Brewers Retail Inc.

Financial statements
(Expressed in thousands of Canadian dollars)
December 31, 2020

Independent auditor's report

To the shareholders of
Brewers Retail Inc.

Opinion

We have audited the financial statements of **Brewers Retail Inc.** (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of operations and comprehensive income (loss), statement of changes in shareholder's equity (deficit) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year 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 Auditor's responsibilities for the audit of the financial statements section of our 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.

Other matter

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 11, 2020.

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 IFRSs, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young LLP

Toronto, Canada
March 3, 2021

Chartered Professional Accountants
Licensed Public Accountants

Brewers Retail Inc.

Statement of Financial Position

As at December 31, 2020

(Expressed in thousands of Canadian dollars)

	2020	2019
	$	$
Assets		
Current assets		
Cash and cash equivalents	**58,724**	43,785
Trade receivables *(notes 6 and 23)*	**70,283**	62,403
Empties deposits	**4,516**	4,629
Inventories *(note 7)*	**22,327**	26,351
Other current assets	**900**	2,113
	156,750	139,281
Property, plant and equipment *(note 8)*	**73,857**	92,143
Assets held for sale *(notes 8 and 9)*	**1,352**	—
Right-of-use assets *(note 10)*	**263,596**	290,112
Intangible assets *(note 11)*	**54,065**	57,621
Pension benefit asset *(note 17)*	**986**	—
Deferred income tax assets *(note 18)*	**71,840**	69,260
	622,446	648,417
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Bank indebtedness *(note 12)*	**53,000**	53,000
Trade and other payables and provisions *(notes 13 and 23)*	**160,218**	158,565
Current lease liabilities *(note 15)*	**46,564**	43,450
	259,782	255,015
Deferred gain on sale leaseback *(note 15)*	**5,603**	6,074
Lease liabilities *(note 15)*	**289,098**	283,823
Pension benefit liability *(note 17)*	**14,784**	51,183
Post-retirement employee benefits *(note 17)*	**61,205**	60,352
	630,472	656,447
Commitments *(note 16)*		
Shareholders' equity (deficit)		
Share capital *(note 20)*	**200,345**	200,345
Deficit	**(94,039)**	(58,917)
Accumulated other comprehensive loss	**(114,332)**	(149,458)
Total shareholders' equity (deficit)	**(8,026)**	(8,030)
	622,446	648,417

See accompanying notes

Approved by the Board of Directors

(Signed) "Daniel Preston" Director   (Signed) "Tom Muir" Director

Brewers Retail Inc.

Statement of Operations and Comprehensive Income (Loss)

For the year ended December 31, 2020

(Expressed in thousands of Canadian dollars)

	2020 $	2019 $
Revenue		
Service charges *(notes 5 and 23)*	**318,986**	316,091
Other *(notes 5 and 23)*	**80,462**	86,088
	399,448	402,179
Expenses		
Operating *(note 23)*	**68,325**	65,504
Salary and wages *(note 23)*	**200,994**	199,758
Benefits *(note 23)*	**53,158**	52,730
Occupancy	**32,651**	33,260
Administration	**6,399**	7,896
Finance	**20,417**	21,236
Depreciation and amortization *(notes 8, 10 and 11)*	**68,195**	68,253
	450,139	448,637
Operating loss	**(50,691)**	(46,458)
Gain on sale of real property *(notes 8 and 15)*	**294**	5,218
Loss before income taxes	**(50,397)**	(41,240)
Income tax recovery *(note 19)*	**(15,275)**	(8,820)
Net loss	**(35,122)**	(32,420)
Other comprehensive income (loss), net of taxes		
Actuarial gains (losses)		
Pension *(notes 17 and 18)*	**35,595**	(21,749)
Other post-retirement benefits *(notes 17 and 18)*	**(469)**	(2,925)
	35,126	(24,674)
Net loss and comprehensive income (loss)	**4**	(57,094)

See accompanying notes

Brewers Retail Inc.

Statement of Changes in Shareholders' Equity (Deficit)

For the year ended December 31, 2020

(Expressed in thousands of Canadian dollars)

	Share capital $	Deficit $	Accumulated other comprehensive income (loss) $	Total shareholders' equity (deficit) $
Balance, January 1, 2020	**200,345**	**(58,917)**	**(149,458)**	**(8,030)**
Net loss for the year	**—**	**(35,122)**	**—**	**(35,122)**
Actuarial gain net of taxes	**—**	**—**	**35,126**	**35,126**
Balance, December 31, 2020	**200,345**	**(94,039)**	**(114,332)**	**(8,026)**
Balance, January 1, 2019	200,345	(26,497)	(124,784)	49,064
Net loss for the year	—	(32,420)	—	(32,420)
Actuarial loss net of taxes	—	—	(24,674)	(24,674)
Balance, December 31, 2019	200,345	(58,917)	(149,458)	(8,030)

See accompanying notes

Brewers Retail Inc.

Statement of Cash Flows

For the year ended December 31, 2020

(Expressed in thousands of Canadian dollars)

	2020	2019
	$	$
Operating activities		
Net loss for the year	**(35,122)**	(32,420)
Add (deduct) items not involving cash		
Depreciation and amortization *(notes 8, 10 and 11)*	**68,195**	68,253
Interest expense *(note 15)*	**9,611**	9,922
Deferred income taxes *(notes 18 and 19)*	**(15,250)**	(8,890)
Gain (loss) on disposal of property, plant and equipment *(note 8)*	**333**	(3,917)
Amortization of deferred gain *(note 15)*	**(471)**	(470)
Other benefits expenses *(note 17)*	**5,747**	7,270
Defined benefit plan expenses *(note 17)*	**11,050**	11,910
Other benefits contributions *(note 17)*	**(5,533)**	(4,614)
Defined benefit plan contributions *(note 17)*	**—**	(19,462)
Net change in non-cash working capital items *(note 22)*	**(6,713)**	(11,291)
Cash provided by operating activities	**31,847**	16,291
Investing activities		
Purchase of property, plant and equipment and intangible assets *(notes 8, 11 and 22)*	**(13,462)**	(24,341)
Proceeds from sale of property, plant and equipment *(notes 8 and 15)*	**50,236**	43,884
Cash provided by investing activities	**36,774**	19,543
Financing activities		
Bank indebtedness *(note 12)*	**—**	1,000
Payments on lease liabilities *(note 15)*	**(53,682)**	(48,909)
Cash used in financing activities	**(53,682)**	(47,909)
Net increase (decrease) in cash and cash equivalents during the year	**14,939**	(12,075)
Cash and cash equivalents, beginning of year	**43,785**	55,860
Cash and cash equivalents, end of year	**58,724**	**43,785**

