REACH : WORLDWIDE

2019 ANNUAL REPORT

JAMIESON WELLNESS INC.

ANNUAL REPORT 2019

2019

A YEAR OF BREAKING BOUNDARIES.

We are boldly entering new markets – from our home country of Canada to Southeast Asia, to the U.S. outpost of the digital marketplace. And further still.

Our pursuits continue to earn more profitable results than the years before. Now more than ever, we are a lead contender in the race to becoming the world's most successful health and wellness company.

Letter from the CEO

Dear fellow shareholders:

For the past 98 years, Jamieson has prided itself on improving the world's health and wellness, one consumer at a time. I am proud to report that 2019 was no exception, as we remained focused on this vision while expanding our footprint at home and around the world.

In 2019, we successfully maintained robust sales momentum, growing revenue by 8%, driven by 9% growth in Jamieson Brands and 4% growth in Strategic Partners. Additionally, we expanded margins and realized 12% growth of adjusted EBITDA. We grew our market-leading Jamieson brand in Canada, reinvigorated our specialty brands division under powerful new leadership and further expanded our business in China. Our brands are strong and respected across all channels and geographies.

The nutritional supplement market is defined by brands, and our heritage as a premium quality, trusted brand drives value across our global footprint. This is evident in our ability to exceed industry growth domestically while growing significantly in international markets. To this end, we successfully executed expansion into China by re-entering both the domestic Chinese retail and e-commerce channels, and further adding to our historical strength in cross-border e-commerce. Our industry-leading quality standards and regulatory expertise contributed to the approval of 21 products for domestic retail and e-commerce sales in mainland China. Our opportunity continues to grow, and we have positioned ourselves to capture an increasing share of this important market. In 2019, we also began to investigate our opportunity in the United States, a market that is more than 10 times the size of Canada. U.S. consumers are looking for high-quality dietary supplements from a brand they can trust, and we believe there is no brand that can deliver that better than Jamieson.

We began the new year facing an unprecedented global health crisis that has required us to evaluate every aspect of our business to ensure that we can support our customers, and the health and wellness of our employees and consumers when they need us the most. I am proud of the team at Jamieson Wellness and how we have pulled together to navigate the Company through this challenging time. We continue to see the value and the power of our portfolio of brands, rooted firmly in the health of our heritage Jamieson brand. We are investing prudently, but aggressively, as opportunities arise. This may be most obvious in a promising market like China over the long-term, but our domestic Canadian opportunity remains significant.

We are testing the U.S. market in 2020 through the efficiency of e-commerce, with a product assortment curated specifically for U.S. consumers. However, this is just the beginning, and once we educate the market and differentiate our premium products, we will broaden our offerings and further our brand loyalty. We have little U.S. business assumed in our 2020 budgets, but there is a clear opportunity. We have no intention of taking our foot off the proverbial gas pedal.

As we embark on a new decade, our focus is on our future. We have opportunities domestically, internationally, across brands and across products. Our formula is proven and will continue. We believe we are well positioned to undertake our long-term goals and are excited for what lies ahead. We remain committed to building and driving value for our shareholders through growth and a return of cash, while capitalizing on incremental growth opportunities as they arise.

On behalf of the entire management team, I thank you for your continued support and partnership as we look towards the upcoming year.

MARK HORNICK
President and Chief Executive Officer

Letter from the Chairman

Dear fellow shareholders:

2019 was another year of healthy growth at Jamieson Wellness - strategically, organizationally and financially. We generated increased revenue across each of our channels and geographies, expanded margins across segments and broadened our international opportunities. We returned our specialty brands to growth and are better positioned today than we have ever been with an integrated multi-branded approach to the market. While capitalizing on our domestic opportunities, we have accelerated our international opportunities and absorbed the costs to support these initiatives.

From a governance perspective, we are proud of the developments we made within the organization and our guiding policies. Early in the year, we welcomed former P&G Canada President Tim Penner to our Board of Directors and have seen the benefits of his experience leading brands to growth, especially as we enter new geographies. We underwent a full risk assessment and developed a best-in-class, company-wide risk management strategy. As the importance of sustainability continues to become more prominent, we also began a plan for providing our stakeholders with information detailing our many environmental efforts and are looking forward to seeing that plan come to fruition in 2020.

Our 2019 successes, along with our confidence in our positioning for 2020 and beyond, were a key driver in our decision to increase our quarterly dividend for the third consecutive year. This reflects our efficient business model that can maintain consistent cash flow while supporting our branded expansion in Canada and internationally.

I would like to thank our Board of Directors, management team and valued associates for this outstanding year. 2020 has thus far presented new challenges as we work to support health and wellness amid a global pandemic, but we have the right people and procedures in place to guide us successfully through. We remain committed to driving shareholder value while working to achieve our mission of becoming the world's most successful and trusted health and wellness company.

DAVID WILLIAMS
Chairman of the Board

BEYOND OUR BORDER.

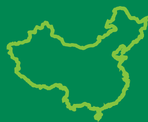
Unquestionably, our international business is our fastest growing – with steady revenue increases year over year and more than 25% growth in 2019. Across new and existing channels in over 40 countries, we have consistently been propelled by the long-standing heritage and recognition of our company.

This year, we achieved even greater progress through our industry-leading expertise, strategic investments in resources and the continued rise of global megatrends towards healthier living.

+25.1% International Revenue

EXTENSIONS

We continued to trek deeper into what remains our largest international market.



CHINA

Jamieson brand products have grown increasingly more accessible to Chinese markets – particularly since we established our Shanghai-based operations in 2018 and made key achievements throughout 2019.

In August, China saw the opening of its very first Costco. Jamieson's regulatory expertise was instrumental in allowing the company to secure more product licenses for the domestic market than any other international brand. The company now has 21 products available across Chinese domestic retail stores and e-commerce platforms.

As Chinese consumer demand continues to rise, retail and distributor partnerships have either blossomed or matured. In fact, we foresee the potential acquisition of our existing distributor by late 2022.

EXPANSIONS

We've been laying the groundwork for long-term growth in new markets.

U.S.A.

We have begun taking strategic measures to ensure the smooth and successful launch of the Jamieson brand on Amazon.com in 2020.

SOUTHEAST ASIA

We developed a joint venture with an existing distribution partner to bring our products further into Southeast Asia. In 2019 we completed the groundwork that will facilitate product distribution into several new countries in this region in 2020, with potential for future expansion as the venture progresses.

CHECKPOINTS OF GROWTH.

Our expansion wasn't purely geographic. Over the year, we succeeded in increasing accessibility, strengthening leadership and entering new digital arenas.

Over nearly a century of being in business, product innovation and production standards continue to make up our foundation for progress.

Jamieson Wellness was added to the S&P/TSX Composite Index in December.

Former P&G Canada President, Tim Penner, was appointed to our Board of Directors, bringing over 30 years of expertise.

All Jamieson brand products are now available for purchase on **jamiesonvitamins.com**.

Jamieson Wellness was named one of the top ten most reputable Canadian companies by the Reputation Institute.*

We introduced a subscription service, enabling personalized product assortments and monthly deliveries.

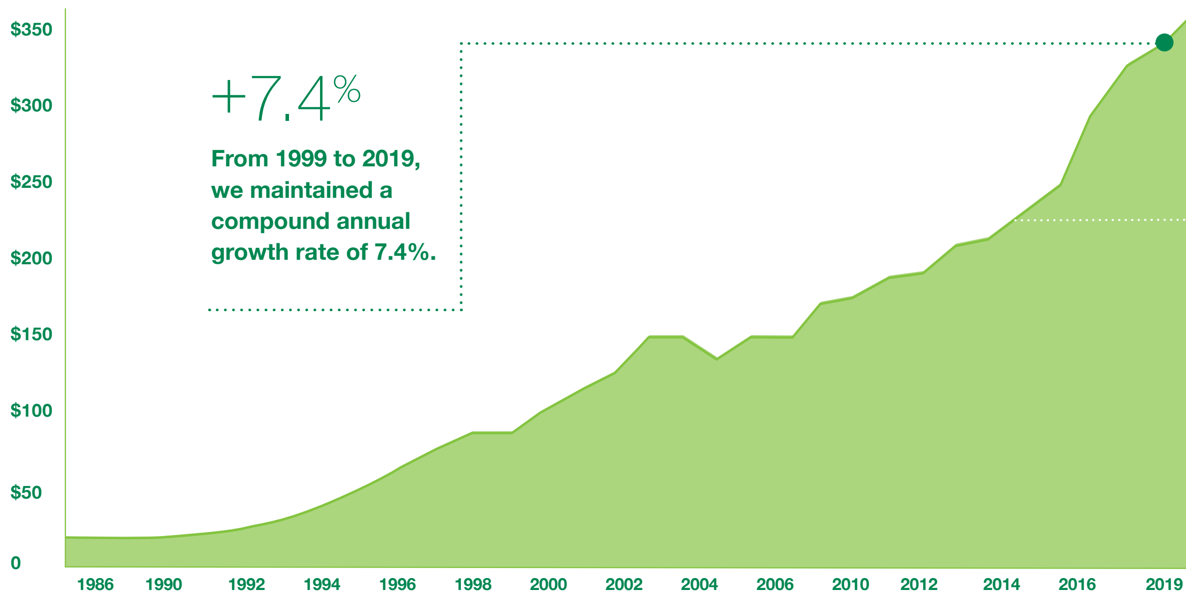
**As reported by Reputation Institute on May 2, 2019. Jamieson placed 3rd in the overall ranking of 50 surveyed Canadian companies in 2019 Canada RepTrak® 50*

LONGER STRIDES.

Fiscal 2019 marks yet another year of record-setting revenue growth. Our profit engine has been powered by improved operating efficiencies, strong international growth, and the performance of our branded business.

Domestically, sales have also been driven by an increase in consumer demand due to effective media and expanded distribution.

HISTORY OF CONSISTENT REVENUE GROWTH*



* 1987 to 2013 per historical financial statements (under Canadian Accounting Standards for Private Enterprises); 2014 to 2019 per audited IFRS statements and includes impact of acquisitions

This annual report contains "forward-looking information" within the meaning of applicable securities laws, which forward-looking information represents management's expectations as at the date hereof and is subject to change after such date. For a detailed discussion of forward-looking information, which applies in all respects to the forward-looking information contained herein, please refer to the section entitled "Forward-Looking Information" in Jamieson Wellness' annual information form dated March 27, 2019.

+7.9%
Increased
Revenue
$345 million

+12.2%
Increased
Adjusted EBITDA
$75.9 million

+13.0%
Increased
Adjusted Net Income
$38.1 million

+12.9%
Adjusted Earnings
Per Diluted Share
$0.96

TEAM PROGRESS, REWARDED.

In 2019, worldwide consumer demand for our products intensified, with our company gaining more traction and value with every decade. We are reaching higher sales levels for every Jamieson brand, in every market, across every channel.

Jamieson Essentials + Protein

JAMIESON

Our heritage Jamieson brand outperformed itself both at home and abroad. This growth was aided by an increase in packaging capacity, greater volume and production efficiencies, and the growing interest of consumers.

In fact, consumers have also been the force behind our ever-expanding collection of award-winning products. In BrandSpark's annual program, more than 18,000 Canadians voted and our best-selling protein powder, Jamieson Essentials + Protein, won a *Best New Product* award. This constitutes the fifth *Best New Product* award for the Jamieson brand since 2017.

Progressive

PROGRESSIVE, PRECISION, IRON VEGAN AND LVHS

This year was even more transformative for our specialty brands. Product sales returned to growth, which we can attribute to strong leadership and a heightened focus on sales execution, innovation and promotional activity.

One of our valued retail partners gave particular recognition to our Progressive brand, naming it *Brand of the Year* and awarding Progressive VegeGreens with both *Foundational Product of the Year* and *Bronze Product of the Year*.

THE NEXT FRONTIER.

We will continue to grow our global footprint, venturing further into existing regions and traversing new markets around the world. Within every region, we'll seek out opportunities with robust incremental upsides.

At this rate, there are no limits we won't clear. No heights we won't reach.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

For the three and twelve months ended December 31, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three and twelve months ended December 31, 2019

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as "Jamieson", the "Company", "we", "us" or "our", is dated as of February 19, 2020. It should be read in conjunction with our audited consolidated annual financial statements and our accompanying notes for the year ended December 31, 2019.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q4 2019" are to our fiscal quarter ended December 31, 2019 and to "Q4 2018" are to our fiscal quarter ended December 31, 2018. All references in this MD&A to "YTD 2019" are to our year ended December 31, 2019 and to "YTD 2018" are to our year ended December 31, 2018.

See "*Forward-Looking Information*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading "*Risk Factors*" and elsewhere in this MD&A.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. Management uses these non-IFRS financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "gross profit", "gross profit margin", "operating margin" "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted Net Income" and "Adjusted Diluted Earnings per Share", to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS measures in order to prepare annual operating budgets and to determine components of management compensation.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled "*Summary of Factors Affecting our Performance*", "*Liquidity and Capital Resources*", "*Outlook*" and "*Risk Factors*", contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA, Adjusted Diluted Earnings per Share and certain other measures are considered forward-looking information. See "*Outlook*" for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

The forward-looking information contained in this MD&A is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our

ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management's expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management's expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each financial year up to and including that in respect of 2021 on our growth targets disclosed in our final prospectus (the "IPO Prospectus") dated June 29, 2017 in respect of our initial public offering and secondary offering, including to provide information on our growth targets disclosed in such prospectus, actual results and a discussion of variances from our growth targets. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading "*Risk Factors*" and those discussed under the "*Risk Factors*" section of our most recent annual information form.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Overview

Founded in 1922, Jamieson is Canada's leading branded manufacturer, distributor and marketer of high quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements ("VMS") products and certain over-the-counter remedies through our Jamieson and Lorna Vanderhaeghe Health Solutions Inc. ("LVHS") brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands (which we acquired through the acquisition of Body Plus Nutritional Products Inc. ("Body Plus")), all of which we refer to as our "Jamieson Brands" segment. Revenues generated from our previous acquisitions of Body Plus and LVHS are known as "Specialty Brands", with distribution across food, drug and health food channels. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our "Strategic Partners" segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada's #1 overall consumer health brand by sales and Canada's #1 brand in VMS by sales. Our trusted reputation and success in Canada have allowed us to significantly grow the business internationally, with products being sold in over 40 countries worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing together with high quality production capabilities, attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brands, focus on quality and innovation and extensive selection of products, make us the preferred partner for retailers in Canada.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under "*Risk Factors*".

