ACASTA
ENTERPRISES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended December 31, 2019 and December 31, 2018

(expressed in thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Acasta Enterprises Inc.

Opinion

We have audited the consolidated financial statements of Acasta Enterprises Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 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 Auditor's responsibilities for the audit of the consolidated 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 consolidated financial statements in Canada. 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that there is material uncertainty as to the Company's ability to fund the Company's capital and operating expenditures so as to meet its financial obligations as they fall due within the next twelve months. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

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inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks 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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 3, 2020

ACASTA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

	Notes		As at December 31, 2019		As at December 31, 2018
Assets					
Current assets					
Cash and cash equivalents		$	—	$	652
Trade and other receivables	7,20		21,041		25,644
Inventories	8		25,672		23,880
Prepaid expenses and deposits			1,876		2,956
Other current assets	6		—		6,436
Income taxes receivable			—		5,260
Total current assets		$	48,589	$	64,828
Non-current assets					
Property, plant and equipment	9	$	47,205	$	35,352
Goodwill and intangible assets	10		24,167		29,000
Net investment in leases	13		1,050		—
Total non-current assets		$	72,422	$	64,352
Total assets		**$**	**121,011**	**$**	**129,180**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	20	$	20,383	$	33,759
Current debt obligations	12		34,557		74,444
Current lease liabilities	13		1,563		-
Other current liabilities	21		517		3,303
Total current liabilities		$	57,020	$	111,506
Non-current liabilities					
Lease liabilities	13	$	15,336	$	—
Long-term debt	12		31,100		—
Total non-current liabilities		$	46,436	$	—
Total liabilities		**$**	**103,456**	**$**	**111,506**
Shareholders' equity					
Share capital	14	$	599,191	$	594,246
Contributed surplus			196,610		196,610
Warrants	14		3,939		3,939
Deficiency			(782,185)		(777,121)
Total shareholders' equity		**$**	**17,555**	**$**	**17,674**
Total liabilities and shareholders' equity		**$**	**121,011**	**$**	**129,180**

Going concern (note 2)
Commitments and Contingencies (notes 6,8,12,23)
Subsequent events (note 12)

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

Approved on behalf of the board:

"Richard Wachsberg" *"Stan Bharti"*

Director Director

ACASTA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in thousands of Canadian dollars, except per share amounts)

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue	15	$ 167,148	$ 176,723
Cost of revenue, expenses and other items			
Cost of revenue	8,16	127,551	159,084
Selling, general and administrative expense	16	41,260	71,673
Finance costs	17	5,007	27,801
Impairment of goodwill and intangible assets	10	—	106,315
(Gain) loss on change in fair value of derivative instruments	21	(2,117)	2,233
Net loss on foreign exchange		467	844
Other (income) loss, net	18	(13)	661
Total cost of revenue, expenses and other items		**172,155**	**368,611**
Loss before income tax		**$ (5,007)**	**$ (191,888)**
Current income tax recovery	11	—	7,232
Deferred income tax recovery	11	—	10,365
Net loss from continuing operations		**$ (5,007)**	**$ (174,291)**
Net loss from discontinued operations, net of tax	6,22	**—**	**(145,343)**
Net loss and total comprehensive loss		**$ (5,007)**	**$ (319,634)**
Net loss per share			
Basic — continuing operations	19	$ (0.07)	$ (2.46)
Basic — discontinued operations	19	$ —	$ (2.05)
Diluted — continuing operations	19	$ (0.07)	$ (2.46)
Diluted — discontinued operations	19	$ —	$ (2.05)

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

ACASTA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars, except share amounts)

		Share capital (Class B Shares)		Warrants					
	Notes	**Number**	**Amount**	**Number**	**Amount**	**Contributed surplus**	**Deficiency**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2018	14	**70,215,298**	**$ 594,246**	**20,884,062**	**$ 3,939**	**$ 196,610**	**$ (777,121)**	**$ —**	**$ 17,674**
Adjustment on initial application of IFRS 16	5	—	—	—	—	—	(66)	—	(66)
Adjusted balance at January 1, 2019		**70,215,298**	**$ 594,246**	**20,884,062**	**$ 3,939**	**$ 196,610**	**$ (777,187)**	**$ —**	**$ 17,608**
Net loss for the year		—	—	—	—	—	(5,007)	—	(5,007)
Issuance of Class B Shares related to settlement of debt	14	683,836	521	—	—	—	—	—	521
Issuance of Class B Shares, net of issuance costs, related to private placement	14	6,668,507	4,433	—	—	—	—	—	4,433
Forfeiture and cancellation of Class B Shares	14	(3,742,209)	(9)	—	—	—	9	—	—
Balance at December 31, 2019		**73,825,432**	**$ 599,191**	**20,884,062**	**$ 3,939**	**$ 196,610**	**(782,185)**	**$ —**	**$ 17,555**

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

ACASTA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(in thousands of Canadian dollars, except share amounts)

		Share capital (Class B Shares)		Warrants					
	Notes	**Number**	**Amount**	**Number**	**Amount**	**Contributed surplus**	**Deficiency**	**Accumulated other comprehensive loss**	**Total shareholders' equity**
Balance at December 31, 2017	14	**95,715,298**	**$ 849,383**	**20,884,062**	**$ 3,939**	**$ 300**	**$ (457,104)**	**$ (27,862)**	**$ 368,656**
Adjustment on initial application of IFRS 9	21	—	—	—	—	—	(383)	—	(383)
Adjusted balance at January 1, 2018		**95,715,298**	**$ 849,383**	**20,884,062**	**$ 3,939**	**$ 300**	**$ (457,487)**	**$ (27,862)**	**$ 368,273**
Net loss for the year.............		—	—	—	—	—	(319,634)	—	(319,634)
Reclassification of other comprehensive loss, net of tax	6	—	—	—	—	—	—	27,862	27,862
Contingent consideration on the purchase of ECN.............		—	—	—	—	1,005	—	—	1,005
Cancellation of Class B Shares, as consideration for the Stellwagen Sale Transaction	6, 14	(26,000,000)	(256,142)	—	—	196,610	—	—	(59,532)
Issuance of equity-settled share-based payments	14	—	—	—	—	1,212	—	—	1,212
Redemption of DSUs	14	—	—	—	—	(1,512)	—	—	(1,512)
Settlement of contingent consideration on purchase of ECN	14,18	500,000	1,005	—	—	(1,005)	—	—	—
Balance at December 31, 2018		**70,215,298**	**$ 594,246**	**20,884,062**	**$ 3,939**	**$ 196,610**	**$ (777,121)**	**$ —**	**$ 17,674**

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

ACASTA ENTERPRISES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Operating activities			
Net loss		$ (5,007)	$ (319,634)
Adjustments for non-cash items and other adjustments:			
Share-based compensation	14	—	1,212
Redemption of DSUs	14	—	(1,512)
Depreciation of property, plant and equipment	9	6,444	10,249
Amortization of intangible assets	10	4,833	18,992
(Gain) loss on change in fair value of derivative instruments	21	(2,117)	2,233
Finance costs	17	5,007	29,157
Current income tax (recovery)	11	—	(6,588)
Deferred income tax (recovery)	11	—	(11,096)
ECN consideration paid in Class B Shares	14	—	1,005
Impairment of goodwill and intangible assets	10	—	118,563
Loss on disposal of Aviation reportable segment	6	—	97,721
Loss on disposal of JemPak	6	—	3,394
(Gain) on fair value remeasurement of Profit Participating Notes		—	(621)
Net loss (gain) on foreign exchange		(333)	676
Changes in non-cash working capital	24	(3,942)	24,685
Cash (used in) provided by operating activities		**$ 4,885**	**$ (31,564)**
Income taxes paid		—	(6,894)
Net cash flows (used in) provided by operating activities		**$ 4,885**	**$ (38,458)**
Investing activities			
Additions to property, plant and equipment	9	(1,075)	(5,850)
Collection of proceeds on disposition of Aviation reportable segment	6	6,660	—
Proceeds on disposition of Aviation reportable segment, net	6	—	32,727
Proceeds on disposition of JemPak, net	6	—	114,062
Proceeds on monetization of Profit Participating Notes	6,21	—	33,215
Proceeds on disposal of property, plant and equipment	9	—	76
Interest received	6,13	718	—
Principal payments from net investment in leases	13	97	—
Cash provided by (used in) investing activities		**$ 6,400**	**$ 174,230**
Financing activities			
Proceeds from debt and credit facilities	12	$ 46,758	$ 44,362
Repayment of debt	12	(61,028)	(186,841)
Payment of debt issuance costs	12	(261)	(1,000)
Proceeds from private placement of Class B Shares	14	4,533	—
Payment of share issuance costs related to private placement	14	(100)	—
Principal payments on lease liabilities	13	(1,536)	—
Interest and related fees paid	12,13	(4,057)	(17,924)
Cash (used in) provided by financing activities		**$ (15,691)**	**$ (161,403)**
Net (decrease) in cash during the year		$ (4,406)	$ (25,631)
Foreign exchange impact on cash held in foreign currencies		81	144
Cash and cash equivalents, beginning of year		652	26,139
Cash and cash equivalents (bank indebtedness), end of year	12	**$ (3,673)**	**$ 652**

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

1. Description of business and nature of operations

Acasta Enterprises Inc. ("Acasta" or the "Company") was incorporated under the Business Corporations Act (Ontario) on June 19, 2015 and is listed on the Toronto Stock Exchange ("TSX") under the symbol AEF. The Company's registered address is 1 Apollo Place, Toronto, Ontario, M3J 0H2. The Company has one operating subsidiary named Apollo Health and Beauty Care Inc. ("Apollo").

Acasta was a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting a qualifying acquisition, more specifically an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Company. On January 3, 2017, Acasta announced the closing (the "Closing") of its qualifying acquisition under Part X of the TSX Company Manual (the "Qualifying Acquisition" or "Transaction") of 100% of Stellwagen Group ("Stellwagen"), Apollo Health and Beauty Care Partnership and Apollo Laboratories Inc. (collectively, "Apollo"), and JemPak Corporation ("JemPak"). During the year ended December 31, 2018, Stellwagen and JemPak were disposed of. See Note 6 for further discontinued operations disclosure.

As a result of the disposal of Stellwagen and Jempak, at December 31, 2019, the Company had only one reportable operating segment (December 31, 2018 – two reportable operating segments: Consumer Products and Other, the latter being representative of Acasta's corporate net assets and expenses). See note 22 for further segment disclosures.

2. Basis of preparation and going concern

Statement of compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in effect on December 31, 2019. The Board of Directors approved these consolidated financial statements (the "consolidated financial statements") on March 3, 2020. The significant accounting policies applied by the Company are described in note 3 herein.

