COLABOR

Interim condensed consolidated Financial Statements
(unaudited)
Third quarter of 2022
12 and 36-week periods ended September 3, 2022
(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12 and 36-week periods ended September 3, 2022.

Interim Condensed Consolidated Statements of Earnings
(unaudited)
For the 12 and 36-week periods ended September 3, 2022 and September 4, 2021
(in thousands of Canadian dollars, except per share data)

		12 weeks		36 weeks	
		2022	**2021**	**2022**	**2021**
	Notes	**$**	**$**	**$**	**$**
Sales	4	**145,670**	131,889	**380,825**	325,990
Cost of goods sold		**119,366**	109,739	**312,600**	271,134
Gross Margin		**26,304**	22,150	**68,225**	54,856
Operating expenses	5	**17,521**	14,410	**49,325**	36,664
Depreciation and amortization	6	**3,672**	3,263	**10,614**	9,768
Costs not related to current operations	7	**102**	75	**1,247**	230
Operating earnings		**5,009**	4,402	**7,039**	8,194
Financial expenses		**1,080**	984	**3,030**	3,823
Earnings before taxes		**3,929**	3,418	**4,009**	4,371
Income taxes		**1,097**	1,130	**1,140**	1,454
Net earnings from continuing operations		**2,832**	2,288	**2,869**	2,917
Net loss from discontinued operations		**—**	(250)	**(67)**	(214)
Net earnings		**2,832**	2,038	**2,802**	2,703
Basic and diluted net earnings per share from continuing operations	8	**0.03**	0.02	**0.03**	0.03
Basic and diluted net loss per share from discontinued operations	8	**—**	—	**—**	—
Basic and diluted net earnings per share	8	**0.03**	0.02	**0.03**	0.03

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Comprehensive income

(unaudited)

For the 12 and 36-week periods ended September 3, 2022 and September 4, 2021

(in thousands of Canadian dollars)

		12 weeks		36 weeks	
		2022	**2021**	**2022**	**2021**
	Note	**$**	**$**	**$**	**$**
Net earnings from continuing operations		**2,832**	2,288	**2,869**	2,917
Other comprehensive income (loss) that will be subsequently reclassified to earnings:					
Changes in fair value of interest rate swap designated as cash flow hedge	11	**15**	(5)	**596**	(103)
Income taxes		**(4)**	1	**(158)**	27
Other comprehensive income (loss) from continuing operations		**11**	(4)	**438**	(76)
Comprehensive income from continuing operations		**2,843**	2,284	**3,307**	2,841
Net loss from discontinued operations		**—**	(250)	**(67)**	(214)
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:					
Remeasurement of defined benefit pension obligation		**70**	—	**603**	(155)
Income taxes		**(19)**	—	**(160)**	41
Other comprehensive income (loss) from discontinued operations		**51**	—	**443**	(114)
Comprehensive income (loss) from discontinued operations		**51**	(250)	**376**	(328)
Comprehensive income		**2,894**	2,034	**3,683**	2,513

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

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Interim Condensed Consolidated Statements of Changes in Equity
(unaudited)
For the 36-week periods ended September 3, 2022 and September 4, 2021
(in thousands of Canadian dollars)

	Note	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		$	$	$	$	$	$
Balance as at December 25, 2021		**257,008**	**—**	**6,033**	**(165,558)**	**107**	**97,590**
Net earnings		**—**	**—**	**—**	**2,802**	**—**	**2,802**
Other comprehensive income		**—**	**—**	**—**	**443**	**438**	**881**
Comprehensive income		**—**	**—**	**—**	**3,245**	**438**	**3,683**
Stock-based compensation	10	**—**	**—**	**313**	**—**	**—**	**313**
Balance as at September 3, 2022		**257,008**	**—**	**6,346**	**(162,313)**	**545**	**101,586**

	Note	Share capital	Convertible debenture conversion options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		$	$	$	$	$	$
Balance as at December 26, 2020		256,300	1,742	4,011	(173,486)	—	88,567
Net earnings		—	—	—	2,703	—	2,703
Other comprehensive loss		—	—	—	(114)	(76)	(190)
Comprehensive income (loss)		—	—	—	2,589	(76)	2,513
Conversion of debentures		708	(24)	—	—	—	684
Redemption of debentures		—	(1,718)	1,718	—	—	—
Stock-based compensation	10	—	—	148	—	—	148
Balance as at September 4, 2021		257,008	—	5,877	(170,897)	(76)	91,912

