2019 ANNUAL REPORT

SOMETHING SWEET FOR EVERYONE

ROGERS

OUR GOAL IS TO OFFER THE BEST QUALITY SUGARS AND SWEETENERS TO SATISFY OUR CUSTOMERS.

TOTAL DIVIDEND (thousand of $)

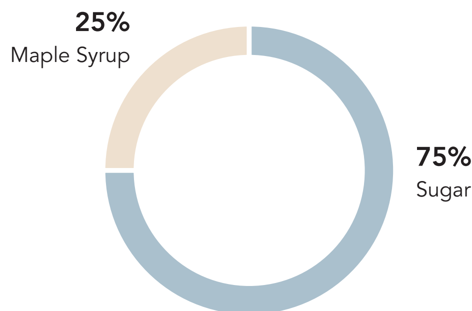
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2019	–	–	9,451	–	–	9,451	–	–	9,451	–	–	9,440	37,793
Fiscal 2018	–	–	9,517	–	–	9,517	–	–	9,487	–	–	9,450	37,971

PER SHARE DIVIDEND ($)

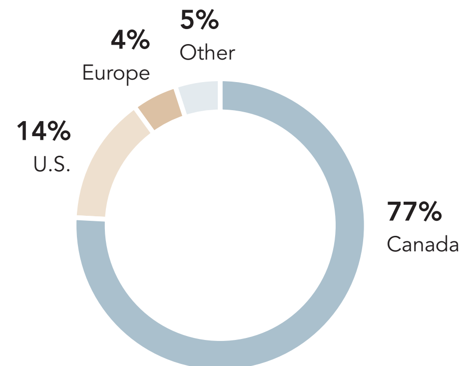
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2019	–	–	0.09	–	–	0.09	–	–	0.09	–	–	0.09	0.36
Fiscal 2018	–	–	0.09	–	–	0.09	–	–	0.09	–	–	0.09	0.36

ROGERS AT A GLANCE

SUGAR VS. MAPLE SYRUP PRODUCTS



GEOGRAPHIC PARTITION



ROGERS holds all of the common shares of Lantic Inc., which operates cane sugar refineries in Montreal, Québec and Vancouver, British Columbia, as well as the only Canadian sugar beet processing facility in Taber, Alberta. Lantic's sugar products are marketed under the "Lantic" trademark in Eastern Canada, and the "Rogers" trademark in Western Canada and include granulated, icing, cube, yellow and brown sugars, liquid sugars and specialty syrups.

LANTIC also owns all of the common shares of The Maple Treat Corporation ("TMTC") and is headquartered in Montréal, Québec. TMTC operates bottling plants in Granby, Dégelis and in St-Honoré-de-Shenley, Québec and in Websterville, Vermont. TMTC's products include maple syrup and derived maple syrup products and are sold under various brand names, such as L.B. Maple Treat, Great Northern, Decacer and Highland Sugarworks.

REPORT FROM THE CHAIRMAN

The year ended September 28, 2019 brought significant challenges for the business and the resulting consolidated adjusted EBITDA was $87.8 million. These results include gains from continued solid volume growth in Sugar, offset by costs from operational challenges in both Sugar and Maple as well as increased competition in Maple. Notwithstanding these lower than targeted results, progress on improving the operating platform of both the Sugar and Maple segments continues. We believe diversification in the natural sweetener segment will, in time, bring greater top line growth and profitability.

Year-over-year volume for the Sugar segment was approximately 21,300 metric tonnes greater than in fiscal 2018. A significant portion of this improvement was attributable to liquid sugar which is benefiting from low #11 sugar values and improved price competitiveness with respect to High Fructose Corn Syrup ("HFCS"). In addition, an increase in conversion from HFCS to liquid sugar stems from food processors response to consumer negative attitudes and perception towards HFCS. Overall, adjusted gross margin for the sugar business was approximately $127 per metric tonne compared to approximately $138 per metric tonne last year. The lower margin is largely attributable to unexpected business costs associated with the Vancouver capital project and to a lesser extent by lower profitability of the Taber facility where #11 raw sugar values were lower than the comparable year in the first quarter. Finally, fiscal 2018 included a one-time non-cash pension plan income.

In the Maple segment, fiscal 2019 included plans to consolidate and change our manufacturing platform to support expected top line sales growth. The footprint optimization project created some short-term capacity constraints and combined with the impact of a tighter than historically labour market, lowered plant efficiencies and throughputs. A significant new market entrant, a continued deceleration in market growth and a below average 2018 maple crop created very difficult market conditions which resulted in higher costs, sales losses, lower selling margins and an inability to realize planned account growth. Altogether, the Maple products segment adjusted EBITDA was lower than anticipated at $14.7 million. The business is focused on fixing what is within its control. In fiscal 2020, we reasonably expect improvements from operations, access to more labour and lower cost of manufacturing stemming from increased capacity. Competitor behaviours and market growth opportunities are less predictable and will require perseverance and smart tactics.

Overall, fiscal 2019 was a difficult year. The Board and Management believe the combined business can do better. Management feels unexpected costs in Sugar in Vancouver are behind us. Improved logistics and efficiencies in Maple are imminent, although competitive conditions in Maple have been difficult. Competitive market issues aside, the lesson this year is better execution. Management is applying learnings from the challenges faced and making substantive changes.

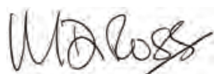
We believe diversification in the natural sweetener segment will, in time, bring greater top line growth and profitability.

In fiscal 2019, Rogers paid quarterly dividends of $0.09 per share for a yearly total of $0.36 per share. The declared dividend for fiscal 2019 of $37.8 million by Rogers' is higher than stated free cash flow of $30.8 million but, stated free cash flow was reduced by $7.8 million due to non recurring costs associated with the Vancouver capital project and one-time additional capital spending for the Taber air emission project. Adjusted for these two elements, free cash flow appropriately covered the dividend requirements in the year. The Board of Directors always assesses the appropriateness of the dividend based on the performance and outlook for the business and views sustainable returns to shareholders and maintenance of the dividend as a critical strategic priority.

During the year, Rogers put in place a Normal Course Issuer Bid and as a result, the Company purchased and cancelled 122,206 common shares for a total cash consideration of $0.6 million.

Finally, as we make these commitments to change, I would like to thank all of our employees for their efforts and resolve to strengthen the Company. We are always guided by our obligation to both ensure and enhance the value of your investment. We thank you, our shareholders, for the trust you have accorded us.

On behalf of the Board of Directors,

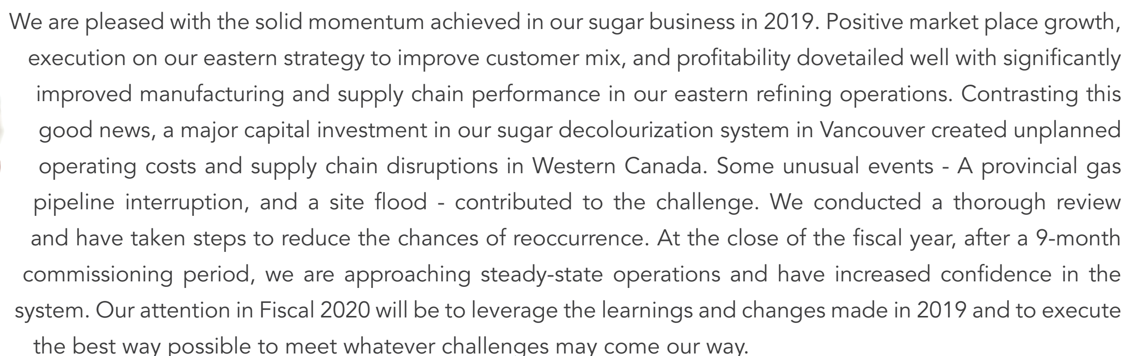


Dallas H. Ross
Chairman
November 20, 2019

REPORT FROM THE PRESIDENT AND CEO

Fiscal 2019 proved to be a challenging year for the business. While we made progress against our core strategies and have positioned ourselves well for the future our 2019 results did not meet our expectations. Taking some time to reflect on our results, our vision and enabling strategies is a healthy and appropriate exercise: validating what is working, what we should improve, what we should stop doing and what we should initiate is a good business process.

The growth in sugar consumption in the short term has been driven by the conversion of high fructose corn syrup to natural sugar. These conversion opportunities are diminishing and we continue to observe consumers and food processors increasingly adopting alternative natural sweeteners and, in parallel, looking at new sugar reduction solutions to address evolving market demands. Our investment in the Maple platform has provided Lantic with a significant position in the alternative natural sweetener space. We believe our vision also compels us to investigate and explore natural sugar reduction solutions. We know, the complexity of the functional role of sugar in food processing and the high cost of sugar reduction solutions will always limit the substitution potential of traditional sweetener demand. Notwithstanding this fact, we believe, in time, more cost effective and label friendly solutions will emerge. We will follow these developments closely with a view to find a platform that would complement and leverage our current capabilities.



We are pleased with the solid momentum achieved in our sugar business in 2019. Positive market place growth, execution on our eastern strategy to improve customer mix, and profitability dovetailed well with significantly improved manufacturing and supply chain performance in our eastern refining operations. Contrasting this good news, a major capital investment in our sugar decolourization system in Vancouver created unplanned operating costs and supply chain disruptions in Western Canada. Some unusual events - A provincial gas pipeline interruption, and a site flood - contributed to the challenge. We conducted a thorough review and have taken steps to reduce the chances of reoccurrence. At the close of the fiscal year, after a 9-month commissioning period, we are approaching steady-state operations and have increased confidence in the system. Our attention in Fiscal 2020 will be to leverage the learnings and changes made in 2019 and to execute the best way possible to meet whatever challenges may come our way.

The maple business did not deliver on our financial expectations in 2019. Strategically, we remain firmly committed to this segment. We see it as an excellent fit in the alternative natural sweetener segment strategy. It is clear that most of the headwinds we are facing are rooted in changes in the competitive environment and slower than forecasted growth in consumption. The start-up of a new player and two early post-acquisition account losses and a realignment of one of our key customer's supply chains to align with a more "made in America" sourcing strategy, have combined to result in lower than projected volume, and compressed margins. These market fundamentals represent the largest cause for the misses to our original expectations. Exacerbating this were some delays to integration gains, mostly in the area of reduction in syrup costs, product overfill and manufacturing

cost improvements. The latter will eventually meet our regular threshold for return on investment when completed in the spring of 2020. High employee turnover and absenteeism, particularly in the Granby region, have also caused delays in our progress. Record low unemployment rates in rural Quebec are a significant contributing factor to our labour challenge. Developing more competitive and flexible working solutions to attract and retain a quality workforce is a key focus and an important enabler for this business. Maple is an important part of our long-term business plan and we will work through these marketplace forces as we have in the past with our sugar business. In the short term, the key focus for the business is completing the manufacturing platform changes, achieving low cost supplier status and providing the sales team with a platform for growth. These changes should be completed by mid-Fiscal 2020.

Reflecting briefly on our strategies, we continue to believe our **core strategies** of Operational Excellence; Market Access and Acquisition/Brand Development/Innovation provide the right focus for our business. This focus helps us communicate our priorities and channel our resources, human and capital, towards making meaningful progress.

With the flatter growth outlook for sugar, we have made a greater effort to increase our investment in ROI projects that will deliver bottom line growth. Our operating budget earmarks approximately $6 million of capital to support investments in solutions that lower energy costs, increase automation and deliver new value added manufacturing capabilities. In addition to our funding, the business was successful in obtaining $4 million in grant funding to increase the scale and scope of work. These funds will help to further augment our commitments and improve overall returns. Key projects in fiscal 2020 include packing line automation projects in Montreal and Taber along with multiple sustainability projects related to waste, heat recovery and process efficiency across all three sugar manufacturing sites. This capital is complemented by continuous investment in replacement of equipment that has reached the end of its useful life which, together, lower our costs, improve our reliability and help deliver on our **Operational Excellence Strategy**.

In a complex and dynamic political environment, we believe the eventual ratification of the new modernized CUSMA agreement will be a positive development for our business. The new agreement will provide a better environment for investment by food processors and create opportunities for improved market access for Canadian beet sugar and sugar containing products. Our **Market Access Strategy** is equally applicable to our Maple Syrup business. Historically largely unencumbered by tariffs, it was interesting to see the Canadian government put maple syrup on the retaliatory tariff list for the US steel and aluminum dispute. We are now back to free and fair trade between Canada and the USA on the maple syrup portfolio, which offers us an excellent opportunity to expand sales beyond our borders. In fact, 80% of our revenues in this newly acquired business come from export sales, primarily to the U.S., which continues to provide good opportunities for growth in both the traditional retail and food ingredient channels.

Our **Acquisition Strategy** is an important enabler to our overall vision for the company. To achieve our vision of becoming a leading North American Natural Sweetener Supplier, we will need to find new targets for growth. Our immediate focus in this area is the ongoing integration of the Maple business, but in parallel we continue to build insights and explore potential ways to further strengthen our product offering and market development within North America through strategic partnerships that allow us to leverage our existing business footprint.

Our strategies and future success require hard work, perseverance and teamwork and I would like to take this opportunity to thank our valued employees for all their efforts and support this past year and for their ongoing commitment to ensure we continue to deliver value to our shareholders.

John Holliday
President and Chief Executive Officer
November 20, 2019

PROUDLY CANADIAN WITH ROOTS FROM COAST TO COAST

ROGERS

1. Head Office and Cane Refinery
   VANCOUVER, BC

2. Beet Plant
   TABER, AB

3. Distribution Centre and Blending Facility
   TORONTO, ON

4. Administrative Office and Cane Refinery
   MONTREAL, QC

TMTC

5. Head Office — Bottling Plant, Eastern Sales and Distribution
   GRANBY, QC

6. Bottling Plant, Warehousing and Shipping
   SAINT-HONORÉ-DE-SHENLEY, QC

7. Bottling Plant, Warehousing and Shipping
   DÉGELIS, QC

8. Botting Plant, Warehousing and Shipping
   WEBSTERVILLE, VT

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal years ended
September 28, 2019 and September 29, 2018

This Management's Discussion and Analysis ("MD&A") of Rogers Sugar Inc.'s ("Rogers" or the "Company") audited consolidated financial statements for the fiscal years ended September 28, 2019 and September 29, 2018 should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 28, 2019 and September 29, 2018. The Company's MD&A and consolidated financial statements are prepared using a fiscal year which typically consists of 52 weeks, however, every five years, a fiscal year consists of 53 weeks. The fiscal years ended September 28, 2019, September 29, 2018 and September 30, 2017 all consist of 52 weeks.

All financial information contained in this MD&A and audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise noted, and the term "dollar", as well as the symbol "$", designate Canadian dollars unless otherwise indicated.

Management is responsible for preparing the MD&A. Rogers's audited consolidated financial statements and MD&A have been approved by its Board of Directors upon the recommendation of its Audit Committee prior to release. This MD&A is dated November 20, 2019.

Additional information relating to Rogers, Lantic Inc. ("Lantic") (Rogers and Lantic together referred as the "Sugar segment"), The Maple Treat Corporation ("TMTC"), formally known as L.B. Maple Treat Corporation ("LBMTC"), 9020-2292 Québec Inc. ("Decacer") and Highland Sugarworks Inc. ("Highland") (the latter three companies together referred to as "TMTC" or the "Maple products segment"), including the annual information form, quarterly and annual reports, management proxy circular, short form prospectus and various press releases is available on Rogers's website at www.LanticRogers.com or on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

FORWARD-LOOKING STATEMENTS

This report contains Statements or information that are or may be "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements may include, without limitation, statements and information which reflect the current expectations of the Company with respect to future events and performance. Wherever used, the words "may," "will," "should," "anticipate," "intend," "assume," "expect," "plan," "believe," "estimate," and similar expressions and the negative of such expressions, identify forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States ("U.S."), beet production forecasts, growth of the maple syrup industry, anticipated benefit of the TMTC and Decacer acquisitions (including expected adjusted EBITDA), the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations. Readers should also refer to the section "Risks and Uncertainties" at the end of this MD&A for additional information on risk factors and other events that are not within the Company's control. These risks are also referred to in the Company's Annual Information Form in the "Risk Factors" section.

Although the Company believes that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information as no assurance can be given that it will prove to be correct. Forward-looking information contained herein is made as at the date of this MD&A and the Company does not undertake any obligation to update or revise any forward-looking information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law.

ABOUT ROGERS SUGAR INC

Rogers is the largest refined sugar producer in Canada and the largest maple syrup bottler in the world. Our aspiration is to become a leading North American natural sweetener supplier by executing on our three core strategies, namely, operational excellence, market access and acquisition. On August 5 and November 18, 2017, the

Company made progress in its third strategy by acquiring LBMTC and Decacer. As a result, the Company diversified and solidified its leadership position in this growing natural sweetener market. Rogers encompasses two reportable segments; the Sugar segment and the Maple product segment.