Basis of measurement

The consolidated financial statements of the Company are presented using, and have been prepared on, a going concern basis under the historical cost convention except for certain financial instruments that are measured at fair value, as explained in the accounting policies in note 3. The consolidated financial statements of the Company are presented on the accrual basis except for the consolidated statements of cash flows. The Company's presentation currency is the Canadian dollar ("CAD"). All financial information is presented in thousands of Canadian dollars, except as otherwise indicated.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Basis of preparation and going concern (Continued)

During the year ended December 31, 2018, the Company funded its working capital requirements and its capital and operating expenditures through operating cash flows, proceeds from debt and credit facilities, proceeds from the Stellwagen Sale Transaction, proceeds from the JemPak Sale Transaction and proceeds from the monetization of the Profit Participating notes ("PPNs"). Proceeds from these transactions have been used to reduce the indebtedness of the Company. Management expects that the cash to be generated from continuing operations based on amended and updated operating forecasts will be sufficient to fund the Company's capital and operating expenditures so as to meet its financial obligations as they fall due during the next twelve months. However, there are material uncertainties to this expectation. During the year ended December 31, 2019, the Company: i) secured funding for the permanent reduction of its existing bank commercial facility by $15,466 from WFI ("WFI debt reduction facility"), which combined with the private placements completed in June 2019 in the aggregate amount of $4,433 provided for a total reduction of commercial bank debt of $20,000; and (ii) established a new credit facility with its commercial bank that includes a $50,000 asset-based lending facility with a three year term and an $8,000 term facility with a one year term. The new commercial bank $50,000 asset based facility and $8,000 term loan facility were put in place on August 2, 2019.

There is no guarantee or assurance that the Company will be able to obtain replacement debt financing upon the maturity of existing credit facilities and realize its operating forecast in the foreseeable future, which is partially dependent upon several factors, including all marketplace risks and foreign exchange rates, and, thus, meet its debt servicing, principal repayments and financial covenants under the relevant credit agreements and/or obtain continued support from its lenders should that be required. These material uncertainties cast significant doubt as to the Company's ability to continue as a going concern. As at December 31, 2019, the consolidated financial statements do not reflect any adjustments to carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate. Such adjustments could be material.

Principles of consolidation

The consolidated financial statements represent the accounts of Acasta and its subsidiary, including its controlled operating company and its controlled investments. Control is achieved when Acasta:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and,
- has the ability to use its power to affect its returns.

As of January 1, 2018, the significant controlled legal entities were as follows:

- Apollo Health and Beauty Care Inc.
- JemPak Corporation
- Stellwagen Acquisition Corp.
- Stellwagen Group Limited
- Guardian Holdings Limited
- Seraph Aviation Management Limited
- Stellwagen Finance Limited
- Stellwagen Capital Limited
- Stellwagen Capital UK Limited
- Stellwagen Technology Limited
- Infrastructure Finance & Trade Limited
- Coppermine River Aircraft Equity Fund Limited
- Ibex 1 Limited
- Ibex 2 Limited

2. Basis of preparation and going concern (Continued)

- Ibex 5 Limited
- Ibex 6 Limited
- Stelloan Investment Company I DAC
- Embassy Acquisition Facility I DAC

As at December 31, 2018 and 2019, the only significant controlled legal entity is Apollo Health and Beauty Care Inc.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary or investment begins when the Company obtains control over the subsidiary or investment and ceases when the Company loses control of the subsidiary or investment. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the date the Company gains control until the date the Company ceases to control the subsidiary or investment.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full upon consolidation.

3. Significant accounting policies

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently throughout the years presented in these consolidated financial statements, unless otherwise stated.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in net income (loss) as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration is established for business acquisitions where the Company has the obligation to transfer additional assets or equity interests to the former owners if specified future events occur or conditions are met. The fair value of contingent consideration liabilities is typically based on the estimated future financial performance of the acquired business. Financial targets used in the estimation process include certain defined financial targets and realized internal rates of return. Contingent consideration is classified as a liability when the obligation requires settlement in cash or other assets, and is classified as equity when the obligation requires settlement in the Company's own equity instruments. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with a corresponding adjustment to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are included in net income (loss) in the period. Changes in the fair value of contingent consideration classified as equity are not recognized.

3. Significant accounting policies (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to net income (loss). For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill arising on an acquisition of a business is carried at the amount established at the date of acquisition of the business less accumulated impairment losses, if any.

Corporate assets, which include the head office facility, do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum grouping of cash-generating units ("CGUs") to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually on December 31, or more frequently when there is an indication that the CGU may be impaired.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping, 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 CGU or CGU grouping. The fair value less costs to sell is based on the best information available to reflect the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis. Any impairment losses are recognized in net income (loss) and any impairment loss recognized for goodwill is not reversed in subsequent years.

On disposal of the relevant CGU, the attributed amount of goodwill is included in the determination of the gain or loss on disposal. The determination of CGUs and the level at which goodwill is monitored, as well as whether there are indicators of impairment, requires judgment by management.

Assets held for sale and discontinued operations

Assets and disposal groups are classified as held for sale 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 asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. Significant accounting policies (Continued)

At December 31, 2019 and 2018, the Company did not achieve the held for sale classification threshold for any group of assets.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Discontinued operations are reported when a component of the Company, comprising operations and cash flows that can be clearly distinguished both operationally and for financial reporting purposes from the rest of the Company, is classified as held for sale or has been disposed of, or the component represents a major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Profit or loss from discontinued operations is reported separately from income and expenses from continuing operations in the consolidated statement of loss and comprehensive loss, with prior periods presented on a comparative basis. Cash flows from discontinued operations are presented separately in the notes to the consolidated financial statements. Intra-group revenues and expenses between continuing and discontinued operations are eliminated.

Foreign currency

Functional currency

The Company reports its financial results in CAD, as it is the currency of the primary economic environment in which it operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates and revenue and expenses are translated at the average exchange rates prevailing during the month of the transaction. Exchange gains and losses arise on the settlement of foreign-currency denominated transactions which are recognized in net income (loss). The effect of currency translation adjustments on cash and cash equivalents is presented separately in the consolidated statements of cash flows and separated from investing and financing activities when deemed significant.

Cash and cash equivalents (bank indebtedness)

Cash and cash equivalents include liquid investments such as term deposits, money market instruments and commercial paper with original maturities of three months or less. The Company considers outstanding cheques as part of cash and cash equivalents (bank indebtedness).

Inventories

Inventories are comprised of raw materials, work-in-progress, and finished goods. Inventories are recorded at the lower of cost and net realizable value. Cost is determined on a standard cost basis, and includes the purchase price and other costs, such as import duties, taxes and transportation costs. Inventory cost is determined on a first-in, first-out basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Finished goods and work-in-progress include the cost of direct materials and labour and a proportion of manufacturing overhead allocated based on normal production capacity.

3. Significant accounting policies (Continued)

Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The impact of changes in inventory reserves is reflected in cost of revenue. To the extent that circumstances have changed subsequently such that the net realizable value has increased, previous write-downs are reversed and recognized in net income (loss) in the year during which the reversal occurs.

Revenue recognition

Sale of goods

The Consumer Products reporting segment generates revenues from the sale of products, specifically focusing on the manufacturing and distribution of white-label health and beauty care products.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statement of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts, returns on sales of defective products and customer rebates.

The Company's contracts with customers for the sales of products, and in some cases, including delivery of the products, consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract. The Company's payment terms range from 30 to 60 days from the transfer of control.

Leases in accordance with IFRS 16, Adopted January 1, 2019

Lessee

At the inception of a contract, the Company assesses whether a 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. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises 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, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. The lease liability is initially measured at the present value of the 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 lease liability is subsequently measured at amortized cost using the effective interest method.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (Continued)

Finance lease – lessor

At commencement date, the Company recognizes assets held under finance leases in its consolidated statements of financial position as a receivable at the amount equal to the net investment in the lease. The net investment in the lease is calculated as the present value of lease payments, using the interest rate implicit in the lease. For subleases, if the interest rate implicit in the sublease cannot be readily determined, the Company uses the discount rate under the primary lease. The Company recognizes finance income over the lease term using the effective interest rate method.

Leases in accordance with IAS 17, Prior to January 1, 2019

Finance lease — lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property as of the inception date or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income (loss) and comprehensive income (loss).

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease — lessee

Operating lease payments are recognized as selling, general and administrative expenses in the consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the lease term and include renewal terms when it is reasonably certain that the option will be exercised. Contingent rentals arising under operating leases are recognized as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating lease — lessor

Rental income from operating leases with third parties is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the Company, any excess of sales proceeds over the carrying amount is recognized as deferred revenue and amortized over the term of the new lease. Any gain or loss in a sale and leaseback transaction resulting in an operating lease that is transacted at fair value is recognized immediately. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the new lease.

3. Significant accounting policies (Continued)

Share capital and warrants

The Class B Shares and warrants of the Company (the "Warrants") are classified as equity as they are contracts representative of a residual interest in the net assets of the Company after deducting all of its liabilities. Incremental costs directly attributable to the issuance of Class B Shares and Warrants are recognized as a deduction from equity.

The Warrants are measured at fair value at the date of issuance using an appropriate valuation model reflecting the terms and conditions of the Warrants.

Net loss per share

Basic net loss per share is calculated by dividing the net loss attributable to holders of the Class B Shares by the weighted average number of Class B Shares outstanding during the year. The Contingent Shares, described herein, are subject to forfeiture and consequently excluded from the determination of the weighted average number of Class B Shares outstanding until such time as these shares are no longer subject to forfeiture. Diluted net loss per share is calculated by adjusting the net loss attributable to the holders of the Class B Shares and the weighted average number of Class B Shares outstanding for any dilutive effects of the Warrants.

Income taxes

Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

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

The Company follows the liability method to provide for income taxes. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their underlying tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized and the liability is settled. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising from the initial recognition of goodwill. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within net income (loss) in the year that includes the substantive enactment date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but intends to settle current tax liabilities and assets on a net basis or its tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits, and applicable differences in tax basis in the purchaser's tax jurisdiction as compared to its cost to the extent future recovery is probable, which may include consideration of the Company's ability to implement certain tax planning strategies. At each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and provisions for impairment, if any. Cost consists of expenditures directly attributable to the acquisition of the asset. The costs of construction of qualifying long-term assets include capitalized interest, as applicable.

Subsequent expenditures for maintenance and repairs are expensed as incurred, while costs related to betterments and improvements that extend the useful lives of property, plant and equipment are capitalized. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method or declining balance method. Depreciation is provided for as follows:

Buildings	25 - 50 years
Leasehold improvements	Lesser of useful life and term of the lease
Office equipment	20% - 30% declining method
Machinery and equipment — dish and laundry	3 - 10 years
Machinery and equipment — health and beauty care	10% - 30% declining method
Motor vehicles	4 - 5 years
Aircraft	25 years

When components of an asset have a significantly different useful life or residual value than the primary asset, the components are depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognized in the consolidated statements of loss and comprehensive loss when the asset is de-recognized.

Intangible assets

The following are the estimated useful lives for the major classes of definite life intangible assets:

Fund contract	10 years
Customer contracts and relationships	5 - 8 years
Backlog	2 years
Non-competition agreements	2 years
Intellectual property	4 years
Lease premium	Term of the lease

Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful lives and amortization methods are reviewed at the end of each reporting year, with the effect of any changes in the estimate being accounted for on a prospective basis.

3. Significant accounting policies (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their initial cost).

The Company uses the income approach to value the fund contract, customer relationships, customer contracts, backlog and non-compete agreement intangible assets. The income approach is a valuation technique that calculates the estimated fair value of an intangible asset based on the estimated future cash flows that the asset can be expected to generate over its remaining useful life.