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

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Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

For the 12 and 36-week periods ended September 3, 2022 and September 4, 2021

(in thousands of Canadian dollars)

		12 weeks		36 weeks	
		2022	**2021**	**2022**	**2021**
	Notes	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Net earnings from continuing operations		**2,832**	2,288	**2,869**	2,917
Non-cash items					
Deferred income taxes		**1,116**	1,158	**1,029**	1,482
Depreciation and amortization	6	**3,672**	3,263	**10,614**	9,768
Financial expenses		**1,080**	984	**3,030**	3,823
Other		**112**	78	**268**	140
		8,812	7,771	**17,810**	18,130
Net changes in working capital		**(55)**	(323)	**2,152**	(8,413)
		8,757	7,448	**19,962**	9,717
Cash flows from investing activities					
Acquisitions of property, plant and equipment		**(677)**	(626)	**(2,184)**	(1,200)
Proceeds on disposals of property, plant and equipment		**—**	4	**46**	8
Acquisitions of intangible assets		**(73)**	(164)	**(707)**	(255)
Business acquisition, net of cash acquired	3	**—**	—	**(1,461)**	—
Other		**101**	127	**304**	177
		(649)	(659)	**(4,002)**	(1,270)
Cash flows from financing activities					
Net change in the credit facility	9	**(4,750)**	(3,750)	**(7,250)**	39,250
Lease liability payments		**(1,730)**	(1,910)	**(5,225)**	(5,706)
Increase in subordinated debt		**—**	—	**—**	15,000
Repayment of subordinated debt		**—**	—	**—**	(12,000)
Financing cost paid		**—**	—	**(9)**	(513)
Financial expenses paid		**(1,079)**	(990)	**(2,943)**	(3,335)
Redemption of convertible debentures		**—**	—	**—**	(49,316)
		(7,559)	(6,650)	**(15,427)**	(16,620)
Net change in cash and cash equivalents from continuing operations		**549**	139	**533**	(8,173)
Net change in cash and cash equivalents from discontinued operations		**—**	36	**(8)**	(169)
Cash and cash equivalents at the beginning		**1,982**	677	**2,006**	9,194
Cash and cash equivalents at the end		**2,531**	852	**2,531**	852

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Financial Position
(unaudited)
(in thousands of Canadian dollars)

	Notes	As at September 3, 2022 $	As at December 25, 2021 $
Assets			
Current assets			
Cash and cash equivalent		**2,531**	2,006
Trade and other receivables		**47,096**	45,745
Inventories		**40,147**	38,692
Other		**3,893**	1,921
		93,667	88,364
Non-current assets			
Property, plant and equipment		**6,270**	5,568
Intangible assets		**23,122**	22,855
Right-of-use assets		**37,730**	33,471
Goodwill		**73,344**	70,813
Deferred tax assets		**3,424**	4,775
Other		**3,346**	3,588
		147,236	141,070
Total assets		**240,903**	229,434
Liabilities			
Current liabilities			
Trade and other payables		**50,466**	43,667
Current portion of long-term debt	9	**3,000**	3,000
Current portion of lease liabilities		**9,358**	7,828
Other	3	**2,136**	212
		64,960	54,707
Non-current liabilities			
Long-term debt	9	**39,833**	46,989
Lease liabilities		**30,505**	27,471
Pension obligations		**2,055**	2,658
Contingent consideration	3	**1,351**	—
Deferred tax liabilities		**613**	19
		74,357	77,137
Total liabilities		**139,317**	131,844
Equity			
Equity attributable to shareholders		**101,586**	97,590
Total liabilities and equity		**240,903**	229,434

Subsequent event (Note 12)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1 Nature of operations

Colabor Group Inc. (hereinafter the "Company") distributes and markets food and food-related products in Quebec and in the Atlantic provinces.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Company's shares are listed on the Toronto Stock Exchange under the symbol GCL.