See accompanying notes

(Expressed in thousands of Canadian dollars)

1. Corporate information

As at December 31, 2020, Brewers Retail Inc. (the "Company"), operating as "The Beer Store," was owned by 31 Ontario brewers and, pursuant to a services agreement with each brewer, acts as a low cost, efficient distributor and retailer for the products of any brewer wishing to sell in the province of Ontario. The Company is a corporation formed under the laws of the Province of Ontario, Canada, by articles of amalgamation dated May 1, 1988, as amended. The Company's head office is located at 5900 Explorer Drive, Mississauga, Ontario, Canada.

The Company and its shareholders are parties to a Master Framework Agreement ("MFA") with the Government of Ontario dated September 22, 2015. Pursuant to the MFA, the Company entered into a shareholders' agreement dated January 1, 2016 (the "Shareholders Agreement") with its shareholders. Under the terms of the Shareholders Agreement, the Company operates on a self-sustaining, break-even cash flow basis. Any excess or shortfall of the Company's revenue versus costs is refunded or charged on a pro rata basis to all brewers that sell product through the Company. The Board of Directors of the Company determines the amount and timing of payments brewers are entitled to receive from or refund to the Company to maintain cash flow neutrality. The MFA has an initial term of ten years and is subject to renewal for successive five-year terms unless terminated in accordance with the terms of the MFA.

The Company is governed by a Board of Directors. Pursuant to the Shareholders Agreement, the Board of Directors is composed of 15 members, 11 of whom are representatives of the First equity Shareholders and four of whom are independent directors.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements have been presented in thousands of Canadian dollars (the Company's functional currency) unless otherwise stated. The audited financial statements were approved by the Board of Directors on March 3, 2021.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of measurement

The financial statements have been prepared on a historical cost basis, unless otherwise indicated.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction or valuation when the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and monetary liabilities denominated in foreign currencies are recognized in finance income or finance expense in the statement of operations and comprehensive income (loss).

Financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to the contractual provisions of the asset or liability. A financial asset or financial liability is recognized initially (at trade date) at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the instrument, except for financial assets and financial liabilities classified as fair value through profit or loss, in which case they are initially recognized at fair value and the transaction costs are expensed in the statement of operations and comprehensive income (loss).

(Expressed in thousands of Canadian dollars)

Financial assets are classified on initial recognition as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Financial liabilities are classified as either fair value through profit or loss or financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

After initial recognition, financial assets are measured at their fair values, except for items classified as subsequently measured at amortized cost. After initial recognition, financial liabilities are measured at amortized cost.

Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets subsequently measured at amortized cost

Financial assets subsequently measured at amortized cost are instruments in which the financial asset is held with the objective of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Cash and cash equivalents, trade receivables and empties deposits are measured at amortized cost, using the effective interest method, less provision for impairment (trade receivables). Empties deposits represent the deposit value of returned empty alcoholic beverage containers. The carrying value of the Company's financial assets approximate their fair value because of their short-term nature. Any impairment of these financial assets is included within operating expenses in the statement of operations and comprehensive income (loss).

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are non-derivative financial liabilities. Bank indebtedness, trade and other payables and provisions are classified as financial liabilities measured at amortized cost using the effective interest rate method. Trade and other payables are classified as current liabilities if payment is due within one year or less. The carrying value of trade and other payables and provisions generally approximate their fair value due to their short-term nature.

Impairment of financial assets

The Company recognizes a loss allowance for the expected credit losses on financial assets measured at amortized cost. A simplified approach is applied when calculating expected lifetime credit losses. Therefore the Company does not track changes in credit risk, but instead recognizes a loss allowance at an amount equal to lifetime expected credit losses at each reporting date. The Company has established the allowance based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventory is based on purchase price. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances that caused it no longer exist and there is a subsequent increase in the value of the inventory.

(Expressed in thousands of Canadian dollars)

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and any impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of items and directly attributable incidental expenses that are necessary to make the assets available for use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced part is derecognized. All other costs including repairs and maintenance, are included in the statement of operations and comprehensive income (loss) during the year in which they are incurred.

Depreciation

Land and assets under construction are not depreciated. Depreciation on other assets is calculated on a straight-line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. The range of the estimated useful lives for each class of property, plant and equipment is as follows:

Buildings	10-45 years
Leasehold improvements	over term of lease
Machinery, equipment and fixtures	3-20 years
Containers, kegs and pallets	4-20 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates each part separately. Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible assets

Acquired intangible assets consist of computer software licenses and are measured at cost less accumulated amortization and any impairment losses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over an estimated useful life of three to fifteen years.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Such costs include employee costs and overhead directly attributed to development of the asset. Computer software development costs recognized as assets are amortized on a straight-line basis over 15 years.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Impairment of non-financial assets

Property, plant and equipment, right-of-use and intangible assets with finite useful lives are assessed annually for indications of impairment.

Intangible assets not yet available for use are tested for impairment annually. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognized in the statement of operations and comprehensive income (loss). The recoverable amount of an asset is the higher of its fair value, less cost to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

Non-financial assets that have been previously impaired are reviewed for possible reversal of the impairment at each reporting date.

(Expressed in thousands of Canadian dollars)

Provisions

Provisions are recognized only in those circumstances where the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the and are discounted if settlement is expected to occur more than a year from the end of the reporting period.