Specifically, the Company uses the excess earnings method to value the fund contract, customer relationships, customer contracts and backlog acquired intangible assets, which is a form of the income approach that estimates the fair value of an asset by calculating the present value of the after-tax earnings attributable to that asset. The earnings attributable to an asset are reduced by a return for each of the contributory assets required to generate these earnings. The earnings remaining are then discounted to present value at a rate of return commensurate with the risk inherent in the subject intangible asset.

The Company uses the probability-adjusted discounted cash flow ("DCF") method, which is a form of the income approach to value the non-compete agreement. The probability-adjusted DCF is based on the probability of the owner competing in the absence of the non-compete clause and the probability of revenue loss for the Company if the owner competes. The probability-adjusted earnings are discounted to present value at a rate of return commensurate with the risk inherent in the non-compete agreement.

The Company relies on the relief-from-royalty method to value the intellectual property acquired. The relief-from-royalty method assumes the notional sale of the intellectual property through a royalty or licensing agreement with arm's length third parties. Accordingly, the income forecast reflects an estimate of a fair royalty that a third-party purchaser (licensee) would pay, on a percentage of revenue basis, to obtain a license to utilize the intellectual property. These after-tax royalty payments are then discounted to present value at a rate of return commensurate with the risk of the intellectual property.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures are capitalized only when it increases the future economic benefits that form part of the specific asset to which it relates and other criteria have been met. Otherwise, all other expenditures are recognized in net income (loss) as incurred.

De-recognition of intangible assets

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income (loss) when the asset is de-recognized.

3. Significant accounting policies (Continued)

Impairment of long-lived assets

Long-lived assets consist of property, plant and equipment, intangible assets and goodwill. Quarterly or whenever events or changes in circumstances suggest that the carrying value of an asset may not be recoverable, the Company reviews for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In addition, the carrying value of intangible assets with indefinite lives and goodwill are tested for recoverability on an annual basis on December 31.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an intangible asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss equal to the difference between the carrying and recoverable amounts is recognized immediately in net income (loss).

Contingencies

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because either it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

3. Significant accounting policies (Continued)

Financial instruments

All financial instruments are initially recorded at fair value at the time of acquisition. The Company aggregates its financial instruments in accordance with IFRS 9, Financial Instruments, into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company's accounting policy for each class of financial instruments is as follows:

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion, and financial liabilities which are not required, and for which the Company has not elected to subsequently record at fair value through profit or loss.

Financial instruments in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these instruments are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Financial assets are adjusted for any expected credit losses ("ECLs").

Financial assets in this category include cash and cash equivalents, and trade and other receivables. Financial liabilities in this category include accounts payable and accrued liabilities, current debt obligations, long-term debt, and other non-derivative liabilities.

Fair value through profit or loss ("FVTPL")

This category includes derivative instruments and debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

These financial instruments are initially recognized at fair value; all transaction costs are recognized immediately in profit or loss. Subsequently, these instruments are recognized at fair value at each reporting date. Any changes in fair value, and gains or losses upon disposition of the financial instruments are recognized in profit or loss.

Financial instruments in this category include derivatives included in other current liabilities and the Stelloan PPNs on the Stellwagen sale (Note 6) included in other current assets.

Fair value measurements

The Company measures fair value in accordance with IFRS 13 *Fair Value Measurement*, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

3. Significant accounting policies (Continued)

All financial instruments recognized at fair value in the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 — valuation techniques with significant unobservable market inputs.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalents, net investments in leases, and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognises lifetime ECLs for trade receivables and net investments in leases. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

De-recognition of financial instruments

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and reward of ownership of the asset to another party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in net income (loss). The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in net income (loss).

4. Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income (loss), and the related disclosure of contingent assets and liabilities, if any. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net income (loss) that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates under different assumptions or conditions. Set out below are the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of these consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Consolidation

The Company uses judgment in determining the entities that it controls and accordingly consolidates. An entity is controlled when the Company has power over an entity, exposure or rights of variable returns from its involvement with the entity, and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

Determination of CGUs

Management is required to use judgment in determining which assets or group of assets make up appropriate CGUs, for the level at which goodwill and intangible assets are tested for impairment. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets form CGUs of the Company. At December 31, 2018 and 2019, Apollo was identified as a CGU as it operates under separate management, using separate assets, and generate cash inflows independent from one another that are monitored by Acasta on this basis. The units cannot be separated further due to the level of integration, and to a certain degree, interdependence between products and services lines within each business.

Functional currency

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, materials, and other costs of providing goods or services.

Fair value of financial instruments

Derivate instruments are recorded in the Company's consolidated statements of financial position at fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by its quoted market price. Changes in the underlying trading value may significantly affect the amount of net income (loss) for a particular year. Furthermore, the quoted market price of a financial liability may not be equal to the amount that the Company would have to pay in settlement of the underlying obligation, should such obligation become immediately payable.

4. Significant accounting judgments and estimates (Continued)

Impairment testing of goodwill

Goodwill is assessed by the Company for impairment annually at December 31, and whenever there is an indication that the asset may be impaired. The Company determines the fair value of its cash-generating unit groupings to which goodwill is allocated using discounted cash flow models corroborated by other valuation techniques. The determination of the recoverable amount of a CGU (or group of CGUs) to which goodwill is allocated involves the use of estimates and assumptions of a long-term nature regarding discount rates, projected revenues, and margins, as applicable, derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. The determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Useful life of property, plant and equipment and intangible assets with finite useful lives

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Inventory obsolescence

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

4. Significant accounting judgments and estimates (Continued)

Sales allowances

A sales allowance is established to reflect credits due to customers relating to factors such as contractual discounts, negotiated discounts, customer audits, defective products, and costs incurred by customers to sell the Company's products. The allowance is based on specific reserves based upon the Company's evaluation of the likelihood of the outcome of sales allowance claims.

Expected credit losses

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Income and other taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Discount rate used in adoption of IFRS 16

The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

5. Recently issued accounting pronouncements

Accounting standards, amendments and interpretations issued but not yet effective

Certain new standards, amendments and interpretations have been issued but are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations, which are issued but not yet effective.

5. Recently issued accounting pronouncements (Continued)

IAS 1 - Presentation of Financial Statements ("IAS 1 ") and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

Newly adopted standards

The Company has adopted IFRS 16 Leases on January 1, 2019. Other recently adopted standards effective on January 1, 2019 that do not have a material effect on the Company's consolidated financial statements have been omitted.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. Under IFRS 16, the majority of off balance sheet leases became on balance sheet liabilities. The Company has applied IFRS 16 with an initial application date of January 1, 2019, in accordance with the transitional provisions specified in IFRS 16.

The Company has applied the following practical expedients:

(i) The Company applied the simplified transition approach and did not restate comparative information. As a result, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the deficiency as at January 1, 2019.

(ii) On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, and IFRIC 4, determining whether an arrangement contains a lease, were not reassessed for whether there is a lease. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

In accordance with the practical expedients applied, the Company has recognized lease liabilities and right-of-use assets at the date of initial application for leases previously classified as operating leases in accordance with IAS 17. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. In addition, the Company has elected not to record depreciation of the right-of-use assets prior to the date of initial application.

Upon transition to the new standard, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities were recognized on the consolidated statement of financial position with the cumulative difference recognized in deficiency.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Because of this change, the Company has reclassified its sublease agreements as finance leases.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

5. Recently issued accounting pronouncements (Continued)

At the date of initial application, lease liabilities of $18,435 were recognized in lease liabilities, right-of-use assets of $17,222 were recognized in property, plant and equipment, and net investment in lease of $1,147 was recognized in the consolidated statement of financial position. The difference of $66 was recognized as an increase in deficiency. The weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position on the date of initial application is 7.6%. There would be no material difference between the discounted value of the operating lease commitments disclosed at December 31, 2018 and the adjustments above.

6. Discontinued operations

JemPak Sale Transaction

On June 1, 2018, the Company sold 100% of its shares held in JemPak ("JemPak Sale Transaction"). JemPak was not previously classified as held-for-sale or as a discontinued operation as the sale was not highly probable prior to the period of sale. The profit or loss for the comparative periods has been presented to reflect the results of JemPak as a discontinued operation separately from continuing operations. JemPak results have historically been included in the Consumer Products reportable segment (note 22).

The JemPak Sale Transaction was executed at a purchase price of $118,000, subject to certain purchase price adjustments and a reduction for certain liabilities transferred as noted in the table below. On close of the transaction, net cash proceeds of $111,326 were received by the Company and $77,673 (U.S. $59,868,000) was used to reduce debt outstanding under the Company's U.S. Credit Facility and to pay fees and accrued interest to the lenders under the U.S Credit Facility. See note 12. Cash proceeds of $32,668 were used to reduce debt outstanding under the Credit Facility and to pay fees and accrued interest to the lenders of the Company's Credit Facility. See note 12. The JemPak Sale Transaction did not include any contingent consideration. Post-closing adjustments related to closing date cash and net working capital have been estimated at $745. Changes to the estimate may still be applicable but are not expected to be significant. The JemPak Sale Transaction subjects the Company to certain indemnities related to tax and environmental site remediation. As the Company is not aware of any material amounts related to these matters, no provision has been recorded.

	For the year ended December 31, 2018
Revenue	$42,059
Expenses, inclusive of goodwill impairment	53,700
Loss from discontinued operations before income tax	$(11,641)
Income tax recovery (expense)	(363)
Net loss from discontinued operations after income tax	$(12,004)
Loss on sale of JemPak, net of tax	(3,394)
Net loss from discontinued operations, net of tax	**$(15,398)**

Cash flows provided by (used in) JemPak and recorded within results from discontinued operations for the period prior to sale are presented below. These activities are reported in aggregate with continuing operations in the consolidated statement of cash flows.

	For the period from January 1, 2018 to May 31, 2018
Net cash flows provided by (used in) operating activities	$5,548
Net cash flows used in investing activities	(3,505)
Net cash flows (used in) provided by financing activities	(1,293)
Net increase (decrease) in cash for the period	**$750**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

6. Discontinued operations (Continued)

Details of the disposal of JemPak Corporation are described below.

Consideration received		
Cash proceeds	$	118,000
Less: cash held in JemPak		(3,938)
Net cash proceeds		**114,062**
Add: adjustment for normalized net working capital		5,242
Less: finance lease liability transferred to purchaser		(7,750)
Less: retention amounts		(228)
Net proceeds	**$**	**111,326**
Costs to sell		(4,210)
Post-closing adjustment[1]		(745)
Net proceeds on disposal	**$**	**106,371**
Carrying value of JemPak net assets		
Assets[2]		134,041
Liabilities		24,276
Net assets on disposal	**$**	**109,765**
Loss on sale of JemPak before adjustments and income tax		(3,394)
Income tax expense		—
Loss on sale of JemPak, net of tax	**$**	**(3,394)**

(1) Post-closing adjustment arises from final measurement of closing May 31, 2018 cash and net working capital.

(2) Excludes closing cash held in JemPak of $3,938 as at May 31, 2018.

Stellwagen Sale Transaction

On March 27, 2018, the Company disposed of and derecognized substantially all of the net assets in the Aviation reportable segment (see note 22) through the Stellwagen Sale Transaction or by loss of control. Management committed to a plan to sell 100% of the shares held in Stellwagen in February 2018, following a strategic decision to place greater focus on the Company's consumer products segment.