Covid-19

The effects of the Covid-19 pandemic ("pandemic") continues to affect the markets in which the Company and its suppliers operate and to impact customer demand, despite the reopening of restaurant dining rooms in early February and the lifting of almost all restrictions imposed by governments. It is prudent to predict that the disruptions could still persist in the coming quarters in the restaurant industry given the uncertainties surrounding new variants of the virus, new government measures, and the gradual return of workers in their workplaces and tourism, as well as the longer-term impact on the economy and supply chains, and health regulations that will apply.

The duration and impact of the pandemic are unknown at this time, and it is impossible for management to reliably estimate the extent and impact of these developments, as well as the impact on the Company's financial results and financial position for the coming year. Depending on the occurrence of new waves, their scale and changes in the industry, the impacts could be significant.

2 Significant accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 25, 2021.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 25, 2021, except for the new accounting policy for business combinations as described below. The accounting policies have been applied consistently for all the periods presented.

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis, except for certain financial instruments and pension plan's assets that are measured at fair value, and for defined pension obligations and provisions that have been recorded at present value. Financial information is presented in Canadian dollars, which is the Company's functional currency.

The net earnings for these interim financial statements are not necessarily indicative of the full-year net earnings. The seasonal nature is a significant factor in its quarterly results. Lower earnings are recorded during the first quarter. The second and third quarters are generally recording higher earnings than those recorded during the first quarter (see note 1 for the pandemic situation). Finally, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters, the fourth quarter is the most important one.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on October 13, 2022. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

Business combinations

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. Changes in the fair value of the contingent consideration that qualify as “measurement period” adjustments are adjusted retrospectively, with corresponding adjustments against 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.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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 retrospectively during the measurement period (see above), 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 date.

(in thousands of Canadian dollars, except number of shares and per share data)

3 Business combination and assets acquisition

A) Acquisition of Le Groupe Resto-Achats Inc.

On April 4, 2022, the Company acquired all of the shares of Le Groupe Resto-Achats Inc. and its subsidiaries ("GRA") for an amount of $4,500, of which $2,000 was payable at the closing date, $1,000 is payable on April 4, 2023 and $1,500 in contingent consideration based on the achievement of certain income thresholds. The contingent consideration is payable in two equal installments of $750 in the fourth quarters of 2023 and 2024. Working capital adjustments will also be payable in the next fiscal year and are estimated at a payable amount of $600.

Founded in 2008 and with offices in Quebec City, GRA is a major purchasing group for independent restaurants and seniors' residences located primarily in eastern Quebec. With more than 200 active members, GRA provides access to group business terms for food supply and other services related to restaurants.

The preliminary purchase price allocation was determined as follows:

	Fair value
	$
Cash	539
Trades and other receivables (i)	2,674
Other current assets	14
Property, plant and equipment	51
Intangible assets	2,352
Trade and other payables	(2,652)
Deferred tax liabilities	(623)
Total identifiable net assets acquired	2,355
Goodwill (ii)	2,531
Net assets acquired	4,886
Cash	2,000
Purchase price balance (iii)	1,559
Contingent consideration (iii)	1,327
Total consideration transferred	4,886

(i) The gross contractual amount of trade and other receivables amounts to $2,674 at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

(ii) Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is not expected to be deductible for tax purposes.

(iii) The purchase price balance and contingent consideration correspond to the present value of the amounts described above. The purchase price balance is included in Other current liabilities in the interim condensed consolidated statement of financial position.

Purchase price allocation is preliminary and will be finalized by the end of the fiscal year. Management is currently finalizing its valuation of the assets acquired and liabilities assumed.

Business acquisition-related costs are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

The acquired company has contributed a total of $2,545 to the Company's sales and $141 to net earnings for the period between the date of acquisition and the end of the quarter. If the acquisition had occurred on December 26, 2021, management estimates that additional sales would have been $3,384 and additional net earnings would have been $187.

B) Acquisition of certain Ben Deshaies Inc. assets

On April 22, 2022, the Company has acquired certain assets from Ben Deshaies Inc. for an amount of $448, in particular the customer list related to foodservice activities in the Outaouais and Laurentians regions, as well as certain related equipments.

4 Operating segments

The Company has two reportable segments: Distribution and Wholesale. These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

The Distribution segment's operations include the distribution of food products and related products in hotels, restaurants and institutions ("HRI") and retail market. In that segment, the Company distributes specialized products such as meat, fish and sea food ("Specialty Distribution") as well as general food-related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

The Wholesale segment's operations include the sale of general food-related products to distributors from its distribution center in Boucherville.