Rogers' head office is in Vancouver, British Columbia and its administrative office is located in Montréal, Québec.

Our 800 employees are key to our success and employee safety is continuously at the forefront of our priorities. Each of the Company's manufacturing operations incorporates occupational health and safety components in its annual planning which are reviewed weekly by senior management and quarterly by the Board of Directors.

SUGAR SEGMENT

Facilities

Lantic is the only sugar producer with operating facilities across Canada with cane refineries in Montréal and Vancouver and a sugar beet factory in Taber, Alberta. Lantic also operates a custom blending and packaging operation and a distribution center in Toronto, Ontario. The strategic location of these facilities confers operating flexibility and the ability to service all customers across the country efficiently and on a timely basis.

Our Products

All Lantic operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, and raw material source.

Sales are focused in three specific market segments: industrial, consumer, and liquid products. The domestic market represents more than 90% of the Company's total volume.

In fiscal 2019, the domestic refined sugar market continued to show modest growth and increased by approximately 2% versus last fiscal year.

The industrial granulated segment is the largest segment accounting for approximately 60% of all shipments. The industrial segment is comprised of a broad range of food processing companies that serve both the Canadian and American markets.

In the consumer market segment, a wide variety of products are offered under Lantic and Rogers brand name. This segment has remained fairly stable during the past several years although volume sold within this market in fiscal 2019 by Canadian refiners had a slight decrease of approximately 1% year-over-year.

The liquid market segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup ("HFCS"). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence on the purchasing decision. The liquid segment grew by approximately 11% during the current fiscal year as a result of an increase in overall demand and conversion from HFCS to sucrose that was beneficial for the Canadian refiners.

Lantic's Taber plant is the only beet sugar factory in Canada and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in an annual Canadian-specific quota to the U.S. of 10,300 metric tonnes. As part of the recently concluded Canada-United-States-Mexico Agreement ("CUSMA"), an additional quota of 9,600 metric tonnes of Canadian origin sugar has been awarded to Canada. Shipments will begin following ratification of the agreement by the three respective governments. In addition, there is a 7,090 metric tonnes U.S. global refined sugar quota, which opens and is usually filled on a first-come first-served pro-rata basis on October 1st of every year.

By-products relating to beet processing and cane refining activities are sold in the form of beet pulp, beet and cane molasses. Beet pulp is sold domestically and to export customers for livestock feed. The production of beet molasses and cane molasses is dependent on the volume of sugar processed through the Taber, Montréal and Vancouver plants.

Our Supply

The global supply of raw cane sugar is ample. Over the last several years, Lantic has purchased most of its raw cane sugar from Central and South America for its Montréal and Vancouver cane refineries.

In fiscal 2018, the Company entered into a two-year agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant, for which the crop harvested in the Fall of 2019 is the first year of the agreed contract. Any potential shortfall in beet sugar production related to crop issues is mostly replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery and from the Montréal refinery if required.

Pricing

In fiscal 2019, the price of raw sugar fluctuated between U.S. 10.68 cents per pound and U.S. 14.24 cents per pound and closed at U.S. 11.92 cents per pound at the end of the fiscal year, which was 0.72 cents higher than the closing value at September 29, 2018. Although price variation during the year was less than in fiscal 2018 when raw sugar prices fluctuated between U.S. 9.83 and U.S. 15.49 cents per pound, the average raw sugar price in fiscal 2019 was slightly lower than fiscal 2018 average. Since 2017, the global sugar market has been in a surplus situation driven by increased output in India and Thailand while world consumption remained flat.

The price of refined sugar deliveries from the Montréal and Vancouver raw cane facilities is directly linked to the price of the #11 world raw sugar market traded on the Intercontinental Exchange ("ICE"). All sugar transactions are economically hedged, thus eliminating the impact of volatility in world raw sugar prices. This applies to all refined sugar sales made by these plants. Liquid sales to HFCS substitutable customers are normally priced against competing HFCS prices and are historically the lowest margin sales for the Company.

Whereas higher #11 world raw sugar values may have the effect of reducing the competitiveness of the liquid business versus HFCS, the opposite holds true for our beet operation. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus a scaled incentive linked to higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from, or alternatively, absorbs some of the changes associated with fluctuations in world raw sugar prices for all volume sold, excluding non U.S. export volume.

MAPLE PRODUCTS SEGMENT

Facilities

TMTC operates three plants in Québec, namely, in Granby, Dégelis and in St-Honoré-de-Shenley, and one in Websterville, Vermont. On August 1, 2018, the Company announced its intention to relocate its Granby operation to a new built for purpose leased facility also located in Granby. The relocation is not expected to occur until the beginning of calendar 2020. TMTC also uses a storage facility in Dégelis and in St-Robert-Bellarmin, Québec, as well as a distribution centre in Richmond, British Columbia.

Our Products

TMTC's products are comprised of the following: bottled maple syrup, bulk maple syrup, maple sugar and flakes, and ancillary or derived maple products.

Bottled maple syrup is packaged in a variety of ways and sizes, including bottles, plastic jugs and the traditional cans. Bottled maple syrup is available in all commercial grades and in organic and non-organic varieties. TMTC's bottled maple syrup is sold under a variety of brands, including Uncle Luke's™, L.B. Maple Treat™, Great Northern™, Decacer, Highland Sugarworks™ and Tapp and Spout™.

Bulk maple syrup is mainly sold in containers of 4L or 17L, barrels and totes to foodservice retailers as well as other wholesalers. Bulk maple syrup is also sold for industrial use for bottling or for use in food production, and privately under the L.B. Maple Treat™ brand.

Maple derived products include maple blended syrup, maple spread, maple cookies, maple taffy and other maple candies, popcorn, teas and coffees. Maple products are mainly sold under the L.B. Maple Treat™ and Highland Sugarworks™ brands.

Our Supply

The biggest concentration of maple trees is located in Québec, New Brunswick, Ontario, Vermont, Maine and New Hampshire. The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year.

Canada remains the largest producer of maple syrup, with over 77% of the world's production. The U.S. is the only other major producing country in the world, producing approximately 22% of the global supply. Québec represented 71% of the world's production in 2018.

There are approximately 7,300 commercial-scale maple syrup producers in Québec. The maple syrup producers in Québec are represented by the Producteurs et Productrices Acéricoles du Québec ("PPAQ"). The PPAQ generally regulates the buying and selling of bulk maple syrup.

In Québec, nearly 90% of the total production of maple syrup is sold through the PPAQ to the authorized buyers, leaving only approximately 10% of the total production being sold directly by the producers to consumers or grocery stores. The authorized buyer status is renewed on an annual basis.

In 2002, the PPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the PPAQ may organize a sale of a portion of its accumulated reserve. This allows bottlers to respond to supply shortages in the event of a poor harvest or unplanned

growth and demand. As at February 28, 2019, the PPAQ had over 88 million pounds of bulk maple syrup, including 18 million pounds of processing/industrial grade maple syrup, in its strategic reserve, which represents a little over half of the annual global retail consumption.

In 2004, the PPAQ adopted a policy with respect to production and marketing quotas which resulted in an annual production volume allocated to each maple syrup business. The main objective of the policy is to adjust the supply of maple syrup in response to consumer demand, and more specifically, to stabilize selling prices for producers and, ultimately, the buying price for consumers, foster investments in the maple industry and maintain a steady number of maple producing businesses in operation, regardless of their size.

Outside of Québec, the maple syrup industry is generally organized through producer-based organizations or associations, which promote maple syrup in general and its industry and serve as the official voice for maple syrup producers with the public.

TMTC has relationships with more than 1,400 maple syrup producers, mainly in Québec and Vermont. Most of these producers sell 100% of their production to TMTC. Through its strong relationship with such producers, TMTC was able to develop a leading position in certified organic maple syrup.

Pricing

Pursuant to a Marketing Agreement entered into annually between the PPAQ and the Conseil de l'industrie de l'érable (the Maple Industry Council ("MIC")), authorized buyers must pay a minimum price to the PPAQ for any maple syrup purchased from the producers. The price is fixed on an annual basis and depends on the grade of the maple syrup. In addition, a premium is added to the minimum price for any organic maple syrup. Pursuant to the Marketing Agreement, authorized buyers must buy maple syrup from the PPAQ.

USE OF FINANCIAL DERIVATIVES FOR HEDGING

Sugar

In order to protect itself against fluctuations in the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar.

The #11 world raw sugar market is only traded on the ICE, which trades in U.S. dollars. One can trade sugar futures forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to the Company's customers. The ICE rules are strict and are governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, has to be settled in cash the following day (margin call payments/receipts).

For the purchasing of raw sugar, the Company enters into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced.

The selling of refined sugar by the Company is also done under the #11 world raw sugar market. When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable against the sugar terminal, as per the anticipated delivery period.

The Company purchases sugar beets from the Growers under a fixed price formula plus a scale incentive when raw sugar values exceed a certain price level. Except for sales to the U.S., under the export quota, to HFCS-substitutable accounts, and for other export opportunities, all other sales are made using the same formula as cane sugar, following the #11 world raw sugar price.

Natural Gas

The Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

The Company purchases between 3.0 million gigajoules and 3.5 million gigajoules of natural gas per year for use in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 90% of its estimated usage over the next 12 months and lower percentages of its estimated usage on a longer-term basis.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings.

Foreign Exchange

Raw sugar costs for all sales contracts are based on the U.S. dollar. The Company also buys natural gas in U.S. dollars. In addition, sugar export sales and some Canadian sugar sales are denominated in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar versus the U.S. dollar, the Company, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge the net position against various forward months, estimated from the date of the various transactions.

Certain export sales of maple syrup are denominated in U.S. dollars, in Euro or in Australian dollars. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars, Euro or Australian dollars, TMTC enters into foreign exchange hedging contracts with certain customers. These foreign exchange hedging contracts are unwound when the money is received from the customer, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings. Foreign exchange gains or losses on any unhedged sales contracts are recorded when realized.

SELECTED FINANCIAL DATA AND HIGHLIGHTS

The following is a summary of selected financial information of Rogers' consolidated results for the 2019, 2018 and 2017 fiscal years. The financial results for fiscal 2018 include those of Decacer since its acquisition on November 18, 2017 and the financial results for fiscal 2017 include those of LBMTC since its acquisition on August 5, 2017.

(unaudited)	Fourth Quarter		Fiscal Year		
(In thousands of dollars, except volume and per share information)	**2019**	2018	**2019**	2018	2017
Total volume					
Sugar (metric tonnes)	**196,903**	200,147	**741,144**	719,875	694,465
Maple syrup ('000 pounds)	**10,163**	10,549	**42,377**	45,919	5,764
	$	$	**$**	$	$
Total revenues	**207,572**	211,807	**794,292**	805,201	682,517
Gross margin	**29,073**	29,255	**122,575**	130,853	77,298
Results from operating activities	**(32,800)**	18,231	**24,147**	84,100	41,031
Net (loss) earnings	**(40,021)**	9,633	**(8,167)**	48,729	21,906
Net (loss) earnings per share (basic)	**(0.38)**	0.09	**(0.08)**	0.46	0.23
Net (loss) earnings per share (diluted)	**(0.38)**	0.09	**(0.08)**	0.43	0.22
Dividends per share	**0.09**	0.09	**0.36**	0.36	0.36
Non- IFRS results [1]	**$**	$	**$**	$	$
Adjusted Gross Margin [1] [2]	**29,026**	32,764	**116,578**	126,362	103,259
Adjusted results from operating activities [1] [2]	**17,153**	21,740	**68,150**	79,609	66,992
Adjusted EBITDA [1] [2]	**22,215**	26,332	**87,808**	99,942	84,181
Adjusted net earnings [1] [2]	**9,910**	12,122	**37,079**	45,032	40,714
Adjusted net earnings per share (basic) [1] [2]	**0.09**	0.12	**0.35**	0.43	0.42
Trailing twelve months free cash flow [2]	**30,843**	47,802	**30,843**	47,802	40,646

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
(2) See "Adjusted results" section.

Adjusted results

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Company has designated as effective cash flow hedging instruments its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges. Derivative financial instruments pertaining to sugar futures and foreign exchange forward contracts are marked-to-market at each reporting date and are charged to the consolidated statement of earnings. The unrealized gains/losses related to natural gas futures and interest rate swaps are accounted for in other comprehensive income. The amount recognized in other comprehensive income is removed and included in Net (loss) earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect Net (loss) earnings, reducing earnings volatility related to the movements of the valuation of these derivatives hedging instruments.

Management believes that the Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement. See "Non-GAAP measures" section.

Management uses the non-GAAP adjusted results of the operating company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performance to past results. Management also uses adjusted gross margin, adjusted EBITDA, Maple products segment Adjusted EBITDA, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties. See "Non-GAAP measures" section.

The results of operations would therefore need to be adjusted by the following:

Income (loss)	**Fourth Quarter Fiscal 2019**			Fourth Quarter Fiscal 2018		
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Mark-to-market on:						
Sugar futures contracts	**1,744**	**—**	**1,744**	(1,896)	—	(1,896)
Foreign exchange forward contracts	**(250)**	**(53)**	**(303)**	290	660	950
Total mark-to-market adjustment on derivatives	**1,494**	**(53)**	**1,441**	(1,606)	660	(946)
Cumulative timing differences	**(1,551)**	**(185)**	**(1,736)**	(3,134)	(11)	(3,145)
Adjustment to cost of sales	**(57)**	**(238)**	**(295)**	(4,740)	649	(4,091)
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	**342**	**—**	**342**	582	—	582
Total adjustment to costs of sales	**285**	**(238)**	**47**	(4,158)	649	(3,509)

Income (loss)		**Fiscal 2019**			Fiscal 2018	
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Mark-to-market on:						
Sugar futures contracts	**179**	**—**	**179**	(3,154)	—	(3,154)
Foreign exchange forward contracts	**(220)**	**(321)**	**(541)**	231	1,263	1,494
Embedded derivatives	**—**	**—**	**—**	51	—	51
Total mark-to-market adjustment on derivatives	**(41)**	**(321)**	**(362)**	(2,872)	1,263	(1,609)
Cumulative timing differences	**4,652**	**49**	**4,701**	3,076	309	3,385
Adjustment to cost of sales	**4,611**	**(272)**	**4,339**	204	1,572	1,776
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	**1,658**	**—**	**1,658**	2,715	—	2,715
Total adjustment to costs of sales	**6,269**	**(272)**	**5,997**	(2,919)	1,572	(4,491)

The fluctuations in mark-to-market adjustment on derivatives are due to the price movements in #11 world raw sugar and foreign exchange variations. See "Non-GAAP measures" section.

Cumulative timing differences, as a result of mark-to-market gains or losses, are recognized by the Company only when sugar is sold to a customer. The gains or losses on sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions, namely sale and purchase contracts with customers and suppliers. See "Non-GAAP measures" section.

The Company sells refined sugar to some clients in U.S. dollars. Prior to October 1, 2016, these sales contracts were viewed as having an embedded derivative if the functional currency of the customer was not U.S. dollars, the embedded derivative being the source currency of the transaction. As of October 2, 2016, the U.S. dollars of these sales contract were no longer considered as being an embedded derivative as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate was applied prospectively, as a result, only the embedded derivatives relating to sales contracts outstanding as of October 1, 2016 continued to be marked-to-market every quarter until all the volume on these contracts has been delivered, which occurred in fiscal 2018.

On October 2, 2016, the Company adopted IFRS 9 (2014) Financial Instruments and designated natural gas futures as an effective cash flow hedging instrument. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, are subsequently removed from other comprehensive income when the natural gas futures will be liquidated, in other words, when the natural gas is used. As a result, in fiscal 2019, the Company removed a gain of $0.3 million and $1.7 million from other comprehensive income and recorded a gain of the same amount in cost of sales for the fourth quarter and year-to-date, respectively. The transitional balance relating to natural gas futures will be fully depleted in fiscal 2020. See "Non-GAAP measures" section.

The above described adjustments are added or deducted to the mark-to-market results to arrive at the total adjustment to cost of sales. For the fourth quarter of the current year, the total cost of sales adjustment is a nominal gain to be deducted from the consolidated results versus a loss of $3.5 million to be added to the consolidated results for the comparable quarter last year. Year-to-date, the total cost of sales adjustment is a gain of $6.0 million compared to a gain of $4.5 million to be deducted from the consolidated results for the comparable period last year. See "Non-GAAP measures" section.