The disposition included the Stellwagen Sale Transaction for consideration that included cash, cancellation of Class B Shares, settlement of certain liabilities, and contingent consideration as outlined below. Cash proceeds of $45,042 (U.S. $35,000,000) was used to reduce debt outstanding under the Company's U.S. Credit Facility and pay fees and accrued interest to the lenders under the U.S Credit Facility. 26,000,000 Class B Shares were cancelled on March 27, 2018, resulting in a reduction to share capital (note 14). As a part of the Company's consideration for the purchase of Stellwagen from the Stellwagen Vendors on January 3, 2017, the Company incurred a contractual obligation to pay an earn-out based on performance of Stellwagen over a three-year period. Consideration from the Stellwagen Sale Transaction included termination of this obligation, valued at $9,007 (U.S. $7,000,000).

Lastly, the proceeds included contingent consideration receivable in the form of a downside protection on the future monetization of Profit Participating notes ("PPNs"), up to a maximum payout U.S. $5,000,000. The fair value of the contingent consideration was measured in accordance with the agreement based on a comparison to the actual consideration received on monetization of the PPNs. At December 31, 2018, the Company has recognized a receivable for the amount of $6,435 (U.S. $5,000,000) in other current assets. As at December 31, 2019, the Company collected the entire receivable.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

6. Discontinued operations (Continued)

The Stellwagen Sale Transaction resulted in the loss of control over Stelloan Investment Company I DAC ("Stelloan") and Embassy Acquisition Facility I DAC ("Embassy") as the Company no longer has the ability to direct the relevant operating activities of the entities. As a result of the loss in control, the Company ceased consolidating Stelloan and Embassy and derecognized the assets and liabilities of these subsidiaries as of the date of the Stellwagen Sale Transaction. Included in results from discontinued operations for the period from January 1, 2018 to March 27, 2018 is a loss of $33,121 attributable to the change in fair value of the loans receivable held by Embassy with third party borrowers prior to disposal.

Following the disposition of the Aviation reportable segment, the Company retained an investment in Stelloan through its ownership of PPNs. The Company monetized its investments in the PPNs for $33,215 (U.S. $25,796,000) on May 15, 2018. See note 21.

The Aviation reportable segment was not previously classified as held-for-sale or as a discontinued operation as the sale was not highly probable prior to the period of sale. The profit or loss and OCI for the comparative period has been presented to reflect the results of the Aviation reportable segment as a discontinued operation separately from continuing operations.

	For the period from January 1 to March 27, 2018
Revenue	$22,489
Expenses and loss on revaluation of loans receivable	55,163
Income (loss) from discontinued operations before income tax	$(32,674)
Income tax recovery (expense)	450
Net (loss) income from discontinued operations after income tax	$(32,224)
Income (loss) of Aviation reportable segment, net of tax	(97,721)
Net (loss) income from discontinued operations, net of tax	**$(129,945)**

Cash flows provided by (used in) discontinued operations for the periods are presented below. These activities are reported in aggregate with continuing operations in the consolidated statements of cash flows.

	For the period from January 1, 2018 to March 27, 2018
Net cash flows provided by operating activities	$ 31,946
Net cash flows used in investing activities	(65)
Net cash flows (used in) provided by financing activities	(27,895)
Net increase in cash for the period	**$ 3,986**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

6. Discontinued operations (Continued)

Details of the disposal of the Aviation reportable segment are described below.

Consideration received or receivable		
Cash proceeds	$	45,042
Less: Cash held in Aviation reportable segment		(12,315)
Net cash proceeds	$	32,727
Cancellation of Class B Shares of Acasta		57,200
Cancellation of Stellwagen Earn-out payment		9,007
Fair value of PPN downside protection(1)		6,435
Costs to sell		(1,907)
Net proceeds on disposal	**$**	**103,462**
Carrying value of Aviation reportable segment net assets		
Assets(2)	$	1,025,934
Liabilities		843,119
Net assets on disposal	**$**	**182,815**
Loss on disposal of the Aviation reportable segment before adjustments, income tax, and reclassification of other comprehensive income items	**$**	**(79,353)**
Loss on receivable from Stellwagen Vendors, net		(1,501)
Net loss on foreign currency transaction for the year ended December 31, 2017 reclassified from accumulated other comprehensive income, net of tax		(29,377)
Net gain on foreign currency translation for the period from January 1, 2018 to March 27, 2018 reclassified from other comprehensive income, net of tax		5,819
Cumulative net movement in cash flow hedges for the year ended December 31, 2017 reclassified from accumulated other comprehensive income, net of tax		1,515
Movement in cash flow hedges for the period from January 1, 2018 to March 27, 2018 reclassified from other comprehensive income, net of tax		5,176
Loss on disposal of Aviation reportable segment, net of tax	**$**	**(97,721)**

(1) The Company collected $6,435 of the PPN downside protection in the year ended December 31, 2019.
(2) Excludes closing cash held in the Aviation reportable segment of $12,315 as at March 27, 2018.

Loss on disposal of Aviation reportable segment, net of tax includes other comprehensive loss for the period from January 1, 2018 to March 27, 2018 in the amount of $10,995 attributable to a net gain on foreign currency translation and movement in cash flow hedges. On disposal of the Aviation reportable segment, this other comprehensive loss generated within discontinued operations was reclassified and presented within loss from discontinued operations.

7. Trade and other receivables

Trade and other receivables comprised the following:

		As at December 31, 2019		As at December 31, 2018
Trade receivables	$	20,259	$	24,473
Expected credit losses (note 25)		(14)		(99)
Sales tax receivable		789		982
Other		7		288
Total trade and other receivables	**$**	**21,041**	**$**	**25,644**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

8. Inventories

Inventories comprised the following:

	As at December 31, 2019	As at December 31, 2018
Raw materials	$ 10,612	$ 10,816
Work in progress	—	222
Finished goods	15,060	12,842
Total inventories	**$ 25,672**	**$ 23,880**

During the year ended December 31, 2019, $87,588 of inventory was expensed in cost of revenue (year ended December 31, 2018 — $113,300). The provision for obsolete inventory totaled $8,947 (December 31, 2018 — $10,841). The cost of inventories recognized as an expense includes $8,491 (2018 - $17,860) in respect of write-downs of inventory to net realizable value. All of the inventory value is pledged as collateral for the Commercial Bank Credit Facility and WFI Debt Reduction Facility (see note 12).

9. Property, plant and equipment

During the year ended December 31, 2018, the Company disposed of all the property, plant and equipment of JemPak and the Aviation reportable segment when the Company sold its shares in the respective subsidiaries. A carrying amount of $25,668 and $566,393 were included in net assets on disposal of JemPak and the Aviation reportable segment, respectively. See note 6. Property, plant and equipment at December 31, 2019 and 2018 comprised the following:

Cost	Building and Leasehold Improvements	Office Equipment	Machinery and Equipment	Aircraft and Motor Vehicles	Right-of-use Assets (Manufacturing Plant)	Total
Balance, December 31, 2017	**$ 15,789**	**$ 2,978**	**$ 48,904**	**$ 573,324**	**n/a**	**$ 640,995**
Additions	1,345	576	3,929	—	n/a	5,850
Transfers and disposals	(11,901)	(1,562)	(15,863)	(588,129)	n/a	(617,455)
Foreign currency translation	—	16	—	14,805	n/a	14,821
Balance, December 31, 2018	**$ 5,233**	**$ 2,008**	**$ 36,970**	**$ —**	**$ —**	**$ 44,211**
Balance, January 1, 2019, as restated (note 5)	**$ 5,233**	**$ 2,008**	**$ 36,970**	**$ —**	**$ 17,222**	**$ 61,433**
Additions	6	—	1,069	—	—	1,075
Balance, December 31, 2019	**$ 5,239**	**$ 2,008**	**$ 38,039**	**$ —**	**$ 17,222**	**$ 62,508**

Accumulated Depreciation	Building and Leasehold Improvements	Office Equipment	Machinery and Equipment	Aircraft and Motor Vehicles	Right-of-use Assets (Manufacturing Plant)	Total
Balance, December 31, 2017	**$ (495)**	**$ (668)**	**$ (5,369)**	**$ (16,869)**	**n/a**	**$ (23,401)**
Depreciation	(505)	(510)	(4,439)	(4,795)	n/a	(10,249)
Disposals	324	404	2,405	22,186	n/a	25,319
Foreign currency translation	—	(6)	—	(522)	n/a	(528)
Balance, December 31, 2018	**$ (676)**	**$ (780)**	**$ (7,403)**	**$ —**	**$ —**	**$ (8,859)**
Depreciation	(349)	(351)	(3,776)	—	(1,968)	(6,444)
Balance, December 31, 2019	**$ (1,025)**	**$ (1,131)**	**$ (11,179)**	**$ —**	**$ (1,968)**	**$ (15,303)**
Carrying Value at December 31, 2018	**$ 4,557**	**$ 1,228**	**$ 29,567**	**$ —**	**$ —**	**$ 35,352**
Carrying Value at December 31, 2019	**$ 4,214**	**$ 877**	**$ 26,860**	**$ —**	**$ 15,254**	**$ 47,205**

No impairment was recognized during the years ended December 31, 2019 and December 31, 2018.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

10. Goodwill and intangible assets

During the year ended December 31, 2018, the Company disposed of all the goodwill and intangible assets of JemPak and the Aviation reportable segment. See note 6. Goodwill and intangible assets comprised the following:

Cost	Goodwill	Customer relationships/ contracts	Intellectual Property	Lease Premiums	Non-compete/ Backlog	Fund Contract	Total
Balance, December 31, 2017	**$ 597,853**	**$173,009**	**$ 13,200**	**$ 119,612**	**$ 38,916**	**$ 7,075**	**$ 949,665**
Transfers and disposals	(135,685)	(38,630)	(13,200)	(122,701)	(39,920)	(7,258)	(357,394)
Foreign currency translation	1,799	421	—	3,089	1,004	183	6,496
Balance, December 31, 2018	**$ 463,967**	**$ 134,800**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 598,767**
Balance, December 31, 2019	**$ 463,967**	**$ 134,800**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 598,767**

Accumulated Amortization and Impairment Losses	Goodwill	Customer relationships/ contracts	Intellectual Property	Lease Premiums	Non-compete/ Backlog	Fund Contract	Total
Balance, December 31, 2017	**$ (421,301)**	**$ (23,948)**	**$ (3,300)**	**$ (9,792)**	**$ (38,891)**	**$ (412)**	**$ (497,644)**
Amortization	n/a	(15,198)	(1,191)	2,450	—	(153)	(18,992)
Impairment loss on JemPak	(12,248)	—	—	—	—	—	(12,248)
Impairment loss on Apollo	(30,418)	(75,897)	—	—	—	—	(106,315)
Transfers and disposals	n/a	9,328	4,491	12,557	38,895	580	66,851
Foreign currency translation	n/a	(85)	—	(315)	(1,004)	(15)	(1,419)
Balance, December 31, 2018	**$ (463,967)**	**$ (105,800)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (569,767)**
Amortization	—	(4,833)	—	—	—	—	(4,833)
Balance, December 31, 2019	**$ (463,967)**	**$ (110,633)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (574,600)**
Carrying value at December 31, 2018	**$ —**	**$ 29,000**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 29,000**
Carrying value at December 31, 2019	**$ —**	**$ 24,167**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 24,167**

None of the intangible assets are determined to have indefinite useful lives and, accordingly, have been amortized in the period consistent with stated accounting policies.