Leases

At inception of a contract, the Company assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- It has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- It has the right to direct the use of the asset.

The Company leases a variety of different assets that can be broadly categorized as real estate and equipment. The Company leases retail and logistics sites to carry out retail and distribution operations. The Company also leases various equipment not limited to but including delivery vehicles, trailers and office and other equipment used in daily operation of the business. The non-cancellable contract periods for the Company's leases typically range from five to fifteen years.

Lessee accounting

The Company records a Right-of-Use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, consisting of the following:

- The initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred; and
- An estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located less any lease incentives received.

The ROU asset is depreciated on a straight-line basis over the lease term. The lease term consists of the following:

- The non-cancellable period of the lease;
- Periods covered by options to extend the lease where the Company is reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease where the Company is reasonably certain not to exercise the option.

In addition, the ROU asset is periodically reduced by impairment losses, if necessary, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has used the relevant incremental borrowing rate as the interest rate implicit in its leases cannot be readily determined. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

(Expressed in thousands of Canadian dollars)

Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and ROU asset will decrease relative to this change, with the difference recorded in profit and loss prior to the remeasurement of the lease liability.

Variable lease payments

Certain leases require the Company to make payments that relate to property taxes, insurance and other non-rental costs. These non-rental costs are typically variable and are not included in the calculation of the ROU asset or lease liability.

Recognition exemptions

The Company has elected to use the recognition exemptions under IFRS 16, *Leases* (“IFRS 16”) for short-term leases and leases for which the underlying asset is of low value on a class-by-class and lease-by-lease basis, respectively.

Sale and leaseback transactions

The accounting treatment of a sale and leaseback transaction is assessed based on the substance of the transaction and whether the transfer of an asset is considered a sale when the control of the asset has been transferred to the purchaser.

If the transfer of the asset by the Company as seller-lessee is considered a sale, the Company measures the ROU asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by it. Accordingly, the amount of any gain or loss that relates to the rights transferred to the buyer-lessor are recognized in the statement of operations and comprehensive income (loss).

If the transfer of an asset is not considered a sale, the asset continues to be recognized and a financial liability equal to the transfer proceeds is recorded.

Income taxes

Income tax expenses for the year comprise current and deferred income taxes. Income taxes are recognized in the statement of operations and comprehensive income (loss), except to the extent that they relate to items recognized directly in equity. Levies other than income taxes, such as taxes on real estate, are included in occupancy expenses.

(Expressed in thousands of Canadian dollars)

Current income taxes

Current income tax expense is based on the results of the period and is adjusted for items that are not taxable or not deductible. Current income taxes are calculated using income tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in the preparation and filing of income tax returns with respect to situations in which applicable income tax regulations are subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

Deferred income taxes are recognized, using the liability method, on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using income tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and same taxable entity and when there is an intention to settle the balances on a net basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the present value of future benefit that employees have earned in the current and prior periods and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan (“asset ceiling”). To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Expressed in thousands of Canadian dollars)

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognized immediately in other comprehensive income (loss). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the opening 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. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Bonus plans

The Company recognizes a liability for bonuses based on a formula that takes into consideration the achievement of specified performance measures determined by the Board of Directors. The Company recognizes an accrual where contractually obliged or where there is a past practice that has created a constructive obligation to make such compensation payments.

Termination benefits

Termination benefits are payable when employment is terminated by the Company involuntarily or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Share capital

Each issued and outstanding share of the Company, consisting of First and Second equity shares, represent an equity interest in the Company. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Finance expense

Finance income and expenses include interest income, interest expense, credit and debit card charges, banking fees and foreign currency gains and losses on financial assets and financial liabilities. Interest income or expense is recognized using the effective interest method.

Revenue

The Company's revenue can be broken into two major categories: service charges and other revenue. These two categories can be further disaggregated into the major streams shown in note 5.

Service charges

Service charge revenue is earned through the provision of basic and elected services. Basic service charges are earned based on the volume of products sold throughout Ontario to home consumers and licensees at rates determined annually. Elected service charge revenue includes fees related to the handling of empty containers, delivery of product to third-party partners and promotional services.

(Expressed in thousands of Canadian dollars)

Other revenues

Related products

The Company earns revenue on the sale of beer related products sold in store such as ice, Company-branded merchandise, etc.

Draught Services

There are three main types of draught services revenue: equipment supply, installation services and prepaid line cleaning.

Draught Services purchases and sells draught services equipment to home consumers, licensees and brewers.

Draught Services also provides custom installation services to licensees and brewers. Installations encompass all types of service-based projects that are completed over time. Typically, these projects include some form of draught tower installation or repairs and maintenance. Highly customized work or tower prototypes may be associated with more detailed contract documents.

Prepaid line cleaning represents services provided to maintain draught lines within customer draught equipment. Line cleaning can be prepaid by customers for services that may span from a single-line cleaning instance upwards of up to 18 months.

Recycling

The Company earns revenue through the sale and delivery of used alcoholic beverage cans and secondary packaging to a third-party recycler. The Company also earns a fee as the exclusive coordinator, collector, sorter and recycler of alcoholic beverage containers in the province of Ontario.

Performance obligations

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit.

(Expressed in thousands of Canadian dollars)

The chart below outlines the nature of various performance obligations in the Company's contracts with customers and the timing of the satisfaction of the performance obligation.

Performance obligations from contracts with customers	**Timing of satisfaction of the performance obligation**
Basic service charges	
Basic services as outlined in the user agreement with brewers	Over time as the service is provided
Elected service charges	
Delivery of product to third-party partners	At the point of delivery
Provision of a listing for beer products in retail stores	Over time as the service is provided
Collection and sorting of empty beer bottles and cans	Upon collection of empty beer containers
Provision of retail space for displaying brewer advertising as well as administering sampling program on behalf of brewers	As the space/tasting is provided
Transfer of beer from distribution centre/retail store to retail store	Upon transfer
Other revenues	
Sale of ice and related products	At the point of sale
Preparation of used alcoholic beverage cans for commodity sale and delivery to a third-party	At the point of shipment
Coordination, collection, sorting and recycling of alcoholic, empty beverage containers in Ontario	Over time as the service is provided
Draught line cleaning services	As the line cleaning has been performed
Draught services installation projects	At completion of the project
Supply draught services products	At the point of sale

The Company bills its customers for revenue earned at the time the performance obligation has been satisfied with payment due within 0–30 days upon billing, with the exception of draught services installation projects. Draught services installation projects are progress billed and paid in accordance to terms agreed upon with the customer.

