXES (continued)

The details of changes of deferred income taxes are as follows:

	Balance as at December 30, 2018	Adjustment on initial application of IFRS 16 (Note 3)	Adjusted balance as at December 31, 2018	Recognized in net loss	Recognized in other comprehen-sive income (loss)	Others (1)	Balance as at December 30, 2019
Capital and operating tax losses carried forward	$ 26,353	$ (788)	$ 25,565	$ 16,270	$ –	$ (211)	$ 41,624
Net pension and post-retirement benefit obligations	6,909	–	6,909	(1,119)	695	(67)	6,418
Other liabilities	804	–	804	(1,845)	397	(14)	(658)
Long-term debt	184	–	184	1,967	–	3	2,154
Trade accounts receivable	10,608	–	10,608	(3,034)	–	(72)	7,502
Inventories	12,174	–	12,174	(1,479)	–	25	10,720
Trade and other payables	8,355	(189)	8,166	1,258	–	–	9,424
Provisions	8,062	–	8,062	(62)	–	(1)	7,999
Assets held for sale	(806)	–	(806)	(830)	–	(16)	(1,652)
Property, plant and equipment	(11,859)	357	(11,502)	(1,012)	–	777	(11,737)
Lease liabilities and right-of-use assets, net	–	4,444	4,444	459	–	(222)	4,681
Intangible assets	(20,066)	1,968	(18,098)	(14,191)	–	(440)	(32,729)
Goodwill	721	–	721	(418)	–	(9)	294
Contributed surplus and other equity	(759)	–	(759)	1	–	–	(758)
Foreign exchange and other	3,134	5	3,139	1,372	–	(227)	4,284
	$ 43,814	$ 5,797	$ 49,611	$ (2,663)	$ 1,092	$ (474)	$ 47,566

(1) Others mainly comprise foreign currency exchange rate changes.

	Balance as at December 30, 2017	Adjustment on initial application of IFRS 15 and IFRS 9	Adjusted balance as at December 31, 2017	Recognized in net loss	Recognized in other comprehen-sive income (loss)	Others (1)	Balance as at December 30, 2018
Capital and operating tax losses carried forward	$ 36,253	$ –	$ 36,253	$ (5,839)	$ –	$ (4,061)	$ 26,353
Net pension and post-retirement benefit obligations	8,347	–	8,347	199	(1,551)	(86)	6,909
Other liabilities	2,743	–	2,743	(676)	(1,124)	(139)	804
Long-term debt	(178)	–	(178)	306	–	56	184
Trade accounts receivable	14,091	264	14,355	(2)	–	(3,745)	10,608
Inventories	12,143	(210)	11,933	56	–	185	12,174
Trade and other payables	2,155	523	2,678	964	–	4,713	8,355
Provisions	8,656	(303)	8,353	(589)	–	298	8,062
Assets held for sale	586	–	586	–	–	(1,392)	(806)
Property, plant and equipment	(15,263)	–	(15,263)	1,938	–	1,466	(11,859)
Intangible assets	(59,806)	–	(59,806)	37,987	–	1,753	(20,066)
Goodwill	(29,688)	–	(29,688)	30,407	–	2	721
Other equity	(727)	–	(727)	–	–	(32)	(759)
Foreign exchange and other	3,015	–	3,015	106	–	13	3,134
	$ (17,673)	$ 274	$ (17,399)	$ 64,857	$ (2,675)	$ (969)	$ 43,814

(1) Others mainly comprise foreign currency exchange rate changes.

NOTE 27 – INCOME TAXES (continued)

Net deferred tax assets of $66,732 were recognized as at December 30, 2019 (2018 – $43,546) in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income or projections for future taxable income, management believes it is probable that the Company will realize the benefits of these deductible differences and operating tax losses carry forward.

As at December 30, 2019, the net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $305,652 (2018 – $208,213). These net operating losses carried forward will expire starting in 2020 onwards. In addition, as at December 30, 2019, the Company has $4,546 of net capital losses carried forward for which deferred tax assets have not been recognized (2018 – $4,546). Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains. The unrecognized deferred tax assets related to capital and operating tax losses carried forward amounted to $70,110 as at December 30, 2019 (2018 – $46,084).