As described in note 3, goodwill is tested annually for impairment by comparing the carrying value of the CGU or group of CGUs to the recoverable amount, where, the recoverable amount is the higher of fair value less costs of disposal and value in use. Key assumptions used in calculating the recoverable amount are those regarding discount rates, growth rates and expected changes in margins.

The Company determined the recoverable amount for each CGU and intangible assets using the fair value less costs of disposal method. The fair value less costs of disposal for a CGU or group of CGUs is determined using the income approach valuation technique, which discounts the earnings projection derived from business plans prepared by the Company. The projections reflect management's expectations of revenue, profit margins, capital expenditures, working capital and operating cash flows, based on past experience and future expectations of operating performance.

Discount rates are applied to the earnings projections and are derived from the weighted average cost of capital for each CGU.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

10. Goodwill and intangible assets (Continued)

In 2018, the Company performed its annual impairment test on goodwill for all CGUs based on the fair value less costs of disposal using after-tax discount rates ranging from 10% to 23%, annual growth rates up to 10%, and a terminal growth rate of 2.5%. The Company recorded an impairment of goodwill and intangible assets in respect of Apollo totaling $106,315 for the year ended December 31, 2018 as a result of a decline in forecasted sales, reduction in profit margins, and increased inventory costs and operating expenses expected from the CGU.

Impairment is recorded within Impairment of goodwill and intangible assets in the consolidated statement of loss and comprehensive loss. The recoverable amount was estimated using the income approach valuation technique, which discounts future cash flows.

The Company recorded an impairment of goodwill in respect of JemPak of $12,248 during the year ended December 31, 2018. The JemPak CGU was assessed again for indicators of impairment as of the date the CGU met the criteria to be designated as held for sale prior to its disposal. No indicators of impairment were identified at that time, and no additional impairment expense recognized. All activity is presented in results from discontinued operations.

There was no reversal of impairment during the years ended December 31, 2019 and December 31, 2018.

During the year ended December 31, 2019, there were no indications of impairment for the Company's customer relationships/contracts.

11. Income taxes

The major components of income tax expense include the following:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Current Income Tax Expense		
In respect of the current year	$ —	$ (6,288)
In respect of the prior year	—	(944)
Total current income tax expense	**$ —**	**$ (7,232)**
Deferred Income Tax Recovery		
In respect of the current year	$ —	$ (9,506)
In respect of the prior year	—	(859)
Total deferred income tax recovery	**$ —**	**$ (10,365)**

The provision for income taxes differs from the expense that would be obtained by applying the Canadian statutory income tax rate as a result of the following:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Income tax recovery based on applicable statutory tax rate of 26.5%	$ (1,326)	$ (50,850)
Rate differential	22	1,476
Non-deductible costs and permanent items	277	1,300
Elimination of deferred tax liability associated with discontinued operations	—	(3,566)
Current year tax on (gains) losses and other deductible temporary differences for which no deferred tax asset is recognized	(1,321)	30,569
Impairment of non-deductible goodwill	—	5,378
Prior year adjustments	2,436	(1,803)
Other	(88)	(102)
Total income tax recovery	**$ —**	**$ (17,597)**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

11. Income taxes (Continued)

The applicable Canadian statutory income tax rate of 26.5% is attributable to a Federal tax rate of 15% and a provincial tax rate of 11.5% for Ontario.

The changes in deferred tax balances are presented as follows:

	As at December 31, 2018	Recognized in: Income from Discontinued Operations	Recognized in: Income from Continuing Operations	As at December 31, 2019
Basis differences — Intangibles	$ —	$ —	$ —	$ —
Basis differences — Fixed assets	—	—	—	—
Goodwill	—	—	—	—
Loss carryforwards	—	—	—	—
Basis differences — Other	—	—	—	—
Total	**$ —**	**$ —**	**$ —**	**$ —**

	As at December 31, 2017	Recognized in: Income from Discontinued Operations	Recognized in: Income from Continuing Operations	As at December 31, 2018
Basis differences — Intangibles	$ **(28,118)**	$ 8,875	$ 19,243	**$ —**
Basis differences — Fixed assets	**(7,830)**	2,388	5,442	—
Goodwill	**14,320**	—	(14,320)	—
Loss carryforwards	**4,838**	(1,144)	(3,694)	—
Basis differences — Other	**(3,516)**	(178)	3,694	—
Total	**$ (20,306)**	**$ 9,940**	**$ 10,365**	**$ —**

For the year ended December 31, 2018, the effective tax rate for continuing operations was 9.17%. The difference between these effective tax rates and the statutory tax rate is attributable to the goodwill impairment recognized during the year ended December 31, 2018, the sale of the shares of JemPak and the Aviation reportable segment, as well as the derecognition of deferred tax resulting from operating losses of Acasta and Apollo for which a suitable source of probable future taxable income has not been identified. For the year ended December 31, 2018, the effective tax rate for continuing operations varied from the enacted Federal and provincial tax rate applicable as certain Acasta losses did not give rise to a tax benefit in the periods, whereas income generated in Apollo previously resulted in current and deferred income tax expense.

For the year ended December 31, 2018, upon the disposition of the shares and certain debts of the entities and assets previously included as part of the Aviation reportable segment, a capital loss of $336,697 has been estimated which has not been recognized as a deferred tax asset. Upon the disposition of the shares of JemPak, a capital gain for tax purposes of $41,853 has been estimated, partially offsetting the capital loss recognized on the Stellwagen Sale Transaction.

Deferred tax assets are recognized if management has determined that it is probable that such deferred tax assets may be recovered. As at December 31, 2019 and December 31, 2018, the Company believes that the following deductible temporary differences do not currently meet the criteria for recognition:

	As at December 31, 2019	As at December 31, 2018
Non-capital loss carry forwards	$ 86,312	$ 82,753
Capital loss carryforwards	295,127	298,413
Unamortized transaction costs	11,520	22,612
Long-lived assets	53,209	11,638
Non-refundable tax credits	1,307	-
Other	3,415	-
Total unrecognized deductible temporary differences	**$ 450,890**	**$ 415,416**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

11. Income taxes (Continued)

Non-capital losses of $86,312 expire between 2035 and 2039.

12. Debt

	As at December 31, 2019	As at December 31, 2018
(a) Term Loan B	$ —	$ 56,953
(a) Revolving Credit Facility	—	4,528
(c) U.S. Credit Facility	15,418	13,085
(b) WFI Debt Reduction Facility	15,466	—
(a) Asset Based Facility	31,292	—
Bank Indebtedness	3,673	—
Less: Deferred financing fees	(192)	(122)
Total debt	**$ 65,657**	**$ 74,444**
Current	$ 34,557	$ 74,444
Long-term	31,100	—
Total debt	**$ 65,657**	**$ 74,444**

(a) Commercial Bank Credit Facility

On January 3, 2017, the Company entered into a credit agreement with a three-year term providing a borrowing capacity of up to $150,000. On May 24, 2017, this credit agreement was amended and restated to reduce the capacity of the facility to $100,000 ("Credit Facility"). On June 1, 2018, the Credit Facility was further amended in consideration of the JemPak Sale Transaction ("Amended Credit Facility"). The Amended Credit Facility had a maturity date of June 1, 2019. Under the Amended Credit Facility, availability under Term Loan A was cancelled, availability under Term Loan B was increased to $58,000, and the Revolving Credit Facility availability was reduced to $5,000. During 2018, certain financial covenants and interest rate applicable margins were revised. The Company used cash proceeds of $32,668 from the JemPak Sale Transaction to repay the principal outstanding under Term Loan A, Revolving credit facility amounts previously drawn by JemPak, and accrued interest and fees.

On March 28, 2019, the Amended Credit Facility was further amended ("March Amended Credit Facility"). Under the March Amended Credit Facility, certain amortization payments under Term Loan B were waived, certain financial covenants were amended, a covenant was introduced to reduce the facilities by $20,000, and the Revolving Credit Facility availability was increased to $8,000. The lender also provided waivers for certain covenant requirements as at December 31, 2018 and March 31, 2019.

On July 12, 2019, the Amended Credit Facility was further amended ("July Amended Credit Facility") to extend the maturity date to July 31, 2019 and add certain provisions to accommodate the WFI Debt Reduction Facility (described below).

On August 2, 2019, the Amended Credit Facility matured and was replaced by $50,000 asset-based lending facility with a three-year term and an $8,000 term facility with a one-year term. The asset based lending facility is secured with all the Company's cash, receivables and inventory. It includes a borrowing base calculation which must be calculated monthly and covenants which are customary for asset based facilities of this nature. Such covenants limit, among other things, the ability of the Company to incur or assume additional debt, sell material assets, and make certain capital expenditures or acquisitions. The Company must also maintain a minimum fixed charge coverage ratio and a maximum leverage ratio. The Company must monitor, report and comply with the covenants on a regular basis.

12. Debt (Continued)

A summary of the facilities available as at December 31, 2019 are listed below.

i) **Asset Based Credit Facility** — availability of up to $50,000 in accordance with the Credit Agreement to be used for working capital and other general corporate purposes. Amounts of drawdowns are in Canadian dollars by way of prime rate and bankers' acceptances advances and in United States dollars by way of U.S. base rate advances and LIBOR advances. Interest is CDOR, LIBOR, or prime rate based plus an applicable margin. At December 31, 2019, the Company had drawn $31,292 (December 31, 2018- N/A) in Canadian advances and $nil (December 31, 2018 – N/A) in U.S. advances. The asset based credit facility matures on August 2, 2022.

ii) **Term Loan** — availability up to $8,000 in accordance with the Credit Agreement to be used for working capital and other general corporate purposes. Amounts are funded in Canadian dollars by way of prime rate and bankers' acceptances advances. As at December 31, 2019 (December 31, 2018 – N/A), the Company had not drawn against this facility. The term loan facility matures on August 2, 2020.

(b)WFI Debt Reduction Facility

WFI Inc., the remaining lending party to the U.S. Credit Facility, is related to Acasta by virtue of being controlled by Richard and Charles Wachsberg, the key management personnel. The $15,466 WFI Debt Reduction Facility was funded on July 12, 2019 and is interest and fee free for its six-month term which matures on January 12, 2020. This facility combined with the private placements completed in June 2019 in the aggregate amount of $4,433 provided for a total reduction of commercial bank debt (note 12(a)) of $20,000. The WFI Debt Reduction Facility is fully subordinated to the existing commercial bank facility and secured by the assets of Apollo Health and Beauty Care Inc. It is also secured by a general security agreement over all the assets of the parent entity, Acasta Enterprises Inc. Subsequent to December 31, 2019, the WFI Debt Reduction facility maturity date was extended to June 30, 2020. A fee of 0.5% of the outstanding balance was charged by the lender for the extension, and an interest rate of Canadian prime rate plus an applicable margin was charged.