Our Brands

Our iconic brands have been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, LVHS, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and we continue to focus on innovation as a key pillar of our growth. Our business is subject to changing consumer trends and preferences which is dependent, in part, on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific Advisory Board, in order to benefit from their expertise and innovations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space we compete.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the food, drug, mass, club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick and mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships and have had relationships with the majority of our suppliers for over ten years. We purchase our ingredients from approximately 200 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2019, our top ten suppliers accounted for approximately 45% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into short to medium-term contracts for raw materials at fixed prices to provide time to address price increases and mitigate margin erosion.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well-positioned to respond to these shifts in consumer trends, preferences and spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, iconic brand status, strong innovation capabilities and high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating U.S.-Canadian currency

exchange rate where the products sold contain materials and inputs purchased with U.S. dollars. We manage net exposure to fluctuating U.S.-Canadian currency exchange rate with foreign exchange hedging contracts. We do not have foreign exchange hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability. We believe we have demonstrated our ability to successfully identify, integrate and grow businesses that we acquire. Since 2016, management has successfully made two acquisitions in line with our strategy.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management's ability to implement our growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; (iii) growth in the Strategic Partners segment; and (iv) in support of our profitability targets, improvements in operating income, gross profit and operating expense margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, certain of which are not recognized under IFRS. See "*Non-IFRS Financial Measures*".

Revenue

The majority of our revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to our strategic partners at the point in time when control of the asset is transferred to the customer based on shipping terms. We generally have a right to payment at the time of delivery (which is the same time that we have satisfied our performance obligations under the arrangement),

as such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of our revenue is derived from contract manufacturing services provided to customers in our Strategic Partners segment under a tolling arrangement where the customer supplies us with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which we are entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

We may provide discounts and sales promotional incentives to our customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. We apply the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company's products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative ("SG&A") expenses.

In subsequent periods, we monitor the performance of customers against agreed-upon obligations related to sales incentive programs and make any adjustments to both revenue and sales incentive accruals as required.

As required for the audited consolidated annual financial statements, we have disaggregated revenue recognized from contracts with customers. Please refer to Note 23 in our audited consolidated annual financial statements for the disclosure on disaggregated revenue.

Gross Profit

"Gross profit" is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour, other operating costs such as rent, repair and maintenance, and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company's underlying operating performance before SG&A expenses and share-based compensation.

Gross Profit Margin

"Gross profit margin" is defined as gross profit divided by revenue.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees, non-customer-specific promotional costs and other expenses related to the corporate infrastructure required to support our business. Our SG&A expenses also include regulatory, legal, accounting, insurance, termination benefits and other expenses associated with being a public company.

Earnings from Operations

"Earnings from operations" is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

"Operating margin" is defined as earnings from operations divided by revenue.

EBITDA

"EBITDA" is defined as net income before: (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) depreciation of property, plant, and equipment; and (iv) amortization of intangible assets.

Adjusted EBITDA

"Adjusted EBITDA" is defined as EBITDA before: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) purchase consideration accounted for as compensation expense; (v) international market expansion; (vi) business integration; and (vii) other non-operating, non-recurring and non-cash costs. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding

the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance and other one-time, non-recurring or non-cash expenses.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue.

Adjusted Net Income

“Adjusted Net Income” is defined as consolidated net income adjusted for the impact of: (i) share-based compensation; (ii) foreign exchange (gain) loss; (iii) termination benefits and related costs; (iv) purchase consideration accounted for as compensation expense; (v) international market expansion; (vi) business integration; (vii) revaluation of deferred tax liability; and (viii) other non-operating and non-recurring costs net of related tax effects. We believe Adjusted Net Income is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses.

Adjusted Diluted Earnings per Share

“Adjusted Diluted Earnings per Share” is defined as Adjusted Net Income divided by the total number of outstanding diluted shares at the end of the most recently completed quarter for the relevant period. We believe Adjusted Diluted Earnings per Share is a useful measure to assess the performance of our Company.

Selected Consolidated Financial Information

The following table provides selected historical financial information and other data of the Company which should be read in conjunction with our audited consolidated annual financial statements and related notes. A reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income can be found in the below "*Results of Operations*" sections for the respective fiscal periods.

	Three months ended December 31		Twelve months ended December 31	
($ in 000's, except as otherwise noted)	**2019**	2018	**2019**	2018
Revenue	**103,253**	**99,145**	**344,980**	**319,776**
Cost of sales	63,711	63,906	215,246	204,358
Gross profit	39,542	35,239	129,734	115,418
Selling, general and administrative expenses	17,637	16,988	69,942	65,194
Share-based compensation	1,573	1,278	4,343	3,067
Earnings from operations	**20,332**	**16,973**	**55,449**	**47,157**
Operating margin	**19.7%**	**17.1%**	**16.1%**	**14.7%**
Foreign exchange loss	227	89	404	608
Other expenses (income)	(35)	64	3,369	298
Interest expense and other financing costs	1,966	2,390	9,372	9,000
Income before income taxes	18,174	14,430	42,304	37,251
Provision for income taxes	5,011	4,384	10,647	10,578
Net income	**13,163**	**10,046**	**31,657**	**26,673**
Adjusted net income	**14,253**	**12,217**	**38,111**	**33,733**
EBITDA	**22,902**	**19,220**	**62,592**	**55,297**
Adjusted EBITDA	**25,641**	**22,933**	**75,909**	**67,628**
Adjusted EBITDA margin	**24.8%**	**23.1%**	**22.0%**	**21.1%**
Weighted average number of shares				
Basic	38,967,875	38,166,594	38,535,274	38,009,443
Diluted	40,130,698	39,707,979	39,614,909	39,531,078
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.34	0.26	0.82	0.70
Diluted, earnings per share	0.33	0.25	0.80	0.67
Adjusted Diluted, earnings per share	0.36	0.31	0.96	0.85

The following table provides selected consolidated financial position data for the periods indicated.

($ in 000's)	As at December 31, 2019	As at December 31, 2018
Selected Consolidated Financial Position Data:		
Total assets	561,775	549,021
Total non-current liabilities	229,265	205,739

Results of Operations – three months ended December 31, 2019 and 2018

The following table provides a summary of our results for the three months ended December 31, 2019 and December 31, 2018. We have reclassified the presentation of certain costs on the audited consolidated annual financial statements and our accompanying notes to be consistent with the current presentation.

	Three months ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Revenue	**103,253**	**99,145**	**4,108**	**4.1%**
Cost of sales	63,711	63,906	(195)	(0.3%)
Gross profit	39,542	35,239	4,303	12.2%
Selling, general and administrative expenses	17,637	16,988	649	3.8%
Share-based compensation	1,573	1,278	295	23.1%
Earnings from operations	**20,332**	**16,973**	**3,359**	**19.8%**
Operating margin	**19.7%**	**17.1%**	**—**	**2.6%**
Foreign exchange loss	227	89	138	155.1%
Other expenses (income)	(35)	64	(99)	(154.7%)
Interest expense and other financing costs	1,966	2,390	(424)	(17.7%)
Income before income taxes	18,174	14,430	3,744	25.9%
Provision for income taxes	5,011	4,384	627	14.3%
Net income	**13,163**	**10,046**	**3,117**	**31.0%**
Adjusted net income	**14,253**	**12,217**	**2,036**	**16.7%**
EBITDA	**22,902**	**19,220**	**3,682**	**19.2%**
Adjusted EBITDA	**25,641**	**22,933**	**2,708**	**11.8%**
Adjusted EBITDA margin	**24.8%**	**23.1%**	**—**	**1.7%**
Weighted average number of shares				
Basic	38,967,875	38,166,594		
Diluted	40,130,698	39,707,979		
Earnings per share attributable to common shareholders:				
Basic, earnings per share	0.34	0.26		
Diluted, earnings per share	0.33	0.25		
Adjusted Diluted, earnings per share	0.36	0.31		

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the three months ended December 31, 2019 and December 31, 2018.

	Three months ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Net income	**13,163**	**10,046**	**3,117**	**31.0%**
Add:				
Provision for income taxes	5,011	4,384	627	14.3%
Interest expense and other financing costs	1,966	2,390	(424)	(17.7%)
Depreciation of property, plant, and equipment	1,845	1,533	312	20.4%
Amortization of intangible assets	917	867	50	5.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**22,902**	**19,220**	**3,682**	**19.2%**
Share-based compensation[1]	1,573	1,278	295	23.1%
Foreign exchange loss	227	89	138	155.1%
Termination benefits and related costs[2]	—	129	(129)	(100.0%)
International market expansion[3]	278	669	(391)	(58.4%)
Business integration[4]	465	844	(379)	(44.9%)
Other[5]	196	704	(508)	(72.2%)
Adjusted EBITDA	**25,641**	**22,933**	**2,708**	**11.8%**
Provision for income taxes	(5,011)	(4,384)	(627)	(14.3%)
Interest expense and other financing costs	(1,966)	(2,390)	424	17.7%
Depreciation of property, plant, and equipment	(1,845)	(1,533)	(312)	(20.4%)
Amortization of intangible assets	(917)	(867)	(50)	(5.8%)
Share-based compensation[6]	(1,383)	(895)	(488)	(54.5%)
Other	58	—	58	100.0%
Tax effect of normalization adjustments	(324)	(647)	323	49.9%
Adjusted net income	**14,253**	**12,217**	**2,036**	**16.7%**

(1) The Company's share-based compensation expense pertains to our long-term incentive plan (the "LTIP") (refer to "*Share-based compensation*"), with performance-based share units ("PSUs") and time-based restricted share units ("RSUs") expenses, and associated payroll taxes included within the current period.

(2) In conjunction with strategic priorities, management evaluates the efficiency, breadth and depth of resources connected with these priorities and reorganization activities are undertaken to ensure that we have the capabilities and structure to meet our long-term goals. The costs in 2018 are mainly comprised of severance costs and salary continuance.

(3) We incurred initial set-up expenses while establishing our presence in China including entering into regulatory, distribution and supply agreements, and a study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences.

(4) In Q4 2019, we incurred expenses pertaining to supply chain optimization and other consulting fees. Costs in Q4 2018 pertained to non-employee related expenses associated with the integration of our LVHS and Body Plus businesses including the consolidation of offices, warehouses, supply chain activities, consulting fees and transition counselling.

(5) In Q4 2019, we incurred expenses pertaining to special projects and cyber-security enhancements. Costs in Q4 2018 were mainly related to one-time expenses pertaining to the initial set-up of our e-commerce platform, leasehold improvements and other expenses in relation to our head office relocation at the end of October 2018, consulting fees for one-time projects and the review of acquisition opportunities.

(6) Costs in 2019 pertains to our LTIP excluding one-time PSUs granted to certain employees on May 31, 2018 and RSUs granted to certain employees on November 6, 2018 (refer to "*Share-based compensation*").

The following table provides selected financial information for our two operating segments for the three months ended December 31, 2019 and December 31, 2018.

Jamieson Brands

	For the three months ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Revenue	78,803	69,715	9,088	13.0%
Gross profit	35,962	31,079	4,883	15.7%
Gross profit margin	45.6%	44.6%	—	1.0%
Selling, general and administrative expenses	16,035	15,453	582	3.8%
Share-based compensation	1,573	1,278	295	23.1%
Earnings from operations	18,354	14,348	4,006	27.9%
Operating margin	23.3%	20.6%	—	2.7%
Adjusted EBITDA	23,154	19,742	3,412	17.3%
Adjusted EBITDA margin	29.4%	28.3%	—	1.1%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2019 and December 31, 2018.

	For the three months ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Earnings from operations	18,354	14,348	4,006	27.9%
Depreciation of property, plant, and equipment	1,358	1,088	270	24.8%
Amortization of intangible assets	917	862	55	6.4%
Share-based compensation	1,573	1,278	295	23.1%
Termination benefits and related costs	—	129	(129)	(100.0%)
International market expansion	278	669	(391)	(58.4%)
Business integration	465	734	(269)	(36.6%)
Other	209	634	(425)	(67.0%)
Adjusted EBITDA	**23,154**	**19,742**	**3,412**	**17.3%**

Strategic Partners

	For the three months ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Revenue	24,450	29,430	(4,980)	(16.9%)
Gross profit	3,580	4,160	(580)	(13.9%)
Gross profit margin	14.6%	14.1%	—	0.5%
Selling, general and administrative expenses	1,602	1,535	67	4.4%
Earnings from operations	1,978	2,625	(647)	(24.6%)
Operating margin	8.1%	8.9%	—	(0.8%)
Adjusted EBITDA	2,487	3,191	(704)	(22.1%)
Adjusted EBITDA margin	10.2%	10.8%	—	(0.6%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2019 and December 31, 2018.

	For the three months ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Earnings from operations	1,978	2,625	(647)	(24.6%)
Depreciation of property, plant, and equipment	487	444	43	9.7%
Amortization of intangible assets	—	6	(6)	(100.0%)
Business integration	—	110	(110)	(100.0%)
Other	22	6	16	266.7%
Adjusted EBITDA	**2,487**	**3,191**	**(704)**	**(22.1%)**

Revenue

Revenue increased 4.1%, or $4.1 million, to $103.3 million in Q4 2019. This was mainly driven by 13.0% growth in Jamieson Brands revenue with a decline of 16.9% in Strategic Partners revenue quarter-over-quarter.

Revenue in the Jamieson Brands segment increased by $9.1 million, or 13.0%, to $78.8 million in Q4 2019 due to strong growth in domestic and international Jamieson Brands sales of $5.2 million and $3.4 million respectively, plus an increase in revenue for our Specialty Brands of $0.5 million. Our domestic Jamieson Brands sales increased by 10.3% driven by the strength of our media campaigns leading to strong consumer demand and increased shelf space at a key customer. Our international business continues to grow, increasing 37.7% versus prior year, led by strong growth in China as we continue to build distributions of registered products for the domestic Chinese retail channel, along with the timing of shipments across key regions including Europe, the Middle East and the rest of Asia. Specialty Brands volumes increased by 4.8% as we continued to focus on innovation as well as drug, grocery and e-commerce channel expansion, combined with improving promotional programs through collaboration with our customers.

Revenue in the Strategic Partners segment decreased 16.9%, or $5.0 million, to $24.5 million in Q4 2019, including incremental revenue related to the change in billing practices for a key Strategic Partner. Normalized for the impact of this change, revenue decreased by $6.4 million or 21.6%, due to the timing of new strategic partner programs that occurred earlier in the year.

Gross profit

Gross profit increased by $4.3 million in Q4 2019 mainly driven by revenue growth and operating efficiencies. Gross profit margin increased by 280 basis points to 38.3% in Q4 2019 compared to the same period in the prior year due to favorable mix and margin improvements in both segments.