Although there are no significant judgments in determining the performance obligation or when it has been met for any of the Company's revenue streams, the difference, if any, between total revenue collected and cash expenditures incurred is allocated among the brewers in accordance with the terms of the Company's Shareholders' Agreement and recorded as an adjustment to service charges revenue. This is determined by the end of the reporting period; thus, there is no variable consideration for service fee revenue.

Further, the only revenue stream requiring some judgment when it comes to determining when the performance obligation has been met is draught services. The Company will recognize those performance obligations as part of any draught services contract and only recognize revenue to the extent the obligations have been met. At the end of the reporting period, the Company estimates the status of projects based on the work performed relative to the total work required.

Contract liabilities

The Company records a contract liability when it receives payment from a customer in advance of providing goods and services. This is limited to Draught Services projects and prepaid line cleanings.

(Expressed in thousands of Canadian dollars)

Standards issued but not yet effective

Amendments to International Accounting Standards 1: Classification of Liabilities as Current or Non-current ("IAS")
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing whether there will be any impact on current practice and agreements as a result of the amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37: Provisions, contingent liabilities and contingent assets

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4. Critical accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses in the financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other assumptions that it considers to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. Actual results could differ from those estimates under different assumptions or conditions.

COVID-19

The outbreak of the Coronavirus disease ("COVID-19") has resulted in the government enacting emergency measures to combat the spread of the virus. The Company has continued to operate using enhanced safety measures during COVID-19. In an effort to protect customers and employees, enhanced health and safety measures include the use of personal protective equipment, more frequent sanitization, as well as limiting the number of customers in stores/practicing social distancing. Overall, management has not identified any significant adverse changes due to COVID-19 and continues to monitor for any implications.

Impairment

The Company reviews non-financial assets when there is any indication the asset might be impaired and annually for assets not yet in use.

(Expressed in thousands of Canadian dollars)

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. The Company makes certain qualitative and quantitative assumptions when determining the value of the economic incentive.

The Company makes judgments in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset and should provide the Company with the right to substantially all of the economic benefits from the use of the asset.

The Company also makes judgments regarding whether or not it has the right to control the use of the identified asset. The Company has the right to control the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if it has the right to operate the asset or if it designed the asset in a way that predetermines how and for what purpose the asset will be used.

The Company makes judgments in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest that the Company would have to pay to borrow at a similar term and with a similar security.

Certain of the Company's leases contain extension or renewal options that are exercisable only by the Company and not by the lessor. At lease commencement, the Company assesses whether it is reasonably certain to exercise any of the extension options based on the expected economic return from the lease. The Company will typically exercise extension options on its real estate leases, primarily due to the significant cost that would be required to relocate both retail and logistics operations and related equipment. The Company will periodically reassess whether it is reasonably certain to exercise the options and account for any changes at the date of the reassessment.

Employee future benefits

The present value of the employee future benefits obligation depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the employee future benefits expense include: the discount rate, medical cost trends, mortality rates and future salary increases. These assumptions are based on management's best estimates under consideration of expert advice from independent actuaries. Any changes in these assumptions will impact the amount of the employee future benefits obligation disclosed in the financial statements.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the employee future benefits obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in Canadian dollars and have terms to maturity approximating the terms of the related future benefits obligation.

Income taxes

The Company computes an income tax provision. However, actual amounts of income tax expense only become final on filing and acceptance of the income tax return by the relevant taxation authorities, which occurs subsequent to the issuance of these financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future income tax deductions against future taxable income before they expire. The assessment is based on existing tax laws and estimates of future taxable income. To the extent estimates differ from the final income tax return, earnings would be affected in a subsequent period.

(Expressed in thousands of Canadian dollars)

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities or which are otherwise considered to involve uncertainty. These provisions are made using the best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Lawsuits and legal claims

Litigation and claims arise from time to time in the normal course of business. The Company records provisions, when necessary, that reflect management's best estimate of any potential liability relating to these claims. However, the Company cannot predict with certainty the final outcome of these matters.

5. Revenue

All amounts relating to revenue in the statement of operations and comprehensive income (loss) are from contracts with customers.

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major streams:

	2020	**2019**
	$	$
Service charges		
Basic services	**232,187**	239,908
Elected services	**86,799**	76,183
	318,986	316,091
Other		
Related products	**4,672**	5,334
Draught services	**4,817**	10,057
Recycling	**67,317**	66,391
All other segments	**3,656**	4,306
	80,462	86,088
	399,448	402,179

The Company has recognized the following revenue-related contract liabilities included in trade and other payables and provisions:

	2020	**2019**
	$	$
Contract liability – draught services contracts	**412**	593

(Expressed in thousands of Canadian dollars)

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward draught services contract liabilities:

	2020	2019
	$	$
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Draught services contracts	**303**	250

6. Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business.

	2020	2019
	$	$
Trade receivables	**71,889**	63,493
Provision for impairment	**(1,606)**	(1,090)
	70,283	62,403

The following table summarizes the changes in the provision for impairment of trade receivables:

	2020	2019
	$	$
Opening balance – January 1	**1,090**	1,212
Provision for impairment	**1,258**	308
Utilization of impairment provision	**(742)**	(430)
Closing balance – December 31	**1,606**	1,090

A provision for impairment is recorded for trade receivables balances based on the credit score, current financial conditions of the customer and other relevant information, considering expected lifetime credit losses.