The Company and its chief operating decision maker are assessing the performance of each segment based on adjusted EBITDA, which corresponds to sales minus cost of goods sold and operating expenses from current operations. The other expenses are recorded on a consolidated basis, therefore they are not considered in the adjusted EBITDA. Inter-segment eliminations and others eliminate all inter-segment transactions included in the operating earnings for each segment and include headquarters' and GRA's operations. Transactions between segments are recorded at a value agreed upon by both parties.

(in thousands of Canadian dollars, except number of shares and per share data)

	12 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$	$	$
Segment sales	**99,863**	90,787	**57,828**	52,243	**(12,021)**	(11,141)	**145,670**	131,889
Operating expenses	**93,431**	85,632	**53,641**	47,714	**(10,296)**	(9,278)	**136,776**	124,068
Adjusted EBITDA	**6,432**	5,155	**4,187**	4,529	**(1,725)**	(1,863)	**8,894**	7,821

	36 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$	$	$
Segment sales	**260,647**	220,824	**152,423**	134,669	**(32,245)**	(29,503)	**380,825**	325,990
Operating expenses	**248,019**	209,345	**140,327**	122,719	**(26,734)**	(24,414)	**361,612**	307,650
Adjusted EBITDA	**12,628**	11,479	**12,096**	11,950	**(5,511)**	(5,089)	**19,213**	18,340

The following table presents a reconciliation of the Company's operating segments results with key financial figures presented in its consolidated financial statements:

		12 weeks		36 weeks	
		2022	2021	2022	2021
	Notes	$	$	$	$
Net earnings from continuing operations		**2,832**	2,288	**2,869**	2,917
Income taxes		**1,097**	1,130	**1,140**	1,454
Financial expenses		**1,080**	984	**3,030**	3,823
Operating earnings		**5,009**	4,402	**7,039**	8,194
Costs from stock-based compensation	10	**111**	81	**313**	148
Costs not related to current operations	7	**102**	75	**1,247**	230
Depreciation and amortization	6	**3,672**	3,263	**10,614**	9,768
Adjusted EBITDA		**8,894**	7,821	**19,213**	18,340

(in thousands of Canadian dollars, except number of shares and per share data)

5 Operating expenses

		12 weeks		36 weeks	
		2022	**2021**	**2022**	**2021**
	Note	**$**	**$**	**$**	**$**
Employee compensation[1]	10	**12,025**	11,085	**35,094**	28,539
Service contracts and variable portion related to lease contracts		**818**	661	**2,298**	1,871
Repair and maintenance		**771**	608	**2,115**	1,769
Utilities		**1,220**	832	**3,596**	2,373
Other expenses[2]		**2,687**	1,224	**6,222**	2,112
		17,521	14,410	**49,325**	36,664

[1] During the 12 and 36-week periods of 2021, employee compensation is net of Canada Emergency Salary Subsidy ("CEWS") obtained in connection with the pandemic amounting to nil and $2,182. No subsidies obtained in 2022.

[2] During the 12 and 36-week periods of 2021, the other expenses are net of Canada Emergency Rent Subsidy ("CERS") obtained in connection with the pandemic amounting to $80 and $415. No subsidies obtained in 2022.

6 Depreciation and amortization

	12 weeks		36 weeks	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Depreciation of property, plant and equipment	**529**	516	**1,532**	1,538
Amortization of intangible assets	**957**	965	**2,792**	2,891
Depreciation of right-of-use assets	**2,186**	1,782	**6,290**	5,339
	3,672	3,263	**10,614**	9,768

7 Costs not related to current operations

Costs not related to current operations related to continuing operations represent legal and professional fees and other charges related to non-current activities and acquisitions.