Gross profit in the Jamieson Brands segment increased by $4.9 million in Q4 2019 driven by higher volumes and related production efficiencies gained from higher facility utilization and an increase in packaging capacity. Gross profit margin increased by 100 basis points to 45.6% in Q4 2019 due to the efficiency factors mentioned above.

Gross profit in the Strategic Partners segment decreased by $0.6 million to $3.6 million in Q4 2019. The decrease was primarily driven by lower volumes, partially offset by favorable customer mix. Gross profit margin increased by 50 basis points to 14.6% in Q4 2019 due to customer mix noted above.

Selling, general and administrative expenses

SG&A expenses increased by 3.8%, or $0.6 million, to $17.6 million in Q4 2019. Excluding the impact of lower business integration, international market expansion, termination benefits and other non-recurring costs of $1.3 million, SG&A expenses increased by $1.8 million due to the timing of marketing programs, investments in resources for e-commerce and international growth, as well as variable compensation in the Jamieson Brands segment. SG&A expenses in the Strategic Partners segment remained relatively consistent with the same period in the prior year, increasing by $0.1 million compared to the same period in the prior year.

Share-based compensation

Share-based compensation increased by $0.3 million to $1.6 million in Q4 2019 due to the timing and cumulative effect of our annual stock-based equity grants since our initial public offering on July 7, 2017, and associated payroll taxes on the exercise of stock options.

Earnings from operations and operating margin

Earnings from operations increased by 19.8%, or $3.4 million and operating margin increased by 260 basis points to 19.7%, in Q4 2019 as a result of the gross profit margin impact discussed above, and the one-time nature of SG&A expenses in the Jamieson Brands segment.

Earnings from operations in the Jamieson Brands segment increased by $4.0 million and operating margin increased by 270 basis points to 23.3% in Q4 2019 mainly due to gross profit margin improvements discussed above and lower fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment decreased by $0.6 million and operating margin decreased by 80 basis points in Q4 2019 due to gross profit margin improvements discussed above, offset by higher fixed costs as a percentage of revenues.

Foreign exchange loss

Foreign exchange loss was due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash is settled.

Interest expense and other financing costs

Interest expense and other financing costs decreased by $0.4 million to $2.0 million in Q4 2019 mainly due to lower interest rates as a result of our amended and restated credit agreement (refer to "*Credit Facilities*"). This was partially offset by the impact of our adoption of IFRS 16, "Leases" ("IFRS 16") (refer to *"Recently adopted accounting standards"*) which includes the recognition of interest expense on our lease liabilities.

Provision for income taxes

Provision for income taxes was $5.0 million in Q4 2019 compared to $4.4 million in Q4 2018. Our Q4 2019 effective tax rate is 27.6% which includes the impact of non-deductible share-based compensation.

Depreciation

Depreciation expense increased by $0.3 million to $1.8 million in Q4 2019 due to increases in our capital investments and the adoption of IFRS 16 while taking into account the change in useful life estimates on buildings, machinery and equipment.

Amortization

Amortization expense remained relatively consistent with the same period in the prior year.

EBITDA and Adjusted EBITDA

EBITDA increased by $3.7 million to $22.9 million in Q4 2019 primarily due to the factors discussed above.

Adjusted EBITDA increased by $2.7 million to $25.6 million and Adjusted EBITDA margin increased by 170 basis points to 24.8% for the quarter mainly due to gross profit margin improvements in both segments.

Adjusted EBITDA in the Jamieson Brands segment increased by $3.4 million to $23.2 million and Adjusted EBITDA margin increased by 110 basis points to 29.4% for the quarter. This was mainly driven by higher volumes and gross profit margin improvements discussed above.

Adjusted EBITDA in the Strategic Partners segment decreased by $0.7 million to $2.5 million and Adjusted EBITDA margin decreased by 60 basis points to 10.2% in Q4 2019 mainly due to the impact of higher SG&A expenses over lower volumes, offsetting gross profit margins improvements discussed above.

Results of Operations – year ended December 31, 2019 and 2018

The following table provides a summary of our results for the year ended December 31, 2019 and December 31, 2018.

	For the year ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Revenue	**344,980**	**319,776**	**25,204**	**7.9%**
Cost of sales	215,246	204,358	10,888	5.3%
Gross profit	129,734	115,418	14,316	12.4%
Selling, general and administrative expenses	69,942	65,194	4,748	7.3%
Share-based compensation	4,343	3,067	1,276	41.6%
Earnings from operations	**55,449**	**47,157**	**8,292**	**17.6%**
Operating margin	**16.1%**	**14.7%**	**—**	**1.4%**
Foreign exchange loss	404	608	(204)	(33.6%)
Other expenses	3,369	298	3,071	1030.5%
Interest expense and other financing costs	9,372	9,000	372	4.1%
Income before income taxes	42,304	37,251	5,053	13.6%
Provision for income taxes	10,647	10,578	69	0.7%
Net income	**31,657**	**26,673**	**4,984**	**18.7%**
Adjusted net income	**38,111**	**33,733**	**4,378**	**13.0%**
EBITDA	**62,592**	**55,297**	**7,295**	**13.2%**
Adjusted EBITDA	**75,909**	**67,628**	**8,281**	**12.2%**
Adjusted EBITDA margin	**22.0%**	**21.1%**	—	**0.9%**

The following table provides a reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the year ended December 31, 2019 and December 31, 2018.

	For the year ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Net income	**31,657**	**26,673**	**4,984**	**18.7%**
Add:				
Provision for income taxes	10,647	10,578	69	0.7%
Interest expense and other financing costs	9,372	9,000	372	4.1%
Depreciation of property, plant, and equipment	7,263	5,551	1,712	30.8%
Amortization of intangible assets	3,653	3,495	158	4.5%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**62,592**	**55,297**	**7,295**	**13.2%**
Share-based compensation(1)	4,343	3,067	1,276	41.6%
Foreign exchange loss	404	608	(204)	(33.6%)
Termination benefits and related costs(2)	480	2,933	(2,453)	(83.6%)
Purchase consideration accounted for as compensation expense(3)	—	(1,066)	1,066	100.0%
International market expansion(4)	1,712	929	783	84.3%
Business integration(5)	1,240	4,142	(2,902)	(70.1%)
Other(6)	5,138	1,718	3,420	199.1%
Adjusted EBITDA	**75,909**	**67,628**	**8,281**	**12.2%**
Provision for income taxes	(10,647)	(10,578)	(69)	(0.7%)
Interest expense and other financing costs	(9,372)	(9,000)	(372)	(4.1%)
Depreciation of property, plant, and equipment	(7,263)	(5,551)	(1,712)	(30.8%)
Amortization of intangible assets	(3,653)	(3,495)	(158)	(4.5%)
Share-based compensation(7)	(3,582)	(2,532)	(1,050)	(41.5%)
Revaluation of deferred tax liability(8)	(1,032)	—	(1,032)	100.0%
Other	175	—	175	100.0%
Tax effect of normalization adjustments	(2,424)	(2,739)	315	11.5%
Adjusted net income	**38,111**	**33,733**	**4,378**	**13.0%**

(1) The Company's share-based compensation expense pertains to our LTIP (refer to *"Share-based compensation"*), with PSU and RSU expenses, and associated payroll taxes included within the current period.

(2) In conjunction with strategic priorities, management evaluates the efficiency, breadth and depth of resources connected with these priorities and reorganization activities are undertaken to ensure that we have the capabilities and structure to meet our long-term goals. Specifically, in 2018, costs were primarily related to the integration of LVHS and Body Plus, which included the closure of our two west coast distribution facilities and the consolidation of our supply chain activities.

(3) In conjunction with the acquisition of Body Plus and Sonoma Nutraceuticals Inc. ("Sonoma") on January 31, 2017, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of $9.4 million was due to be paid on the one-year anniversary of the acquisition with the remaining balance paid in July 2018. In 2018, the Company recognized a gain due to a $2.0 million reduction of the obligation offset by deferred consideration expense in the period.

(4) We incurred initial set-up expenses while establishing our presence in China including entering into regulatory, distribution and supply agreements, and a study of the Chinese market focusing on broad industry understanding and factors affecting consumer purchase preferences. Costs in 2018 pertained to the incorporation of Jamieson Health Products (Shanghai) Co., Ltd. and the associated professional fees related to establishing our on the ground presence in China including regulatory and logistical processes.

(5) In 2019, we incurred expenses pertaining to optimizing our manufacturing and supply chain processes, and other consulting fees. In 2018, we incurred non-employee related expenses associated with the integration of our LVHS and Body Plus businesses including the consolidation of offices, warehouses, supply chain activities, consulting fees and transition counselling.

(6) In 2019, we recorded a $3.4 million charge in connection with our amended and restated credit agreement including the write-off for our existing unamortized deferred financing fee (refer to *"Credit Facilities")*. Additionally, we recorded a partial reserve in connection with a receivable from a key

strategic partner customer, who fell victim to a social engineering scheme. Other costs in 2019 pertain to union contract negotiations, cyber-security enhancements and other special projects. Costs in 2018, were mainly related to professional fee billings on our reorganization in relation to our initial public offering, expenses pertaining to the initial set-up of our e-commerce platform, leasehold improvements and other expenses in relation to our head office relocation at the end of October 2018, consulting fees for one-time projects and the review of acquisition opportunities.

(7) Costs in 2019 pertains to our LTIP excluding one-time PSUs granted to certain employees on May 31, 2018 and RSUs granted to certain employees on November 6, 2018 (refer to "*Share-based compensation*").

(8) We recorded a tax benefit on the revaluation of our deferred tax liability as a result of lower expected future tax rates due to the closure of our west coast LVHS office and distribution center.

The following table provides selected financial information for our two operating segments for the year ended December 31, 2019 and December 31, 2018.

Jamieson Brands

	For the year ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Revenue	265,843	243,772	22,071	9.1%
Gross profit	116,827	104,115	12,712	12.2%
Gross profit margin	43.9%	42.7%	—	1.2%
Selling, general and administrative expenses	62,403	58,616	3,787	6.5%
Share-based compensation	4,343	3,067	1,276	41.6%
Earnings from operations	50,081	42,432	7,649	18.0%
Operating margin	18.8%	17.4%	—	1.4%
Adjusted EBITDA	67,436	60,173	7,263	12.1%
Adjusted EBITDA margin	25.4%	24.7%	—	0.7%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the year ended December 31, 2019 and December 31, 2018.

	For the year ended December 31,			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Earnings from operations	50,081	42,432	7,649	18.0%
Depreciation of property, plant, and equipment	5,373	4,007	1,366	34.1%
Amortization of intangible assets	3,649	3,475	174	5.0%
Share-based compensation	4,343	3,067	1,276	41.6%
Termination benefits and related costs	464	2,739	(2,275)	(83.1%)
International market expansion	1,712	929	783	84.3%
Business integration	1,226	2,104	(878)	(41.7%)
Other	588	1,420	(832)	(58.6%)
Adjusted EBITDA	**67,436**	**60,173**	**7,263**	**12.1%**

Strategic Partners

($ in 000's, except as otherwise noted)	For the year ended December 31, 2019	2018	$ Change	% Change
Revenue	79,137	76,004	3,133	4.1%
Gross profit	12,907	11,303	1,604	14.2%
Gross profit margin	16.3%	14.9%	—	1.4%
Selling, general and administrative expenses	7,539	6,578	961	14.6%
Earnings from operations	5,368	4,725	643	13.6%
Operating margin	6.8%	6.2%	—	0.6%
Adjusted EBITDA	8,473	7,455	1,018	13.7%
Adjusted EBITDA margin	10.7%	9.8%	—	0.9%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the year ended December 31, 2019 and December 31, 2018.

($ in 000's, except as otherwise noted)	For the year ended December 31, 2019	2018	$ Change	% Change
Earnings from operations	5,368	4,725	643	13.6%
Depreciation of property, plant, and equipment	1,890	1,544	346	22.4%
Amortization of intangible assets	4	20	(16)	(80.0%)
Termination benefits and related costs	16	194	(178)	(91.8%)
Business integration	14	928	(914)	(98.5%)
Other	1,181	44	1,137	2584.1%
Adjusted EBITDA	**8,473**	**7,455**	**1,018**	**13.7%**

Revenue

Revenue increased 7.9%, or $25.2 million to $345.0 million in 2019. This was mainly driven by 9.1% growth in Jamieson Brands revenue and growth of 4.1% in Strategic Partners revenues.

Revenue in the Jamieson Brands segment increased by $22.1 million, or 9.1% to $265.8 million in 2019 due to strong growth in domestic and international Jamieson Brands sales of $14.6 million and $6.9 million respectively, plus an increase in revenue for our Specialty Brands of $0.6 million. Our domestic branded business increased by 8.6% driven by the strength of our media campaigns leading to strong consumer demand, innovation and new distribution channels. Our international branded business continues to demonstrate consistent growth, increasing by 25.1% led by strong growth in China, attributable to shipments of newly registered products for the domestic Chinese retail channel and strong demand in cross-border e-commerce ("CBEC"), along with continued expansion in both new and existing markets within Europe, the Middle East and the rest of Asia. Specialty Brands volumes experienced progressive improvement each quarter, increasing by 4.3% in the second half of 2019 offsetting the decline realized in the first quarter, as we continue to focus on our customers, consumers and innovation.

Revenue in the Strategic Partners segment increased by $3.1 million, or 4.1% to $79.1 million in 2019 due to new contracts with existing customers, including incremental revenue related to the change in billing practices for a key Strategic Partner, partially offset by the transition away from a strategic partner which has brought volume in-house.

Gross profit

Gross profit increased by 12.4%, or $14.3 million, to $129.7 million in 2019 while gross profit margin increased by 150 basis points to 37.6% in 2019. The increase in gross profit is due to margin improvements in both segments and mix.

Gross profit in the Jamieson Brands segment increased by $12.7 million to $116.8 million in 2019 driven by higher volumes and related production efficiencies gained from higher facility utilization and increase in packaging capacity. Gross profit margin increased by 120 basis points to 43.9% in 2019 primarily due to the efficiency factors mentioned above.

Gross profit in the Strategic Partners segment increased by $1.6 million to $12.9 million in 2019. The increase was primarily driven by customer mix and production efficiencies, while including the impact of the change from a tolling to a turnkey arrangement with a key Strategic Partner offset by the one-time cost affecting gross profit in the prior year. Gross profit margin increased by 140 basis points to 16.3% in 2019 due to the same factors mentioned above.

Selling, general and administrative expenses

SG&A expenses increased by 7.3%, or $4.8 million, to $69.9 million in 2019. Excluding the impact of lower business integration, international market expansion, termination benefits and other non-recurring costs of $2.4 million, SG&A expenses increased by $7.2 million due to higher costs in both segments.