The Company has not recognized deferred tax liabilities for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to corporation and/or withholding taxes. Taxable temporary differences for which deferred tax liabilities were not recognized amount to approximately $173,446 (2018 – $147,369).

The breadth of the Company's operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities.

NOTE 28 – LOSS PER SHARE

The following table provides a reconciliation between the number of basic and fully diluted shares outstanding:

	2019	2018
Weighted daily average number of Class “A” Multiple and Class “B” Subordinate Voting Shares	32,448,448	32,438,645
Dilutive effect of deferred share units	–	–
Weighted average number of diluted shares	32,448,448	32,438,645
Number of anti-dilutive deferred share units excluded from fully diluted loss per share calculation	405,434	313,651

As at December 30, 2018, convertible debentures were excluded from the calculation of diluted loss per share as these debentures were deemed anti-dilutive. On July 22, 2019, the Company redeemed its convertible debentures.

NOTE 29 – SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in balances related to operations are as follows:

	2019	2018
Trade accounts receivable	$ 324	$ (5,040)
Inventories	(4,971)	(60,321)
Other assets	(1,786)	698
Trade and other payables	(22,604)	102,936
Net pension and post-retirement defined benefit liabilities	(4,393)	(3,056)
Provisions	11,544	(2,899)
Other liabilities	732	(462)
	$ (21,154)	$ 31,856

The components of cash and cash equivalents are:

	2019	2018
Cash	$ 36,246	$ 37,798
Short-term investments	2,895	1,474
Cash and cash equivalents	$ 39,141	$ 39,272

The consolidated statements of cash flows exclude the following non-cash transactions:

	2019	2018
Acquisition of property, plant and equipment financed by trade and other payables	$ 2,809	$ 4,065
Acquisition of property, plant and equipment financed by lease liabilities (2018 – obligations under finance leases)	$ 22,332	$ 1,548
Acquisition of intangible assets financed by trade and other payables	$ 1,126	$ 459

NOTE 29 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The reconciliation of movements of liabilities, except of lease liabilities (for which the information is presented in Note 12), to cash flows arising from financing activities is as follows:

				Cash (used in) provided by financing activities				Non-cash changes			
	Balance as at December 30, 2018	Adjustment on initial application of IFRS 16 (Note 3)	Adjusted balance as at December 31, 2018	Proceeds	Repay-ments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	Other	Balance as at December 30, 2019
Bank indebtedness	$ 50,098	$ –	$ 50,098	$ 11,302	$ –	$ –	$ (1,702)	$ –	$ –	$ –	$ 59,698
Senior unsecured notes	$ –	$ –	$ –	$ 116,875	$ –	$ (1,875)	$ –	$ 4,168	$ –	$ 773	$ 119,941
Revolving bank loans	152,728	–	152,728	40,887	–	–	(854)	–	–	–	192,761
Term loan	160,261	–	160,261	–	(38,500)	(452)	–	405	–	–	121,714
Balance of sale on acquisition of Canbest	–	–	–	–	(3,200)	–	–	205	–	8,578	5,583
Convertible debentures	118,344	–	118,344	–	(120,000)	–	–	986	–	670	–
Other	5,736	(2,776)	2,960	–	(661)	–	(196)	–	–	–	2,103
Total long-term debt	$ 437,069	$ (2,776)	$ 434,293	$ 157,762	$ (162,361)	$ (2,327)	$ (1,050)	$ 5,764	$ –	$ 10,021	$ 442,102
Deferred financing costs (asset)	$ (1,624)	$ –	$ (1,624)	$ –	$ –	$ (1,344)	$ 5	$ 1,113	$ –	$ –	$ (1,850)
Embedded derivatives related to prepayment options (asset)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ (597)	$ (145)	$ (742)
Interest rate swaps liability (asset) used for hedging	$ (115)	$ –	$ (115)	$ 56	$ –	$ –	$ –	$ –	$ 1,597	$ –	$ 1,538
Written put option liabilities	$ 12,002	$ –	$ 12,002	$ 442	$ –	$ –	$ –	$ –	$ (3,876)	$ –	$ 8,568

NOTE 29 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)