SEGMENTED INFORMATION

The following is a table showing the key results by segments:

Consolidated results	Fourth Quarter Fiscal 2019			Fourth Quarter Fiscal 2018		
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Revenues	**159,432**	**48,140**	**207,572**	161,040	50,767	211,807
Gross margin	**24,643**	**4,430**	**29,073**	21,640	7,615	29,255
Administration and selling expenses	**4,730**	**2,622**	**7,352**	4,751	2,215	6,966
Distribution costs	**3,465**	**1,056**	**4,521**	2,908	1,150	4,058
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Results from operating activities	**16,448**	**(49,248)**	**(32,800)**	13,981	4,250	18,231
Non-GAAP results [(1)]:						
Adjusted Gross Margin [(1)]	**24,358**	**4,668**	**29,026**	25,798	6,966	32,764
Adjusted results from operating activities [(1)]	**16,163**	**990**	**17,153**	18,139	3,601	21,740
Adjusted EBITDA [(1)]	**19,662**	**2,553**	**22,215**	21,570	4,762	26,332
Additional information:						
Addition to property, plant and equipment and intangible assets	**7,054**	**1,081**	**8,135**	10,894	608	11,502

Consolidated results	Fiscal Year 2019			Fiscal Year 2018		
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Revenues	**595,878**	**198,414**	**794,292**	601,958	203,243	805,201
Gross margin	**100,301**	**22,274**	**122,575**	102,578	28,275	130,853
Administration and selling expenses	**21,609**	**9,962**	**31,571**	21,070	11,001	32,071
Distribution costs	**13,153**	**3,704**	**16,857**	10,760	3,922	14,682
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Results from operating activities	**65,539**	**(41,392)**	**24,147**	70,748	13,352	84,100
Non-GAAP results:						
Adjusted Gross Margin [(1)]	**94,032**	**22,546**	**116,578**	99,659	26,703	126,362
Adjusted results from operating activities [(1)]	**59,270**	**8,880**	**68,150**	67,829	11,780	79,609
Adjusted EBITDA [(1)]	**73,135**	**14,673**	**87,808**	81,324	18,618	99,942
Additional information:						
Addition to property, plant and equipment and intangible assets	**22,645**	**4,468**	**27,113**	23,352	1,792	25,144

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

Results from operation by segment

SUGAR

Revenues

	Fourth Quarter		Fiscal Year	
(In thousands of dollars, except volume)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Volume (MT) as at September 29, 2018	**159,432**	161,040	**595,878**	601,958
Variation:	200,147		719,875	
Industrial	(7,152)		1,242	
Consumer	(16)		4,122	
Liquid	4,771		18,590	
Export	(847)		(2,685)	
Total variation	(3,244)		21,269	
Volume as at September 28, 2019	**196,903**		**741,144**	

The decrease for the quarter in the industrial market segment is mostly due to non-recurring sales to a competitor that occurred in the fourth quarter last year and due to timing in certain large industrial accounts.

Total consumer volume increased for the current fiscal year due mainly to the additional volume negotiated with a National retail account for which additional shipments started in April of this year. In the fourth quarter, the additional volume from this National retail account was offset by lower volume from other consumer accounts as a result of timing in retail promotional activities during the quarter, which explains why the overall consumer volume for the fourth quarter was comparable to the same period last year.

The liquid market continued to deliver higher volume when compared to the prior year for both the quarter and the fiscal year due mainly to additional demand from new and existing customers as well as the recapture of some business temporarily lost to HFCS.

Finally, the export volume decreased for the quarter and year-to-date when compared to last year due to less volume shipped to Mexico, somewhat offset by opportunistic U.S. high tier sales.

The decrease in revenues for the fourth quarter of fiscal 2019 and year-to-date versus the comparable periods last year is mainly explained by a decrease in the weighted average raw sugar values in Canadian dollars, since the cost of raw sugar for all domestic sales is passed on to the Company's customers which more than offset the increase in revenues generated by the additional volume for both periods.

Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

(In thousands of dollars, except per metric tonne information)	Fourth Quarter		Fiscal Year	
	2019	2018	**2019**	2018
	$	$	**$**	$
Gross margin	**24,643**	21,640	**100,301**	102,578
Total adjustment to cost of sales [1] [2]	**(285)**	4,158	**(6,269)**	(2,919)
Adjusted gross margin [1]	**24,358**	25,798	**94,032**	99,659
Gross margin per metric tonne	**125.15**	108.12	**135.33**	142.49
Adjusted gross margin per metric tonne	**123.71**	128.90	**126.87**	138.44
Included in Gross margin:				
Depreciation of property, plant and equipment	**3,298**	3,252	**13,072**	12,813

[1] See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
[2] See "Adjusted results" section.

Gross margin of $24.6 million for the quarter and $100.3 million year-to-date does not reflect the economic margin of the sugar segment, as it includes a gain of $0.3 million and of $6.3 million for the fourth quarter of fiscal 2019 and year-to-date, respectively, for the mark-to-market of derivative financial instruments as explained above. In fiscal 2018, a mark-to-market loss of $4.2 million and a mark-to-market gain of $2.9 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of $21.6 million and $102.6 million for their respective periods. These mark-to-market gains and losses must be deducted from or added to the gross margin in order to arrive to adjusted gross margin results, as explained above.

We will therefore comment on adjusted gross margin results.

Adjusted gross margin for the current quarter was $1.4 million lower than the last quarter of fiscal 2018, mainly explained by lower sales volume as well as some additional operating costs. The current quarter's adjusted gross margin rate was $5.19 per metric tonne lower than last year. This decrease is mostly explained by a somewhat unfavourable sales mix with higher liquid sales and lower export sales and additional operating costs, mostly related to the fine tuning of the Vancouver refinery following a major capital investment earlier this year.

Year-to-date, adjusted gross margin decreased by $5.6 million. On a year-to-date basis, the Vancouver commissioning issues added approximately $4.6 million in one-time incremental costs caused by large amounts of overtime, significant refining materials usage and additional natural gas usage in a time period when there was a disruption in natural gas supply in British Columbia, which significantly increased natural gas transportation costs during the second quarter. In addition, fiscal 2018 included a non-cash pension plan income of $1.5 million recorded as a result of an amendment to a defined benefit pension plan. Therefore, excluding these two items, adjusted gross margin would have been $98.6 million for fiscal 2019 versus $98.2 million for the comparable period last year, representing an increase of $0.4 million. This increase was due mainly to a higher sales volume and additional by-product revenues, somewhat offset by lower #11 raw sugar values during the first quarter of the current year, when compared to the same period last year, which had a negative impact on Taber's domestic sales gross margin and to higher operating costs. Adjusted gross margin per metric tonne amounted to $126.87 for fiscal 2019 or $133.08, when excluding the one-time costs in Vancouver. In fiscal 2018 adjusted gross margin of $138.44 included the non-cash pension plan income mentioned above, representing $2.05 per metric tonne, thus reducing adjusted margin to $136.39 for fiscal 2018. The reduction of $3.31 in adjusted gross margin per metric tonne is mainly explained by the lower #11 raw sugar values in the first quarter of the current year, a different sales mix with higher liquid volume and to a lesser extent, higher operating costs.

Other expenses

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Administration and selling expenses	**4,730**	4,751	**21,609**	21,070
Distribution costs	**3,465**	2,908	**13,153**	10,760
Included in Administration and selling expenses:				
Amortization of intangible assets	**201**	179	**793**	682

Administration and selling expenses were comparable to the fourth quarter of last year but $0.5 million higher than fiscal 2018, mainly due to additional employee benefits expenses.

Distribution costs for the fourth quarter were $0.6 million higher than the comparable period last year, mainly due to additional transfers between location and additional warehousing costs. Year-to-date, distribution costs were $2.4 million higher than last year due to additional freight costs as a result of additional sales volume in the first half of the year as well as to product transfers between locations, of which, approximately $0.8 million relates to the commissioning issues in Vancouver encountered in the second quarter of this year.

Results from operating activities

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Results from operating activities	**16,448**	13,981	**65,539**	70,748
Adjusted results from operating activities [1] [2]	**16,163**	18,139	**59,270**	67,829

[1] See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
[2] See "Adjusted results" section.

The results from operating activities for fiscal 2019 of $16.5 million and $65.5 million for the fourth quarter and year-to-date, respectively, do not reflect the adjusted results from operating activities of the Sugar segment, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. In addition, non-cash depreciation and amortization expense also had a negative impact on the results from operating activities. As such Management believes that the Sugar segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above-mentioned items.

Adjusted EBITDA

The results of operations would therefore need to be adjusted by the following:

(In thousands of dollars)	Fourth Quarter 2019	Fourth Quarter 2018	Fiscal Year 2019	Fiscal Year 2018
	$	$	**$**	$
Results from operating activities	**16,448**	13,981	**65,539**	70,748
Total adjustment to cost of sales [1] [2]	**(285)**	4,158	**(6,269)**	(2,919)
Adjusted results from operating activities	**16,163**	18,139	**59,270**	67,829
Depreciation of property, plant and equipment and amortization of intangible assets	**3,499**	3,431	**13,865**	13,495
Adjusted EBITDA [1] [2]	**19,662**	21,570	**73,135**	81,324

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
(2) See "Adjusted results" section.

Adjusted EBITDA for the fourth quarter decreased by $1.9 million when compared to the last quarter of fiscal 2018, which is explained by lower adjusted gross margins of $1.4 million and higher distribution costs of $0.6 million, excluding depreciation and amortization expense, as explained above. Year-to-date, adjusted EBITDA was $8.2 million lower than fiscal 2018. The decrease year-to-date is mainly explained by lower adjusted gross margin due in large part to one-time costs incurred at the Vancouver refinery, as explained above, and to higher distribution costs attributable to higher sales volume and transfers between location, in part as a result of the commissioning issues in Vancouver and somewhat higher administrative and selling expenses.

MAPLE PRODUCTS

Results for the prior fiscal year include Decacer's results since its acquisition on November 18, 2017.

Revenues

(In thousands of dollars, except volume)	Fourth Quarter 2019	Fourth Quarter 2018	Fiscal Year 2019	Fiscal Year 2018
Volume ('000 pounds)	**10,163**	10,549	**42,377**	45,119
Revenues	**48,140**	50,767	**198,414**	203,243

Revenues for the current quarter were $2.6 million lower than the same period last year, which is mainly explained by short-term production capacity constraints, associated with the optimization of the operational footprint, causing delays in certain shipments and the continuation of competitive activities. Year-to-date, revenues decreased by $4.8 million versus fiscal 2018. The shortfall caused by increased competition, certain delivery delays due to the relocation of production between facilities and the reduction in promotional activities associated with a shortage of certain syrup in the second quarter, more than offset the additional revenues generated by Decacer for the full first quarter of the current year as compared to fiscal 2018.

Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

	Fourth Quarter		Fiscal Year	
(In thousands of dollars, except adjusted gross margin rate information)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Gross margin	**4,430**	7,615	**22,274**	28,275
Total adjustment to cost of sales [1] [2]	**238**	(649)	**272**	(1,572)
Adjusted gross margin [1]	**4,668**	6,966	**22,546**	26,703
Gross margin percentage	**9.2%**	15.0%	**11.2%**	13.9%
Adjusted gross margin percentage [1]	**9.7%**	13.7%	**11.4%**	13.1%
Included in Gross margin:				
Depreciation of property, plant and equipment	**557**	309	**1,855**	1,479

[1] See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
[2] See "Adjusted results" section.

Gross margin of $4.4 million and $22.3 million for the quarter and year-to-date does not reflect the economic margin of the Maple products segment, as it includes a loss of $0.2 million and a $0.3 million, respectively, for the mark-to-market of derivative financial instruments on foreign exchange contracts.

We will therefore comment on adjusted gross margin results.

Adjusted gross margin for the current quarter was $2.3 million lower than the comparable period due in large part to lower volume and to competitive pressure. Adjusted gross margin rate decreased by 4.0% from last year due mainly to competitive pressure, unfavourable sales mix and additional operating costs. Year-to-date, adjusted gross margin was $4.2 million lower than last year, representing a decrease in adjusted gross margin percentage of 1.7%, mainly explained by a decrease in volume, by margin contractions and additional operating costs due to short-term inefficiencies associated with the operational footprint optimization. In addition, the second quarter results were negatively impacted by low inventories of certain syrup grades which required additional purchases from the PPAQ's reserve at a premium as opposed to a discount last year.

Other expenses

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Administration and selling expenses	**2,622**	2,215	**9,962**	11,001
Distribution costs	**1,056**	1,150	**3,704**	3,922
Goodwill impairment	**50,000**	—	**50,000**	—
Included in Administration and selling expenses:				
Amortization of intangible assets	**875**	856	**3,501**	3,500

Administration and selling expenses were $0.4 million higher than the fourth quarter last year due to an increase in allowance for doubtful accounts, timing of expenses and an increase in non-recurring costs. Year-to-date, administration and selling expenses were $1.0 million lower than last year, mainly explained by a reduction in non-recurring costs. Fiscal 2019 includes $0.4 million in non-recurring costs associated with the footprint optimization project while fiscal 2018 included non-recurring costs and acquisition costs relating to Decacer totalling $0.9 million and $0.7 million, respectively, representing a year-over-year variation of $1.2 million. Excluding these one-time costs, administration and selling expenses were $0.2 million higher than last fiscal 2018.

Distribution expenses were $0.1 million and $0.2 million lower in the fourth quarter and year-to-date when compared to the same periods last year.

The Company performed a goodwill impairment test as of September 28, 2019 and concluded that the carrying value of goodwill exceeded the recoverable amount of the cash generating unit for the Maple product segment. As a result, the Company recorded a non-cash impairment of $50.0 million in the fourth quarter of the current year.

Results from operating activities ("EBIT")

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Results from operating activities	**(49,248)**	4,250	**(41,392)**	13,352
Adjusted results from operating activities ("Adjusted EBIT") (1) (2)	**990**	3,601	**8,880**	11,780

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
(2) See "Adjusted results" section.

The results from operating activities for fiscal 2019 of negative $49.2 million and negative $41.4 million for the fourth quarter and year-to-date, respectively, do not reflect the adjusted results from operating activities of the Maple products segment, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. We will therefore comment on adjusted results from operating activities.

As explained above, in the fourth quarter of the current year, a goodwill impairment of $50.0 million was recorded and negatively impacted Adjusted EBIT. Excluding the goodwill impairment, the Adjusted EBIT of $1.0 million was $2.6 million lower than the fourth quarter of last year, mostly due to a decrease in adjusted gross margin and an increase in administration and selling expenses, as explained above, somewhat offset by lower distribution costs.

Year-to-date, excluding the goodwill impairment, Adjusted EBIT of $8.9 million was $2.9 million lower than fiscal 2018 due to lower adjusted gross margin, as explained above, offset by lower administration and selling expenses and to a lesser extent, distribution costs.

In addition, the acquisitions of LBMTC and Decacer resulted in expenses that do not reflect the economic performance of the operation of the Maple products segment. Finally, non-cash depreciation and amortization expense as well as goodwill impairment also had a negative impact on the results from operating activities. As such Management believes that the Maple products segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above-mentioned items.

Adjusted results

The results of operations would therefore need to be adjusted by the following:

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Results from operating activities	**(49,248)**	4,250	**(41,392)**	13,352
Total adjustment to cost of sales [1] [2]	**238**	(649)	**272**	(1,572)
Adjusted results from operating activities [1]	**(49,010)**	3,601	**(41,120)**	11,780
Non-recurring expenses:				
Acquisition costs incurred	**—**	—	**—**	675
Other one-time non-recurring items	**131**	(4)	**437**	923
Finished goods value at the estimated selling price less disposal costs as of the acquisition date	**—**	—	**—**	261
Depreciation and amortization	**1,432**	1,165	**5,356**	4,979
Goodwill impairment	**50,000**		**50,000**	
Adjusted EBITDA [1]	**2,553**	4,762	**14,673**	18,618

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.
(2) See "Adjusted results" section.

Other non-recurring items mainly include severance costs expensed to date, as well as non-recurring expenses related to the footprint optimization project.

Adjusted EBITDA decreased by $2.2 million and $3.9 million for the fourth quarter and the full twelve months of fiscal 2019 due mainly to lower adjusted gross margins and higher administration and selling expenses, as explained above, somewhat offset by a reduction in distribution costs.

CONSOLIDATED RESULTS OF OPERATION

The following is a summary of selected financial information of Rogers' consolidated results for the 2019, 2018 and 2017 fiscal years. The financial results for fiscal 2018 include those of Decacer since its acquisition on November 18, 2017 and the financial results for fiscal 2017 include those of LBMTC since its acquisition on August 5, 2017.