Normalized SG&A expenses in the Jamieson Brands segment increased by $7.0 million due to higher variable compensation and marketing expenses to drive brand equity, plus investments in resources for e-commerce, international growth and our office expansion. Normalized SG&A expenses in the Strategic Partners segment increased by $0.2 million due to the impact of higher compensation related expenses.

Share-based compensation

Share-based compensation increased by $1.3 million to $4.3 million in 2019 due to the timing and cumulative effect of our annual stock-based equity grants since our initial public offering on July 7, 2017, and associated payroll taxes on the exercise of stock options.

Earnings from operations and operating margin

Earnings from operations increased 17.6%, or $8.3 million, to $55.4 million and operating margin increased by 140 basis points to 16.1% in 2019 as a result of the gross profit margin impact discussed above.

Earnings from operations in the Jamieson Brands segment increased 18.0%, or $7.6 million, to $50.1 million and operating margin increased by 140 basis points to 18.8% in 2019 mainly due to gross profit margin improvements discussed above and lower fixed costs as a percentage of revenues.

Earnings from operations in the Strategic Partners segment increased by $0.6 million to $5.4 million and operating margin increased by 60 basis points to 6.8% in 2019 mainly due to gross profit margin improvements discussed above, offset by higher fixed costs as a percentage of revenues.

Foreign exchange loss

Foreign exchange loss in 2019 is due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash is settled.

Other expenses

In 2019, other expenses were comprised of a $3.4 million charge in connection with our amended and restated credit agreement including the write-off for our existing unamortized deferred financing fee (refer to *"Credit Facilities").* In 2018, other expenses were comprised of non-employee related business integration and other consulting costs of $1.4 million, offset by the reduction of the amount paid to the former owner in relation to deferred consideration on the acquisition of Body Plus and Sonoma of $1.1 million.

Interest expense and other financing costs

Interest expense and other financing costs increased by $0.4 million to $9.4 million in 2019 mainly due to the impact of our adoption of IFRS 16 which includes the recognition of interest expense on our lease liabilities. Our effective interest rate was slightly lower than prior year as a result of our amended and restated credit agreement (refer to "*Credit Facilities*"), which offset higher prevailing rates earlier in the year.

Provision for income taxes

Provision for income taxes remained consistent at $10.6 million in 2019. Our 2019 provision includes a one-time tax benefit of $1.0 million due to a revaluation of our deferred tax liability as a result of lower expected future tax rates due to the closure of our west coast LVHS office and distribution center. On a normalized basis, our 2019 effective tax rate is 28.0% which includes the impact of non-deductible share-based compensation. In 2018, our effective tax rate of 28.4% was impacted by a $1.1 million gain for deferred purchase consideration associated with the acquisition of Body Plus and Sonoma and non-deductible share-based compensation.

Depreciation

Depreciation expense increased by $1.7 million to $7.3 million in 2019 due to increases in our capacity related capital investments and the adoption of IFRS 16 while taking into account the change in useful life estimates on buildings, machinery and equipment.

Amortization

Amortization expense increased by $0.2 million to $3.7 million in 2019 due to our investment in domestic and international product registrations, and our investment in website development costs.

EBITDA and Adjusted EBITDA

EBITDA increased by $7.3 million to $62.6 million in 2019 primarily due to the factors discussed above.

Adjusted EBITDA increased by 12.2%, or $8.3 million, to $75.9 million and Adjusted EBITDA margin increased by approximately 90 basis points to 22.0% in 2019 mainly due to higher volumes and gross profit margin improvements in both segments.

Adjusted EBITDA in the Jamieson Brands segment increased 12.1%, or $7.3 million, to $67.4 million and Adjusted EBITDA margin increased 70 basis points to 25.4% in 2019 mainly driven by higher volumes and gross profit margin improvements discussed above.

Adjusted EBITDA in the Strategic Partners segment increased 13.7% or $1.0 million, to $8.5 million and Adjusted EBITDA margin increased by 90 basis points to 10.7% in 2019 mainly due gross profit margin improvements discussed above.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS. We have reclassified the presentation of certain costs on the audited consolidated annual financial statements and our accompanying notes to be consistent with current presentation.

	2019				2018			
($ in 000's, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by segment								
Jamieson Brands	78,803	70,184	60,816	56,041	69,715	61,787	55,701	56,569
Strategic Partners	24,450	18,374	19,776	16,537	29,430	17,872	18,492	10,210
Total revenue	**103,253**	**88,558**	**80,592**	**72,578**	**99,145**	**79,659**	**74,193**	**66,779**
Earnings from operations	**20,332**	**13,265**	**11,940**	**9,911**	**16,973**	**12,664**	**9,126**	**8,394**
Net income	**13,163**	**4,928**	**8,186**	**5,384**	**10,046**	**7,213**	**4,788**	**4,626**
Adjusted net income	**14,253**	**9,492**	**7,897**	**6,469**	**12,217**	**8,853**	**6,903**	**5,760**
EBITDA	**22,902**	**12,221**	**15,007**	**12,463**	**19,220**	**14,771**	**10,967**	**10,339**
Adjusted EBITDA	**25,641**	**19,394**	**16,392**	**14,481**	**22,933**	**17,856**	**14,153**	**12,686**
Basic, earnings per share	0.34	0.13	0.21	0.14	0.26	0.19	0.13	0.12
Diluted, earnings per share	0.33	0.12	0.21	0.14	0.25	0.18	0.12	0.12
Adjusted Diluted, earnings per share	0.36	0.24	0.20	0.16	0.31	0.22	0.17	0.15

Revenue

Jamieson Brands segment revenue for the last eight quarters were impacted by factors including the following:

- the impact of innovation, both in adjacent categories and within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality;
- severity of cold and flu season; and
- foreign currency fluctuations.

Strategic Partners segment revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Branded Products;
- launch of new programs with existing or new customers, which include initial pipeline shipments;
- availability of customer supplied materials;

- innovation and geographic demand for high quality certified manufacturers;
- the impact of a change from a turnkey arrangement to tolling for certain products;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations.

Earnings from operations

Earnings from operations for the last eight quarters were also impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion;
- improvements in production efficiencies and higher economies of scale;
- raw material costs in native currency;
- timing of marketing spend and variable compensation; and
- foreign currency fluctuations.

Selected Annual Information

The following selected annual information is shown for the three most recently completed financial years:

	For the year ended December 31		
($ in 000's, except share and per share amounts)	**2019**	2018	2017
Revenue	**344,980**	**319,776**	**300,619**
Earnings from operations	**55,449**	**47,157**	**44,935**
Net income (loss)	**31,657**	**26,673**	**(23,787)**
Adjusted net income	**38,111**	**33,733**	**27,582**
EBITDA	**62,592**	**55,297**	**26,400**
Adjusted EBITDA	**75,909**	**67,628**	**61,477**
Basic, earnings (loss) per share	0.82	0.70	(1.79)
Diluted, earnings (loss) per share	0.80	0.67	(1.79)
Adjusted Diluted, earnings per share	0.96	0.85	0.70
Selected Consolidated Financial Position Data:			
Total assets	561,775	549,021	512,555
Total non-current liabilities	229,265	205,739	210,012
Dividends declared for the year:			
Cash dividends per common share	0.38	0.34	0.16

Over the three-year period, revenue increased year-over-year driven by growth in the Jamieson Brands segment through innovations and international expansion and growth in the Strategic Partners segment through increased business with existing and new customers. Total assets have increased over the three-year period reflecting investments in working capital and property, plant, and equipment designed to improve efficiency or expand capacity.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under the Credit Facilities (refer to "*Credit Facilities*"), will be sufficient to meet the Company's future operating expenses, capital expenditures, and future debt service costs.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under the Credit Facilities (refer to "*Credit Facilities*") that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures),

repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and the Credit Facilities will be sufficient to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to "*Risk Factors*"). From time to time, our management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

As at December 31, 2019, the Company had $110.4 million in cash and available operating lines.

On September 27, 2019, Jamieson Laboratories Ltd. ("JLL") amended and restated its credit agreement (the "Initial Credit Agreement") to add Jamieson Health Products USA Ltd. (collectively with JLL the "Borrowers") as a co-borrower and to provide a secured revolving facility of $275.0 million (including a $10.0 million swingline facility) with the option to increase the revolving facility up to $475.0 million (collectively, the "Credit Facilities"). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

We concluded that the amendments to the Initial Credit Agreement represent a substantial modification of the terms with its lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of $2.0 million. Financing costs of $1.4 million were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded as interest expense and other financing costs.

Prior to amendment, JLL entered into the Initial Credit Agreement on January 31, 2017 with a syndicate of lenders. The Initial Credit Agreement provided a secured term credit facility of $195.0 million (with the option to increase the facility up to $255.0 million) and a secured revolving credit facility of $75.0 million (including a $10.0 million swingline facility) (collectively, the "Initial Credit Facilities"). Financing costs of $4.3 million and $1.5 million were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

For the three and twelve months ended December 31, 2019, JLL made drawings of $13.9 million applied against the Credit Facilities.

For the three and twelve months ended December 31, 2019, JLL made debt repayments of $23.2 million and $35.1 million, respectively, applied against the Credit Facilities.

As at December 31, 2019, the aggregate amount outstanding under the Credit Facilities was approximately $164.8 million.

For the year ended December 31, 2019, the weighted interest rate on the Credit Facilities was 4.4%.

The Credit Facilities are secured by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens.

Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00. Notwithstanding the foregoing, if the Borrowers or certain other subsidiaries of JLL make a permitted acquisition for total consideration that exceeds $25,000, then for the four-quarter period commencing with the fiscal quarter in which the closing of such permitted acquisition is consummated, the leverage ratio to be maintained is increased by 0.5x and is not greater than 4.50:1.00. The Borrowers are in compliance with all covenants as at the date of this MD&A.

Analysis of Cash Flows – three months ended December 31, 2019 and 2018

	Three months ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Cash, beginning of period	**4,153**	**2,815**	**1,338**	**47.5%**
Cash flows from (used in):				
Operating activities	12,996	22,233	(9,237)	(41.5%)
Investing activities	(3,488)	(4,611)	1,123	24.4%
Financing activities	(13,463)	(7,992)	(5,471)	(68.5%)
Cash, end of period	**198**	**12,445**	**(12,247)**	**(98.4%)**

Cash Flows Generated from Operating Activities

In Q4 2019, cash flows generated from operating activities totalled $13.0 million compared to $22.2 million for the same period in the prior year. Cash from operating activities before working capital considerations of $18.2 million was higher by $3.9 million primarily due to increased earnings in the current quarter. This was offset by an investment in cash used in working capital of $5.2 million or an increase of $13.1 million as follows: i) Higher accounts receivable due to the timing of revenue and collections plus significant growth in the proportion of international revenues which carry much longer trade terms; ii) Higher inventory due to an over depletion in 2018 combined with increased safety stock (including unique SKUs for China) to improve customer fulfillment; and iii) Lower trade payables due to timing of production / inventory build leading up to the fourth quarter and an accelerated deduction of trade obligations by our domestic retail partners.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2019 totalled $3.5 million compared to $4.6 million for the same period in the prior year. Expenditures on property, plant, and equipment decreased by $1.1 million due to the expansion of our production capacities and costs associated with our office expansion in the prior comparable period compared to a combination of capacity expansion projects and other minor upgrades in the current period.

Cash Flows Generated from Financing Activities

Cash flows used in financing activities in Q4 2019 totalled $13.5 million compared to $8.0 million for the same period in the prior year. In Q4 2019, we paid $3.9 million of dividends to common shareholders, made payments of lease liabilities of $0.5 million and net repayments of $9.3 million to our Credit Facilities, offset by $0.2 million we received for the exercise of stock options and our employee share purchase plan ("ESPP"). In Q4 2018, we paid $3.4 million for the issuance of dividends to our common shareholders, made net repayments of $5.5 million to our Credit Facilities, and received funds of $0.9 million in the exercise of stock options and our ESPP.

Analysis of Cash Flows – twelve months ended December 31, 2019 and 2018

	For the year ended December 31			
($ in 000's, except as otherwise noted)	**2019**	2018	$ Change	% Change
Cash, beginning of period	**12,445**	**4,833**	**7,612**	**157.5%**
Cash flows from (used in):				
Operating activities	16,396	27,805	(11,409)	(41.0%)
Investing activities	(9,498)	(11,537)	2,039	17.7%
Financing activities	(19,145)	(8,656)	(10,489)	(121.2%)
Cash, end of period	**198**	**12,445**	**(12,247)**	**(98.4%)**

Cash Flows Used in / Generated from Operating Activities

For 2019, cash flows generated from operating activities totalled $16.4 million, compared to $27.8 million in the prior year. Cash from operating activities before working capital considerations of $50.9 million was higher by $10.6 million primarily due to increased earnings in the current year. This was offset by an investment in cash used in working capital of $34.5 million or an increase of $29.3 million as follows: i) Higher accounts receivable due to the timing of revenue and collections plus significant

growth in the proportion of international revenues during the fourth quarter of 2019 which carry much longer trade terms; ii) Higher inventory due to an over depletion in 2018 combined with increased safety stock (including unique SKUs for China) to improve customer fulfillment; and iii) Lower trade payables due to timing of production / inventory build and an accelerated deduction of trade obligations by our domestic retail partners. In the prior comparable year, we paid deferred compensation of $7.3 million associated with our acquisition of Body Plus and Sonoma.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in 2019 totalled $9.5 million compared to $11.5 million in the prior year. Expenditures on property, plant, and equipment decreased by $1.9 million due to the timing of delivery of packaging equipment which was delayed, and costs associated with our office expansion in the prior year. The slight decrease in intangibles of $0.1 million pertains to lower website development costs.

Cash Flows Generated from Financing Activities

Cash flows used in financing activities in 2019 totalled $19.1 million compared to $8.7 million in the prior year. In 2019, we paid $14.7 million of dividends to common shareholders, made payments of lease liabilities of $1.9 million and net repayments of $4.1 million to our Credit Facilities, offset by $1.6 million we received for the exercise of stock options and our ESPP. In 2018, we obtained net proceeds of $1.2 million from our Credit Facilities and $3.0 million in the exercise of stock options and our ESPP, offset by the issuance of $12.9 million of dividends to common shareholders.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2019.