(c) U.S. Credit Facility

On May 14, 2017, the Company entered into a secured two-year credit facility agreement (the "U.S. Credit Facility") with a syndicate of lenders including two related parties. The U.S Credit Facility allowed for the borrowing of up to U.S. $150,000,000 to fund specific investments. An exit fee of $4,283 (U.S. $3,312,000) was paid by the Company during the year ended December 31, 2018 to the lenders and is recognized within finance expense in the period (note 17). Interest is LIBOR based plus an applicable margin. The U.S. Credit Facility is secured by a first priority lien over Acasta's real property and a second priority lien of Apollo Health and Beauty Care Inc.'s net assets. The Company must maintain a minimum leverage ratio based on total indebtedness relative to earnings before interest, taxes, depreciation and amortization.

In response to the Company's effort to reduce indebtedness, in addition to making early repayments of principal, the ability to make further draws on the facility was removed. The U.S. Credit Facility's maturity date was extended from September 1, 2019 to January 12, 2020 to be in sync with the maturity date of the WFI Debt Reduction Facility. An extension fee of 0.5% of the outstanding balance was charged by the lender for the extension. Subsequent to December 31, 2019, the U.S. Credit Facility was extended to June 30, 2020. An extension fee of 0.5% of the outstanding balance was charged by the lender for the extension.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

12. Debt (Continued)

Changes in cash flows from financing activities related to debt

		Year ended December 31, 2019		Year ended December 31, 2018
Total debt, beginning of year	**$**	**74,444**	**$**	**983,946**
Proceeds from credit facilities		46,758		44,362
Debt repayments		(61,028)		(219,505)
Debt issuance costs		(261)		(1,000)
Total cash flows from financing activities related to debt	**$**	**(14,531)**	**$**	**(176,143)**
Other components of long-term debt				
Accrued interest	$	2,359	$	—
Derecognition of aircraft loans and Portfolio Loan Revolver on disposal of Aviation reportable segment		—		(766,799)
Non-cash changes in deferred financing fees		(261)		8,513
Effects of foreign exchange		(27)		24,927
Total other components of long-term debt	**$**	**2,071**	**$**	**(733,359)**
Bank indebtedness	$	3,673	$	—
Total debt, end of year	**$**	**65,657**	**$**	**74,444**

13. Leases

(a) Net investment in leases

The Company entered into finance leasing arrangements as a lessor for office premises. These premises were originally leased by the Company, and subsequently sub-leased. These sub-lease contracts do not include extension or early termination options.

		Year ended December 31, 2019
Net investment leases as at January 1, 2019	$	1,147
Interest incom		74
Lease payments		(171)
Net investment leases as at December 31, 2019	**$**	**1,050**

The following is a reconciliation from the undiscounted lease payments to the net investment in leases:

Year		**As at December 31, 2019**
2020	$	171
2021-2022		345
2023-2024		368
2025+		506
Total contractual cash flows	**$**	**1,390**
Less: unearned interest income		**(340)**
Net investment in leases	**$**	**1,050**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

13. Leases (continued)

(b) Lease liabilities

The Company has lease agreements in place for its manufacturing plant as well as office premises as describe in (a).

		Year ended December 31, 2019
Lease liabilities as at January 1, 2019	$	18,435
Interest expense		1,194
Lease payments		(2,730)
Lease liabilities as at December 31, 2019	**$**	**16,899**

The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

Year		As at December 31, 2019
2020	$	2,761
2021-2022		5,563
2023-2024		5,870
2025+		8,319
Total contractual cash flows	**$**	**22,513**
Less: interest		**(5,614)**
Lease liabilities	**$**	**16,899**

14. Shareholders' equity

On March 27, 2018, the Company completed the Stellwagen Sale Transaction for consideration that included cash, cancellation of 26,000,000 Class B Shares, settlement of certain liabilities, and contingent consideration. The cancelled shares were measured at the fair value being the trading price of the shares on the closing date of the Stellwagen Sale Transaction.

On April 6, 2018, the Company issued 500,000 Class B Shares to the ECN vendors as per the settlement agreement entered on March 18, 2018 prior to the Stellwagen Sale Transaction. The shares were measured at their fair value, being the trading price on the effective date of the agreement.

	Number		Amount
Balance, December 31, 2017	95,715,298	$	849,383
Cancellation of Class B Shares, as consideration in the Stellwagen Sale Transaction (note 6)	(26,000,000)		(256,142)
Issued as settlement of ECN contingent consideration	500,000		1,005
Balance, December 31, 2018	**70,215,298**	**$**	**594,246**
Forfeiture and cancellation of contingent Class B Shares	(3,742,209)		(9)
Private placement, net of issuance costs	6,668,507		4,433
Issuance of Class B Shares for settlement of debt	683,836		521
Balance, December 31, 2019	**73,825,432**	**$**	**599,191**

On February 22, 2019, the Company closed a conversion of a portion of the secured, U.S. dollar denominated high yield debt held by WFI Inc. into equity of the Company. Under the terms of the conversion, WFI converted an aggregate principal amount of $4,784 (or approximately US$3,588) of high yield, secured U.S. dollar denominated indebtedness into Class B shares of the Company. The Company issued to WFI Inc. 6,499,426 Class B Shares pursuant to the conversion at a deemed price of $0.736 per share. WFI Inc. is related to Acasta by virtue of being controlled by the co-CEOs who are also directors of the Company. The transaction was unwound on April 5, 2019 (including the cancellation of the 6,499,426 Class B shares) and as such has not been recognized in these consolidated financial statements.

14. Shareholders' equity (Continued)

During June 2019, the Company closed two tranches of a private placement financing at $0.68 per share raising gross proceeds of $4,533 ($4,433 net of issue costs) and issuing 6,668,507 Class B shares. See note 20 for further related party transactions disclosures.

During the year ended December 31, 2019, the Company issued 683,836 Class B shares as settlement for amounts owing by the Company. The amounts recorded as share capital represent the amounts previously owing by the Company. This represents a non-cash transaction and is therefore excluded from the consolidated statement of cash flow. These shares were issued to a shareholder for services previously rendered. There was no gain or loss recognized on the extinguishment of the liability, as the shares were recorded at the value of the liability extinguished.

Authorization

The Company is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

Voting Rights

Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote.

Warrants

The warrants outstanding were not exercisable by the holders until February 2, 2017. Each warrant entitles the holder to purchase one Class B Share at an exercise price of $11.50, subject to normal anti-dilution adjustments. The warrants expire on January 3, 2022. As at December 31, 2019 and 2018, there were 20,884,062 warrants issued and outstanding.

Contingent Shares

In connection with the formation of the Company in 2017 (the “Closing”), certain parties involved the Closing (the “Founders”) entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking (the “Forfeiture Agreement”). Pursuant to the Forfeiture Agreement, 50% of the Founders' Shares (the “Contingent Shares”) are subject to forfeiture on the following terms: (i) 50% of the Contingent Shares will be forfeited unless the Company secures limited partner commitments of at least $1 billion of capital for its private equity fund prior to the second anniversary of the Closing; and (ii) the remaining 50% of the Contingent Shares will be forfeited unless the Company achieves a Consumer Products Realization Event (as hereinafter defined) prior to the second anniversary of the Closing. A Consumer Products Realization Event can be the sale (partial or full) of Acasta's Consumer Products businesses to a private equity fund, a sale of the businesses to a third party, a strategic merger with other similar businesses, or a separate public listing of the Consumer Products businesses.

In addition to the forfeiture provisions described above, the Contingent Shares are restricted from transfer on the following terms: (i) for a period of one year from Closing, the Contingent Shares may not be transferred; (ii) for the year between the first and fourth anniversary of Closing, the Contingent Shares will only be transferable if the closing price of the Class B Shares exceeds $15.00 for any 20 trading days within a 30-day trading year; and (iii) after the fourth anniversary of Closing, the Contingent Shares will only become transferable if the closing share price of the Class B Shares exceeds $18.00 for any 20 trading days within a 30-day trading year. If the Contingent Shares become unrestricted by any of the conditions listed prior, 50% of the Contingent Shares may only be transferred if the Company has secured limited partner commitments of at least $1 billion of capital for its private equity fund prior to the second anniversary of the Closing, and the remaining 50% of the Contingent Shares may be transferred if the Company achieves a Consumer Products Realization Event prior to the second anniversary of the Closing.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

14. Shareholders' equity (Continued)

The remaining Founders' Shares that are not Contingent Shares are restricted from transfer until the earlier of (a) one year following Closing; and (b) the closing share price of the Class B shares equaling or exceeding $12.00 per share for any 20 days within a 30-day trading year.

On January 2, 2019, the Company announced that, pursuant to the terms of the Amended and Restated Forfeiture Conditions and Transfer Restrictions Agreement and Undertaking entered into on January 3, 2017, an aggregate of 5,221,020 Class B Contingent Shares held by the original founders of the Company and certain transferees would be forfeited and cancelled by the Company for no consideration. 3,742,209 shares were forfeited and cancelled as at December 31, 2019, with 1,478,811 remaining to be cancelled.

Share based payment arrangements

On July 1, 2017, the Company established a deferred share unit ("DSU") incentive plan. The DSU incentive plan provides that participants may elect annually to receive all or a portion of their annual compensation amounts that would otherwise be payable in cash in the form of DSUs. DSUs may be redeemed for cash, Class B Shares or a combination of cash and Class B Shares, at the election of the Company upon exercise of the award, in accordance with the terms of the plan. The plan is currently available to members of the Board of Directors. The maximum number of Acasta Class B shares reserved for the DSU incentive plan is 4,785,765.

	Number of deferred share units
Outstanding January 1, 2018	52,304
Redeemed	(52,304)
Outstanding December 31, 2018 and 2019	—

There were no DSUs issued during the years ended December 31, 2018 and 2019. The Company recognized $nil of share-based payment expense for the year ended December 31, 2019 (December 31, 2018 - $1,212) for these DSU awards. DSUs vest immediately as they are awarded.