The impairment charge on receivables is included in operating expenses in the statement of operations and comprehensive income (loss).

7. Inventories

	2020	2019
	$	$
Beer	**17,003**	20,926
Dispensing equipment	**4,542**	4,767
Other	**782**	658
	22,327	26,351

An inventory provision of $35 (2019 – $35) has been recorded. No corresponding loss (2019 – $4 loss) has been included in the statement of operations and comprehensive income (loss).

(Expressed in thousands of Canadian dollars)

8. Property, plant and equipment

								2020
	Land	Building	Leasehold improvements	Machinery, equipment and fixtures	Containers, kegs, and pallets	Assets under construction	Total	Assets held for sale
	$	$	$	$	$	$	$	$
								(note 9)
Cost								
Opening balance, January 1	**1,956**	**44,656**	**61,771**	**52,218**	**23,681**	**416**	**184,698**	**—**
Additions	**—**	**1,595**	**4,243**	**1,983**	**4,217**	**5,651**	**17,689**	**—**
Transfers	**(153)**	**(3,144)**	**256**	**94**	**—**	**(94)**	**(3,041)**	**3,041**
Disposals	**(1,500)**	**(37,322)**	**(759)**	**(536)**	**(5,165)**	**—**	**(45,282)**	**—**
Closing balance, December 31	**303**	**5,785**	**65,511**	**53,759**	**22,733**	**5,973**	**154,064**	**3,041**
Accumulated depreciation								
Opening balance, January 1	**—**	**25,172**	**29,112**	**26,243**	**12,028**	**—**	**92,555**	**—**
Depreciation	**—**	**1,283**	**5,268**	**5,789**	**4,984**	**—**	**17,324**	**—**
Transfers	**—**	**(1,744)**	**55**	**—**	**—**	**—**	**(1,689)**	**1,689**
Disposals	**—**	**(21,723)**	**(719)**	**(376)**	**(5,165)**	**—**	**(27,983)**	**—**
Closing balance, December 31	**—**	**2,988**	**33,716**	**31,656**	**11,847**	**—**	**80,207**	**1,689**
Net book value	**303**	**2,797**	**31,795**	**22,103**	**10,886**	**5,973**	**73,857**	**1,352**

(Expressed in thousands of Canadian dollars)

	Land	Building	Leasehold improvements	Machinery, equipment and fixtures	Containers, kegs, and pallets	Assets under construction	Total
							2019
	$	$	$	$	$	$	$
Cost							
Opening balance, January 1	4,386	74,747	63,138	55,713	22,744	3,464	224,192
Additions	—	1,499	4,595	3,377	5,178	—	14,649
Transfers	—	—	2,277	771	—	(3,048)	—
Disposals	(2,430)	(31,590)	(8,239)	(7,643)	(4,241)	—	(54,143)
Closing balance, December 31	1,956	44,656	61,771	52,218	23,681	416	184,698
Accumulated depreciation							
Opening balance, January 1	—	38,720	31,383	26,955	11,152	—	108,210
Depreciation	—	2,054	5,743	6,533	5,117	—	19,447
Transfers	—	—	—	—	—	—	—
Disposals	—	(15,602)	(8,014)	(7,245)	(4,241)	—	(35,102)
Closing balance, December 31	—	25,172	29,112	26,243	12,028	—	92,555
Net book value	1,956	19,484	32,659	25,975	11,653	416	92,143

The Company disposed of assets with a net book value of $17,299 (2019 – $19,041) for net proceeds of $50,236 (2019 – $43,884) and recognized a loss on sale in profit and loss of $333 (2019 gain – $3,917). Consistent with prior years, the Company engaged in the sale and subsequent lease back of real estate *(note 15).*

(Expressed in thousands of Canadian dollars)

9. Assets held for sale

The Company is committed to sell five (and subsequently leaseback four) of its retail store locations in March 2021. These five properties represent the final tranche of those included in a portfolio sale that was largely completed in late 2020. The Company has classified these five retail sites and related assets as held for sale as of December 31, 2020. No amounts in relation to these five properties have been recorded in the statement of operations and comprehensive income (loss).

10. Right-of-use assets

					2020
	Building	Delivery vehicles	Equipment	Trailers	Total
	$	$	$	$	$
Cost					
Opening balance, January 1	**297,724**	**22,380**	**7,897**	**5,549**	**333,550**
Additions	**16,896**	**2,033**	**2,238**	**2,828**	**23,995**
Remeasurements	**(4,585)**	**—**	**(220)**	**—**	**(4,805)**
Disposals	**(1,240)**	**(510)**	**(489)**	**(231)**	**(2,470)**
Closing balance, December 31	**308,795**	**23,903**	**9,426**	**8,146**	**350,270**
Accumulated depreciation					
Opening balance, January 1	**35,675**	**5,007**	**1,883**	**873**	**43,438**
Depreciation	**37,617**	**5,104**	**2,045**	**940**	**45,706**
Disposals	**(1,240)**	**(510)**	**(489)**	**(231)**	**(2,470)**
Closing balance, December 31	**72,052**	**9,601**	**3,439**	**1,582**	**86,674**
Net book value	**236,743**	**14,302**	**5,987**	**6,564**	**263,596**

					2019
	Building	Delivery vehicles	Equipment	Trailers	Total
	$	$	$	$	$
Cost					
Opening balance, January 1	272,435	20,678	6,575	4,640	304,328
Additions	28,887	1,702	1,322	909	32,820
Remeasurements	(3,261)	—	—	—	(3,261)
Disposals	(337)	—	—	—	(337)
Closing balance, December 31	297,724	22,380	7,897	5,549	333,550
Accumulated depreciation	—	—	—	—	—
Opening balance, January 1	—	—	—	—	—
Depreciation	36,012	5,007	1,883	873	43,775
Disposals	(337)	—	—	—	(337)
Closing balance, December 31	35,675	5,007	1,883	873	43,438
Net book value	262,049	17,373	6,014	4,676	290,112

(Expressed in thousands of Canadian dollars)