(unaudited)	Fourth Quarter		Fiscal Year		
(In thousands of dollars, except volume and per share information)	**2019**	2018	**2019**	2018	2017
	$	$	**$**	$	$
Sugar (metric tonnes)	**196,903**	200,147	**741,144**	719,875	694,465
Maple syrup ('000 pounds)	**10,163**	10,549	**42,377**	45,119	5,764
Total revenues	**207,572**	211,807	**794,292**	805,201	682,517
Gross margin	**29,073**	29,255	**122,575**	130,853	77,298
Results from operating activities ("EBTI")	**(32,800)**	18,231	**24,147**	84,100	41,031
Net finance costs	**4,843**	4,735	**18,113**	17,132	10,218
Income tax expense	**2,378**	3,863	**14,201**	18,239	8,907
Net (loss) earnings	**(40,021)**	9,633	**(8,167)**	48,729	21,906
Net (loss) earnings per share (basic)	**(0.38)**	0.09	**(0.08)**	0.46	0.23
Net (loss) earnings per share (diluted)	**(0.38)**	0.09	**(0.08)**	0.43	0.22
Dividends per share	**0.09**	0.09	**0.36**	0.36	0.36
Non- GAAP results [(1)]*:*					
Adjusted Gross Margin [(1)]	**29,026**	32,764	**116,578**	126,362	103,259
Adjusted results from operating activities ("Adjusted EBIT") [(1)]	**17,153**	21,710	**68,150**	79,609	66,992
Adjusted EBITDA [(1)]	**22,215**	26,332	**87,808**	99,942	84,181
Adjusted net earnings [(1)]	**9,910**	12,122	**37,079**	45,032	40,714
Adjusted net earnings per share (basic) [(1)]	**0.09**	0.12	**0.35**	0.43	0.42

(1) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

Total revenues

Revenues decreased by $4.2 million and by $10.9 million for the fourth quarter and year-to-date, respectively, when compared to the same period last year. The reduction in revenues both periods is explained by lower revenues in the Sugar and Maple product segments, as explained above.

Gross margin

Gross margin of $29.1 million for the quarter and $122.6 million year-to-date does not reflect the economic margin of the Company, as it includes a nominal gain for the fourth quarter of the current year and a gain of $6.0 million year-to-date for the mark-to-market of derivative financial instruments (See "Adjusted results" section). In fiscal 2018, a mark-to-market loss of $3.5 million and a mark-to-market gain of $4.5 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of $29.3 million and $130.9 million for their respective period.

Excluding the mark-to-market of derivative financial instruments, adjusted gross margin for the last quarter of the current year decreased by $3.7 million. The adjusted gross margin for the Maple products segment resulted in a reduction of $2.3 million due mainly to a decrease in revenues, margin contractions stemming from competitive activities and higher operating costs, as explained above. In addition, the Sugar segment's adjusted gross margin also decreased by $1.4 million due to lower sales volume and additional operating costs, as explained above. Year-to-date, adjusted gross margin was lower than last year by $5.6 million and $4.2 million for the Sugar segment and Maple product segment, respectively, resulting in a total year-over-year reduction of $9.8 million. This negative variance for the sugar segment is mainly explained by the one-time operating costs in Vancouver, by lower #11 raw sugar values in the first quarter, by the non-recurrence in fiscal 2019 of a pension income of $1.5 million as well as additional operating costs in the fourth quarter, all of which offset the increase in sales volume

and higher by-product revenues as explained above. In addition, the adjusted gross margin for the Maple products segment also contributed negatively to the decrease versus the comparable period due to lower revenues and margins as well as higher syrup costs, as explained above.

Results from operating activities ("EBIT")

EBIT is defined as earnings before interest and taxes. For the fourth quarter and fiscal 2019, EBIT amounted to negative $32.8 million and $24.1 million, respectively, compared to $18.2 million and $84.1 million. The fourth quarter of the current year includes a non-cash goodwill impairment of $50.0 million relating to the Maple products segment. In addition, as mentioned above, the gross margin comparison does not reflect the economic results from operating activities which were positively impacted by $3.6 million and $1.5 million for the quarter and year-to-date, respectively, due to the period-over-period variation in mark-to-market of derivative financial instruments. Excluding the mark-to-market of derivative financial instruments, and excluding the impact of the goodwill impairment, adjusted EBIT for the current quarter stood at $17.2 million versus $21.7 million, a decrease of $4.5 million. This is mainly explained by a lower contribution from both reportable segments mostly as a result of lower adjusted gross margin as well as higher distribution costs in the Sugar segment of $0.6 million, due mainly to increased transfers between locations and higher administrative and selling expenses in the Maple products segment of $0.4 million due mainly to an increase in allowance for doubtful accounts and timing, as explained above. Year-to-date, also excluding the mark-to-market of derivative financial instruments and the impact of the goodwill impairment, adjusted EBIT amounted to $68.2 million compared to $79.6 million for fiscal 2018, a $11.4 million decrease. The reduction in adjusted gross margin of $5.6 million and $4.2 million for the Sugar and Maple products segment, respectively, mainly explain the decrease year-over-year. In addition, distribution costs for the Sugar segment were $2.4 million higher than fiscal 2018, mainly explained by incremental costs resulting from additional freight transfers between locations, as explained above. Finally, somewhat reducing the negative variance year-over-year is a reduction of $0.5 million in administration and selling expenses as the increase of $0.5 million in the Sugar segment was more than offset by a reduction of $1.0 million in the Maple product segment, as explained above.

Net finance costs

Net finance costs consisted of interest paid under the revolving credit facility, as well as interest expense on the convertible unsecured subordinated debentures and other interest. It also includes a mark-to-market gain or loss on the interest swap agreements.

The net finance costs breakdown is as follows:

	Fourth Quarter		Fiscal Year	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Interest expense on convertible unsecured subordinated debentures	**2,082**	2,072	**8,339**	7,691
Interest on revolving credit facility	**1,797**	1,739	**7,337**	6.893
Amortization of deferred financing fees	**296**	329	**1,178**	1,422
Other interest expense	**737**	723	**1,637**	1.658
Amortization of transition balances and net change in fair value of interest rate swap agreements	**(69)**	(128)	**(378)**	(532)
Net finance costs	**4,843**	4,735	**18,113**	17,132

Net finance costs for the current quarter were $0.1 million higher than the comparable quarter last year.

Year-to-date, net finance costs were $1.0 million higher than fiscal 2018. The increase is mainly explained by $0.6 million in additional interest expense on the convertible unsecured subordinated debentures. On March 28, 2018, the Fifth series 5.75% convertible unsecured subordinated debentures ("Fifth series debentures") of $60.0 million were repaid using a portion of the funds raised on the same day from the issuance of the Seventh series 4.75% convertible unsecured subordinated debentures ("Seventh series debentures") of $97.8 million. The increased borrowing level from the Seventh series debentures, combined with the increase in accretion expense, more than offset the reduction in interest rate, which mainly explains the increase year-to-date.

The other interest expense pertains mainly to interest payable to the PPAQ on syrup purchases, in accordance with its payment terms.

As mentioned above, on October 2, 2016, the Company adopted IFRS 9 (2014) Financial Instruments and designated interest rate swap agreements as effective cash flow hedging instruments. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, are subsequently removed from other comprehensive income when each of the fixed interest rate tranches is liquidated, in other words, when the fixed interest rate is paid. As a result, in the current quarter and year-to-date, the Company removed a gain of $0.1 million and $0.4 million, respectively from other comprehensive income and recorded a gain of the same amount in net finance costs. For the comparative periods of fiscal 2018, the Company recorded a mark-to-market gain of $0.1 million for the fourth quarter and of $0.5 million for the full year. The transitional balance relating to interest rate swap agreements will be fully depleted in fiscal 2020. See "Adjusted results" section.

Taxation

The income tax expense (recovery) is as follows:

	Fourth Quarter		**Fiscal Year**	
(In thousands of dollars)	**2019**	2018	**2019**	2018
	$	$	**$**	$
Current	**4,038**	3,091	**16,084**	17,967
Deferred	**(1,660)**	772	**(1,883)**	272
Income tax expense	**2,378**	3,863	**14,201**	18,239

The variation in current and deferred tax expense, quarter-over-quarter and year-over-year, is consistent with the decrease in earnings before taxes in fiscal 2019, excluding the impact from the goodwill impairment, which had no current or deferred tax consequence.

Deferred income taxes reflect temporary differences, which result primarily from the difference between depreciation claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs.

Net (loss) earnings

Net (loss) earnings were $49.7 million and $56.9 million lower than the comparable fourth quarter and year-to-date, respectively. The decrease is mostly explained by the Maple products non-cash goodwill impairment recorded in the current quarter this year, the negative variation of the after-tax impact of a decrease in EBIT, the period-over-period variation of the gains and losses on the mark-to-market of derivative financial instruments, and to a much lower extent, the additional finance costs, as explained above.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2019 and 2018:

QUARTERS	2019				2018			
(In thousands of dollars, except for volume and per share information)	**First**	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Sugar Volume (MT)	**188,377**	**175,040**	**180,824**	**196,903**	174,144	163,253	182,331	200,147
Maple products volume ('000 pounds)	**11,857**	**11,033**	**9,325**	**10,163**	11,191	12,725	10,654	10,549
	$	**$**	**$**	**$**	$	$	$	$
Total revenues	**206,022**	**189,250**	**191,448**	**207,572**	204,883	189,455	199,056	211,807
Gross margin	**34,549**	**28,212**	**30,741**	**29,073**	43,113	27,055	31,430	29,255
EBIT	**22,982**	**15,395**	**18,570**	**(32,800)**	31,685	14,888	19,296	18,231
Net (loss) earnings	**13,411**	**8,011**	**10,432**	**(40,021)**	20,216	7,586	11,294	9,633
Gross margin rate per MT [1]	**155.81**	**124.80**	**135.28**	**125.15**	206.88	126.51	113.04	108.12
Gross margin percentage [2]	**9.5%**	**12.7%**	**13.9%**	**9.2%**	14.4%	12.1%	14.3%	15.0%
Per share								
Net (loss) earnings								
Basic	**0.13**	**0.08**	**0.10**	**(0.38)**	0.19	0.07	0.11	0.09
Diluted	**0.12**	**0.08**	**0.10**	**(0.38)**	0.18	0.07	0.10	0.09
Non-GAAP Measures [3]								
Adjusted gross margin [3]	**37,009**	**24,312**	**26,231**	**29,026**	37,303	28,607	27,687	32,764
Adjusted EBIT [3]	**25,442**	**11,495**	**14,060**	**17,153**	25,875	16,440	15,553	21,740
Adjusted net earnings [3]	**15,056**	**5,077**	**7,033**	**9,910**	15,848	8,617	8,445	12,122
Adjusted gross margin rate per MT [1] [3]	**155.16**	**110.22**	**116.97**	**123.71**	179.19	134.66	113.37	128.90
Adjusted gross margin percentage [2] [3]	**14.2%**	**10.0%**	**11.2%**	**9.7%**	12.4%	12.5%	13.9%	13.7%
Adjusted net earnings per share [3]								
Basic	**0.14**	**0.05**	**0.07**	**0.09**	0.15	0.08	0.08	0.12
Diluted	**0.13**	**0.05**	**0.07**	**0.09**	0.14	0.07	0.08	0.11

(1) Gross margin rate per MT and adjusted gross margin rate per MT pertain to the Sugar segment only.
(2) Gross margin percentage and adjusted gross margin percentage pertains to the Maple products segment only.
(3) See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volume as well as an unfavourable product mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings.

Quarterly results reflect Decacer since its acquisition on November 18, 2017.

Financial condition

(In thousands of dollars)	**2019**	2018	2017
	$	$	$
Total assets	**835,028**	870,209	835,474
Total non-current liabilities	**404,904**	382,136	344,130

The decrease in total assets in the current fiscal year is due mainly to the $50.0 million impairment of goodwill partially offset with higher property-plant and equipment. The increase in total assets for fiscal 2018, when compared to 2017 is due mainly to the acquisition of Decacer's asset in November 2017 totalling $34.7 million.

Non-current liabilities for fiscal 2019 also increased due mainly to an increase in employee benefits liabilities mostly due to a change in pension actuarial assumptions as at September 28, 2019. The increase in non-current liabilities from fiscal 2017 to fiscal 2018 is explained by the issuance of the Seventh series debentures, net of deferred financing costs, somewhat offset by the repayment of the Fifth series debentures, for a net impact of $30.9 million. In addition, the long-term portion of the revolving credit facility was higher in fiscal 2018 when compared to the prior year due to borrowings for the Decacer acquisition. Finally, deferred tax liabilities were $5.7 million higher than in fiscal 2017. Somewhat offsetting these negative variances in non-current liabilities is a reduction in employee benefits liabilities of $7.7 million due mainly to a change in pension actuarial assumptions as at September 29, 2018.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the recoverable value of the Company's operating segments is more than their respective carrying value. As mentioned above, an impairment of $50.0 million was recorded in fiscal 2019 for the Maple product segment. There was no impairment in the Sugar segment analysis performed in fiscal 2019, nor was there any impairment for any of the previous two years for both reportable segments.

Liquidity

Cash flow generated by Lantic is paid to Rogers by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by Rogers, after taking a reasonable reserve for capital expenditures, debt reimbursement and working capital. The cash received by Rogers is used to pay administrative expenses, interest on the convertible debentures, income taxes and dividends to its shareholders. Lantic had no restrictions on distributions of cash arising from the compliance of financial covenants for the year.

(In thousands of dollars)	**2019**	2018
	$	$
Cash flow from operating activities	**55,868**	52,912
Cash flow used in financing activities	**(30,768)**	(1,555)
Cash flow used in investing activities	**(27,009)**	(66,429)
Effect of changes in exchange rate on cash	**52**	140
Net decrease in cash and cash equivalents	**(1,817)**	(14,932)

Cash flow from operating activities increased by $3.0 million, which is explained by a positive non-cash working capital variation of $10.8 million, higher pension plan expense, somewhat offset by an increase in income taxes and interest paid of $7.8 million and $1.4 million, respectively.

The negative variation in cash flow used in financing activities of $29.2 million is mainly attributable to the reduction of $33.2 million in the issuance of convertible debentures in fiscal 2019. Slightly reducing the above-mentioned negative cash flows from financing activities is a reduction in repurchases under the Normal Course Issuer Bid ("NCIB") of $3.3 million, a $0.4 million increase in borrowings from the revolving credit facilities, net of the variation in bank overdraft versus the comparable period last year, a reduction of $0.2 million in dividend due to the repurchase and cancellation of shares under the NCIB and lower financing fees paid in the current period of $0.1 million.

The cash outflow used in investing activities decreased compared to fiscal 2018 by $39.4 million due mainly to the acquisition of Decacer for $42.1 million, a purchase price payment of $0.7 million, which both occurred in fiscal 2018 as well as a reduction in intangible assets addition of $0.2 million. Somewhat reducing this variation is greater capital spending during the current year as a result of various major projects undertaken and an increased plan spending during the year, resulting in an increase of $3.6 million.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow that is generated by the operations of the Company. Free cash flow is a non-GAAP measure and is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments and financial instruments' non-cash amounts, and including funds received or paid from the issue or purchase of shares and capital expenditures, excluding operational excellence capital expenditures.

Free cash flow is as follows:

	Fiscal Year		
(In thousands of dollars)	**2019**	2018	2017
	$	$	$
Cash flow from operations	**55,868**	52,912	52,037
Adjustments:			
Changes in non-cash working capital	**1,996**	12,764	(23,192)
Mark-to-market and derivative timing adjustments	**(4,340)**	(1,776)	28,979
Amortization of transitional balances	**(2,037)**	(3,247)	(3,389)
Financial instruments non-cash amount	**(1,472)**	7,645	278
Capital expenditures and intangible assets	**(27,009)**	(23,655)	(17,303)
Operational excellence capital expenditures	**8,617**	7,394	3,344
Purchase and cancellation of shares	**(640)**	(3,963)	—
Deferred financing charges	**(140)**	(272)	(629)
Stock options exercised	**—**	—	521
Free cash flow [1]	**30,843**	47,802	40,646
Declared dividends	**37,793**	37,971	34,896

[1] See "Non-GAAP Measures" section for definition and reconciliation to GAAP measures.

Free cash flow for fiscal 2019 was $17.0 million lower than the previous year mainly explained by a decrease in adjusted EBITDA[1] of $9.2 million, when reduced by the non-cash pension revenue of $1.5 million and the net non-recurring costs year-over-year of $1.4 million. In addition, an increase in income taxes and interest paid of $7.8 million and $1.4 million, respectively and higher capital and intangible spending, net of operational excellence capital of $2.1 million reduced free cash flow. Somewhat offsetting the negative variance is a reduction of $3.3 million purchase and cancellation of shares.

Operational excellence capital expenditures were $1.2 million higher when compared to fiscal 2018. This year's operational excellence capital expenditures included the completion of an energy saving project at the Vancouver refinery of $6.1 million, of which, $2.1 million was spent in fiscal 2019. In addition, $2.4 million was spent on the start of another energy saving project at the Vancouver refinery that should be completed by the end of the first quarter of fiscal 2020, for a total estimated project costs of $2.7 million. Another important project is the Maple product segment footprint optimization, for which, $2.8 million was spent in fiscal 2019. The total cost of the project is estimated at $5.5 million and should be completed by the end of the second quarter of fiscal 2020. Free cash flow is not impacted by operational excellence capital expenditures, as these projects are not necessary for the operation of the plants but are undertaken because of the substantial operational savings that are realized once the projects are completed.