15. Revenue

Revenue comprised of the following:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Total revenue from continuing operations	**$ 167,148**	**$ 176,723**
Total revenue from discontinued operations (note 22)	**—**	**64,548**
Total revenue	**$ 167,148**	**$ 241,271**

In each respective year, revenues from customers that amounted to more than 10% of the Company's revenues accounted for the following percentage of the Company's total revenues and accounts receivable, as follows:

	% of revenues for year ended December 31, 2019	**% of accounts receivable at December 31, 2019**	**% of revenues for year ended December 31, 2018**	**% of accounts receivable at December 31, 2018**
Customer 1	**60%**	**67%**	59%	63%
Customer 2	**11%**	**7%**	9%	6%

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

16. Expenses by nature

Cost of revenue and selling, general and administrative expense comprised the following:

	For the year ended			
	December 31, 2019		December 31, 2018	
	Cost of revenue	Selling, general and administrative expense	Cost of revenue	Selling, general and administrative expense
Cost of inventory, raw materials and consumables	$ 88,636	$ —	$ 113,300	—
Depreciation of property, plant and equipment and amortization of intangible assets .	5,952	5,325	4,157	13,554
Freight-out charges	—	11,228	—	14,912
Salaries and benefits	22,807	13,089	28,515	18,298
Utilities expenses.............................	4,394	170	7,391	392
Professional fees	—	3,812	—	14,242
General office expenses	—	5,188	9	6,289
Share-based compensation	—	—	—	466
Production repairs, maintenance and supplies	5,328	—	5,107	—
Laboratory expenses	—	1,122	—	1,498
Other expenses	434	1,326	605	2,022
Cost of revenue and selling, general and administrative expense attributable to continuing operations	**$ 127,551**	**$ 41,260**	**$ 159,084**	**$ 71,673**
Cost of revenue and selling, general and administrative expense attributable to discontinued operations (Note 22)....................................	**$ —**	**$ —**	**$ 31,757**	**$ 22,828**
Total cost of revenue and selling, general and administrative expense.............	**$ 127,551**	**$ 41,260**	**$ 190,841**	**$ 94,501**

In each respective year, purchases from suppliers that amounted to more than 10% of the Company's purchases accounted for the following percentage of the Company's total purchases and accounts payable, as follows:

	% of purchases for year ended December 31, 2019	% of accounts payable at December 31, 2019	% of purchases for year ended December 31, 2018	% of accounts payable at December 31, 2018
Supplier 1	**11%**	**39%**	13%	34%

17. Finance costs

Finance costs are comprised of the following:

	For the year ended	
	December 31, 2019	December 31, 2018
Interest on bank overdrafts and loans…………………………………………..	4,792	$ 12,867
Interest expense on lease liabilities……………………………………………..	1,194	—
Exit fees and penalties………………………………………………………..	—	4,283
Amortization and accretion of deferred financing costs ………………………	(261)	10,927
Other interest income, net…………..…………………………………………..	(718)	(276)
Finance costs from continuing operations ………………………..............	**$ 5,007**	**$ 27,801**
Finance costs from discontinued operations (Note 22)………………………	—	**8,698**
Total finance costs…..…..…..…..…..…..…..…..…..…..…..…..…..…..…	**$ 5,007**	**$ 36,499**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

18. Other loss (income), net

Other loss (income) loss, net comprised the following:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Gain on disposal of property, plant and equipment…………………………………	$ —	$ (26)
Loss on settlement of ECN contingent consideration………………………………	—	1,005
Loss on settlement of Apollo contingent consideration…………………………….	—	2,464
Net realized gain on the change in fair value of financial instruments………………..	—	(2,190)
Other expense (income)…………………………………………………………….	(13)	(592)
Other loss (income), net from continuing operations………………………………	**$ (13)**	**$ 661**
Other loss (income), net from discontinued operations……………………………	—	**236**
Other loss (income), net…………………………………………………………………	**$ (13)**	**$ 897**

19. Net (loss) per share

The following is the net (loss) from continuing operations per share calculation for the years ended December 31, 2019 and December 31, 2018.

	For the year ended	
	December 31, 2019	**December 31, 2018**
Net (loss) from continuing operations attributable to owners of Class B Shares	$ (5,007)	$ (174,291)
Weighted average number of Class B Shares outstanding during the period	70,979,240	70,936,590
Net (loss) per share — basic and diluted	**$ (0.07)**	**$ (2.46)**

The following is the net (loss) from discontinued operations per share calculation for the years ended December 31, 2019 and December 31, 2018.

	For the year ended	
	December 31, 2019	**December 31, 2018**
Net (loss) from discontinued operations attributable to owners of Class B Shares	$ —	$ (145,343)
Weighted average number of Class B Shares outstanding during the period	70,979,240	70,936,590
Net (loss) per share — basic and diluted	**$ —**	**$ (2.05)**

Net loss per share is computed by dividing the net loss incurred during the period by the weighted-average number of Class B Shares outstanding during the period. The Company did not take into effect any dilutive securities in calculating the net loss per share because the securities are anti-dilutive. The anti-dilutive securities include the warrants outstanding as at December 31, 2018 and December 31, 2019. As a result, diluted net loss per Class B Share is the same as the basic net income loss per share for the periods presented.

20. Related party transactions

In the year ending December 31, 2019, the Company sold consumer products to Apex Branded Solutions in the amount of $613 (December 31, 2018: $219) and to CLCW Trading LLC in the amount of $332 (December 31, 2018: $305). Mr. Charles Wachsberg and Mr. Carlo LiVolsi are directors and indirect shareholders of both entities. Mr. LiVolsi is an officer of Apex Branded Solutions and CLCW Trading DWC LLC. As at December 31, 2019, there is $nil and $27 in trade receivables (December 31, 2018 - $247 and $nil) owing from Apex Branded Solutions and CLCW Trading DWC LLC, respectively. These amounts are non-interest bearing, unsecured, and due on demand.

In the year ending December 31, 2019, the Company incurred $50 (December 31, 2018: $nil) in legal fees for services rendered by Mr. Jeffrey Spiegelman, a director of the Company. As at December 31, 2019, this amount was included in accounts payable and accrued liabilities. This amount is non-interest bearing, unsecured, and due on demand.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

20. Related party transactions (Continued)

WFI Inc., ("WFI") the remaining lending party to the U.S. Credit Facility and the lender of the WFI Debt Reduction Facility (refer to note 12), is related to Acasta by virtue of being controlled by Richard and Charles Wachsberg, the key management personnel. As at December 31, 2019, $30,884 of debt was outstanding to WFI Inc. (December 31, 2018 — $13,085) (see note 12). The U.S Credit Facility and WFI Debt Reduction Facility are subordinated to the Commercial Bank Credit Facility. Interest expense of $2,051 was recognized during the year ended December 31, 2019 (December 31, 2018 - $8,542) related to the WFI U.S. Credit Facility.

On March 27, 2018, the Company closed the Stellwagen Sale Transaction to Mr. Douglas Brennan and certain other investors. Total sale proceeds included U.S. $35,000,000 cash, cancellation of 26,000,000 Acasta Class B Shares, cancellation of the Stellwagen Earn-out liability and downside protection on the monetization of the Stelloan PPNs up to a maximum payout of U.S. $5,000. For more details on the Stellwagen Sale Transaction, refer to note 6. At December 31, 2018, a receivable of $6,473 (U.S. $5,000,000) was recorded by the Company. The entire receivable was collected in 2019. Interest income of $644 was recognized during the year ended December 31, 2019 related to this receivable. See note 14 for further shareholders' equity disclosures.

In the year ended December 31, 2018, the Company made payments to Richard and Charles Wachsberg (the previous owners of Apollo) totaling $2,465 for post-closing adjustments relating to working capital as a result of the purchase of Apollo. No additional amounts were paid in 2019 nor payable as at December 31, 2019.

During the year ended December 31, 2018, the Company incurred fees of $549 to entities controlled by members of JemPak key management. These expenses relate to rent on a plant facility owned by these related parties, as well as consulting services. As part of the JemPak Sale Transaction, the Company also incurred an additional $1,770 in severance and success fee payments to key management of JemPak, who were related parties at the date of the transaction (as JemPak key management).

During the year ended December 31, 2018, the Company incurred $3,702 in severance and other costs associated with key management personnel of the Company, as defined, as a result of terminating certain head office employees based on the Company's intent to reduce costs. An additional $500 in termination fees were incurred during the year ended December 31, 2018 to a former member of key management.

During the year ended December 31, 2019, Richard and Charles Wachsberg, the key management personnel, subscribed for 5,431,996 Class B shares for an aggregate amount of $3,694, bringing their total shareholdings to approximately 40% as at December 31, 2019.

Richard and Charles Wachsberg, the key management personnel, indemnified the lease of the manufacturing plant, recorded as a right-of-use asset and lease liability in these consolidated financial statements, (note 13) guaranteeing that the Company will fulfill its obligations under the lease. As at December 31, 2019 and 2018, no amounts have been paid by Richard and Charles Wachsberg as a result of this indemnification.

The following outlines the compensation of the Company's board of directors and key management personnel (the Company's chief executive officer, chief financial officer, and certain other senior management at the operating segment level):

	For the year ended	
	December 31, 2019	**December 31, 2018**
Director and officer compensation	$ 5,593	$ 11,521
Share - based payment	-	474
Total key management personnel compensation for continuing operations	**$ 5,593**	**$ 11,995**

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

21. Financial instruments

The Company adopted IFRS 9 as at January 1, 2018. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 resulted in a $383 increase to deficiency and decrease to trade and receivables as at January 1, 2018.

The carrying values of cash and cash equivalents, trade and other receivables, bank indebtedness, accounts payable, accrued liabilities, other current liabilities, and current debt obligations approximate their fair values due to the short-term nature of these financial instruments. The fair value of debt is not considered to be materially different from carrying value as related interest rates are largely variable and terms to maturity on most facilities are relatively short-term.

Consideration for the Stellwagen Sale Transaction on March 27, 2018 included the cancellation of the Stellwagen Earn-out liability. In addition, an interest rate swap previously reported under Stellwagen was derecognized at a fair value of $15,905 during the year ended December 31, 2018.

The Stellwagen Sale Transaction resulted in a loss of control over certain entities which resulted in the cessation of consolidating the financial results of these entities on March 27, 2018. Loans receivable in these entities were derecognized on March 27, 2018 at a total fair value of $168,110. A loss on revaluation to fair market value of these loans receivable in the amount of $33,121 has been included in results from discontinued operations for the period from January 1, 2018 to March 27, 2018 (see note 6).

The Company retained its investment in the Stelloan PPNs following the Stellwagen Sale Transaction and carried the investment at fair value with changes in the fair value being recognized in profit and loss. The Stelloan PPNs were settled during the year ended December 31, 2019.

On May 15, 2018, Stelloan sold its underlying portfolio loans receivable to a third party and redeemed the Company's investment in PPNs. The PPNs were initially monetized at a fair value of $33,215 (U.S. $25,796,000) during the year ended December 31, 2018.

The following table presents the fair value hierarchy of financial assets and financial liabilities that are carried at fair value on the consolidated statements of financial position on a recurring basis. There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2018 and 2019.

	Fair value as at December 31, 2019			Fair value as at December 31, 2018		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Loans receivable	$ —	$ —	$ —	$ —	$ —	$ —
Derivatives included in other current assets	—	—	—	—	—	—
Derivatives included in other non-current assets	—	—	—	—	—	—
Financial liabilities						
Contingent consideration payable	$ —	$ —	$ —	$ —	$ —	$ —
Derivatives included in other current liabilities	14	—	—	2,130	—	—

The derivatives are foreign currency swaps and forward contracts, and are included in other current liabilities. These are measured at fair value each reporting date with gains and losses recorded in the consolidated statements of loss and comprehensive loss.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

22. Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's interim Chief Executive Officer who is the chief operating decision maker ("CODM") for key decisions relating to resources to be allocated to the segments and for assessing their performance, in consultation with the board of directors. Operating companies may be aggregated into a reportable segment based on the nature of the products and services, production process, customer base, distribution model and regulatory environment at the operating companies, as well as key financial metrics such as gross margin and projected long-term revenue growth.

At December 31, 2019, the Company operates only one reportable segment (December 31, 2018 — two distinct reportable segments — Consumer Products, and Other segments). Acasta's Consumer Products portfolio includes a company that manufactures and distributes private label health and beauty care products for a range of retailers across North America. Acasta's other segment is the corporate parent entity of the Consumer Products portfolio was included in other reportable segment as at December 31, 2018. Beginning from January 1, 2019, CODM no longer reviews the operating results of these segments separately and key decisions relating to resources to be allocated to the segments are made on an aggregate basis in consultation with the board of directors.