($ in 000's)	2020	2021-2024	Thereafter	Total
Operating leases[1]	$ 2,376	$ 9,128	$ 10,817	$ 22,320
Trade and other payable	67,795	—	—	67,795
Revolving credit facility[2]	—	164,769	—	164,769
Total contractual obligations	**$ 70,171**	**$ 173,897**	**$ 10,817**	**$ 254,884**

(1) We have entered into several operating leases for vehicles, production equipment, computer and communications equipment, office equipment and office space. In 2019, the Company has extended the lease of its Scarborough facility with a commencement date of January 1, 2020 expiring December 31, 2029. Based on the terms and conditions set forth in the lease agreement, the expected total rent payment is $10.7 million for the full duration of the lease. As of December 31, 2019, our total minimum lease payments payable in future years are $22.3 million.

(2) On September 27, 2019, JLL amended and restated the Initial Credit Agreement to provide a secured revolving facility of $275.0 million (including a $10.0 million swingline facility) with the option to increase the revolving facility up to $475.0 million. The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Share-based compensation

We have an equity-based compensation plan providing for the issuance of securities under which grants will be made. Under the LTIP, the board of directors, at its discretion may grant share options, restricted shares, RSUs or PSUs, stock appreciation rights and deferred share units. The awards are settled in common shares of the Company ("Common Shares") and have no cash settlement alternatives. We also maintain the ESPP for all eligible employees for the purchase of Common Shares.

Our share-based compensation expense, for the three and twelve months ended December 31, 2019 is $1.6 million and $4.3 million, respectively, (2018 – $1.3 million and $3.1 million).

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars pertaining to inventory purchases. These agreements mature at various dates and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts match the terms of the

expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income.

Outstanding Share Capital and Redeemable Preferred Shares

	Common Shares	
	#	$
As at January 1, 2019	**38,207,114**	**239,404**
Exercise of stock options	758,333	3,357
Employee stock purchase plan	24,495	463
As at December 31, 2019	**38,989,942**	**243,224**

	Common Shares	
	#	$
As at January 1, 2018	**37,740,121**	**234,908**
Exercise of stock options	448,943	4,102
Employee stock purchase plan	18,050	394
As at December 31, 2018	**38,207,114**	**239,404**

As at December 31, 2019, the authorized share capital consisted of:

a) Unlimited number of Common Shares with no par value. The holders of Common Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

b) Unlimited number of Preference Shares, issuable in series.

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2019. Items subject to significant estimate uncertainty and critical judgements which have the most significant impact on the amounts recognized in the audited consolidated annual financial statements are included both below and in the annual audited financial statement notes.

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

We employ significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units ("CGU") for the purpose of impairment testing. We assess impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumption. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect our future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by us turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentive

We use historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages we estimated.

We provide for estimated payments to customers based on various trade programs and sales promotional incentives. We estimate the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

We update our expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net income, and comprehensive income will be affected in future periods.

Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include the future expected cash flows arising from the tangible and intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date which approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20 of the consolidated annual financial statements.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgement 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.

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 in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

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

Significant Accounting Policies

Our audited consolidated annual financial statements were prepared using the same accounting policies as described in Note 2 in the accompanying notes of our annual audited financial statements for the year ended December 31, 2019, with the exception of the recently adopted accounting standards discussed below.

Recently adopted accounting standards

The following accounting policies are applicable for the three and twelve month period ended December 31, 2019 and onwards. Please refer to the accounting policies we have outlined in our annual audited consolidated financial statements for the year ended December 31, 2019 for details on the accounting policies applicable to comparative amounts.

IFRS 16, "Leases"

IFRS 16 replaces IAS 17, "Leases" ("IAS 17"), and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Transition to IFRS 16

As at January 1, 2019, we have adopted IFRS 16 using the modified retrospective approach and measured the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date. We elected to use the practical expedients allowing the use of a single discount rate to a portfolio of reasonably similar characteristics, use of hindsight to determine if the lease term of the contract contains options to extend or terminate the lease, and allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. We also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The impact of adopting IFRS 16 as at January 1, 2019 (debit/(credit)) is as follows:

	$
Property, plant and equipment	7,434
Accounts payable and accrued liabilities	300
Deferred income tax liabilities	85
Deficit	239
Prepaid expenses and other current assets	(259)
Other long-term liabilities	(7,799)

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	$
Operating lease commitments as at December 31, 2018	10,108
Weighted average incremental borrowing rate as at January 1, 2019	4.00%
Discounted operating lease commitments at January 1, 2019	8,840
Less:	
Commitments relating to short-term leases	(577)
Leases not yet commenced but committed to	(3,784)
Prepaid rent adjustment to lease liability	(259)
Add:	
Payments in optional extension periods not recognized as at December 31, 2018	3,578
Lease liabilities as at January 1, 2019	**7,799**

Changes in Accounting Policy

Before the adoption of IFRS 16, we classified each of our leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to us was classified as a finance lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were 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 were recognized in finance costs in the consolidated statements of operations and comprehensive income (loss).

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

We did not have any finance lease arrangements.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized as an operating expense in the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term.

Upon adoption of IFRS 16, we applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (Note 2.3.17 in the consolidated annual financial statements).

We recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The right-of-use assets are included in property, plant, and equipment.

At the commencement date of the lease, we recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities are included in other long-term liabilities.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company (collectively, the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company's ICFR.

There have been no changes in the Company's ICFR during the three-month period ended December 31, 2019 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

We believe that any Disclosure Controls and Procedures or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

Outlook

In fiscal 2020, we expect revenue to grow between 5.5% and 9.0% and range between $364 and $376 million. We anticipate Adjusted EBITDA to range between $80.0 and $84.0 million and Adjusted Diluted Earnings per Share to range between $1.02 and $1.10.

Revenue in the Jamieson Brands segment is expected to increase between 6% and 9% compared to fiscal 2019, driven by growth in the following categories:

- In fiscal 2020, we expect domestic branded revenues to grow between 3% to 5%, as we expect strong consumer demand in Canada for Jamieson and our Specialty Branded products. Our guidance reflects the impact of the new Jamieson media launched in fall 2019, our 2020 innovation plans, the strength of the current cold and flu season and strong Specialty Brand growth across e-commerce, Food and Drug channels. These growth factors are offset by our expectation for lower inventory levels as our retail and distributor partners have expressed goals to reduce their investments in working capital.
- We expect international growth of between 25% to 35%, driven by our growth in China as well as growth in existing and new international markets. This estimate excludes the impact of revenue generated from our launch of Jamieson products in the United States where we expect to provide an update once we are able to assess consumer response to our listings.

Revenue in the Strategic Partners segment is expected to grow between 5% and 10%. This includes revenue growth of up to 5% from higher volumes and 5% incremental revenue from the full year impact of a change in billing practises. The change in billing practices took place in the third quarter of 2019 when a key strategic partner customer requested a change to a turnkey billing arrangement (from the existing tolling arrangement).

We expect to incur certain non-recurring legal, professional and consulting fees in fiscal 2020. We expect to significantly reduce the quantum of add-backs on a year over year basis and do not expect to incur significant costs for international expansion or business integration in fiscal 2020. These non-recurring fees will impact Net Income while our expected Adjusted EBITDA range for fiscal 2020 reflects the normalization of these expenses. Our Adjusted Net Income and Adjusted Diluted Earnings per Share for fiscal 2020 will also reflect the adding back of these expenses on a tax-effected basis.

Our revenue growth and cost increases will not be linear throughout fiscal 2020, with the following factors impacting growth in the first quarter:

- We expect domestic Jamieson Brands segment growth in the first quarter to be between 5% and 10%, reflecting strong consumer demand based on the impact of our new TV and digital media and the strength of the current cold and flu season.
- Growth in our international markets for the first quarter is expected to be approximately 15% to 30%, as we continue to gain traction in existing markets and expand into new markets. This estimate considers a short-term delay launching products in the domestic Chinese market due to the extended Chinese new year from the recent Coronavirus outbreak.

- We expect Strategic Partners revenues in the first quarter of 2020 to decline by between 10% to 20%, reflecting the timing of our Strategic Partners programs including a pipeline new contract in the first quarter of 2019 and incremental revenue from the impact of a change in billing practice for a key customer.
- Our marketing and media spend will be more heavily weighted to the first quarter compared to the prior year, increasing by approximately $1.0 million year-over-year, to drive continued brand awareness on the success of our latest campaigns and initial marketing for our first quarter launch in the United States.

The foregoing financial outlook is based on the following assumptions for fiscal 2020, amongst others:

- an average annual exchange rate between the U.S. and Canadian dollar of U.S.$1.00 = $1.32;
- normalized SG&A expenses will increase 6% to 9% to support growth in international markets and our e-commerce initiatives, including increased marketing to drive accelerating growth in China and the launch of Jamieson in the United States;
- depreciation will increase by approximately 10% reflecting accelerated of capital additions to expand our available capacity;
- stock-based compensation costs of approximately $5.0 million, reflecting option, PSUs and RSUs granted to certain employees, which are expected to normalize over our first four years as a public company;
- interest expense between $7.0 to $7.5 million based on our estimated borrowing and prevailing rates;
- income tax rates of approximately 28.0% based on non-deductible stock-based compensation; and
- a fully diluted share count of between 40.0 and 40.5 million shares

Considering the recent Coronavirus outbreak in China, there exists the risks that prolonged retail and manufacturing closures could impact our estimates for 2020. Any extended closure of retail outlets could delay our launch and distribution build in the domestic Chinese market. Limitations on transportation may affect the delivery of cross-border and domestic e-commerce shipments as well as deliveries to retail outlets. Manufacturing closures have the potential to impact the availability of certain raw materials which are only produced in China. Our guidance above reflects the current situation and our expectation that the extended Chinese New Year will impact the timing of deliveries but not the absolute volume of shipments or the availability of raw materials in the guidance period.

In addition to the guidance provided for 2020, our revenue, earnings and profit growth outlook over the next three years is expected encompass the following factors:

- Domestic revenue growth for Jamieson Brands of between 4% and 6% from continued expansion into e-commerce, innovation and personalized consumer solutions including our direct to consumer activities;
- Strong international growth of approximately 25%, focusing on our quality position and Canadian heritage of almost 100 years. We expect to grow distribution in CBEC and our registered product base for the domestic Chinese market. We look forward to the results of our initial test in the United States as we launched the first wave of Jamieson products in February 2020;
- As we prioritize our Branded segments, we expect Strategic Partners segment growth of up to 5% to continue to leverage our available capacity to maintain operating efficiencies;
- Our strategic focus will require continued expansion of our international and e-commerce resources as well as increased investment in marketing to drive awareness and growth in both China and the United States;
- Adjusted EBITDA growth is expected to be approximately 6% to 10%,
- Adjusted Net Income and EPS growth of approximately 7% to 12%.

The description of our 2020 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The description of our 2020 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See *"Forward-Looking Information"* and "*Risk Factors*" for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 38,995,211 Common Shares are issued and outstanding. As of the date hereof, the Company had 3,435,638 options, 256,894 PSUs and 18,000 RSUs outstanding.

Additional Information

Additional information relating to our Company, including our most recent annual report and annual information form are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our financial instruments and policies for managing these risks are detailed below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to us. We are exposed to credit risk from our customers (primarily related to trade accounts receivable) in the normal course of business. We have adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, we carry out regular credit evaluations and purchase credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance and foreign currency derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in US dollars such as a portion of trade accounts payable, trade accounts receivable and cash. We use foreign exchange forward contracts to manage foreign exchange transaction exposure.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our accounts receivable and accounts payable are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk. We manage our interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Commodity Price Risk

We are exposed to price risk related to purchases of certain commodities used as raw materials. We may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to us.

Liquidity Risk

Liquidity risk is the risk we will not be able to meet our financial obligations associated with financial liabilities. We are exposed to this risk mainly in respect of our accounts payable and accrued liabilities, various long-term debt agreements, obligations under our post-retirement benefits plan and lease liabilities.

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and also through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Jamieson Wellness Inc.

Opinion

We have audited the consolidated financial statements of Jamieson Wellness Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, the consolidated statements of operations and comprehensive income, 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 Group 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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 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.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Paula J. Smith.

Ernst & Young LLP

Chartered Professional Accountants,
Licensed Public Accountants

Toronto, Canada
February 19, 2020

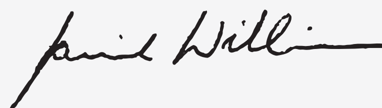
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of Canadian dollars as at December 31,	Notes	2019	2018
Assets			
Current assets			
Cash		198	12,445
Accounts receivable	4	89,394	82,227
Inventories	5	81,948	72,079
Derivatives	20	—	3,124
Prepaid expenses and other current assets	2	1,893	2,163
		173,433	**172,038**
Non-current assets			
Property, plant and equipment	6	64,906	50,234
Goodwill	7	122,975	122,975
Intangible assets	8	198,189	201,371
Deferred income tax	13	2,272	2,403
Total assets		**561,775**	**549,021**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	67,795	83,481
Income taxes payable	13	2,365	4,454
Derivatives	20	1,292	—
Current portion of long-term debt	11	—	14,625
Current portion of other long-term liabilities	14	1,890	—
		73,342	**102,560**
Long-term liabilities			
Long-term debt	11	164,769	151,287
Post-retirement benefits	12	3,923	2,923
Deferred income tax	13	51,107	51,529
Other long-term liabilities	14	9,466	—
Total liabilities		**302,607**	**308,299**
Shareholders' equity			
Share capital	15	243,224	239,404
Contributed surplus		10,727	9,037
Retained earnings (deficit)	2	6,061	(10,670)
Accumulated other comprehensive income (loss)		(844)	2,951
Total shareholders' equity		**259,168**	**240,722**
Total liabilities and shareholders' equity		**561,775**	**549,021**
Commitments and contingencies	21		

(see the accompanying notes to the consolidated financial statements)

Approved on behalf of the Board:

Steve Spooner,
Director



David Williams,
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

In thousands of Canadian dollars, except share and per share amounts, for the years ended December 31,	Notes	**2019**	2018
Revenue	**22, 23**	344,980	319,776
Cost of sales		215,246	204,358
Selling, general and administrative expenses		69,942	65,194
Share-based compensation	**16**	4,343	3,067
Earnings from operations		55,449	47,157
Foreign exchange loss		404	608
Other expenses	**18**	3,369	298
Interest expense and other financing costs	**19**	9,372	9,000
Income before income taxes		42,304	37,251
Provision for income taxes	**13**	10,647	10,578
Net income		**31,657**	**26,673**
Other comprehensive income (loss)			
Actuarial gain (loss) not to be reclassified subsequently to net income (loss)	**12**	(671)	2,512
Income tax		179	(649)
Net of tax		**(492)**	1,863
Unrealized gain (loss) on amounts to be reclassified net of realized gains on amounts reclassified to net income	**20**	(4,416)	4,205
Income tax		1,136	(1,086)
Net of tax		**(3,280)**	3,119
Total other comprehensive income (loss)		**(3,772)**	**4,982**
Comprehensive income		**27,885**	**31,655**
Income per share attributable to common shareholders	**24**		
Basic, income per share		**0.82**	0.70
Diluted, income per share		**0.80**	0.67
Weighted average number of shares	**24**		
Basic		**38,535,274**	38,009,443
Diluted		**39,614,909**	39,531,078