		Cash (used in) provided by financing activities				Non-cash changes			
	Balance as at December 30, 2017	Proceeds	Repay-ments	Financing costs	Effect of foreign currency exchange rate changes	Accretion of interest	Changes in fair value	Net addition of finance leases	Balance as at December 30, 2018
Bank indebtedness	$ 58,229	$ –	$ (2,041)	$ –	$ (6,090)	$ –	$ –	$ –	$ 50,098
Revolving bank loans	$ 136,447	$ 18,565	$ –	$ –	$ (2,284)	$ –	$ –	$ –	$ 152,728
Term loan	188,423	–	(28,400)	(78)	–	316	–	–	160,261
Convertible debentures	116,652	–	–	–	–	1,692	–	–	118,344
Other	5,905	174	(1,421)	–	(470)	–	–	1,548	5,736
Total long-term debt	$ 447,427	$ 18,739	$ (29,821)	$ (78)	$ (2,754)	$ 2,008	$ –	$ 1,548	$ 437,069
Deferred financing costs (asset)	$ (2,605)	$ –	$ –	$ (135)	$ 20	$ 1,096	$ –	$ –	$ (1,624)
Interest rate swaps liability (asset) used for hedging	$ (57)	$ 108	$ –	$ –	$ –	$ –	$ (166)	$ –	$ (115)
Written put option liabilities	$ 23,464	$ –	$ –	$ –	$ –	$ –	$ (11,462)	$ –	$ 12,002

NOTE 30 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION

a) Finance expenses

	2019	2018
Interest on long-term debt – including effect of cash flow hedge related to the interest rate swaps and the accreted interest related to long-term debt bearing interest at fixed rates	$ 33,979	$ 25,725
Interest on lease liabilities (Note 12)	7,907	–
Amortization of deferred financing costs (Note 15)	1,113	1,096
Loss on debt modification and on revision of estimated payments related to convertible debentures (Note 18)	1,298	–
Other interest	6,083	5,829
	$ 50,380	$ 32,650

NOTE 30 – FINANCE EXPENSES, DEPRECIATION AND AMORTIZATION, AND OTHER INFORMATION (continued)

b) Depreciation and amortization

Depreciation of property, plant and equipment and right-of-use assets, and amortization of intangible assets are included in the following consolidated income statements captions:

				2019				2018
	Property, plant and equipment (Note 11)	Right-of-use assets (Note 12)	Intangible assets (Note 13)	Total	Property, plant and equipment (Note 11)	Right-of-use assets (Note 12)	Intangible assets (Note 13)	Total
Included in cost of sales	$ 23,144	$ 28,245	$ –	$ 51,389	$ 22,023	$ –	$ 336	$ 22,359
Included in selling expenses	920	9,560	5,701	16,181	1,751	–	7,239	8,990
Included in general and administrative expenses	6,282	6,881	2,790	15,953	8,702	–	2,388	11,090
Included in research and development expenses	–	209	12,053	12,262	–	–	7,967	7,967
	$ 30,346	$ 44,895	$ 20,544	$ 95,785	$ 32,476	$ –	$ 17,930	$ 50,406

c) Employee benefits expense

	2019	2018
Wages and salaries	$ 308,713	$ 318,808
Social security costs	74,853	77,085
Employee severance and termination benefits (Note 6)	24,770	6,796
Contributions to defined contribution plans (Note 22)	4,506	4,318
Expenses related to defined benefit plans (Note 22)	541	3,582
(Income) expenses related to post-retirement benefits plan (Note 22)	(2,010)	448
Share-based payments (Note 24)	16	(890)
	$ 411,389	$ 410,147

NOTE 31 – SEGMENTED INFORMATION

The Company's significant business segments are based on three distinctive lines of activities which include:

- **Dorel Home segment**: Engaged in the design, sourcing, manufacturing and distribution of ready-to-assemble furniture and home furnishings which include metal folding furniture, futons, children's furniture, step stools, hand trucks, ladders, outdoor furniture and other imported furniture items.
- **Dorel Juvenile segment**: Engaged in the design, sourcing, manufacturing, distribution and retail of children's accessories which include infant car seats, strollers, high chairs and infant health and safety aids.
- **Dorel Sports segment**: Engaged in the design, sourcing, manufacturing and distribution of recreational and leisure products and accessories which include bicycles, jogging strollers, scooters and other recreational products.

