IMPAIRMENT REVERSALS

Canadian GAAP – Reversal of impairment losses is not permitted.

IFRS – Reversal of impairment losses is required for assets other than goodwill if certain criteria are met. The Company has not identified the need to reverse any previously taken impairment with the exception of the de-recognition of the impairments taken for its indefinite lived brand assets discussed above.

(viii) Provisions

Under IFRS, provisions are distinguished from accrued liabilities as liabilities of uncertain timing or amount. As a result, on transition to IFRS, the Company has reclassified certain balances previously included in accounts payable and accrued liabilities on the statement of financial position, in the amount of $1.4 million. Please refer to additional disclosures included in *note 11* to the financial statements.

(ix) Property, plant and equipment

As stated in the section entitled "IFRS 1 Exemptions" the Company elected to recognize to restate its property, plant and equipment using a combination approach as discussed in *note 26* (b) (v). In applying this approach, as at the transition date:

1. The Company applied the fair value as deemed cost exemption in respect of the production equipment for manufacturing plants located in Lunenburg, Nova Scotia, Danvers, Massachusetts and Portsmouth, New Hampshire. The valuation of the equipment performed at January 3, 2010 resulted in an increase in the cost of fixed assets of $6.0 million;
2. The Company recognized a decrease in accumulated depreciation of $3.8 million relating to the restatement of accumulated depreciation to reflect updates in property, plant and equipment useful lives to correspond with the assessment criteria in accordance with IFRS as compared to Canadian GAAP and an increase in accumulated depreciation in the amount of $0.3 million relating to the componentization of the Company's real estate assets;
3. A net increase in deferred tax liability of $3.2 million was recognized; and
4. Opening retained earnings was adjusted by $6.3 million.

As a result of the adjustments above, as at and for the fifty-two weeks ended January 1, 2011 the Company recognized:

1. A decrease to property, plant and equipment of $0.8 million;
2. An increase in cost of sales due to depreciation expense of $1.0 million;
3. An increase in distribution expense due to depreciation expense of $0.06 million;
4. A decrease in selling, general and administrative expenses due to depreciation expense of $0.2 million;
5. A decrease to the loss due to disposal of $0.05 million; and
6. A decrease in deferred income taxes of $0.2 million.

(x) Accounting for the Company's joint venture in HighKan

In February 2010, subsequent to the Company's date of transition to IFRS, the Company entered into a joint arrangement (see *note 7* in these statements for additional details). In accordance with Canadian GAAP requirements, the Company used proportionate consolidation to account for its investment in HighKan. As at the transition date, existing IFRS standards permitted a choice between equity-method accounting and proportionate consolidation for joint arrangements; however, in the second quarter of 2011, the International Accounting Standards Board finalized IFRS 11 – Joint Arrangements ("IFRS 11"), which was consistent with Exposure Draft 9 – *Joint Arrangements* ("ED 9"). Expecting IFRS 11 to be finalized consistent with ED 9, which prohibited the use of proportionate consolidation, the Company elected to restate its accounting for its investment in HighKan using the equity method of accounting effective February 10, 2010.