The Sugar segment invested $21.2 million in "Stay in Business and Safety" capital projects for plant reliability, product security, information systems and environmental requirements. The Company is spending an increased amount on "Stay in Business and Safety" capital projects when compared to recent fiscal years. In comparison, the Maple product segment invested $0.8 million in "Stay in Business and Safety" capital projects.

During the current fiscal year, the Company spent $6.2 million to substantially complete the purchase and installation of equipment to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). Air emission testing took place in late October 2019 and preliminary results are positive. The finalization of the commissioning is expected to be completed by the end of the first quarter of fiscal 2020. The investment required for this project was considered as a one-time incremental investment to the ongoing capital expenditure program.

During the current fiscal year, Rogers purchased and cancelled a total of 122,606 common shares under the NCIB for a total cash consideration of $0.6 million, compared to 736,900 common shares acquired last fiscal year, for a total cash consideration of $4.0 million.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result is deducted from free cash flow. In fiscal 2019, an amount of $0.1 million was paid to extend and amend the revolving credit facility as opposed to $0.3 million for fiscal 2018.

The Company declared a quarterly dividend of 9.0 cents per common share, resulting in an amount payable of $37.8 million for the current year versus $38.0 million last year.

Changes in non-cash operating working capital represent year-over-year movements in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payables. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from the Company's available credit facility of $265.0 million. Increases or decreases in bank indebtedness are also due to timing issues from the above and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market, financial instruments non-cash amount and amortization of transitional balances of $7.8 million for the current fiscal year do not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

Contractual obligations

The following table identifies the outstanding contractual obligations of the Company as at year-end, and the effects such obligations are expected to have on liquidity and cash flow over the next several years:

(In thousands of dollars)	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Revolving credit facility	177,000	17,000	—	160,000	—
Interest on convertible debentures	41,723	7,506	15,013	7,506	11,698
Interest based on swap agreement	9,341	1,861	3,706	2,152	1,622
Finance lease obligations	1,025	170	329	106	420
Operating leases	20,930	3,439	5,484	3,894	8,113
Purchase obligations	63,594	63,594	—	—	—
	313,613	93,570	24,532	173,658	21,853
Sugar segment purchase obligations (in MT)	1,057,000	628,000	429,000	—	—
Maple product segment purchase obligations (in '000 pounds)	4,300	4,300	—	—	—

During fiscal 2018, the Company issued a total of $97.8 million 4.75% Seventh series debentures. In fiscal 2017, the Company issued $57.5 million 5.0% Sixth series debentures in order to partially fund the acquisition of LBMTC. The Sixth and Seventh series debentures, which mature in December 2024 and June 2025, respectively, have been excluded from the above table due to the holders' conversion option and the Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

In fiscal 2013, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, replacing the $200.0 million credit agreement that expired on the same date. On August 3, 2017, the Company amended its existing revolving credit facility to partially fund the acquisition of LBMTC. The available credit was increased by $75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). Then, on December 20, 2017, the Company amended, once again, its existing revolving credit facility thereby increasing its available credit by $40.0 million by drawing additional funds under the accordion feature ("Second Additional Accordion Borrowings") to partially fund the Decacer acquisition.

On July 9, 2019, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2024 and made minor amendments to the amended credit agreement entered into on December 20, 2017, which do not affect its outstanding borrowings nor its financial covenants. As a result of the amended revolving credit facility, the Second Additional Accordion Borrowings and the Additional Accordion Borrowings, the Company has a total of $265.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. As at September 28, 2019, a total of $422.2 million have been pledged as security for the revolving credit facility, compared to $407.8 million as at September 29, 2018, including trade receivables, inventories and property, plant and equipment.

At September 28, 2019, a total of $177.0 million had been borrowed under this facility, of which, $17.0 million was presented as current.

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. Since June 28, 2013, a number of interest rate swap agreements were put in place. The following table provides the outstanding swap agreements as at September 28, 2019 as well as their respective value, interest rate and time period:

Fiscal year contracted	Date	Total value
		$
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 – 2.08%	20,000
Total outstanding value as at September 28, 2019		100,000
		$
Forward start interest rate swaps:		
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000
Fiscal 2019	June 29, 2022 to June 28, 2024 – 2.17%	80,000

The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the contractual obligations table above. Subsequent to September 28, 2019, the Company entered into an additional interest rate swap agreement of $20.0 million at a rate of 1.68% for the period of October 3, 2019 to June 28, 2024.

Finance and operating lease obligations relate mainly to the leasing of various mobile equipment, the premises of the blending operations in Toronto and the Maple products segment operations in Granby and Dégelis, Québec, in Richmond, British Columbia and in Websterville,Vermont.

Purchase obligations represent all open purchase orders as at year-end and approximately $25.0 million for sugar beets that will be harvested and processed in fiscal 2019 but exclude any raw sugar priced against futures contracts. The purchase obligation regarding the sugar beets represents Management's best estimate of the amount expected to be payable in fiscal 2020 as of the date of this MD&A.

TMTC has $8.8 million remaining to pay related to an agreement to purchase approximately $13.9 million (4.3 million pounds) of maple syrup from the PPAQ. In order to secure bulk syrup purchases, the Company issued letters of guarantee for a total amount of $17.3 million in favor of the PPAQ. The letters of guarantee expire on March 31, 2020.

A significant portion of the Company's sales are made under fixed-price, forward-sales contracts, which extend up to three years. The Company also contracts to purchase raw cane sugar substantially in advance of the time it delivers the refined sugar produced from the purchase. To mitigate its exposure to future price changes, the Company attempts to manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar contracted for future delivery, when feasible.

The Company uses derivative instruments to manage exposures to changes in raw sugar prices, natural gas prices and foreign exchange. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

To reduce price risk, the Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the firm commitment purchase price of raw sugar.

The Company has hedged all of its exposure to raw sugar price risk movement through March 2022.

At September 28, 2019, the Company had a net long sugar position of $3.2 million in net contract amounts with a current net contract value of $4.7 million. This long position represents the offset of a smaller volume of purchases priced from suppliers than sugar priced with customers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At September 28, 2019, the Company had $37.9 million in natural gas derivatives, with a current contract value of $34.3 million.

The Company's activities, which result in exposure to fluctuations in foreign exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and Maple products and the purchasing of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that counterparties to a foreign exchange contract in which the Company has an unrealized gain, fail to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than three years and relate mostly to the U.S. currency, and to a much smaller extent, the Euro and Australian currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

At September 28, 2019, the Company had a net $99.7 million in foreign currency forward contracts with a current contract value of $99.3 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on the ICE #11 world raw sugar market. At September 28, 2019, the Company had commitments to purchase a total of 1,057,000 metric tonnes of raw sugar, of which approximately 283,000 metric tonnes had been priced, for a total dollar commitment of $113.9 million.

The Company has no other off-balance sheet arrangements.

Capital resources

As mentioned above, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, which has been amended in fiscal 2017, 2018 and 2019 to increase its borrowing capacity by requesting the Additional Accordion borrowings and the Second Additional Accordion Borrowings, which brought the total available credit to $265.0 million. In addition, the credit facility was also amended in the current year to extend its maturity to June 28, 2024. At September 28, 2019, $177.0 million had been drawn from the working capital facility, $8.3 million was drawn as bank overdraft and $0.2 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. TMTC also has seasonal working capital requirements. Although the syrup inventory is received during the third quarter of the fiscal year, its payment terms with the PPAQ requires cash payment in the first half of the fiscal year. The Company has sufficient cash and availability under its line of credit to meet such requirements.

Future commitments of approximately $19.0 million have been approved for completing capital expenditures presently in progress.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at September 28, 2019, all of the Company's registered defined benefit pension plans were in a deficit position. The Company performed actuarial evaluations for two of its three remaining pension plans as of December 31, 2016 and January 1, 2017.

The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2019, cash contributions to defined benefit pension plans decreased by approximately $0.3 million to $3.6 million. In total, the Company expects to incur cash contributions of approximately $3.7 million for fiscal 2020 relating to employee defined benefit pension plans. For more information regarding the Company's employee benefits, please refer to Note 22 of the audited consolidated financial statements.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and funds generated from operations. Management believes that the unused credit under the revolving facility is adequate to meet any future cash requirements.

OUTSTANDING SECURITIES

A total of 104,885,464 shares and 104,872,764 shares were outstanding as at September 28, 2019 and November 20, 2019, respectively (105,008,070 as at September 29, 2018).

On May 22, 2019, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("2019 NCIB"). Under the NCIB, the Company may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and may continue to May 23, 2020. During fiscal 2019, the Company purchased 122,606 common shares for a total cash consideration of $0.6 million.

In addition, the Company has entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2019 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares.

On May 22, 2018, the Company received approval from the Toronto Stock Exchange to proceed with a 2018 NCIB. Under the 2018 NCIB, the Company was able to purchase up to 1,500,000 common shares. The NCIB commenced on May 24, 2018 and ended on May 23, 2019. During fiscal 2018, the Company purchased 736,900 common shares for a total cash consideration of $4.0 million.

On March 28, 2018, the Company issued $85.0 million of 4.75% Seventh series debentures, maturing June 30, 2025, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 30, 2018. Then, on April 3, 2018, the Company issued an additional $12.8 million Seventh series debentures pursuant to the exercise in full of the over-allotment option granted by the Company. The total amount of the Seventh series debentures issued represents $97.75 million and may be converted at the option of the holder at a conversion price of $8.85 per share (representing 11,045,197 common shares) at any time prior to maturity and cannot be redeemed prior to June 30, 2021. On or after June 30, 2021and prior to June 30, 2023, the Seventh series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $8.85. Subsequent to June 30, 2023, the Seventh series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

Following the issuance of the Seventh series debentures on March 28 and April 3, 2018, the Company used a portion of the funds to repay the Fifth series debentures totalling $60.0 million at a price equal to the principal amount thereof plus accrued and unpaid interest as of March 28, 2018. The remaining funds from the issuance of the Seventh series debentures were used to reduce a portion of the amount drawn under revolving credit facility.

On July 1, 2005, the Company reserved and set aside for issuance a total of 850,000 units to be allocated to key personnel. On January 1, 2011, the 450,000 options outstanding under the unit option plan were transferred to a share option plan (the "Share Option Plan") on a one-for-one basis. Between July 2005 and March 2012, all these options were allocated at different times to executives of the Company. In fiscal 2015, the number of options for common shares set aside to be allocated to key personnel was increased from 450,000 to 4,000,000 common shares. On May 21, 2015, 850,000 share options were granted to the new President and CEO of Lantic at a price of $4.59 per common share, representing the average market price for the five business days before the granting of the options. On December 5, 2016, the Company granted a total of 360,000 share options to certain executives at an exercise price of $6.51 under the share option plan. On December 4, 2017, a total of 1,065,322 share options were granted at a price of $6.23 per common share to certain executives and senior managers. On December 3, 2018, the Company granted a total of 447,175 share options to executives at a price of $5.58 per common share. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited.

In fiscal 2018, a Performance Share Unit plan ("PSU") was created and on December 4, 2017. The following table provides the detail of the grants under the PSU:

Grant date	PSU	Additional PSU	Total PSU	Performance Cycle
December 4, 2017	224,761	25,565	250,326	2018-2020
December 3, 2018	290,448	13,858	304,306	2019-2021

The PSUs were granted to executives and will vest at the end of the Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. If the level of achievement of total shareholder returns is within the specified range, the value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan. If the level of achievement of total shareholder returns is below the minimum threshold, the PSU will be forfeited without any payments made.

In addition, in fiscal 2017, a Share Appreciation Right ("SARs") was created under the existing Share Option Plan. On December 5, 2016, a total of 125,000 SARs were issued to an executive at an exercise price of $6.51. These SARs are exercisable twenty percent per year, starting on the first anniversary date of the granting of the SARs and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all SARs granted under the Share Option Plan not vested are forfeited.

During fiscal 2018, 60,000 share options were forfeited at a price of $6.23 following the departure of a senior manager.

ENVIRONMENT

The Company's policy is to meet all applicable government requirements with respect to environmental matters. Management believes that the Company is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

As mentioned above, the Company substantially completed, during the fiscal year, the purchase and installation of equipment to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). Air emission testing took place in late October 2019 and final results are expected to be received by the end of the first quarter of fiscal 2020. The Taber factory is expected to obtain from Alberta Environment and Parks a compliance certificate following the receipt of the results.

With respect to potential environmental remediation of our properties, which could occur in the event of a building demolition or a sale, it is worth noting that the Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

Similarly, the Montréal facility has a lengthy history of industrial use. Contamination has been identified on a vacant property acquired in 2001, and the Company has been advised that additional soil and ground water contamination is likely to be present. Given the industrial use of the property, and the fact that the Company does not intend to change the use of that property in the future, the Company does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered. The Company has recorded a provision under asset retirement obligations for this purpose and the provision is expected to be sufficient.

Although the Company is not aware of any specific problems at its Toronto distribution centre, its Taber plant and any of the TMTC properties, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

RISKS AND UNCERTAINTIES

The Company's business and operations are substantially affected by many factors, including prevailing margins on refined sugar and its ability to market sugar and maple products competitively, sourcing of raw material supplies, weather conditions, operating costs and government programs and regulations.

Dependence Upon Lantic

Rogers is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders will be dependent upon the ability of Lantic and/or TMTC to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness may restrict its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by Rogers, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

Integration Related Risks and Operational Gains

The Acquisitions of LBMTC and Decacer are the only acquisitions the Corporation has concluded in recent history. To effectively integrate TMTC into its own business and operations, the Company must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to such business and operations. This will require substantial attention from management. This diversion of management attention, as well as any other difficulties which the Company may encounter in completing the transition and integration process, including difficulties in retaining key employees of TMTC, could have a material adverse impact on the Company's financial results and operations. There can be no assurance that the Company will be successful in integrating the business and operations of TMTC.

No Assurance of Future Performance

Historic and current performance of the business of the Company and TMTC may not be indicative of success in future periods. The future performance of the business after the acquisition may be influenced by economic downturns and other factors beyond the control of the Company. As a result of these factors, the operations and financial performance of the Company, including TMTC, may be negatively affected, which may materially adversely affect the Company's financial results.

Fluctuations in Margins and Foreign Exchange

The Company's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. The Company, through the Canadian-specific quota, normally sells approximately 10,300 metric tonnes of refined sugar per year in the U.S. and to Mexico and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Company's Taber beet plant, and sales to the U.S. under other announced specific quotas, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in Raw Sugar Prices

Raw sugar prices are not a major determinant of the profitability of the Company's cane sugar operations, as the price at which sugar is both purchased and sold is related to the #11 world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The #11 world raw sugar price can, however, impact the profitability of the Company's beet operations. Sugar derived from beets is purchased at a fixed price, plus an incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the #11 world raw sugar price.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

Security of Raw Sugar Supply

There are over 177 million metric tonnes of sugar produced worldwide. Of this, more than 50 million metric tonnes of raw cane sugar is traded on the world market. The Company, through its cane refining plants, buys approximately 0.7 million metric tonnes of raw sugar per year. Even though worldwide raw sugar supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that the Company and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from the Company's cane refineries to the Prairie market, normally supplied by Taber. This would increase the Company's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the harvesting and processing season could affect the Company's total beet supply and sugar extraction from beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

Regulatory Regime Governing the Purchase and Sale of Maple Syrup in Québec

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the PPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the PPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to stabilize the pricing of maple syrup.

Pursuant to the Sales Agency Regulation, the PPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the PPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the PPAQ or to "authorized buyers" accredited by the PPAQ. In Québec, 85% of the total production of maple syrup is sold to the PPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. TMTC is an authorized buyer with the PPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that TMTC will be able to maintain its status as an authorized buyer with the PPAQ. Failure by TMTC, the Corporation or Lantic to remain an authorized buyer with the PPAQ will likely affect the capacity to fully supply the resale of maple syrup or Maple products and therefore the financial results of the Corporation.

The PPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the MIC entered into the Marketing Agreement, which is expected to be renewed on an annual basis. Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the PPAQ for any maple syrup purchased from the producers. As a result, TMTC's ability to negotiate the purchase price of maple syrup is limited. Moreover, the minimum purchase price that is applicable to the authorized buyers with the PPAQ also restricts TMTC's ability to adjust its resale pricing to take into account market fluctuations due to supply and demand. TMTC's incapacity to adjust its resale prices upward to take into account any increase in consumer demand may affect the financial outlook of the Corporation.

Pursuant to the Marketing Agreement, authorized buyers must buy Maple products from the PPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years. The refusal from the PPAQ to accept the anticipated volume set forth by TMTC or the failure by TMTC to properly estimate the anticipated volume for a given year may affect the ability for TMTC to increase its reselling capacity and could materially adversely affect the Company's financial results and operations.