(see the accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Canadian dollars	Notes	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total Shareholders' equity
As at January 1, 2018		**234,908**	**7,437**	**(19,486)**	**(2,035)**	**220,824**
Impact of new accounting standards adopted January 1, 2018		—	—	(4,922)	—	(4,922)
Net income for the year		—	—	26,673	—	26,673
Issuance of treasury shares	**15**	4,496	(1,467)	—	—	3,029
Common share dividend ($0.34 per share)		—	—	(12,935)	—	(12,935)
Other comprehensive income		—	—	—	4,982	4,982
Currency translation adjustment		—	—	—	4	4
Share-based compensation	**16**	—	3,067	—	—	3,067
As at December 31, 2018		**239,404**	**9,037**	**(10,670)**	**2,951**	**240,722**
Impact of new accounting standards adopted January 1, 2019	**2**	—	—	(239)	—	(239)
Net income for the year		—	—	31,657	—	31,657
Issuance of treasury shares	**15**	3,820	(2,195)	—	—	1,625
Common share dividend ($0.38 per share)		—	—	(14,687)	—	(14,687)
Other comprehensive income		—	—	—	(3,772)	(3,772)
Currency translation adjustment		—	—	—	(23)	(23)
Share-based compensation	**16**	—	3,885	—	—	3,885
As at December 31, 2019		**243,224**	**10,727**	**6,061**	**(844)**	**259,168**

(see the accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars, for the years ended December 31,	Notes	2019	2018
Cash provided by (used in)			
Operating activities			
Net income		31,657	26,673
Items not affecting cash			
Depreciation of property, plant and equipment	**6**	7,263	5,551
Amortization of intangible assets	**8**	3,653	3,495
Amortization and derecognition of deferred financing fees	**18, 19**	3,026	1,453
Deferred income taxes		1,108	196
Share-based compensation	**16**	3,885	3,067
Former shareholder consideration reclassified as other income		—	(1,066)
Others		303	906
Net change in non-cash working capital		(34,499)	(5,170)
Payment of deferred compensation		—	(7,300)
		16,396	**27,805**
Investing activities			
Additions to property, plant and equipment, net	**6**	(9,027)	(10,935)
Acquisition of intangible assets	**8**	(471)	(602)
		(9,498)	**(11,537)**
Financing activities			
Proceeds from credit facilities	**11**	47,224	37,910
Repayment of credit facilities	**11**	(51,393)	(36,660)
Payment of principal portion of lease liabilities	**2, 14**	(1,914)	—
Dividends to Common Shareholders		(14,687)	(12,935)
Exercise of stock options and ESPP	**15**	1,625	3,029
		(19,145)	**(8,656)**
Increase (decrease) in cash		**(12,247)**	**7,612**
Cash – Beginning of the year		**12,445**	**4,833**
Cash – End of the year		**198**	**12,445**
Supplemental disclosure			
Amount of income taxes paid		11,628	10,206
Amount of interest paid		8,251	6,826

(see the accompanying notes to the consolidated financial statements)

1. COMPANY OVERVIEW

1.1 Description of the business and consolidated financial statements

Jamieson Wellness Inc. ("Jamieson" or the "Company") was incorporated on January 24, 2014 as Jamieson Intermediate Holdings Ltd. On January 31, 2014, the Company's wholly owned subsidiary, Intrepid Acquisition Corporation ("Intrepid") acquired 100% of the shares of Jamieson Laboratories Ltd. On the same day, Intrepid and Jamieson Laboratories Ltd. amalgamated with the resulting company ("JLL") carrying on operations under the name Jamieson Laboratories Ltd. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the stock symbol "JWEL".

The consolidated financial statements of Jamieson and its subsidiaries for the year ended December 31, 2019 were authorized for issue by the Board of Directors of the Company on February 19, 2020. Jamieson is a company continued under the *Business Corporations Act* (Ontario) and resident in Canada. Jamieson's registered office is located at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, ON, M5K 1E6.

The Company has manufacturing facilities located in Windsor, Ontario and in Toronto, Ontario and is principally engaged in the manufacturing, development, distribution, sales and marketing of branded and customer branded health products for humans including vitamins, herbal and mineral nutritional supplements.

1.2 Subsidiaries

The table below provides a summary of the Company's subsidiaries. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of common shares, which are held directly or indirectly by the Company.

On January 1, 2019, Sonoma Nutraceuticals Inc. was amalgamated into Body Plus Nutritional Products Inc. ("Body Plus").

As at December 31, Entity	**2019** **%**	2018 %	Principal Place of Operations	Functional Currency
Jamieson Laboratories Ltd.	**100**	100	Canada	Canadian dollar
International Nutrient Technologies Limited	**100**	100	Canada	Canadian dollar
Body Plus Nutritional Products Inc.	**100**	100	Canada	Canadian dollar
Sonoma Nutraceuticals Inc.	**—**	100	Canada	Canadian dollar
Jamieson Health Products (Shanghai) Co., Ltd.	**100**	100	China	Chinese yuan
Jamieson Health Products Australia Pty Ltd.	**100**	100	Australia	Australian dollar
Jamieson Health Products UK Ltd.	**100**	—	United Kingdom	British pound
Jamieson Health Products USA Ltd.	**100**	—	United States of America	United States dollar

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments and liabilities associated with the post-retirement benefit plan that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000), except share and per share amounts and when otherwise indicated.

2.2 Basis of consolidation

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its consolidated financial statements:

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in the consolidated statements of operations and comprehensive income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is subsequently re-measured to fair value at each reporting period end, with the changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") (or group of CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.3.2 Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each consolidated statements of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Accounting policy disclosures (Note 2.3.3)
- Disclosures for valuation methods, significant estimates and assumptions (Notes 3 and 7)
- Quantitative disclosures of fair value measurement hierarchy (Note 20)
- Financial instruments (including those carried at amortized cost) (Notes 11 and 20)

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of instruments that are quoted in active markets is determined using the quoted prices. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.4 Revenue recognition

The majority of the Company's revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, referred to as the Company's "Jamieson Brands" segment, as well as providing contract manufacturing services and the sale of products to strategic partners, referred to as the Company's "Strategic Partners" segment.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to its strategic partners at the point in time when control of the asset is transferred to the customer based on shipping terms. The Company generally has a right to payment at the time of delivery (which is the same time that the Company has satisfied its performance obligations under the arrangement), as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of the Company's revenues derived from contract manufacturing services provided to customers in its Strategic Partners segment is under a tolling arrangement where the customer supplies the Company with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Rights of return give rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

Jamieson may provide discounts and sales promotional incentives to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. Jamieson applies the most likely amount method estimating discounts provided to customers using contracted rates and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company's products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative expenses.

In subsequent periods, the Company monitors the performance of customers against agreed-upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

2.3.5 Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars. For each entity, the Company determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency (refer to Note 1.2).

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

- Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.
- Revenue and expense items are translated using the average exchange rate during the year.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into the reporting currency at the reporting currency spot rate of exchange in effect at the reporting date and their statement of operations are translated using the average exchange rate during the year. Exchange differences arising on translation for consolidation are recognized in other comprehensive income ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2.3.6 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations and comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income taxes are not recognized where:

- The deferred income tax liability arises from the initial recognition of goodwill;
- The deferred income tax asset or liability arises on the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss; and
- For temporary differences relating to investments in subsidiaries to the extent that the Company can control the timing of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognized for unused loss carry forwards and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. At each reporting period, previously unrecognized deferred income tax assets are reassessed to determine whether it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income taxes relating to items recognized directly in OCI or equity are also recognized directly in OCI or equity, respectively.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arise. The adjustment is either treated as an adjustment to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognized in net income.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

2.3.7 Property, plant and equipment

Property, plant and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Repair and maintenance costs are recognized in profit or loss as incurred unless the recognition criteria are satisfied and it substantially changes the useful life of an asset.

Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Land	Not depreciated
Buildings	20 – 30 years
Machinery and equipment	3 – 20 years
Furniture and fixtures	4 years
Computer equipment and software	3 years
Tools and dies	1 year

When parts of an item of property and equipment have different useful lives, those components are accounted for as components of property and equipment. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically.

As of January 1, 2019, the Company reassessed the useful lives of certain depreciable assets. The refinement of these estimated useful lives is accounted for prospectively. The change in expected useful lives for buildings and machinery and equipment are as noted in the table above. Prior to the reassessment, the useful lives for buildings and machinery and equipment were 20 years and 3-10 years, respectively.

2.3.8 Intangible assets

Intangible assets are established as a result of business combinations and measured on initial recognition at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the consolidated statements of operations and comprehensive income on a straight-line basis over their estimated useful lives as follows:

Customer relationships	25 – 30 years
Registrations, licenses, and other	3 – 10 years

The Company expects its trade names to generate economic benefit in perpetuity, and accordingly, has assigned the trade names as indefinite-life intangible assets.

Indefinite-life intangibles including trade names are tested for impairment annually at December 31 and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

2.3.9 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification and measurement

All financial assets and liabilities are recognized initially at fair value plus, in the case of financial instruments not at fair value through profit or loss (“FVTPL”), transaction costs.

Debt financial instruments are subsequently measured at FVTPL, fair value through other comprehensive income ("FVOCI"), or amortized cost using the effective interest rate method. The Company determines the classification of its financial assets based on the Company's business model for managing the financial assets and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The Company's derivatives not designated as a hedging instrument in a qualifying hedge relationship are subsequently measured at FVTPL. Equity instruments within the scope of IFRS 9, "Financial Instruments" ("IFRS 9"), if any, are subsequently measured at FVTPL or elected irrevocably to be classified at FVOCI at initial recognition.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is: (i) contingent consideration of an acquirer in a business combination; (ii) held for trading; or (iii) it is designated as FVTPL if eligible. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the Company's own credit risk of that liability is recognized in OCI unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in the consolidated statements of operations and comprehensive income. The remaining amount of change in the fair value of liability is recognized in the consolidated statements of operations and comprehensive income. Changes in fair value of a financial liability attributable to the Company's own credit risk that are recognized in OCI are not subsequently reclassified to the consolidated statements of operations and comprehensive income; instead, they are transferred to retained earnings, upon derecognition of the financial liability.

The Company has made the following financial instrument classifications:

Financial Instrument	**IFRS 9 Measurement**
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Derivatives not designated as hedging instruments	FVTPL
Derivatives designated as hedging instruments	Fair value (hedge accounting)

Impairment

IFRS 9 requires a forward-looking Expected Credit Loss ("ECL") model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For accounts receivable, Jamieson applies the simplified approach and has determined the allowance based on lifetime ECLs at each reporting date. The Company has established a provision that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. There was no transitional adjustment as a result of adopting the new impairment requirements.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive income.

2.3.10 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as foreign exchange forward contracts to hedge its foreign currency risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is executed and are subsequently remeasured at fair value each reporting period end.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses, both at inception and at each reporting date thereafter, whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedge relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in net income.

The Company uses hedge accounting for highly probable forecasted transactions. When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge. In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost of the inventory.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the consolidated statements of operations and comprehensive income.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Raw material costs are accounted for using purchase cost on a first-in, first-out basis. Finished goods and work in progress costs are accounted for using cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. A provision for obsolescence is calculated based on historical experience and expiration.

2.3.12 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

- Accounting policy disclosures (Note 2.3.12)
- Disclosures for significant assumptions (Note 3)
- Property, plant and equipment (Note 6)
- Goodwill and intangible assets (Notes 7 and 8)

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The determination of the recoverable amount involves significant estimates and assumptions, including those with respect to valuation multiples, future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Where the carrying amount of an asset or CGU (or group of CGUs) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses, if any, of continuing operations are recognized in the consolidated statements of operations and comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or group of assets does not exceed their recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statements of operations and comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.13 Cash

Cash in the consolidated statements of financial position comprises cash balances that are subject to an insignificant risk of changes in value.

2.3.14 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the subsequent increase in the provision due to the passage of time is recognized as a finance cost.

2.3.15 Post-retirement benefits

The Company's post-retirement benefit plan (refer to Note 12) is unfunded and available to all Canadian hourly union personnel. The plan provides prescription and vision benefits to eligible employees upon attainment of age 65 with at least 15 years of service.

Post-retirement benefit costs for the plan are actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of the appropriate discount rate, health care costs, inflation, mortality and other decrements. The accrued benefit obligation is based on the present value of future benefits based on the last actuarial valuation completed as of December 31, 2019.

Current and past years' service costs, interest income or expenses and gains and losses on curtailments are recognized in the consolidated statements of operations and comprehensive income as they occur and at the date of a plan amendment or curtailment.

Re-measurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to net income in subsequent periods.

2.3.16 Share-based compensation

The Company has an equity-based compensation plan providing for the issuance of securities under which the grants will be made by the Company. Under the long-term incentive plan (the "LTIP"), the Board of Directors of the Company, at its discretion may grant share options, restricted shares, restricted share units in the form of time-based restricted share units ("RSUs") or performance-based share units ("PSUs"), stock appreciation rights and deferred share units. The awards are settled in Common Shares of the Company and have no cash settlement alternatives.

Share-based compensation costs are accounted for on a fair value basis, as measured at the grant date, which is generally the date at which both the Company and employee have a mutual understanding of the terms of the award.

The compensation expense is based on the estimated number of awards that will eventually vest and adjustments for forfeitures are made as they occur.

Upon exercise of options and settlement of RSUs and PSUs the amount recognized in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital.

Options are granted with an exercise price equal to or greater than their fair value, as determined by the closing price on the TSX immediately preceding the grant date of the shares into which they may be converted. Options granted to directors of the Company fully vest on the one-year anniversary from the grant date. Options granted to persons other than directors of the Company vest at a rate of 25% or 33% per year on each anniversary date from the beginning of the vesting period. Options expire no later than the 10th anniversary of the beginning of the vesting period or upon termination of employment.

The fair value of the share options is estimated using the Black-Scholes option-pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's share options using the Black-Scholes option-pricing model, including the market value at grant date, expected life of the option, stock-price volatility, forfeiture rates, and risk-free interest rates.

PSUs and RSUs granted represent the right to receive one Common Share of the Company for each PSU or RSU.