11. Intangible assets

			2020
	Software	**Assets under construction**	**Total**
	$	$	$
Cost			
Opening balance, January 1	**62,405**	**2,200**	**64,605**
Additions	**1,203**	**406**	**1,609**
Transfers	**1,619**	**(1,619)**	**—**
Disposals	**(28)**	**—**	**(28)**
Closing balance, December 31	**65,199**	**987**	**66,186**
Accumulated amortization			
Opening balance, January 1	**6,984**	**—**	**6,984**
Amortization	**5,165**	**—**	**5,165**
Transfers	**—**	**—**	**—**
Disposals	**(28)**	**—**	**(28)**
Closing balance, December 31	**12,121**	**—**	**12,121**
Net book value	**53,078**	**987**	**54,065**

			2019
	Software	**Assets under construction**	**Total**
	$	$	$
Cost			
Opening balance, January 1	31,315	27,410	58,725
Additions	4,847	2,131	6,978
Transfers	27,341	(27,341)	—
Disposals	(1,098)	—	(1,098)
Closing balance, December 31	62,405	2,200	64,605
Accumulated amortization			
Opening balance, January 1	3,051	—	3,051
Amortization	5,031	—	5,031
Transfers	—	—	—
Disposals	(1,098)	—	(1,098)
Closing balance, December 31	6,984	—	6,984
Net book value	55,421	2,200	57,621

(Expressed in thousands of Canadian dollars)

12. Cash and bank indebtedness

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with major financial institutions and highly liquid deposits with original maturities of three months or less that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

Bank indebtedness

The Company has a $150 million operating credit facility with a major Canadian financial institution guaranteed by Molson Canada 2005 and Labatt Brewing Company Limited.

The credit facility is used to fund the Company's operating cash requirements and bears interest at Canadian prime rate or at the Canadian Dollar Offered Rate ("CDOR") plus 0.75%, depending on the type of borrowing employed. The Company may also choose to issue letters of credit that bear interest at 0.75%. The unused residual of the $150 million credit facility is subject to a standby charge of 0.10%. As at December 31, 2020, $53,000 (2019 – $53,000) was drawn on this facility. Interest expense on the operating credit facility included in finance expenses in the statement of operations and comprehensive income (loss) was $1,660 in 2020 (2019 – $2,990).

13. Trade and other payables and provisions

Trade and other payables consist of obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, amounts collected on behalf of brewers and amounts owing to the liquor board for the procurement of foreign beer.

Trade and other payables

	2020	**2019**
	$	$
Owner brewers	**39,114**	34,313
Other brewers and liquor board	**21,531**	35,812
Other payables	**69,075**	63,947
Accrued liabilities	**30,498**	24,493
	160,218	158,565

Provisions included in accrued liabilities

	2020	**2019**
	$	$
Opening balance – January 1	**297**	512
Additional provision	**1,726**	824
Utilization of provision	**(1,816)**	(1,039)
Closing balance – December 31	**207**	297

(Expressed in thousands of Canadian dollars)

14. Financial instrument and risk management

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. In the normal course of business, the Company is exposed to credit risk from its trade receivables. The carrying values of trade receivables are net of the allowance for expected lifetime credit losses. The loss provision for expected lifetime credit losses is estimated based on past experience, specific risks associated with the customer and other relevant information. The Company uses various controls and processes, such as credit checks and billing in advance to mitigate credit risk. The Company monitors and takes appropriate action to suspend services when customers have violated established payment terms.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has a revolving credit facility, which bears interest based on prevailing market interest rates. The Company does not hold any significant interest-bearing assets. The Company prepares budgets and forecasts to monitor this risk.

Foreign currency risk

Due to the nature of its core business, the Company has limited exposure to foreign exchange risk as sales are denominated principally in the Company's functional currency.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet is financial obligations as they fall due. The exposure to liquidity risk is dependent on the collection of trade receivables. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and forecasts to monitor this risk.

15. Lease liabilities

	2020	2019
	$	$
Current lease liabilities	**46,564**	43,450
Long-term lease liabilities	**289,098**	283,823
	335,662	327,273

(Expressed in thousands of Canadian dollars)

The table below summarizes the lease liability activity:

	2020	2019
	$	$
Opening balance, January 1	**327,273**	315,754
Net additions	**57,195**	53,767
Remeasurements	**(4,735)**	(3,261)
Interest expense	**9,611**	9,922
Payments on lease liabilities	**(53,682)**	(48,909)
Closing balance, December 31	**335,662**	327,273

The table below summarizes the maturity profile of the Company's lease liabilities based on the contractual undiscounted payments:

	2020
	$
No later than 1 year	**55,325**
Later than 1 year and no later than 5 years	**193,339**
Later than 5 years	**134,725**
	383,389

During the year, the Company completed the sale and subsequent leaseback of some its retail sites for net cash proceeds of $49,855 (2019 – $43,854). The Company realized $231 of losses (2019 – $4,641 of gains) related to these sale leaseback transactions in the statement of operations and comprehensive income (loss). In addition, the Company recognized $471 (2019 – $470) of the deferred gains that resulted from 2018 sale leaseback transactions in the statement of operations and comprehensive income (loss). The Company entered into 76 leases (2019 – 26 leases) as a result of sale leaseback transactions during the year. The leases entered into have terms that range from five to fifteen years with rent escalations throughout those leases with terms exceeding five years. The rent escalations as well as any renewals or terminations were considered in the determination of the lease liability and ROU asset value.

Below is a summary of lease expenses that were not considered in the lease liability or ROU asset value. Variable lease expenses shown below are not included in the definition of a lease payment under IFRS 16. For real estate leases, the Company records the below expenses as part of occupancy expenses in the statement of operations and comprehensive income (loss). For equipment leases, these costs are included in operating expenses in the statement of operations and comprehensive income (loss).