Production of Maple Syrup Being Seasonal and Subject to Climate Change

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. Maple syrup production is intimately tied to the weather as sap only flows when temperatures rise above freezing level during the day and drop below it during the night, such temperature difference creating enough pressure to push sap out of the maple tree. Given the sensitivity of temperature in the process of harvesting maple sap, climate change and global warming may have a material impact on such process as the maple syrup production season may become shorter. Reducing the production season for maple syrup may also have an impact on the level of production. Such phenomenon may be witnessed in Québec as well as in the New England states, such as Vermont and Maine, where substantially all of the world maple syrup is produced.

In 2002, the PPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the PPAQ may organize a sale of a portion of its accumulated reserve. There can be no assurance that TMTC will have access to some of such reserve to offset decreases in production due to weather conditions or that such reserve will be sufficient to cover a gap in the production in any given year. Any decrease in production or incapacity to purchase additional reserves from the PPAQ may affect TMTC's supply of its sales of maple syrup and other Maple products and, ultimately, its financial results.

Competition

For the Sugar segment, the Company faces domestic competition from Redpath Sugar Ltd. and smaller regional operators and/ distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes: corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame, sucralose and stevia. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of the Company.

For the Maple products segment, TMTC is among the largest branded and private label maple syrup bottling and distributing companies in the world. TMTC has three major competitors in the market and also competes against a multitude of smaller bottlers and distributing companies.

A large majority of TMTC's revenues are made under the private label line. The Corporation anticipates that for a foreseeable future, TMTC's relationship with its top private label customers will continue to be key and will continue to have a material impact on its sales. Although the Corporation considers that the relationship with its top private label customers is excellent, the loss of, or a decrease in the amount of business from, such customers, or any default in payment on their part could significantly reduce TMTC's sales and harm the Company's operating and financial results.

Consumer Habits may Change

The maple products market, both national and international, has experienced some important changes over the last few years as maple products are becoming better known and consumer preferences and consumption patterns have shifted to more natural products. Maple syrup has typically been used, principally in North America, as a natural alternative to traditional sweeteners and has been served on morning meals, such as pancakes, waffles and other breakfast bakeries for decades. The offer of maple products has recently expanded to include, among others, maple butter and maple sugar, flakes and taffy. As a result of evolving customer trends and the development of new maple products continues, TMTC will need to anticipate and meet these trends and developments in a competitive environment on a timely basis. The failure of TMTC to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced production capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Company. There is also no guarantee that the current favourable market trends will continue in the future.

Growth of TMTC's Business Relying Substantially on Exports

The size of the global wholesale market for maple syrup is currently estimated at $850 million, the United States being by far the world's largest importer, followed by Japan and Germany. Despite the increase of sales of maple products that the Canadian market has experienced in recent years, the potential for growth of this industry largely relies on the international market. Moreover, over the last few years, Vermont and Maine have increased their production of maple syrup and have now become competitors of Québec, which however remains the largest producer and exporter of maple syrup in the world. While TMTC continues to develop its selling efforts outside of Canada, including through forming new partnerships in countries where the maple syrup market is undeveloped, it will likely face high competition from other bottlers and distributers, including from other Canadian and U.S. companies, for its share of the international market. Such growing competition and the incapacity for TMTC to further develop its selling efforts outside of Canada could adversely affect the Company's capacity to grow TMTC's business and its future results. Furthermore, an incapacity to attract increased attention on maple products or a sudden lack of interest for such products from customers outside of North America may affect the Company's future results.

Operating Costs

Natural gas represents an important cost in our refining operations. Our Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp. Changes in the costs and sources of energy may affect the financial results of the Company's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. The Company hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada and for some provinces with carbon tax, rates have been increasing, which could increase the overall energy costs for the Company.

Government Regulations and Foreign Trade Policies with regards to Sugar

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years. New CITT practice is to initiate reviews later than in previous reviews so it is likely that duty protection will remain in place as late as July 2021 and could be further extended for another five years depending on the outcome of the review.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes continue to generate surplus refined sugar production and exports that threaten the Canadian sugar market. However, there is no assurance that the CITT determination in the next review will continue the duty protection for a further five years.

On November 30, 2018, a new NAFTA deal was signed by the three countries – the Canada-United States-Mexico Agreement ("CUSMA"), known as USMCA in the U.S. and T-MEX in Mexico. Through seven rounds of negotiations, the Canadian Sugar Institute (CSI) advanced Canada's sugar industry interest in securing improved U.S. market access for Canadian sugar and sugar-containing products ("SCPs") and addressing outdated quota rules for SCPs. If the "CUSMA" is implemented, it will provide Canada a combined 19,200 metric tonnes of new access consisting of two separate tariff rate quotas; one for 9,600 metric tonnes of Canadian origin refined beet sugar and a second for 9,600 metric tonnes of SCPs, with more flexible rules to allow full quota utilization. As the only producer of Canadian origin sugar, the Company's Canadian-specific sugar quota will increase from 10,300 metric tonnes to 19,900 metric tonnes once the CUSMA is in place. It has not yet been determined how the SCP quota allocation will be administered within the Canadian refined sugar industry.

Implementation of the CUSMA requires ratification by all three countries. Mexico ratified the deal on July 29, 2019. Canada started the process towards ratification in the House of Commons prior to the October 2019 federal election, so the government will have to bring this back for Parliamentary debate before it can be ratified. The process is much more uncertain in the U.S. where the democratic controlled House of Representatives continues to delay a vote. If the agreement receives Congressional support in 2019, it could be implemented in 2020.

The Canada-European trade agreement ("CETA") entered into force provisionally on September 21, 2017 and includes an SCP quota set at 30,000 metric tonnes annually through 2021. The quota is allocated 90% to Canadian refiners on an equal share basis. Depending on quota utilization, the volume has the potential to increase in 5 year increments to reach 51,840 metric tonnes over 15 years. Canada's sugar industry has yet to benefit from the new access to the EU given the October 1, 2017 removal of EU domestic sugar quotas and ongoing domestic subsidies which generate substantial surplus sugar supplies and reduce market prices. Regardless, the Company is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to the Company in the future. The CSI is also closely monitoring developments with respect to the UK Brexit on future market access opportunities for SCPs.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") entered into force on December 30, 2018 for the first six countries that ratified the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. Vietnam joined on January 14, 2019, leaving Brunei, Chile, Malaysia and Peru still to ratify. The CPTPP countries are diverse in terms of sugar policies and trade but collectively may provide an opportunity to advance trade in refined sugar and SCPs over the medium to long term. Lantic and the other Canadian sugar refiner may benefit from new access for SCPs in Japan, Vietnam and Malaysia (after ratification) as the phase-out of tariffs proceed over several years. A number of other countries have expressed varying degrees of interest in joining the CPTPP and may provide additional export opportunities in the long term. Much technical work remains to determine specific product opportunities and import procedures before the Company can ascertain whether any financial benefits will result from the CPTPP in fiscal 2020 or subsequent years.

Canada has entered into free trade agreements ("FTAs") with numerous countries on a bilateral or regional basis, however, few beyond the NAFTA (or new CUSMA), CETA and potentially the CPTPP offer significant market potential for Canadian sugar and SCPs. There are a number of reasons why these FTAs have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. "Rules of origin" in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available for both refined beet and cane sugar.

The CSI will continue to monitor Canada's exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada's sugar industry while also monitoring potential threats. The Company continues to remain concerned that the inclusion of refined sugar in Canada's various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The Canada-Mercosur free trade negotiations are an example (includes Argentina, Brazil, Paraguay and Uruguay). Exploratory discussions towards an FTA with the ASEAN region also limit export prospects given Thailand's large surplus production and dominance in the region.

The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization ("WTO"). The WTO agriculture negotiations have not advanced since they stalled in July 2008, however like-minded WTO members including Canada are actively collaborating to find ways to strengthen and modernize the WTO to ensure there remains a strong rules-based multilateral trading system in the face of rising global protectionism. Efforts by Canada and other like-minded countries are essential to maintain and reform this international body while continuing to provide an effective dispute settlement and appeals process.

Reaffirming the critical value of a modernized WTO along with growing regional integration through comprehensive and ambitious FTAs such as the CETA and CPTPP provide the best medium to long term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry and its ability to support a vibrant food processing industry in Canada.

Foreign Trade Policies with regards to Maple products

TMTC's international operations are also subject to inherent risks, including change in the free flow of food products between countries, fluctuations in currency values, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions, including the United States, TMTC's current and expected largest market, could impose tariffs, quotas, trade barriers and other similar restrictions on TMTC's international sales and subsidize competing agricultural products.

All of these risks could result in increased costs or decreased revenues, either of which could materially adversely affect TMTC's financial condition and results of operations. The implementation of CETA removes the duties on imported maple syrup which could benefit the Company in additional export volume to the EU.

Unexpected Costs or Liabilities Related to the Acquisition

Although the Company has conducted due diligence in connection with the acquisitions of LBMTC and Decacer, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, TMTC and its business. Lantic sought insurance to cover any potential liability under the Purchase Agreement of LBMTC and subscribed to the representation and warranties insurance ("RWI") Policy, with coverage of up to $16.0 million and a deductible of $1.6 million, half of which will be assumed by the previous shareholders of LBMTC. Although Lantic has subscribed to the RWI Policy which provides for a $16.0 million coverage, the RWI Policy is subject to certain exclusions. In addition, there may be circumstances for which the insurer may elect to limit such coverage or refuse to indemnify Lantic or situations for which the coverage provided under the RWI Policy may not be sufficient or applicable and Lantic may have to seek indemnifications from the previous shareholders of LBMTC. The existence of any undisclosed liabilities and Lantic's inability to claim indemnification from the previous shareholders of LBMTC or the provider of the RWI Policy could materially adversely affect the Company's financial results and its operations.

Employee Relations

The majority of the Lantic's operations are unionized and agreements are currently in place in each unionized facility. The next collective bargaining agreement to expire will be in fiscal 2021.

In fiscal 2019, a six-year labour agreement, expiring in June 2024, was reached with the unionized employees of the Toronto warehouse. The new agreement was agreed at competitive rates.

TMTC's bottling plant in Granby, Québec is under a collective bargaining agreement, which is currently scheduled to expire in May 2023.

Strikes or lock-outs in future years could restrict the ability of the Company to service its customers in the affected regions, consequently affecting the Company's revenues.

Food Safety and Consumer Health

The Company is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

The Company's facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. The Company also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Consumers, public health officials and government officials are increasingly concerned about the public health consequences of obesity, particularly among young people. In addition, some researchers, health advocates and dietary guidelines are suggesting that consumption of sugar, in various forms, is a primary cause of increased obesity rates and are encouraging consumers to reduce their consumption of sugar. Increasing public concern about obesity and other health conditions; possible new or increased taxes on products containing sugar, such as sugar-sweetened beverages by government entities to reduce consumption or to raise revenue; shift in consumer preferences from sugar to other types of sweeteners; additional governmental regulations concerning the marketing, labeling, packaging or sale of products and negative publicity may reduce demand for the products of the Company and each of the aforementioned factors could materially adversely affect the Company's financial results and operations.

Cybersecurity

The Company faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect the Company's ability to operate. The Company's operations require it to use and store personally identifiable and other sensitive information of its employees, notably. The collection and use of personally identifiable information is governed by Canadian federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. The security measures put in place by the Company in that regard cannot provide absolute security, and the Company's information technology infrastructure may be vulnerable to cyberattacks, including without limitation, malicious software, attempts to gain unauthorized access to data hereinabove mentioned, and other electronic security breaches that could lead to disruptions in critical systems, corruptions of data and unauthorized release of confidential or otherwise protected information. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported by the Company's operations. These developments may subject the Company's operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could materially and adversely affect the Company's financial results and operations.

The Company seeks to manage cybersecurity risk by continuing to invest in appropriate information technology systems, infrastructure and security, including disaster plans, reviewing its existing technologies, processes and practices on a regular basis and ensuring employees understand and are aware of their role in protecting the integrity of the Company's technological security and information. The Company relies on third party products and services to assist it in protecting its information technology infrastructure and its proprietary and confidential information. The Company seeks to be proactive in the area of cybersecurity and consequently anticipates that it will continue to incur expenses in relation to, and dedicate personnel and other resources to, cybersecurity, as new and increasingly complex threats and risks are identified and responded to.

Environmental Matters

The operations of the Company are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and the Company anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance.

As mentioned above, the Company substantially completed the purchase and installation of equipment to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). Air emission testing took place in late October 2019 and preliminary results are positive. The finalization of the commissioning is expected to be completed by the end of the first quarter of fiscal 2020. No assurance can be given that such air emission testing will meet the requirements of Alberta Environment and Park.

Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by the Company currently or in the past can be imposed by environmental regulators or other third parties. Such liabilities could materially adversely affect the Company's financial results and operations.

Income Tax Matters

The income of the Company must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Company including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic and TMTC's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to Rogers for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers and TMTC to Lantic.

Management and Operation of Lantic

The Board of Directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belkorp Industries. As a result, holders of shares have limited say in matters affecting the operations of Lantic; if such holders are in disagreement with the decisions of the Board of Directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the Board of Directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and the Company.

OUTLOOK

Sugar

We estimate that the current 2019 beet crop should derive a quantity of refined sugar ranging between 60,000 to 70,000 metric tonnes, as opposed to 125,000 metric tonnes as previously expected, following severe adverse weather in Alberta. The decision was made in early November to terminate the beet harvest as severe snow and frost damage resulted in an inability to store or process the unharvested damaged sugar beet crop. The Company is reviewing all available options to service its customers, one of which will include the supply of cane sugar from the Vancouver and Montréal refineries as they both have excess capacity. The Company will work to mitigate the financial implication of a smaller sugar beet crop.

Given the smaller crop in Taber, export volume is expected to be approximately 15,000 metric tonnes lower than fiscal 2019. The Company has a long-term relationship with its customer in Mexico and, as a result, we were able to reduce its shipments in fiscal 2020 and roll commitments into fiscal 2022 at no additional costs to the Company. Shipments to the USA under the Canada-specific U.S. quota of 10,300 metric tonnes have been fully considered in our reconfigured supply chain and will be fully delivered in fiscal 2020.

The Company anticipates that the consumer segment should be approximately 10,000 metric tonnes higher than fiscal 2019. During the current fiscal year, the Company gained additional business with an existing consumer account which started in April 2019 and as such, will improve consumer volume in fiscal 2020.

The Taber factory delivers a significant portion of its volume to liquid customers, which is still expected to occur in fiscal 2020. Therefore, the Company's liquid segment is expected to be comparable to fiscal 2019.

Industrial volume should be slightly lower than fiscal 2019.

Despite the challenges expected as a result of a small crop in Taber, the Company anticipates that the overall sales volume in fiscal 2020 should be approximately 735,000 metric tonne, thus approximately 6,000 metric tonnes lower than fiscal 2019.

On May 22, 2019, the Alberta Legislature announced that Bill 1, An Act to Repeal the Carbon Tax, will take effect on June 1, 2019. Bill 1 has effectively removed the carbon tax in Alberta, which was set at $1.517 per gigajoule by the previous government. On June 13, 2019, the Canadian government announced that on January 1, 2020, the Federal government will impose a carbon tax on Alberta, which will be equivalent to the carbon tax that was removed on June 1, 2019. The Alberta government has launched a constitutional challenge in court. Then on October 30, 2019, the Alberta government proposed a new carbon tax on large emitters called the "Technology Innovation and Emissions Reduction ("TIER")" system that would tax large emitting facilities. The Federal government is reviewing the proposal by Alberta in order to decide if it will continue to impose or not the Federal carbon tax on Alberta. It is unclear how the carbon tax will be calculated starting on January 1, 2020 but in light of the reduced beet crop, it is not expected to have a significant financial impact as the slicing campaign should be completed by the end of December. Savings of approximately $2.7 million are expected in the first half of fiscal 2020 as a result of the temporary removal of the carbon tax in Alberta as well as the shorter slicing campaign. No other changes are expected on carbon tax in British Columbia and Québec.

In light of the smaller crop in Taber, it is expected that distribution costs will increase in fiscal 2020 since our supply chains will be out of balance.

With the completion of the air emission project, capital spend for the Sugar segment is expected to return to a level of approximately $20.0 million, including a high proportion of return on investment capital expenditures.

Maple products

In fiscal 2019, the Company experienced increased competitive activities as a result of a new entrant in the maple bottling business. We are confident in our ability to defend our market share; however, as a result of the increased competition, we have experienced margin pressures in the Maple products segment and anticipate these pressures to remain until current market conditions improve. In addition to defending our current market share, the Company will continue to invest in the business to lower operating cost and build new sales volume through the pursuit of new markets and value-added products.