PSUs vest on the third anniversary of the grant date if the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the third anniversary of the grant date, measured over the three year term of the PSUs, increases 6% or more annually (using a compound annual growth rate) over the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the grant date.

The Company has determined that the above specified performance condition represents a market condition. Accordingly, the Company recognizes the compensation cost over the vesting period, irrespective of whether the market condition is satisfied, provided that service conditions are satisfied.

The fair value of PSUs is estimated at grant date using the Monte Carlo simulation. Several assumptions are used in the underlying calculation of fair values of the Company's PSUs, including the market value of a Common Share at grant date, expected dividend and stock-price volatility.

The RSUs vest at a rate of ⅓ per year on each anniversary date from the beginning of the vesting period.

The fair value of RSUs is measured at grant date based on the market value of a Common Share at grant date.

Employee share purchase plan

The Company maintains an Employee Share Purchase Plan ("ESPP") for all eligible employees. Employees can contribute any amount of their eligible earnings subject to an annual cap of 10% of aggregate base salary and commissions to the ESPP. Share purchases occur 14 days following the end of the Company's fiscal quarter (the "Purchase Date"), or the first business day thereafter if any Purchase Date is not a business day. Eligible employees are able to purchase Common Shares at 90 percent of the volume weighted average closing price on the TSX on the five trading days immediately preceding the Purchase Date.

Employees pay for their share purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 10 percent.

Contributions to the ESPP are recorded as share capital at each Purchase Date.

A maximum of 10% of the issued Common Shares outstanding are reserved for issuance under the LTIP and ESPP plans combined.

2.3.17 Leases

The Company assesses at contract inception whether the 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 has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets during the lease term for all leases.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Company's right-of-use assets are included in property, plant, and equipment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company's lease liabilities are included in other long-term liabilities.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

Previously under IAS 17, "Leases" ("IAS 17"), the Company classified leases at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Company was classified as a finance lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were 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 were recognized in finance costs in the consolidated statements of operations and comprehensive income (loss).

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

The Company did not have any finance lease arrangements.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized as an operating expense in the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term.

2.4 Recently adopted accounting standards

The following accounting policy changes were adopted on January 1, 2019. The Company has also adopted other new standards which were effective from January 1, 2019 that did not have a material impact on the Company's financial statements.

2.4.1 IFRS 16, "Leases"

IFRS 16, "Leases" ("IFRS 16"), replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Transition to IFRS 16

As at January 1, 2019, the Company has adopted IFRS 16 using the modified retrospective approach and measured the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date. The Company elected to use the practical expedients allowing the use of a single discount rate to a portfolio of reasonably similar characteristics, use of hindsight to determine if the lease term of the contract contains options to extend or terminate the lease, and allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The impact of adopting IFRS 16 as at January 1, 2019 (debit/(credit)) is as follows:

	$
Property, plant and equipment	**7,434**
Accounts payable and accrued liabilities	**300**
Deferred income tax liabilities	**85**
Deficit	**239**
Prepaid expenses and other current assets	**(259)**
Other long-term liabilities	**(7,799)**

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	$
Operating lease commitments as at December 31, 2018	10,108
Weighted average incremental borrowing rate as at January 1, 2019	4.00%
Discounted operating lease commitments at January 1, 2019	8,840
Less:	
Commitments relating to short-term leases	(576)
Leases not yet commenced but committed to	(3,784)
Prepaid rent adjustment to lease liability	(259)
Add:	
Payments in optional extension periods not recognized as at December 31, 2018	3,578
Lease liabilities as at January 1, 2019	**7,799**

Changes in Accounting Policy

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The Company did not have finance leases and all operating lease payments were recognized as an operating expense in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (refer to Note 2.3.17).

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

The Company has identified the following judgments, apart from estimates, that management made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives 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, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset 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 these decisions at least once each year or when circumstances change. The Company will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Long-lived assets valuation

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Company turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

The Company uses historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company provides for estimated payments to customers based on various trade programs and sales promotional incentives. The Company estimates the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

The Company updates its expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net income, and comprehensive income will be affected in future periods.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company's financial and non-financial assets and liabilities.

Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20.

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 that 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.

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 in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

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.

4. ACCOUNTS RECEIVABLE

As at December 31,	2019 $	2018 $
Trade	**86,251**	81,783
Other miscellaneous receivables	**4,314**	517
Allowance for expected credit losses	**(1,171)**	(73)
	89,394	82,227

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

For the period ended December 31, 2019, the Company has recognized a $1,121 provision related to a receivable from a single customer due to an amount under dispute for collection. The amount has been measured based on the weighting of possible outcomes against the associated probabilities of the outcome of the dispute.

The aging of receivables is as follows:

As at December 31,	2019 $	2018 $
Current	**74,233**	62,088
Aged 1 – 30 days past due	**12,842**	17,789
Aged 31 – 60 days past due	**1,749**	1,827
Aged > 60 days past due	**1,741**	596
Allowance for doubtful accounts	**(1,171)**	(73)
	89,394	82,227

5. INVENTORIES

As at December 31,	2019 $	2018 $
Raw material and packaging	**31,544**	32,410
Bulk product and work in process	**12,202**	9,029
Packaged finished goods	**41,165**	33,709
Inventory provision	**(2,963)**	(3,069)
	81,948	72,079
Inventories expensed during the year	**199,594**	189,530

An inventory provision is estimated by management based on historical sales, inventory aging and expiry, point of sales information and expected future sales and is included in cost of sales. Subsequent changes to the provision are recorded in cost of sales in the consolidated statements of operations and comprehensive income.

For the year ended December 31, 2019, inventory write-downs of $1,797 were expensed through cost of sales (2018 – $1,919).

6. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings $	Machinery and equipment $	Right-of-use Assets (Note 14) $	Other $	Total $
Cost						
At January 1, 2018	2,497	23,649	31,339	—	4,737	62,222
Additions	—	154	8,870	—	2,081	11,105
Disposals	—	—	(308)	—	(562)	(870)
At December 31, 2018	2,497	23,803	39,901	—	6,256	72,457
Impact of new accounting standards adopted January 1, 2019 (Note 2)	—	—	—	7,434	—	7,434
Additions	—	623	4,987	5,491	3,410	14,511
Disposals	—	(6)	(47)	—	(40)	(93)
At December 31, 2019	**2,497**	**24,420**	**44,841**	**12,925**	**9,626**	**94,310**
Accumulated Depreciation						
At January 1, 2018	—	4,419	10,724	—	1,906	17,049
Depreciation for the year	—	1,177	3,428	—	946	5,551
Disposals	—	—	(138)	—	(239)	(377)
At December 31, 2018	—	5,596	14,014	—	2,613	22,223
Depreciation for the year	—	815	3,229	2,006	1,213	7,263
Disposals	—	(1)	(42)	—	(39)	(82)
At December 31, 2019	**—**	**6,410**	**17,201**	**2,006**	**3,787**	**29,404**
Net book value						
At December 31, 2019	**2,497**	**18,010**	**27,640**	**10,919**	**5,839**	**64,906**
At December 31, 2018	2,497	18,207	25,887	—	3,643	50,234

Other comprises furniture and fixtures, computer equipment, and leasehold improvements.

7. GOODWILL

Goodwill acquired through business combinations is allocated to the Jamieson Brands operating segment for the purpose of impairment testing, which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the Jamieson Brands operating segment by using the capitalized adjusted EBITDA approach, based on a 11.5x multiple (2018 – 11.5x), whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

The impairment analysis is not sensitive to reasonable possible changes to the multiple.

There have been no impairment losses recognized against goodwill during the years ended December 31, 2019 and 2018.

8. INTANGIBLE ASSETS

	Customer relationships $	Trademarks $	Registrations, licenses, and other $	Total $
Cost				
At January 1, 2018	101,585	115,124	272	216,981
Additions	—	—	602	602
At December 31, 2018	101,585	115,124	874	217,583
Additions	—	—	471	471
At December 31, 2019	**101,585**	**115,124**	**1,345**	**218,054**
Accumulated amortization				
At January 1, 2018	12,694	—	23	12,717
Amortization charge for the year	3,397	—	98	3,495
At December 31, 2018	16,091	—	121	16,212
Amortization charge for the year	3,441	—	212	3,653
At December 31, 2019	**19,532**	**—**	**333**	**19,865**
Net book value				
At December 31, 2019	**82,053**	**115,124**	**1,012**	**198,189**
At December 31, 2018	85,494	115,124	753	201,371

The remaining amortization period of customer relationships is 22-25 years. Amortization is recorded in cost of sales on the consolidated statements of operations and comprehensive income.

The carrying amount of indefinite-life intangible assets comprises trademarks, of which $68,000 is allocated to the domestic and international sales CGU and $47,124 is allocated to the Specialty Brands sales CGU (as defined in Note 23). The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the CGU by using the capitalized adjusted EBITDA approach, based on a 11.5x multiple (2018 – 11.5x), whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

Other comprises patents, registrations, definite-life trademarks, and business development costs.

Please refer to Note 7 for the Company's determination of the recoverable amount.

There have been no impairments losses recognized against intangible assets during the years ended December 31, 2019 and 2018.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	**2019** **$**	2018 $
Trade payables and accrued liabilities	**33,126**	44,481
Trade and promotional accruals	**22,917**	28,336
Refund liabilities	**4,458**	4,403
Salaries, commissions and bonuses	**6,929**	5,391
Termination benefits	**270**	802
Accrued interest – current	**95**	68
	67,795	83,481

10. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Share-based compensation

The Company offers its employees a share-based compensation plan. Please refer to Note 16 for details of the share-based compensation awards.

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiaries, directly or indirectly, including any non-executive director of the Company.

Remuneration of key management personnel including C-suite executives of the Company comprises the following expenses:

For the years ended December 31,	**2019** **$**	2018 $
Short-term employee benefits	**3,506**	3,260
Share-based compensation	**2,542**	1,935
Total remuneration	**6,048**	5,195

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

11. LONG-TERM DEBT

As at December 31,	**2019** **$**	2018 $
Revolving credit facility	**164,769**	41,000
Term credit facility	**—**	127,938
Deferred financing fees	**—**	(3,026)
	164,769	165,912
Less: Current portion	**—**	(14,625)
	164,769	151,287

On September 27, 2019, JLL amended and restated its credit agreement (the “Initial Credit Agreement”) to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of $275,000 (including a $10,000 swingline facility) with the option to increase the revolving facility up to $475,000 (collectively, the “Credit Facilities”). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

The Company concluded that the amendments to the Initial Credit Agreement represent a substantial modification of the terms with its lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of $1,949. Financing costs of $1,442 were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded other expenses as shown in Note 18.

Prior to amendment, JLL entered into the Initial Credit Agreement on January 31, 2017 with a syndicate of lenders. The Initial Credit Agreement provided a secured term credit facility of $195,000 (with the option to increase the facility up to $255,000) and a secured revolving credit facility of $75,000 (including a $10,000 swingline facility). Financing costs of $4,265 and $1,536 were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

For the year ended December 31, 2019, JLL made debt repayments of $4,875 (2018 – $9,750) applied against the initial term credit facility.

For the year ended December 31, 2019, JLL made drawings of $33,327 (2018 – $37,910) and debt repayments of $11,454 (2018 – $26,910) applied against the initial revolving credit facility.

For the year ended December 31, 2019, JLL made drawings of $13,897 and debt repayments of $35,064 applied against the Credit Facilities.

For the year ended December 31, 2019, the weighted average interest rate on the Credit Facilities was 4.4% (2018 – 4.3%).

The Credit Facilities are secured by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and its certain other subsidiaries of JLL, subject to permitted liens.

Under the terms of the Credit Facilities, the Borrowers are subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.00:1.00.

Notwithstanding the foregoing, if the Borrowers or certain subsidiaries of JLL make a permitted acquisition for total consideration that exceeds $25,000, then for the four-quarter period commencing with the fiscal quarter in which the closing of such permitted acquisition is consummated, the leverage ratio to be maintained is increased by 0.5x and is not greater than 4.50:1.00. The Borrowers are in compliance with all covenants as at the date of these consolidated financial statements.

12. POST-RETIREMENT BENEFITS

The Company maintains an unfunded post-retirement benefit plan that provides health and vision care coverage to retirees at age 65 with 15 or more years of service. The Company uses actuarial reports prepared by independent actuaries to measure its accrued obligation for funding and accounting purposes.

Changes in the present value of the post-retirement benefit plan are as follows:

As at December 31,	2019 $	2018 $
Balance, beginning of the year	**2,923**	4,856
Benefits paid	**(20)**	(13)
Actuarial loss/(gain)	**671**	(2,512)
Interest costs	**117**	170
Current service costs	**232**	422
Balance, end of the year	**3,923**	2,923

The following significant economic assumptions were employed to determine the accrued benefit obligation:

As at December 31,	2019 %	2018 %
Benefit obligations		
Discount rate – expense for the year	**4.00**	3.50
Discount rate – year-end obligation	**3.25**	4.00
Drug cost inflation – expense for the year	**4.50 – 5.00**	5.00 – 5.50
Drug cost inflation – year-end obligation	**4.50 – 5.00**	4.50 – 5.50

Impact of an increase/decrease in the health care trend of 1%:

	Accrued benefit obligation		Service cost		Interest cost	
As at December 31,	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
2019	**1,060**	**(787)**	**100**	**(71)**	**35**	**(26)**
2018	771	(574)	77	(55)	31	(23)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the post-retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the post-retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as used to calculate the recognized post-retirement liability.

The following payments are expected contributions to the post-retirement benefit plan in future years:

As at December 31,	2019 $	2018 $
Within one year	**28**	19
Between 2 and 5 years	**165**	139
Between 5 and 10 years	**477**	407
Total expected payments	**670**	565

13. INCOME TAXES

The major components of income tax expense for the years ended December 31 are as follows:

Years ended December 31,	2019 $	2018 $
Current income tax expense	**9,540**	10,380
Deferred income tax expense	**1,107**	198
Provision for income taxes	**10,647**	10,578

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

As at December 31,	2019 $	2018 $
Income tax expense at combined statutory rate of 25.4% (2018 – 25.9%)	**10,745**	9,628
Non-deductible expenses	**113**	143
Share-based compensation	**985**	794
Deferred compensation	**—**	(305)
Other and deductible temporary differences not benefited	**(1,196)**	318
	10,647	10,578

Income tax recognized in other comprehensive income

As at December 31,	2019 $	2018 $
Derivative instruments	**1,136**	(1,086)
Post-retirement benefit plan	**179**	(649)
	1,315	(1,735)

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise on the timing differences between accounting and tax treatment of goodwill and intangible assets, property plant and equipment, post-retirement employee benefit obligations, deferred financing fees, and non-capital losses carried forward.