	2020		2019	
	Operating expenses	Occupancy expenses	Operating expenses	Occupancy expenses
	$	$	$	$
Short-term leases	**16**	**41**	515	194
Low value leases	**623**	**—**	453	—
Variable lease expenses	**6**	**19,172**	11	10,750
	645	**19,213**	979	10,944

(Expressed in thousands of Canadian dollars)

16. Commitments

The Company is committed to the following occupancy related expenses, as at December 31, 2020:

	2020
	$
No later than 1 year	**13,720**
Later than 1 year and no later than 5 years	**37,050**
Later than 5 years	**29,445**
	80,215

17. Employee future benefits

The Company maintains various defined contribution and defined benefit pension plans for both salaried and hourly paid employees. Costs for post-employment benefits are accrued over the periods in which employees earn the benefits. The Company also maintains certain post-employment medical benefit plans.

Actuarial valuations for the defined benefit pension plans were completed as at March 1, 2020. The next valuation is required to be completed as at March 1, 2023.

The following tables summarize the components of employee future benefits expense recognized in the statement of operations and comprehensive income (loss) and the funded status and amounts recognized in the statement of financial position for the respective plans:

(Expressed in thousands of Canadian dollars)

(a) Statement of financial position

The change in the benefit obligations and fair value of plan assets is as follows:

	2020		2019	
	Defined benefit pension plans	Other benefit plans	Defined benefit pension plans	Other benefit plans
	$	$	$	$
Benefit obligation, January 1	**1,001,865**	**60,352**	896,859	53,711
Current service cost	**8,147**	**6,340**	9,523	4,955
Interest cost	**30,329**	**1,887**	34,024	2,073
Actuarial losses	**28,086**	**639**	102,783	3,985
Benefits paid	**(44,954)**	**(5,533)**	(42,507)	(4,614)
Plan participants' contributions	**170**	**—**	—	—
Past service costs	**700**	**—**	1,183	—
Immediate recognition of actuarial (gains) losses	**—**	**(2,480)**	—	242
Benefit obligation, December 31	**1,024,343**	**61,205**	1,001,865	60,352
Fair value of plan assets, January 1	**950,682**	**—**	869,243	—
Actual return on plan assets	**104,647**	**—**	104,484	—
Employer contributions	**—**	**5,533**	19,462	4,614
Plan participants' contributions	**170**	**—**	—	—
Benefits paid	**(44,954)**	**(5,533)**	(42,507)	(4,614)
Fair value of plan assets, December 31	**1,010,545**	**—**	950,682	—
Net employment benefit liability, December 31	**13,798**	**61,205**	51,183	60,352
Defined benefit pension plan assets	**(986)**	**—**	—	—
Defined benefit pension plan liabilities	**14,784**	**—**	51,183	—
	13,798	**—**	51,183	—

(Expressed in thousands of Canadian dollars)

(b) Statement of operations and comprehensive income (loss)

The amounts recognized in the statement of operations and comprehensive income (loss) are as follows:

	2020		2019	
	Defined benefit pension plans	Other benefit plans	Defined benefit pension plans	Other benefit plans
	$	$	$	$
Recognized in net income (loss)				
Current service cost	**8,147**	**6,340**	9,523	4,955
Administrative cost	**798**		834	—
Net interest	**1,405**	**1,887**	370	2,073
Past service costs	**700**	**—**	1,183	—
Immediate recognition of actuarial (gains) losses	**—**	**(2,480)**	—	242
	11,050	**5,747**	11,910	7,270
Recognized in other comprehensive income (loss)				
Actuarial losses	**28,086**	**639**	102,783	3,985
Return on plan assets greater than discount rate	**(76,521)**	**—**	(71,664)	—
	(48,435)	**639**	31,119	3,985
	(37,385)	**6,386**	43,029	11,255

Defined contribution plans

During the year ended December 31, 2020, the Company recognized an expense, representing employer contributions to the defined contribution plans, in the amount of $5.2 million (2019 – $4.9 million).

(c) Allocation of plan assets

	2020		2019	
	Salary	Bargaining unit	Salary	Bargaining unit
	%	%	%	%
Equity instruments	**41**	**32**	35	27
Debt instruments	**59**	**68**	65	73
	100	**100**	100	100

(Expressed in thousands of Canadian dollars)

(d) Significant actuarial assumptions

	2020	2019
	%	%
Discount rate		
Salary pension plan	**2.34**	3.05
Bargaining unit pension plan	**2.55**	3.14
Post-retirement benefits	**2.42**	3.08
Post-employment benefits	**1.93**	2.75
Future salary increases	**2.00**	2.00
Medical trend rate	**5.00**	5.00

(e) Estimated employer contributions to future benefit plans in 2021

	$
Defined benefit plans	—
Defined contribution plans	5,341
Other benefit plans	5,395

(g) Sensitivity analysis

The table below shows the impact on the present value of the obligation as at December 31, 2020 for changes in the significant assumptions.

	Defined benefit pension plans		Other benefit plans	
	Increase	Decrease	Increase	Decrease
Change in assumptions	$	$	$	$
Discount rate (1%)	(129,592)	163,393	(6,061)	7,370
Mortality rate (increase of 1 year in life expectancy)	39,841	n/a	1,014	n/a
Medical trend rate (1%)	n/a	n/a	3,917	(3,373)

(Expressed in thousands of Canadian dollars)

18. Deferred income taxes

Deferred income tax assets and liabilities

				2020
	Opening balance – January 1	**Recognized in net income**	**Recognized in other comprehensive loss**	**Closing balance – December 31**
	$	$	$	$
Employee benefits	**29,763**	**2,783**	**(12,670)**	**19,876**
Property, plant and equipment	**9,813**	**8,168**	**—**	**17,981**
Non-capital losses	**16,606**	**(4,864)**	**—**	**11,742**
Corporate minimum tax	**—**	**—**	**—**	**—**
Reserves and deferred income	**13,078**	**9,163**	**—**	**22,241**
Net deferred income tax asset (liability)	**69,260**	**15,250**	**(12,670)**	**71,840**