As part of our strategy to enhance our competitive advantage, we have embarked on a footprint optimization project that will result in increased capacity. Once the footprint optimization project is completed, the Company will be well positioned to have ample capacity to respond to future growth and be more competitive through more cost-efficient facilities. The footprint optimization, with the repurposing of the St-Honoré-de-Shenley facility, the relocation of the Granby facility and the expansion of the Degelis facility, has, in the short-term, created some short-term operational inefficiencies and capacity constraints in the second half of fiscal 2019. The Company has taken several steps to address the core operational issues by temporary augmenting its production capacity by increasing staffing in order to add production hours as well as transferring some production to its Vermont facility. As a result, we expect the Degelis site to continuously improve and hit target efficiencies by the end of the first quarter of calendar 2020. Granby operations have taken on some of the production overflow from Degelis and will complete a planned transition to a new site by January 31, 2020. We expect that the economic benefit of this transition will start to be realized after the second quarter of fiscal 2020. No changes are expected in our Vermont facility.

The Company expects to spend approximately $7.0 million for its footprint optimization, of which, approximately $4.0 million will be spent in fiscal 2020 to complete the Granby relocation.

See "Forward Looking Statements" section and "Risks and Uncertainties" section.

NON-GAAP MEASURES

In analyzing results, we supplement the use of financial measures that are calculated and presented in accordance with IFRS with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with IFRS. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with the non-GAAP financial measures of other companies having the same or similar businesses. We strongly encourage investors to review the audited consolidated financial statements and publicly filed reports in their entirety, and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-GAAP financial measures reflect an additional way of viewing aspects of the operations that, when viewed with the IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

The following is a description of the non-GAAP measures used by the Company in the MD&A:

- Adjusted gross margin is defined as gross margin adjusted for:
    - "the adjustment to cost of sales", which comprises the mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as shown in the notes to the consolidated financial statements and the cumulative timing differences as a result of mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as described below; and
    - "the amortization of transitional balance to cost of sales for cash flow hedges", which is the transitional marked-to-market balance of the natural gas futures outstanding as of October 1, 2016 amortized over time based on their respective settlement date until all existing natural gas futures have expired, as shown in the notes to the consolidated financial statements.

- Adjusted operating results ("Adjusted EBIT") is defined as EBIT adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges.

- Adjusted EBITDA is defined as adjusted EBIT adjusted to add back depreciation and amortization expenses, goodwill impairment, the Sugar segment acquisition costs and the Maple products segment non-recurring expenses.

- Adjusted net earnings is defined as net (loss) earnings adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges, the amortization of transitional balance to net finance costs and the income tax impact on these adjustments. Amortization of transitional balance to net finance costs is defined as the transitional marked-to-market balance of the interest rate swaps outstanding as of October 1, 2016, amortized over time based on their respective settlement date until all existing interest rate swaps agreements have expired, as shown in the notes to the consolidated financial statements.

- Adjusted gross margin rate per MT is defined as adjusted gross margin of the Sugar segment divided by the sales volume of the Sugar segment.

- Adjusted gross margin percentage is defined as the adjusted gross margin of the Maple products segment divided by the revenues generated by the Maple products segment.

- Adjusted net earnings per share is defined as adjusted net earnings divided by the weighted average number of shares outstanding.

- Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, amortization of transitional balances, financial instruments non-cash amount, deferred financing charges and includes funds received from stock options exercised and excludes funds paid for the purchase and cancellation of shares and includes capital and intangible assets expenditures, net of operational excellence capital expenditures. Free cash flow for fiscal 2017 excludes any funds received or paid as part of the short form prospectus offering for subscription receipts and convertible unsecured subordinated debentures issued in July 2017. Free cash flow for fiscal 2018 excludes any funds received or paid for the issuance of the convertible unsecured subordinated debentures issued in March 2018.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding the financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. These non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of the Company's results as reported under GAAP. Reconciliations of non-GAAP financial measures to the most directly comparable IFRS financial measures are as follows:

Consolidated results	**Fourth Quarter Fiscal 2019**			Fourth Quarter Fiscal 2018		
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Gross margin	**24,643**	**4,430**	**29,073**	21,640	7,615	29,255
Total adjustment to the cost of sales [1]	**(285)**	**238**	**(47)**	4,158	(649)	3,509
Adjusted Gross Margin	**24,358**	**4,668**	**29,026**	25,798	6,966	32,764
Results from operating activities ("EBIT")	**16,448**	**(49,248)**	**(32,800)**	13,981	4,250	18,231
Total adjustment to the cost of sales [1]	**(285)**	**238**	**(47)**	4,158	(649)	3,509
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Adjusted results from operating activities ("Adjusted EBIT")	**16,163**	**990**	**17,153**	18,139	3,601	21,740
Results from operating activities ("EBIT")	**16,163**	**990**	**17,153**	18,139	3,601	21,740
Total adjustment to the cost of sales [1]	**(285)**	**238**	**(47)**	4,158	(649)	3,509
Depreciation of property, plant and equipment and amortization of intangible assets	**3,499**	**1,432**	**4,931**	3,431	1,165	4,596
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Maple Segment non-recurring costs [1]	**—**	**131**	**131**	—	(4)	(4)
Adjusted EBITDA [1]	**19,662**	**2,553**	**22,215**	21,570	4,762	26,332
Net (loss) earnings			**(40,021)**			9,633
Total adjustment to the cost of sales [1]			**(47)**			3,509
Goodwill impairment			**50,000**			—
Amortization of transitional balance to net finance costs [1]			**(69)**			(128)
Income taxes on above adjustments			**47**			(892)
Adjusted net earnings			**9,910**			12,122
Net (loss) earnings per share (basic)			**(0.38)**			0.09
Adjustment for the above			**0.47**			0.03
Adjusted net earnings per share (basic)			**0.09**			0.12

Consolidated results		**Fiscal 2019**			Fiscal 2018	
(In thousands of dollars)	**Sugar**	**Maple Products**	**Total**	Sugar	Maple Products	Total
	$	**$**	**$**	$	$	$
Gross margin	**100,301**	**22,274**	**122,575**	102,578	28,275	130,853
Total adjustment to the cost of sales [1]	**(6,269)**	**272**	**(5,997)**	(2,919)	(1,572)	(4,491)
Adjusted Gross Margin	**94,032**	**22,546**	**116,578**	99,659	26,703	126,362
Results from operating activities ("EBIT")	**65,539**	**(41,392)**	**24,147**	70,748	13,352	84,100
Total adjustment to the cost of sales [1]	**(6,269)**	**272**	**(5,997)**	(2,919)	(1,572)	(4,491)
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Adjusted results from operating activities ("Adjusted EBIT") [1]	**59,270**	**8,880**	**68,150**	67,829	11,780	79,609
Results from operating activities ("EBIT")	**59,270**	**8,880**	**68,150**	67,829	11,780	79,609
Total adjustment to the cost of sales [1]	**(6,269)**	**272**	**(5,997)**	(2,919)	(1,572)	(4,491)
Depreciation of property, plant and equipment and amortization of intangible assets	**13,865**	**5,356**	**19,221**	13,495	4,979	18,474
Goodwill impairment	**—**	**50,000**	**50,000**	—	—	—
Maple Segment non-recurring costs [1]	**—**	**437**	**437**	—	1,859	1,859
Adjusted EBITDA [1]	**73,135**	**14,673**	**87,808**	81,324	18,618	99,942
Net (loss) earnings			**(8,167)**			48,729
Total adjustment to the cost of sales [1]			**(5,997)**			(4,491)
Goodwill impairment			**50,000**			—
Amortization of transitional balance to net finance costs [1]			**(378)**			(532)
Income taxes on above adjustments			**1,621**			1,326
Adjusted net earnings			**37,079**			45,032
Net (loss) earnings per share (basic)			**(0.08)**			0.46
Adjustment for the above			**0.43**			(0.03)
Adjusted net earnings per share (basic)			**0.35**			0.43

[1] See "Adjusted results" section.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited consolidated financial statements in conformity with IFRS requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. Such estimates include the valuation of goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, the provision for asbestos removal and pension obligations. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience, knowledge of economics and market factors, and various other assumptions that management believe to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised. Refer to note 2 (d) to the audited consolidated financial statements for more detail.

CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these audited consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 16, *Leases*:

  On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases.

  This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

  This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

  The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019.

  The adoption of IFRS 16 will have a significant impact on the Company's consolidated financial statements, as the Company will recognize new assets and liabilities for its operating leases of warehouses, operating properties, railcars and production equipment. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. On a go-forward basis, there will be a decrease in operating lease expense and an increase in depreciation and amortization and interest expense.

  The Company intends to adopt this standard using the modified retrospective approach measuring the right-of-use asset to be equal to the lease liability with no restatement of the comparative period. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

  - the Company will not reassess whether a contract is, or contains, a lease at the date of initial application and instead will apply IFRS 16 to contracts that were previously identified as leases applying IAS 17, Leases;

  - the Company will rely on the assessment of the onerous lease provisions under IAS 37, Provisions, contingent liabilities and contingent assets, instead of performing an impairment review. The Company will adjust the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognized in the consolidated balance sheet immediately before the date of initial application;

  - the Company will account for leases for which the lease term ends within twelve months of September 28, 2019 as short-term leases; and

  - the Company will use hindsight in determining the lease term at the date of initial application.

The Company's preliminary assessment of the impact of the adoption of the standard is an increase of the lease liability of approximately $11.0 million and an increase in the right-of-use asset of approximately $11.0 million on the consolidated statement of financial position as at September 29 2019. As amounts previously recognized as lease expenses will be replaced by the depreciation of the right-of-use asset and the lease liability finance costs, the consolidated statement of (loss) earnings and comprehensive (loss) income will be affected.

Additional new standards, and amendments to standards and interpretations, include: IFRIC 23 *Uncertainty over Income Tax Treatments*, Annual Improvements to IFRS Standards (2015-2017) Cycle and Amendments to References to the Conceptual Framework in IFRS Standards. The Company intends to adopt these new standards, and amendments to standards and interpretations, in its consolidated financial statements in each of their respective annual period for which they become applicable. The Company does not expect the amendments to have a material impact on the consolidated financial statements. Refer to note 3 (s) to the audited consolidated financial statements for more detail.

CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Vice-President Finance and Chief Financial Officer ("CFO"), in that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO, have designed the disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at September 28, 2019, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Company's DC&P were appropriately designed and were operating effectively as at September 28, 2019.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO have also designed internal controls over financial reporting ("ICFR"), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS using the framework established in "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". As at September 28, 2019, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's ICFR. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at September 28, 2019.

In designing and evaluating such controls, it should be recognized that, due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is obliged to use judgement in evaluating controls and procedures.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rogers Sugar Inc. and all the information in this annual report pertaining to the Corporation are the responsibility of the Administrator and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by the Administrator in accordance with International Financial Reporting Standards by applying the detailed accounting policies set out in the notes to the financial statements. The Administrator is of the opinion that the consolidated financial statements were prepared based on reasonable and material criteria and using justifiable and reasonable estimates. The Administrator has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

The Administrator maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Corporation. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders. The committee also considers, for review by the Board and approval by the Shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements of the Corporation have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. KPMG LLP has full and free access to the Audit Committee.

John Holliday,
President and Chief Executive Officer
Lantic Inc., Administrator

Manon Lacroix,
Vice President Finance, Chief Financial Officer and Secretary
Lantic Inc., Administrator

November 20, 2019

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

Opinion

We have audited the consolidated financial statements of Rogers Sugar Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at September 28, 2019 and September 29, 2018,
- the consolidated statements of (loss) earnings and comprehensive (loss) income for fiscal years ended September 28, 2019 and September 29, 2018,
- the consolidated statements of changes in shareholders' equity for fiscal years ended September 28, 2019 and September 29, 2018,
- the consolidated statements of cash flows for fiscal years ended September 28, 2019 and September 29, 2018,
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 28, 2019 and September 29, 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the financial statements.

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Aaron Fima.
Montréal, Canada
November 20, 2019

* CPA auditor, CA, public accountancy permit No. A125211

Consolidated statements of (loss) earnings	Fiscal years ended **September 28, 2019**	 September 29, 2018
	$	$
Revenues (note 34)	**794,292**	805,201
Cost of sales	**671,717**	674,348
Gross margin	**122,575**	130,853
Administration and selling expenses	**31,571**	32,071
Distribution expenses	**16,857**	14,682
Goodwill impairment (note 16)	**50,000**	—
	98,428	46,753
Results from operating activities	**24,147**	84,100
Finance income (note 6)	**(378)**	(532)
Finance costs (note 6)	**18,491**	17,664
Net finance costs (note 6)	**18,113**	17,132
Earnings before income taxes	**6,034**	66,968
Income tax expense (recovery) (note 7):		
Current	**16,084**	17,967
Deferred	**(1,883)**	272
	14,201	18,239
Net (loss) earnings	**(8,167)**	48,729
Net (loss) earnings per share (note 29):		
Basic	**(0.08)**	0.46
Diluted	**(0.08)**	0.43

Consolidated statements of comprehensive (loss) income	Fiscal years ended **September 28, 2019**	 September 29, 2018
	$	$
Net (loss) earnings	**(8,167)**	48,729
Other comprehensive (loss) income:		
Items that are or may be reclassified subsequently to net (loss) earnings:		
Cash flow hedges (note 11)	**(4,763)**	(32)
Income tax on other comprehensive (loss) income (note 7)	**1,243**	9
Foreign currency translation differences	**425**	506
	(3,095)	483
Items that will not be reclassified to net (loss) earnings:		
Defined benefit actuarial (losses) gains (note 22)	**(19,902)**	6,643
Income tax expense (recovery) on other comprehensive (loss) income (note 7)	**5,194**	(1,763)
	(14,708)	4,880
Other comprehensive (loss) income	**(17,803)**	5,363
Net (loss) earnings and comprehensive (loss) income for the year	**(25,970)**	54,092

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

	September 28, 2019	September 29, 2018
	$	$
ASSETS		
Current assets:		
Cash	**284**	2,101
Restricted cash (note 8)	**—**	846
Trade and other receivables (note 9)	**85,823**	81,736
Income taxes receivable	**1,977**	—
Inventories (note 10)	**182,359**	179,325
Prepaid expenses	**4,162**	5,304
Derivative financial instruments (note 11)	**931**	4,011
Total current assets	**275,536**	273,323
Non-current assets:		
Property, plant and equipment (note 12)	**220,408**	208,899
Intangible assets (note 13)	**35,444**	38,947
Other assets (note 14)	**928**	985
Deferred tax assets (note 15)	**19,684**	12,976
Derivative financial instruments (note 11)	**21**	2,072
Goodwill (note 16)	**283,007**	333,007
Total non-current assets	**559,492**	596,886
Total assets	**835,028**	870,209
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	**8,325**	5,469
Revolving credit facility (note 17)	**17,000**	12,000
Trade and other payables (note 18)	**117,735**	113,777
Income taxes payable	**—**	3,506
Provisions (note 20)	**878**	1,006
Finance lease obligations (note 21)	**139**	50
Derivative financial instruments (note 11)	**615**	1,847
Current portion of other long-term liabilities (note 19)	**—**	773
Total current liabilities	**144,692**	138,428
Non-current liabilities:		
Revolving credit facility (note 17)	**160,000**	160,000
Employee benefits (note 22)	**51,810**	31,494
Provisions (note 20)	**819**	1,199
Derivative financial instruments (note 11)	**4,677**	2,720
Finance lease obligations (note 21)	**742**	64
Convertible unsecured subordinated debentures (note 23)	**144,230**	142,421
Deferred tax liabilities (note 15)	**42,626**	44,238
Total non-current liabilities	**404,904**	382,136
Total liabilities	**549,596**	520,564
Shareholders' equity:		
Share capital (note 24)	**100,522**	100,639
Contributed surplus	**300,626**	300,436
Equity portion of convertible unsecured subordinated debentures (note 23)	**5,085**	5,085
Deficit	**(109,654)**	(63,171)
Accumulated other comprehensive (loss) income	**(11,147)**	6,656
Total shareholders' equity	**285,432**	349,645
Commitments (notes 26 and 27)		
Contingencies (note 28)		
Total liabilities and shareholders' equity	**835,028**	870,209

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

	For the fiscal year ended September 28, 2019								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total
		$	$	$	$	$	$	$	$
Balance, September 29, 2018	105,008,070	100,639	300,436	5,085	6,070	272	314	(63,171)	349,645
Net loss for the year	—	—	—	—	—	—	—	(8,167)	(8,167)
Dividends (note 24)	—	—	—	—	—	—	—	(37,793)	(37,793)
Purchase and cancellation of shares (note 24)	(122,606)	(117)	—	—	—	—	—	(523)	(640)
Share-based compensation (note 25)	—	—	190	—	—	—	—	—	190
Cash flow hedges, net of tax (note 11)	—	—	—	—	—	(3,520)	—	—	(3,520)
Defined benefit actuarial gains, net of tax (note 22)	—	—	—	—	(14,708)	—	—	—	(14,708)
Translation of foreign operations	—	—	—	—	—	—	425	—	425
Balance, September 28, 2019	104,885,464	100,522	300,626	5,085	(8,638)	(3,248)	739	(109,654)	285,432