NOTE 31 – SEGMENTED INFORMATION (continued)

The accounting policies used to prepare the information by business segment are the same as those used to prepare the consolidated financial statements of the Company as described in Note 4.

The above reportable segments are the Company's strategic business units which are based on their products and are managed separately.

The Company evaluates financial performance based on measures of income from segmented operations before finance expenses and income taxes.

Reporting Segments

	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	$ 2,634,646	$ 2,619,513	$ 842,085	$ 804,447	$ 883,532	$ 932,060	$ 909,029	$ 883,006
Cost of sales (Note 6)	2,099,108	2,054,721	724,060	671,598	657,818	687,899	717,230	695,224
Gross profit	535,538	564,792	118,025	132,849	225,714	244,161	191,799	187,782
Selling expenses	219,388	232,977	25,731	26,186	106,923	117,915	86,734	88,876
General and administrative expenses	168,222	178,804	30,054	29,886	74,262	82,759	63,906	66,159
Research and development expenses	39,695	37,819	4,970	4,241	29,377	28,283	5,348	5,295
Impairment loss on trade accounts receivable	5,759	16,425	1,189	2,112	2,372	5,102	2,198	9,211
Restructuring and other costs (Note 6)	29,526	16,609	–	252	26,246	6,192	3,280	10,165
Impairment losses on goodwill, intangible assets and property, plant and equipment (Notes 11, 13 and 14)	–	525,639	–	–	–	288,416	–	237,223
Operating profit (loss)	72,948	(443,481)	$ 56,081	$ 70,172	$ (13,466)	$ (284,506)	$ 30,333	$ (229,147)
Finance expenses	50,380	32,650						
Corporate expenses	20,235	22,032						
Income taxes expense (recovery)	12,786	(53,820)						
Net loss	$ (10,453)	$ (444,343)						
Total Assets	$ 1,809,547	$ 1,688,497	$ 395,879	$ 335,722	$ 718,418	$ 756,714	$ 695,250	$ 596,061
Total Liabilities	$ 803,666	$ 646,186	$ 233,823	$ 167,527	$ 311,705	$ 263,295	$ 258,138	$ 215,364
Additions to property, plant and equipment	$ 22,607	$ 35,476	$ 2,092	$ 3,741	$ 12,945	$ 21,423	$ 7,570	$ 10,312
Additions to intangible assets	$ 17,402	$ 20,889	$ –	$ 35	$ 12,658	$ 20,579	$ 4,744	$ 275
Depreciation and amortization included in operating profit (loss)	$ 94,915	$ 49,840	$ 16,028	$ 3,975	$ 61,573	$ 36,849	$ 17,314	$ 9,016
Write-down of long-lived assets included in operating profit (loss) (Notes 6, 11 and 13)	$ 4,542	$ 7,962	$ 610	$ –	$ 3,379	$ –	$ 553	$ 7,962

NOTE 31 – SEGMENTED INFORMATION (continued)

Disaggregation of Revenue

Revenue is composed mainly from revenue generated from sales of goods. Within each reporting segment, the Company disaggregates its revenue from customers based on the geographic area where the selling entity is located and based on channels of distribution as it believes it best depicts how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by economics factors. The following table provides the disaggregation of the Company's total revenue:

	Total		Dorel Home		Dorel Juvenile		Dorel Sports	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Geographic area								
Canada	$ 186,361	$ 204,082	$ 127,855	$ 144,087	$ 26,467	$ 29,103	$ 32,039	$ 30,892
United States	1,586,709	1,514,551	697,070	637,115	335,603	328,982	554,036	548,454
Europe	494,578	512,769	5,954	1,813	285,729	320,082	202,895	190,874
Latin America	246,065	242,870	–	–	142,112	146,423	103,953	96,447
Asia	72,704	80,888	61	61	56,537	64,562	16,106	16,265
Other countries	48,229	64,353	11,145	21,371	37,084	42,908	–	74
Total	$ 2,634,646	$ 2,619,513	$ 842,085	$ 804,447	$ 883,532	$ 932,060	$ 909,029	$ 883,006
Channels of distribution								
Brick and mortar retailers	$ 1,774,265	$ 1,855,884	$ 337,381	$ 371,787	$ 626,053	$ 676,918	$ 810,831	$ 807,179
Internet retailers	820,537	720,559	504,560	430,753	221,186	214,950	94,791	74,856
Other	39,844	43,070	144	1,907	36,293	40,192	3,407	971
Total	$ 2,634,646	$ 2,619,513	$ 842,085	$ 804,447	$ 883,532	$ 932,060	$ 909,029	$ 883,006