				2019
	Opening balance – January 1	**Recognized in net income**	**Recognized in other comprehensive income**	**Closing balance – December 31**
	$	$	$	$
Employee benefits	21,552	(2,219)	10,430	29,763
Property, plant and equipment	5,941	3,872	—	9,813
Non-capital losses	14,132	2,474	—	16,606
Corporate minimum tax	1,743	(1,743)	—	—
Reserves and deferred income	6,572	6,506	—	13,078
Net deferred income tax asset	49,940	8,890	10,430	69,260

(Expressed in thousands of Canadian dollars)

19. Income tax expense (recovery)

	2020	2019
	$	$
Current income tax (recovery) expense		
Current period	**—**	—
Adjustment in respect of prior periods	**(25)**	70
	(25)	70
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**(15,250)**	(8,890)
	(15,275)	(8,820)

Reconciliation of income tax expense (recovery)

	2020	2019
	$	$
Loss before income taxes based on tax rate of 26.5%	**(13,355)**	(10,929)
Adjustments resulting from:		
Permanent differences	**(1,660)**	(1,852)
Write-down of deferred tax asset	**—**	1,813
Adjustment in respect of prior periods	**(25)**	931
Reclassification to other comprehensive income (loss) on excess contributions	**—**	1,124
Other	**(235)**	93
	(15,275)	(8,820)

20. Share capital

Share capital consists of the following:

Authorized

First equity shares, issuable in up to 200 series, with each series consisting of exactly 100 shares

Up to 10,000 Second equity shares

Issued and outstanding

		2020	2019
		$	$
3,100	First equity shares (2019 – 3,000)	**3**	3
10,000	Second equity shares (2019 – 10,000)	**200,342**	200,342
		200,345	200,345

(Expressed in thousands of Canadian dollars)

The First equity shares are reserved for issuance to any qualifying Ontario brewer that wishes to subscribe for shares and carry the right to vote and to receive dividends if, as and when declared by the Board of Directors. First equity shareholders have the right to require the Company to redeem their shares at any time for the original subscription price. The First equity shares rank senior to the Second equity shares with respect to the payment of amounts owed on the occurrence of a liquidation event involving the Company, as defined in the MFA. The amount to which First equity shareholders are entitled on liquidation of the Company will be calculated in accordance with the articles of amalgamation of the Company, as amended, and is limited to increases in the net book value of the Company after December 31, 2014 and subject to adjustment for certain asset liquidation gains and losses and certain changes to pension obligations of the Company. Qualifying Ontario brewers are entitled to subscribe for 100 First equity shares, issuable in series, for an aggregate subscription price of one hundred dollars. The terms of each series of First equity shares are identical. During the year ended December 31, 2020, the Company issued a total of 200 First equity shares (2019 – nil) to two qualifying Ontario brewers (2019 – nil) and redeemed a total of 100 First equity shares (2019 – 300 First equity shares) from one qualifying Ontario brewer (2019 – three qualifying Ontario brewers).

The Second equity shares are allocated among Molson Canada 2005 (5,088 shares), Labatt Brewing Company Limited (4,492 shares) and Sleeman Breweries Ltd. (420 shares). Second equity shareholders do not have the right to vote or to receive dividends but are entitled to receive any residual value on liquidation of the Company, after payment of the liquidation amount owed to the First equity shareholders.

21. Capital risk management

The Company's capital consists of share capital and deficit. The Company's objectives in managing capital are to ensure adequate operating funds are available to maintain its business activities and to provide a cost-effective operation for brewers. Additionally, the Company aims to ensure sufficient liquidity to support its stores, execute its business plans and enable the internal financing of capital projects.

The Company primarily uses capital to finance non-cash working capital requirements as well as investments in new store additions, existing store renovation projects, information technology software and hardware and equipment. The Company currently funds these requirements out of its internally generated cash flows.

The Company is not subject to any externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year.

(Expressed in thousands of Canadian dollars)

22. Net change in non-cash working capital

	2020	2019
	$	$
Increase in trade receivables	**(7,880)**	(83)
Decrease (increase) in empties deposits	**113**	(938)
Decrease (increase) in inventories	**4,024**	(3,517)
Decrease in other current assets	**1,213**	192
Increase (decrease) in trade and other payables and provisions	**1,653**	(16,377)
Add back:		
Change in unpaid property, plant and equipment and intangible assets included in trade and other payables and provisions	**(5,836)**	2,714
Change in straight line rent included in trade and other payables and provisions	**—**	7,019
Change in deferred gain included in trade and other payables and provisions	**—**	(301)
	(6,713)	(11,291)

23. Related party transactions and balances

The Company carried out transactions with related parties throughout the year in the normal course of operations. These transactions were recorded at the amount of consideration established and agreed to by the related parties. All transactions with related parties are unsecured with no loss allowance.

Brewers' Distributor Ltd.

Brewers' Distributor Ltd. ("BDL") is an affiliated company owned and controlled by Labatt Brewing Company Limited and Molson Canada 2005. Corporate functions including key management personnel of the Company are shared with BDL.

Shareholders

Shareholders in 2020 include 31 qualifying Ontario brewers (2019 – 30 brewers) holding First equity shares, three of which also hold Second equity shares.

	2020	2019
	$	$
Service charges and other revenue – shareholders	**272,531**	264,527
Operating costs charged to BDL	**7,072**	6,603
Trade receivables – shareholders	**1,431**	2,219
Trade receivables – BDL	**1,530**	1,198
Trade and other payables – shareholders	**39,114**	34,313

(Expressed in thousands of Canadian dollars)

Key management personnel

Key management personnel are those individuals who have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the President and four Vice Presidents.

Key management personnel compensation comprises salaries and short-term benefits, post-employment benefits, other long-term benefits and termination benefits. The Company has elected to present the compensation for key management personnel in aggregate due to the small number of individuals comprising this group. Compensation of key management personnel for the year ended December 31, 2020 is $1,656 (2019 – $2,028).

The Board of Directors comprises those individuals who have significant influence over the Company. Total compensation for the independent members of the Board of Directors for the year ended December 31, 2020 is $240 (2019 – $240).