Financial information for the year ended December 31, 2018 by reportable segment is presented below.

Year ended December 31, 2018	**Consumer Products**	**Other**	**Total from Continuing Operations**	**Discontinued Operations**
Revenue	$ 176,717	$ 6	**$ 176,723**	$ 64,548
Cost of revenue	159,084	—	**159,084**	31,757
Selling, general and administrative expense	48,009	23,664	**71,673**	22,828
Finance costs	6,020	21,781	**27,801**	8,698
Impairment of goodwill and intangible assets	106,315	—	**106,315**	12,248
Net unrealized loss on change in fair value of financial instruments	2,233	—	**2,233**	33,121
Net loss (gain) on foreign exchange	(2,505)	3,349	**844**	(24)
Other expense (income), net	(2,029)	2,690	**661**	101,350
Loss before income tax	**$ (140,410)**	**$ (51,478)**	**$ (191,888)**	**$ (145,430)**
Current income tax expense (recovery)	(7,232)	—	**(7,232)**	644
Deferred income tax (recovery)	(10,365)	—	**(10,365)**	(731)
Net loss	**$ (122,813)**	**$ (51,478)**	**$ (174,291)**	**$ (145,343)**

Segment assets and liabilities as at December 31, 2018

	Consumer Products	**Other**	**Aviation**	**Total**
As at December 31, 2018				
Total assets[(1)]	$ 120,492	$ 8,688	$ —	**$ 129,180**
Total liabilities	$ 37,992	$ 73,514	$ —	**$ 111,506**

(1) Total assets include goodwill.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

22. Segment information (Continued)

Geographical information

The following is a summary of the Company's geographical information:

	Canada	United States	Europe	Total
for the year ended December 31, 2019				
Revenue from continuing operations	$ 158,791	$ 8,357	$ —	**$ 167,148**
Non-current assets (as at December 31, 2019)	$ 72,422	$ —	$ —	**$ 72,422**

	Canada	United States	Europe	Total
for the year ended December 31, 2018				
Revenue from continuing operations	$ 8,024	$ 168,699	$ —	**$ 176,723**
Revenue from discontinued operations	$ 8,435	$ 32,728	$ 23,385	**$ 64,548**
Non-current assets (as at December 31, 2018)	$ 64,352	$ —	$ —	**$ 64,352**

23. Contingencies

Legal Matters

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at period end, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to net income (loss) in that period.

Environmental

Management believes that there are no probable environmental related liabilities that will have a material adverse effect on the financial position or operating results of the Company.

Indemnification

As a part of the disposal of Jempak (see note 6), the Company provided certain indemnifies related to tax and environmental matters. As the Company is not aware of any material amounts related to these matters, no provision has been recorded.

Management Commitments

The Company's officers are party to certain management contracts. These contracts requirement payment of approximately $19.3 million to the officers of the Company upon the occurrence of a change in control of the Company, as such term is defined in each officers' respective agreement. As a triggering event has not taken place, no provision has been made in these consolidated financial statements for these contingencies.

Loans

The U.S. Credit Facility and the WFI Debt Reduction Facility will become immediately due and payable upon the occurrence of a change in control of the Company, as such term is defined in the agreements. At December 31, 2019, the balance outstanding including accrued interest on the U.S. Credit Facility is $15,418 (December 31, 2018 – $13,085) and the balance of the WFI Debt Reduction Facility was $15,466 (December 31, 2018 – Nil). The U.S. Credit Facility has the first priority lien over Acasta's property. The WFI Debt Reduction Facility is secured by the assets of Apollo.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

24. Changes in non-cash working capital

The following changes in non-cash working capital are attributable to both continuing and discontinued operations.

	For the year ended	
	December 31, 2019	December 31, 2018
Change in trade and other receivables	$ 4,603	$ 2,127
Change in inventories	(1,792)	13,159
Change in prepaid expenses and deposits	1,080	(322)
Change in loans receivable	—	4,309
Change in other assets	—	8,207
Change in accounts payable and accrued liabilities (note 14,17)	(12,424)	15,333
Change in income taxes receivable	5,260	—
Change in other current liabilities	(669)	(18,128)
Changes in non-cash operating working capital	**$ (3,942)**	**$ 24,685**

25. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk (including foreign currency and interest rate risk)

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established a risk management strategy, which incorporates development and monitoring of the Company's risk management activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Company's approach to risk management is assessed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and net investments in leases.

The carrying amount of financial assets represent the maximum credit risk exposure.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the credit risk profile of each customer. However, management also considers indirect factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer, their geographic location, and industry. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for customers.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

25. Financial risk management (Continued)

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers. Rates are calculated separately for exposures based on the following common credit risk characteristics – geographical region and the age of the customer relationship.

The following table provides information about the exposure to credit risk and ECLs for trade receivables due from customers as at December 31, 2019 and 2018. Concentration of credit risk is disclosed in note 15. The maximum exposure to this risk is the carrying amount of the trade receivables.

	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.02%	$ 19,041	$ 3
1 - 30 days past due	0.31%	1,067	3
31 - 60 days past due	1.66%	90	1
61 - 90 days past due	3.84%	31	2
More than 90 days past due	16.64%	30	5
		$ 20,259	**$ 14**

The following table provides comparative information as of December 31, 2018.

	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.05%	$ 21,065	$ 12
1 - 30 days past due	0.67%	3,210	21
31 - 60 days past due	3.74%	57	2
61 - 90 days past due	6.44%	17	1
More than 90 days past due	16.64%	124	62
		$ 24,473	**$ 99**

The following table shows the movement in expected credit losses that has been recognized for trade receivables:

	Loss allowance
Balance at January 1, 2018	$ 475
Change in loss allowance	(376)
Balance at December 31, 2018	99
Change in loss allowance	(85)
Balance at December 31, 2019	**$ 14**

The Company does not require collateral in respect of trade and other receivables.

Net investment in leases

Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the net investment in leases for the year ended December 31, 2019.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have access to sufficient liquid assets to meet its current liabilities when they are due, under both normal and stressed conditions, without incurring excessive losses.

Refer to note 2 for details of the Company's liquidity risks.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

25. Financial risk management (Continued)

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements.

	Contractual cash flows				
As at December 31, 2019	**2020**	**2021 - 2022**	**2023 - 2025**	**2026+**	**Total**
Non-derivative financial liabilities					
Debt	$ 34,557	$ 31,100	$ —	$ —	$ 65,657
Accounts payable and accrued liabilities	20,383	—	—	—	20,383
Other current liabilities	517	—	—	—	517
	$ 55,457	**$ 31,100**	**$ —**	**$ —**	**$ 86,557**

	Contractual cash flows				
As at December 31, 2018	**2019**	**2020 - 2021**	**2022 - 2024**	**2025+**	**Total**
Non-derivative financial liabilities					
Debt	$ 74,444	$ —	$ —	$ —	$ 74,444
Accounts payable and accrued liabilities	33,759	—	—	—	33,759
Other current liabilities	3,303	—	—	—	3,303
	$ 111,506	**$ —**	**$ —**	**$ —**	**$ 111,506**

Market risk

Market risk is the risk that changes in market prices — such as foreign exchange rates, interest rates and equity prices — will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the returns.

The Company uses derivatives to manage market risks including foreign currency risk and fluctuation in market interest rates.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company and its controlled entities is the Canadian dollar (CAD). The currencies in which these transactions are primarily denominated are the Canadian Dollar and U.S. dollar.

JemPak

JemPak was disposed in 2018 (see note 6) JemPak was exposed to market risks attributable to fluctuations in foreign currency exchange rates, primarily changes in the value of the Canadian dollar versus the U.S. dollar. Exchange rate fluctuations could have had an adverse effect on JemPak's operating and financial results.

JemPak had a natural hedge between the majority of its U.S. dollar denominated revenue and cost of revenue. Approximately 90% of JemPak's revenue and 70% of cost of revenue are denominated in U.S. dollars — other expenses denominated in U.S. dollars are relatively immaterial. The percentage of cost of revenue denominated in U.S. dollars is anticipated to increase with revenue growth. Raw materials and packaging are largely U.S. dollar denominated while processing costs generally are not.

JemPak currently did not use any financial hedging strategies to manage currency risk.

(In thousands of Canadian dollars, except share and per share amounts, unless otherwise noted)

25. Financial risk management (Continued)

Stellwagen

Stellwagen was disposed in 2018 (see note 6). Stellwagen earned substantially all its income in U.S. dollars as this is the main currency in which aircraft loans and leases are transacted. Stellwagen's expenses included substantial overhead items in other currencies, principally the European euro (the "Euro"). To the extent that the U.S. dollar weakens against other currencies, this would have reduce Stellwagen's profitability. A weakening of the U.S. dollar would also have the effect of reducing Stellwagen's income and net assets on translation into Canadian dollars.

Stellwagen did not maintain positions in derivative financial instruments to hedge foreign currency risk.

Apollo

Sales of Apollo's products to customers outside Canada account for a significant percentage of its sales. Apollo also purchases raw materials for its products in world markets, and is subject to fluctuations of local currencies affecting the cost of such products. Exchange rate fluctuations are beyond Apollo's control and there can be no assurance that such fluctuations will not have a material adverse effect on Apollo's business.

Apollo does not have a natural hedge between its U.S. dollar denominated sales and cost of sales. Approximately 95% of Apollo's sales, 37% of cost of sales, and 13% of selling, general, and administrative expenses are denominated in U.S. dollars, with other U.S. denominated expenses being insignificant.

Apollo hedges its working capital exposure to reduce variability in expected performance arising from changes in foreign currency exchange rates using derivatives. Apollo has a short-term view on foreign exchange which management uses to protect against material fluctuations in exchange rate.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	U.S. Bank indebtedness	U.S. Accounts receivable	U.S. Accounts payable	U.S. Long term debt	U.S. Derivative Financial Instrument
As at December 31, 2019	(1,098,000)	15,397,000	(3,643,000)	(11,871,000)	(10,000)
As at December 31, 2018	(1,390,000)	17,107,000	(6,445,000)	(9,686,000)	(1,570,000)

The Company estimates that a 5% weakening (strengthening) of the U.S. dollar relative to the CAD, with all other variables held constant, would result in an annual increase (decrease) of $80 to foreign exchange gain (loss).

Interest rate risk

The Company is exposed to interest rate risk from fluctuations in market interest rates on its variable rate debt. The Company manages interest rate risk by monitoring the respective mix of fixed and variable rate debt.

The Company estimates that a 50 basis point increase (decrease) in short term rates, with all other variables held constant, would result in an annual increase (decrease) of $328 to interest expense and other financing charges.

26. Capital management

The Company's objectives when managing its capital are to maintain a sufficient capital base to: (i) meet its short-term obligations, (ii) sustain future operations and expansions, (iii) ensure its ability to continue as a going concern, and (iv) retain stakeholder confidence. The Company defines capital as its net assets, total assets less total liabilities. As at December 31, 2019, the Company managed net assets of $17,555 (2018 - $17,674).