Total Assets and Total Liabilities

	2019	2018
Total Assets		
Total assets for reportable segments	$ 1,809,547	$ 1,688,497
Corporate assets	50,559	45,009
Total	$ 1,860,106	$ 1,733,506
Total Liabilities		
Total liabilities for reportable segments	$ 803,666	$ 646,186
Corporate liabilities	522,274	506,217
Total	$ 1,325,940	$ 1,152,403

NOTE 31 – SEGMENTED INFORMATION (continued)

Non-Current Assets Geographic Information

In presenting the geographic information for the Company's non-current assets, segment assets were based on the geographic location of the assets.

Property, plant and equipment, right-of-use assets, intangible assets and goodwill		
	2019	**2018**
Canada	$ 57,094	$ 40,248
United States	186,620	99,842
Europe	261,324	238,521
Latin America	38,271	23,049
Asia	111,850	118,058
Other countries	5,710	2,072
	$ 660,869	$ 521,790

Goodwill

The continuity of goodwill by reporting segment is as follows:

(a) Gross amount

	Total	**Dorel Home**	**Dorel Juvenile**	**Dorel Sports**
Balance as at December 30, 2017	$ 601,451	$ 31,172	$ 375,075	$ 195,204
Addition (Note 10)	1,281	1,281	–	–
Disposal (1)	(9,237)	–	–	(9,237)
Effect of foreign currency exchange rate changes	(15,119)	(38)	(11,287)	(3,794)
Balance as at December 30, 2018	$ 578,376	$ 32,415	$ 363,788	$ 182,173
Addition (Note 10)	8,578	8,578	–	–
Effect of foreign currency exchange rate changes	(5,044)	48	(4,437)	(655)
Balance as at December 30, 2019	$ 581,910	$ 41,041	$ 359,351	$ 181,518

NOTE 31 – SEGMENTED INFORMATION (continued)

(b) Accumulated impairment losses

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2017	$ 163,379	$ –	$ 102,996	$ 60,383
Disposal (1)	(9,237)	–	–	(9,237)
Impairment loss (Note 14)	353,634	–	218,813	134,821
Effect of foreign currency exchange rate changes	(5,816)	–	(2,022)	(3,794)
Balance as at December 30, 2018	$ 501,960	$ –	$ 319,787	$ 182,173
Effect of foreign currency exchange rate changes	(4,528)	–	(3,873)	(655)
Balance as at December 30, 2019	$ 497,432	$ –	$ 315,914	$ 181,518

(c) Net book value

	Total	Dorel Home	Dorel Juvenile	Dorel Sports
Balance as at December 30, 2018	$ 76,416	$ 32,415	$ 44,001	$ –
Balance as at December 30, 2019	$ 84,478	$ 41,041	$ 43,437	$ –

(1) As a result of the sale of the performance apparel line of business in the second quarter of 2018 (Note 6), SUGOI's related goodwill was derecognized.

Concentration of Credit Risk

Sales to the Company's major customer as described in Note 20 were concentrated as follows:

	Total		Canada		United States		Foreign	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Dorel Home	12.4%	13.0%	1.9%	1.9%	10.1%	10.8%	0.4%	0.3%
Dorel Juvenile	7.2%	7.1%	0.3%	0.6%	5.9%	6.1%	1.0%	0.4%
Dorel Sports	9.0%	8.8%	–%	0.1%	9.0%	8.7%	–%	–%
Total	28.6%	28.9%	2.2%	2.6%	25.0%	25.6%	1.4%	0.7%