(in thousands of Canadian dollars, except number of shares and per share data)

8 Per share data

Earnings (loss) per share

The following table presents the basic and diluted earnings (loss) per share:

	12 weeks		**36 weeks**	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Net earnings from continuing operations	**2,832**	2,288	**2,869**	2,917
Net loss from discontinued operations	**—**	(250)	**(67)**	(214)
Net earnings	**2,832**	2,038	**2,802**	2,703
Weighted average number of basic outstanding shares	**101,954,885**	101,954,885	**101,954,885**	101,856,430
Effect of dilutive stock options	**438,891**	885,403	**454,530**	729,987
Weighted average number of diluted outstanding shares	**102,393,776**	102,840,288	**102,409,415**	102,586,417
Basic and diluted net earnings per share from continuing operations	**0.03**	0.02	**0.03**	0.03
Basic and diluted net loss per share from discontinued operations	**—**	—	**—**	—
Basic and diluted net earnings per share	**0.03**	0.02	**0.03**	0.03

As at September 3, 2022, 4,744,452 stock options (3,443,995 stock options in 2021) were not included in the calculation of diluted earnings per share for the 12 and 36-week periods because of their non-dilutive effect.

(in thousands of Canadian dollars, except number of shares and per share data)

9 Long-term debt

	As at September 3, 2022 $	As at December 25, 2021 $
Credit facility		
Term loan	**26,250**	28,500
Revolving credit	**2,000**	7,000
Subordinated debts	**15,000**	15,000
Less unamortized financing costs	**(417)**	(511)
Total debt	**42,833**	49,989
Current portion of long-term debt	**3,000**	3,000
Total long-term debt	**39,833**	46,989

As at September 3, 2022, the availability under the credit facility is $46,986 and the Company was in compliance with all of its bank covenants.

(in thousands of Canadian dollars, except number of shares and per share data)

10 Employee compensation

Stock-based compensation

Stock option plan

During the 12 and 36-week periods ended September 3, 2022, the Company granted none and 1,150,000 stock options of the Company's common shares (1,000,000 and 1,680,000 respectively during the corresponding periods of 2021). The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following assumptions during the 36-week period ended September 3, 2022:

	2022
	36-week period ended September 3, 2022
Weighted average fair value of the options	**$0.33**
Risk-free interest rate	**2.75 %**
Expected volatility of shares	**62 %**
Expected annual dividend	**—**
Expected term	**4.4 years**
Weighted average share price at date of grant	**$0.87**
Weighted average exercise price at date of grant	**$0.99**

A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	36 weeks			
		2022		**2021**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of the period	**4,173,982**	**0.92**	2,658,982	0.84
Granted	**1,150,000**	**1.00**	1,680,000	1.12
Forfeiture	**(15,000)**	**1.00**	(60,000)	0.76
Expired	**(110,000)**	**1.04**	(105,000)	2.27
Outstanding, end of the period	**5,198,982**	**0.93**	4,173,982	0.92
Exercisable options	**2,212,732**	**0.91**	1,561,482	0.96

Forfeited stock options have generated an employee compensation charge reversal of $1 during the 36-week period ended September 3, 2022 ($14 in 2021).

(in thousands of Canadian dollars, except number of shares and per share data)

11 Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

		As at September 3, 2022		As at December 25, 2021
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial asset				
Non-current				
Derivative financial instrument	**741**	**741**	145	145
Financial liabilities				
Current				
Purchase price balance	**1,577**	**1,577**	—	—
Non-current				
Credit facility	**28,000**	**28,250**	35,185	35,500
Subordinated debt	**14,833**	**15,000**	14,804	15,000
Contingent consideration	**1,351**	**1,351**	—	—
	45,761	**46,178**	49,989	50,500

The fair value of the interest rate swap entered in April 2021 is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. As at September 3, 2022, the fair value of the interest rate swap is an asset of $741 and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

The fair values of purchase price balance and contingent consideration were determined by discounting future cash flows at the Company's marginal borrowing rate.

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 25, 2021), the current rate of subordinated debt.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 fair values are the same as those described in the consolidated financial statements for the year ended December 25, 2021.

As at September 3, 2022, the Company has classified the fair value measurement of the contingent consideration as Level 3.

There was no transfer between the levels during the 12 and 36-week periods ended September 3, 2022.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There were no significant changes in the Company's risk exposure during the 36-week period ended September 3, 2022 compared to the description given in the consolidated financial statements for the year closed on December 25, 2021.

12 Subsequent event

On September 29, 2022, the Company announced the future relocation of its head office and warehouse located in Boucherville by the end of 2023 and the conclusion of a lease for a period of 20 years and 6 months, expiring on September 30, 2044. The new industrial premises will be more modern, better located for operations, and will offer a stimulating work environment, ideal for the well-being of employees.