Deferred income tax assets and liabilities comprise the following:

As at December 31,	2019 $	2018 $
Non-capital losses carried forward	**900**	367
Deferred financing fees	**1,645**	3,057
Post retirement	**995**	756
Property, plant and equipment	**(7,572)**	(5,483)
Goodwill and intangible assets	**(47,181)**	(48,903)
Other	**2,378**	1,080
Total deferred income tax liabilities	**(48,835)**	(49,126)
Classified in the consolidated financial statements as:		
Deferred income tax assets	**2,272**	2,403
Deferred income tax liabilities	**(51,107)**	(51,529)
Net deferred income tax liabilities	**(48,835)**	(49,126)

The Company has Canadian based non-capital loss carry forwards as at December 31, 2019 of $3,414 (2018 – $1,388) on a pre-tax basis. The non-capital loss expires in 2038-2039.

14. LEASES

The Company has lease contracts for various items of property, plant, vehicles and other equipment used in its operations. Leases of property and plant generally have lease terms between 3 and 10 years, while motor vehicles and other equipment generally have lease terms between 2 and 5 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applied the 'short-term lease' recognition exemptions for these leases. Expense relating to short-term leases for the year ended December 31, 2019 is $587.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognized and the movements during the period:

	Right-of-use assets				
	Property and Plant $	Vehicles $	Other Equipment $	Total $	Lease liabilities $
As at January 1, 2019	7,157	262	15	7,434	7,799
Additions	4,673	24	794	5,491	5,471
Depreciation Expense	(1,812)	(118)	(76)	(2,006)	—
Interest Expense	—	—	—	—	435
Prepaid Adjustment	—	—	—	—	(25)
Payments	—	—	—	—	(2,324)
As at December 31, 2019	**10,018**	**168**	**733**	**10,919**	**11,356**

The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2019:

	$
Within one year	2,354
After one year but not more than five years	5,881
More than five years	5,711
	13,946

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 21.

15. SHARE CAPITAL AND REDEEMABLE PREFERRED SHARES

	Common Shares	
	#	$
As at January 1, 2019	38,207,114	239,404
Exercise of stock options	758,333	3,357
Employee stock purchase plan	24,495	463
As at December 31, 2019	**38,989,942**	**243,224**

	Common Shares	
	#	$
As at January 1, 2018	37,740,121	234,908
Exercise of stock options	448,943	4,102
Employee stock purchase plan	18,050	394
As at December 31, 2018	**38,207,114**	**239,404**

As at December 31, 2019 and 2018, the authorized share capital consisted of:

a) Unlimited number of Common Shares with no par value. The holders of Common Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

b) Unlimited number of Preference Shares, issuable in series.

16. SHARE-BASED COMPENSATION

Outstanding options held to purchase Common Shares have the following expiry dates and exercise prices:

	2019 Outstanding Options			2019 Exercisable Options	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
$0.00 – $10.00	547,752	5.67	3.11	547,752	3.11
$10.01 – $20.00	1,237,060	6.66	15.35	898,793	14.91
$20.01 – $30.00	1,134,964	6.73	22.38	159,020	24.72

The following is a summary of the Company's share option plan activity for the years ended December 31:

	2019		2018	
	Number of Shares	**Weighted Average Exercise Price/Share**	**Number of Shares**	**Weighted Average Exercise Price/Share**
Outstanding, beginning of year	**2,958,875**	**11.10**	3,005,088	8.13
Granted	**756,230**	**20.00**	518,956	25.61
Exercised	**(749,333)**	**6.74**	(448,944)	5.87
Forfeited	**(45,996)**	**15.43**	(116,225)	19.35
Outstanding, end of year	**2,919,776**	**15.79**	2,958,875	11.10
Exercisable, end of year	**1,605,565**	**11.85**	2,089,269	6.91

The following is a summary of the Company's PSU and RSU activity for the year ended December 31:

	2019		2018	
	PSUs	**RSUs**	**PSUs**	**RSUs**
Outstanding beginning of year	**95,706**	**27,000**	—	—
Granted	**92,197**	**—**	108,280	27,000
Exercised	**—**	**(9,000)**	—	—
Forfeited	**—**	**—**	(12,574)	—
Outstanding end of year	**187,903**	**18,000**	95,706	27,000
Exercisable, end of year	**—**	**—**	—	—

The inputs used in measuring the fair value of equity-based compensation granted during the years ended December 31 are shown in the table below.

	2019		2018	
Type of compensation	**Options**	**PSUs**	Options	PSUs
Weighted average share price at the measurement date	**$20.00**	**$24.67**	$25.61	$25.01
Weighted average fair value at the grant date	**$4.03**	**$16.25**	$7.57	$14.65
Expected volatility (i)	**27% – 33%**	**25% – 30%**	32% – 38%	32% – 36%
Risk-free interest rate (ii)	**1.4% – 2.0%**	**1.7%**	1.9% – 2.1%	1.9% – 2.3%
Expected life (in years) (iii)	**4.0 – 5.5**	**3.0**	5.5 – 7	3.0
Expected dividend yield	**1.6% – 2.1%**	**1.9%**	1.2% – 1.5%	1.2% – 1.3%
Pricing Model	**Black-Scholes**	**Monte Carlo**	Black-Scholes	Monte Carlo

(i) Estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

(ii) Based on Government of Canada Bonds.

(iii) Based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The fair value of RSUs granted during 2019 was $nil (2018 – $738).

The Company's share-based compensation expense for the year ended December 31, 2019 is $4,343 (2018 – $3,067), and is classified as contributed surplus in the Company's consolidated financial statements.

17. EMPLOYEE BENEFITS EXPENSE

The Company recognized employee benefit expenses included in cost of sales and selling, general and administrative expenses on the consolidated statements of operations and other comprehensive income as follows:

For the year ended December 31,	2019 $	2018 $
Salaries, wages and bonus	**63,117**	59,873
Other employee benefits	**12,721**	12,205
Post-retirement benefits (Note 12)	**349**	592
	76,187	72,670

Additionally, the Company recognized termination benefits for the year ended December 31, 2019 of $480 (2018 – $2,918) related to reorganization activities to gain flexibility and improve efficiency. The costs related to both years are mainly composed of severance costs and salary continuances.

18. OTHER EXPENSES

As at December 31,	2019 $	2018 $
Deferred consideration	**—**	(1,066)
Consulting costs	**—**	961
Derecognition of deferred financing fees (Note 11)	**1,949**	—
Credit facility financing costs (Note 11)	**1,442**	—
Other	**(22)**	403
	3,369	298

19. INTEREST EXPENSE AND OTHER FINANCING COSTS

As at December 31,	2019 $	2018 $
Interest on debt and borrowings	**7,860**	7,547
Interest on lease liabilities (Note 14)	**435**	—
Amortization of deferred financing fees (Note 11)	**1,077**	1,453
	9,372	9,000

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Financial instruments

The Company's financial assets and liabilities have been classified in Note 2.

Fair value measurement

Foreign exchange forward contracts measured at FVOCI are designated as hedging instruments in cash flow hedges for forecast purchases and sales in U.S. dollars and have been classified as Level 2 in the fair value hierarchy. Derivatives not designated in a formal hedging relationship are classified as FVTPL and classified as Level 2 in the fair value hierarchy. Net gains and losses on financial instruments held for trading consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

The Company is holding the following foreign exchange forward contracts:

	Maturity					
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at December 31, 2019						
Notional Amount ($USD)	**4,000**	**8,000**	**12,000**	**12,000**	**12,000**	**48,000**
Average forward rate (USD/CAD)	**1.33**	**1.33**	**1.34**	**1.32**	**1.32**	**—**
As at December 31, 2018						
Notional Amount ($USD)	3,000	6,000	9,000	9,000	9,000	36,000
Average forward rate (USD/CAD)	1.25	1.25	1.25	1.30	1.29	—

The fair values and notional amounts of derivative financial instruments shown below are as at December 31:

	2019			2018		
		Fair Value			Fair Value	
	Notional Amount $USD	**Asset $**	**Liability $**	Notional Amount $USD	Asset $	Liability $
Foreign currency forward contract designated as hedging instruments	**48,000**	**—**	**(1,292)**	36,000	3,124	—

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income.

Potential sources of hedge ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparty's credit risk differently impacting the fair value movements of the hedging instruments and hedged items; and
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The fair values of financial assets and liabilities classified as amortized cost (excluding long-term debt) approximate their carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2019 and December 31, 2018 approximates their fair value. The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair value of long-term debt is considered a Level 2 fair value measurement.

There were no transfers between levels during 2019 and 2018.

Financial instrument risk management objectives and policies

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial instruments and policies for managing these risks are detailed below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company is exposed to credit risk from its customers (primarily related to trade accounts receivable) in the normal course of business. The Company has adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, the Company

carries out regular credit evaluations and purchases credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company is also exposed to counterparty credit risk inherent in its financing activities, trade receivable insurance and foreign currency derivatives. The Company has assessed these risks as minimal.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily from transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposure. As of December 31, 2019, $63,619 (2018 – $45,814) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the year preceding the consolidated statements of financial position date.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's net income before income taxes (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Company's pre-tax OCI (due to changes in the fair value of foreign exchange forward contracts designated as cash flow hedges).

As at December 31,	Change in U.S.$ FX rate %	Effect on income (loss) before tax $	Effect on pre-tax OCI $
2019	**5**	**650**	**2,400**
2018	5	388	1,800

The Company's exposure to foreign currency changes for all other currencies is not material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts receivable and accounts payable are non-interest bearing. The Company's exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

With all other variables held constant, the sensitivity to a reasonably possible change in interest rates on floating rate borrowings of the Company would have the following impact to net income before income taxes:

As at December 31,	Increase/decrease in basis points +/-	Effect on income (loss) before tax $
2019	**100**	**1,779**
2018	100	1,773

Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Commodity price risk

The Company is exposed to price risk related to purchases of certain commodities used as raw materials. The Company may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to the Company.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, various long-term debt agreements, obligations under its post-retirement benefits plan and lease commitments.

The Company manages its liquidity risk through continuous monitoring of its forecast and actual cash flows and also through the management of its capital structure. The Company continually revises its available liquid resources as compared to the timing of the payment of liabilities to manage its liquidity risk.

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the consolidated statements of financial position date were as follows:

As at December 31,	**2019** **$**	2018 $
Amounts payable in more than 12 months	**180,284**	157,236
Amounts payable in less than 12 months	**70,149**	98,106
	250,433	255,342

Capital

The Company's objective is to maintain a cost-effective capital structure that supports its long-term growth strategy, supports the business and maximizes shareholder value. The Company typically uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment-grade credit pricing and terms.

The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash, less long-term debt and bank indebtedness ("net cash (debt)") to earnings before interest, income taxes, depreciation, amortization, restructuring and other related costs, and interest coverage. Additionally, the Company maintains a cash flow reserve to service obligations as they come due.

In addition to senior debt, credit facilities, and equity, the Company uses leases as additional sources of financing.

There have been no material changes to the Company's risk management activities since inception of the Company's operations.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 11. As at December 31, 2019, the Company was in compliance with all financial covenants.

21. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has lease contracts that have not yet commenced as at December 31, 2019. The future lease payments for these non-cancellable lease contracts are $3,247 within 5 years and $5,106 thereafter.

General contingencies

In addition, various claims and potential claims arising in the normal course of operation are pending against JLL. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

22. SEGMENT INFORMATION

The Company has two reportable operating segments with all material operations carried out in Canada:

- The Jamieson Brands segment principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment principal activity is providing contract manufacturing services to consumer health companies and retailers worldwide.

The Company's chief operating decision maker evaluates segment performance on the basis of earnings from operations, as reported to internal management, on a periodic basis.

Inter-segment revenues and expenses are eliminated upon consolidation and relate mainly to sales from the Strategic Partners segment to the Jamieson Brands segment. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	For the year ended December 31, 2019		
	Jamieson Brands $	**Strategic Partners $**	**Total $**
Revenue	**265,843**	**79,137**	**344,980**
Earnings from operations	**50,081**	**5,368**	**55,449**
Foreign exchange loss			**404**
Other expenses			**3,369**
Interest expense and other financing costs			**9,372**
Provision for income taxes			**10,647**
Net income			**31,657**

	For the year ended December 31, 2018		
	Jamieson Brands $	Strategic Partners $	Total $
Revenue	243,772	76,004	319,776
Earnings from operations	42,431	4,726	47,157
Foreign exchange loss			608
Other expenses			298
Interest expense and other financing costs			9,000
Provision for income taxes			10,578
Net income			26,673

Share-based compensation is allocated to the Jamieson Brands operating segment.

Geographic information

Net income earned outside of Canada for the years ended December 31, 2019 and 2018 represents an insignificant portion of total net income.

Information about major customers

The following table provides the proportion of revenue attributed to each significant customer:

For the years ended December 31,	**2019**	**2018**
Customer 1	**13.9%**	17.0%
Customer 2	**9.7%**	11.2%
	23.6%	28.2%

The revenue concentration noted mirrors the consolidated nature of the retail grocery landscape in Canada. It is management's opinion that the loss of any customer, significant or otherwise, would not impact the Company's viability. No other sales were made to any one customer that represented more than 10% of total sales.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table sets forth the disaggregation of the Company's revenue from contracts with customers in the Jamieson Brands operating segment:

For the years ended December 31,	**2019 $**	2018 $
Domestic sales	**184,601**	170,000
International sales	**34,365**	27,462
Specialty Brands sales	**46,877**	46,310
Total revenue from contracts with customers	**265,843**	243,772

Revenues generated from our previous acquisitions of Body Plus and Lorna Vanderhaeghe Health Solutions Inc. are known as "Specialty Brands" given the availability of these brands across food, drug and health food channels.

24. INCOME PER SHARE

Basic income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company less dividends declared and paid to preferred shareholders by the weighted average number of shares outstanding during the year.

Diluted income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the effects of potentially dilutive preferred shares, share options, PSUs, and RSUs.

The following table sets forth the calculation of basic and diluted income per share ("EPS"), and reflects the impact of the share split as if it was retrospectively applied to all periods presented:

	2019			2018		
Year ended December 31,	**Net income available to common shareholders**	**Weighted average number of shares**	**EPS $**	Net income available to common shareholders	Weighted average number of shares	EPS $
Basic						
Continuing operations	**31,657**	**38,535,274**	**0.82**	26,673	38,009,443	0.70
Diluted						
Continuing operations	**31,657**	**39,614,909**	**0.80**	26,673	39,531,078	0.67

ONWARD AND
OUTWARD.

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