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

	For the fiscal year ended September 29, 2018								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total
		$	$	$	$	$	$	$	$
Balance, September 30, 2017	105,743,582	101,335	300,247	3,141	1,190	295	(192)	(71,860)	334,156
Net earnings for the year	—	—	—	—	—	—	—	48,729	48,729
Dividends (note 24)	—	—	—	—	—	—	—	(37,971)	(37,971)
Purchase and cancellation of shares (note 24)	(736,900)	(706)	—	—	—	—	—	(3,257)	(3,963)
Share-based compensation (note 25)	—	—	189	—	—	—	—	—	189
Conversion of convertible debentures into common shares (notes 23 and 24)	1,388	10	—	—	—	—	—	—	10
Repurchase of convertible debentures (note 23)	—	—	—	(1,188)	—	—	—	1,188	—
Issuance of convertible debentures, net of tax (note 23)	—	—	—	3,132	—	—	—	—	3,132
Cash flow hedges, net of tax (note 11)	—	—	—	—	—	(23)	—	—	(23)
Defined benefit actuarial gains, net of tax (note 22)	—	—	—	—	4,880	—	—	—	4,880
Translation of foreign operations	—	—	—	—	—	—	506	—	506
Balance, September 29, 2018	105,008,070	100,639	300,436	5,085	6,070	272	314	(63,171)	349,645

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

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Cash flows from operating activities:		
Net (loss) earnings	**(8,167)**	48,729
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	**15,449**	14,716
Amortization of intangible assets (note 5)	**3,772**	3,758
Changes in fair value of derivative financial instruments included in cost of sales	**1,472**	(7,645)
Income tax expense (note 7)	**14,201**	18,239
Pension contributions	**(8,422)**	(8,435)
Pension expense	**8,836**	7,403
Net finance costs (note 6)	**18,113**	17,132
Loss on disposal of property, plant and equipment (note 12)	**(16)**	—
Share-based compensation – equity settled (note 25)	**190**	189
Share-based compensation – cash settled (note 25)	**5**	(5)
Goodwill impairment (note 16)	**50,000**	—
Other	**7**	(21)
	95,440	94,060
Changes in:		
Trade and other receivables	**(4,039)**	2,205
Inventories	**(2,828)**	8,962
Prepaid expenses	**1,143**	(2,315)
Trade and other payables	**4,306**	(20,866)
Provisions (note 20)	**(578)**	(750)
	(1,996)	(12,764)
Cash generated from operating activities:	**93,444**	81,296
Interest paid	**(16,350)**	(14,952)
Income taxes paid	**(21,226)**	(13,432)
Net cash flows from operating activities	**55,868**	52,912
Cash flows used in financing activities:		
Dividends paid	**(37,804)**	(38,037)
Increase in bank overdraft	**2,856**	5,469
Increase in revolving credit facility (note 17)	**5,000**	2,000
Issuance of convertible debentures, net of underwriting fees and issuances costs of $4.5 million (note 23)	**—**	93,238
Repurchase of convertible debentures (note 23)	**—**	(59,990)
Purchase and cancellation of shares (note 24)	**(640)**	(3,963)
Payment of financing fees (note 14)	**(140)**	(272)
Net cash flows used in financing activities	**(30,728)**	(1,555)
Cash flows used in investing activities:		
Business combination, net of cash acquired and prior year adjustments (Note 4)	**—**	(42,084)
Payment of purchase price payable	**—**	(690)
Additions to property, plant and equipment, net of proceeds on disposal	**(26,837)**	(23,271)
Additions to intangible assets (note 13)	**(172)**	(384)
Net cash used in investing activities	**(27,009)**	(66,429)
Effect of changes in exchange rate on cash	**52**	140
Net decrease in cash	**(1,817)**	(14,932)
Cash, beginning of year	**2,101**	17,033
Cash, end of year	**284**	2,101

Supplemental cash flow information (note 30).

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

1. REPORTING ENTITY

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the Canada Business Corporations Act. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The consolidated financial statements of Rogers as at September 28, 2019 and September 29, 2018 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and The Maple Treat Corporation ("TMTC"), (together referred to as the "Company"). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2019 and 2018 represent the years ended September 28, 2019 and September 29, 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on November 20, 2019.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

(i) derivative financial instruments are measured at fair value,

(ii) equity-settled share-based compensation, cash-settled share appreciation rights and cash-settled performance share units are measured at fair value,

(iii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs; and

(iv) assets and liabilities acquired in business combinations are measured at fair value at acquisition date, less any subsequent impairment, if applicable.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, since it is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except as noted and per share amounts.

(d) Use of estimates and judgements:

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions about future events that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years.

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements:

2. BASIS OF MEASUREMENT (CONTINUED)

(d) Use of estimates and judgements (continued):

(i) Embedded derivatives:
As at October 2, 2016, embedded derivatives, which related to the foreign exchange component of certain sales contracts denominated in U.S. currency, were no longer separated from the host contract as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate was applied prospectively, as such, any contracts for which it was determined there was an embedded derivative and that needed to be separated from the host contract as of October 1, 2016 continued to be treated as such as a transitional step to meet the new interpretation. These contracts continued to be marked-to-market every quarter until all the volume on the contract was delivered. As at September 28, 2019, there were no embedded derivatives outstanding.

(ii) Useful lives of property, plant and equipment:
The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation on a prospective basis, if necessary.

(iii) Goodwill impairment:
The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods.

(iv) Asset impairment:
The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make subjective assessments, linking the possible loss of value of assets to future economic performance, and determine the amount of asset impairment that should be recognized, if any.

(v) Income taxes:
The calculation of income taxes requires judgement in interpreting tax rules and regulations. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate income in the future against which they can be utilized.

(vi) Pension plans:
The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

(vii) Business combinations:
Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations.

(viii) Consolidation:
See Note 3(a), Basis of consolidation.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. These estimates and assumptions are based on management's best estimates and judgments. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future years affected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

(i) Subsidiaries:

The consolidated financial statements include the Company and the subsidiary it controls, Lantic Inc. ("Lantic") and its subsidiaries, TMTC, 9020-2292 Québec Inc. ("Decacer") and Highland Sugarworks Inc. ("Highland") (the latter three companies together referred to as "TMTC"). Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company owns 100% of the common shares of Lantic. Lantic Capital Inc., a wholly-owned subsidiary of Belkorp Industries Inc., owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for a nominal value of one dollar each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic's shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc.'s ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for a nominal value of one dollar, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of control involves a high degree of judgement. Based on all the facts and available information, management has concluded that the Company has control of Lantic.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(ii) Business combinations:

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value of the assets transferred, and any debt and equity interests issued by the Company on the date control of the acquired company are obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Contingent consideration classified as a liability that is a financial instrument is subsequently remeasured at fair value, with any resulting gain or loss recognized in the consolidated statements of (loss) earnings and comprehensive (loss) income.

Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and are included in administration and selling expenses in the consolidated statements of (loss) earnings and comprehensive (loss) income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net (loss) earnings of the period.

(c) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income (loss) in the accumulated foreign currency translation differences account. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income or loss.

(d) Cash:

Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

(e) Inventories:

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Property, plant and equipment:

Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued):

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in cost of sales for assets used in production and in administration and selling expenses for all other assets.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and, if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. The estimated useful lives are as follows:

Barrels	6 years
Buildings	20 to 60 years
Furniture and fixtures	5 to 10 years
Machinery and equipment	5 to 40 years

Finance leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and depreciation is adjusted on a prospective basis, if necessary.

(g) Intangible assets:

(i) Goodwill:
Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the fair value of the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued):

(ii) Other intangible assets:
Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use. The estimated useful lives are as follows:

Software	5 to 15 years
Customer relationships	10 years
Other	10 years

Brand names are not amortized as they are considered to have an indefinite life.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

For intangible assets with finite life, useful lives and residual values are reviewed at each financial year-end and amortization is adjusted on a prospective basis, if necessary.

(h) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position.

(i) Impairment:

Non-financial assets:
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated yearly at the same time, at year-end, and whenever there is an indication that the asset might be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued):

Non-financial assets (continued):

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU.

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 or group of assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits:

(i) Pension benefit plans:
The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits for some retirees and employees.

Defined contribution plans
The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the years during which services are rendered by employees.

Defined benefit plans
The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued):

(i) Pension benefit plans (continued):

Defined benefit plans (continued)

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive (loss) income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Costs related to plan settlements are recorded at the time the Company is committed to a settlement as a separate constructive obligation. Subsequent to the Company being committed to a settlement, the plan liability is measured at the expected settlement amount using settlement interest rates.

(ii) Short-term employee benefits:
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under cash incentive if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based compensation:
The Company has a Share Option Plan. Share-based payment awards are measured at fair value at the grant date, which is recognized as a personnel expense, with a corresponding increase in contributed surplus over the vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

(iv) Employee share purchase plan:
The Company has an Employee Share Purchase Plan that is an equity-settled share-based payment with employees; the measurement is based on the grant-date fair value of the equity instrument granted. As such, the expense is recognized when the employee purchases the shares.

(v) Cash-settled Share Appreciation Rights:
The Company's Share Option Plan allows for the issuance of Share Appreciation Rights ("SARs") that entitles certain senior personnel of the Company to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the vesting date. The SARs are automatically exercised upon vesting dates if the share price of the Company's common shares is greater than the price on the grant date; if not, they are rolled to the next vesting date.

A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and administration expenses over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued):

(v) Cash-settled Share Appreciation Rights (continued):

Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of (loss) earnings and comprehensive (loss) income of the current year.

(vi) Cash-settled Performance Share Units:
The Company implemented a Performance Share Units plan ("PSU") entitling certain senior personnel to a cash payment. A liability is recognized in payables for the services acquired and is recorded at fair value based on the share price of the Company's Common Shares with a corresponding expense recognized in administration and selling expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is re-measured, with any changes in fair value recognized in the consolidated statement of (loss) earnings. The fair value of the employee benefits expense of the PSUs is measured using the Monte Carlo pricing model.

(vii) Termination benefits:
Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, they are discounted.

(k) Provisions:
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(i) Asset retirement obligation:
The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for hazardous waste, and for oil, chemical and other hazardous materials storage tanks, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset, or earlier if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

(ii) Contingent liability:
A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments:

(i) IFRS 9, *Financial Instruments*:

The Company early adopted all the requirements of IFRS 9 (2014), *Financial Instruments* with a date of initial application of October 2, 2016. The standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard incorporates a new hedging model, which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial instruments – Recognition and Measurement*. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	**IFRS 9 (2014)**
Financial assets:		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Non-hedged derivative assets	Fair value through profit and loss	Fair value through profit or loss
Financial liabilities:		
Revolving credit facility	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Income taxes payable	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Convertible unsecured subordinated debentures	Other financial liabilities	Amortized cost
Other long-term liabilities	Fair value through profit and loss	Fair value through profit or loss
Non-hedged derivative liabilities	Fair value through profit and loss	Fair value through profit or loss

With the adoption of IFRS 9 (2014), the Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instruments.

In accordance with the transitional provisions of IFRS 9 (2014), the financial assets and financial liabilities held at October 2, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at October 2, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(i) IFRS 9, *Financial Instruments* (continued):

The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 (2014). The adoption of IFRS 9 (2014) did not result in any measurement adjustments to our financial assets and financial liabilities. Our significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships have been aligned with IFRS 9 (2014). The adoption of IFRS 9 (2014) did not have a material impact on impairment at October 2, 2016.

The Company initially recognizes financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

(ii) Financial assets:
Financial assets are classified into the following categories:

a. Financial assets measured at amortized cost:
A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principals and/or interest.

The Company currently classifies its cash, trade accounts receivable, and certain other current assets as assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Company has a portfolio of trade receivables at the reporting date.

The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

b. Financial assets measured at fair value:
These assets are measured at fair value and changes therein, including any interest are recognized in profit or loss. The Company currently has no significant financial assets measured at fair value, except for non-hedged derivative assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(iii) Financial liabilities:
Financial liabilities are classified into the following categories:

a. Financial liabilities measured at amortized cost:
A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies and measures short-term borrowings, trade payables and accrued liabilities, finance lease obligations, and convertible unsecured subordinated debentures as financial liabilities measured at amortized cost.

b. Financial liabilities measured at fair value:
Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net (loss) earnings. The Company currently has no significant financial liabilities measured at fair value except for other long-term liabilities and non-hedged derivative liabilities.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Fair values of financial instruments:
Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

Level 1 - valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 - valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

a. Cash:
The Company classifies its cash as amortized cost assets. Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

b. Derivative financial instruments and hedging relationships:
The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net (loss) earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(iv) Fair values of financial instruments (continued):

c. Embedded derivatives:
Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit or loss as described in note 2(d)(i).

d. Other derivatives:
When a derivative financial instrument, for example, sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and embedded derivatives is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net (loss) earnings (marked-to-market).

e. Compound financial instruments:
The Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

f. Financing charges:
Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

g. Trade date:
The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

h. Share capital:
Common shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

Repurchase of share capital
When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued):

(v) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net (loss) earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive (loss) income and presented in accumulated other comprehensive (loss) income as part of equity.

The amount recognized in other comprehensive (loss) income is removed and included in net (loss) earnings under the same line item in the consolidated statements of (loss) earnings and comprehensive (loss) income as the hedged item, in the same period that the hedged cash flows affect net (loss) earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive (loss) income remains in accumulated other comprehensive (loss) income until the forecasted transaction affects profit or loss.

If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive (loss) income is recognized immediately in net (loss) earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive (loss) income is transferred to net (loss) earnings in the same period that the hedged item affects net (loss) earnings.

The Company has designated as hedging items its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges.

(m) Revenue recognition:

The Company derives revenue from the sale of finished goods, which include sugar and maple products. The Company recognizes revenue at a point in time when it transfers control of the finished goods to a customer, which occurs upon shipment of the finished goods from the Company's facilities or upon delivery of the finished goods to the customer's premises. Some arrangements for the sale of finished goods provide for customer price discounts and/or volume rebates based on aggregate sales over a specified period, which gives rise to variable consideration. At the time of sale, estimates are made for items giving rise to variable consideration based on the terms of the sales program or arrangement. The variable consideration is estimated at contract inception using the most likely amount method and revenue is only recognized to the extent that a significant reversal of revenue is not expected to occur. The estimate is based on historical experience, current trends, and other known factors. Sales are recorded net of customer discounts, rebates, and exclude sales taxes.

(n) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Finance income and finance costs:

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded initially in other comprehensive income since inception of the cash flow hedge and transferred to finance income and finance costs in the same period that the hedged cash flows affect net (loss) earnings. Interest expense is recorded using the effective interest method.

(p) Income taxes:

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

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

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive (loss) income or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) (Loss) Earnings per share:

The Company presents basic and diluted (loss) earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretations adopted:

(i) IFRS 2, *Classification and Measurement of Share-based Payment Transactions*:
On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company adopted the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The adoption of the amendments did not have an impact on the consolidated financial statements.

(ii) IFRS 15, *Revenue from Contracts with Customers*:
On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company adopted IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The adoption of the standard did not have an impact on the consolidated financial statements.

(iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*:
On December 8, 2016, the IASB issued IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company adopted the Interpretation in its consolidated interim financial statements for the annual period beginning on September 30, 2018. The adoption of the Interpretation did not have an impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretations adopted (continued):

(iv) Annual Improvements to IFRS Standards (2014-2016) Cycle:
On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standard:

- Removal of out-dated exemptions for first-time adopters under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28, *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company adopted these amendments in its consolidated interim financial statements for the annual period beginning September 30, 2018. The adoption of the amendments did not have an impact on the consolidated financial statements.

(s) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the year ending September 28, 2019 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) IFRS 16, *Leases*:
On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019.

The adoption of IFRS 16 will have a significant impact on the Company's consolidated financial statements, as the Company will recognize new assets and liabilities for its operating leases of warehouses, operating properties, railcars and production equipment. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. On a go-forward basis, there will be a decrease in operating lease expense and an increase in depreciation and amortization and interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not yet adopted (continued):

(i) IFRS 16, *Leases* (continued):

The Company intends to adopt this standard using the modified retrospective approach measuring the right-of-use asset to be equal to the lease liability with no restatement of the comparative period. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

- the Company will not reassess whether a contract is, or contains, a lease at the date of initial application and instead will apply IFRS 16 to contracts that were previously identified as leases applying IAS 17, *Leases*;
- the Company will rely on the assessment of the onerous lease provisions under IAS 37, *Provisions*, contingent liabilities and contingent assets, instead of performing an impairment review. The Company will adjust the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognized in the consolidated balance sheet immediately before the date of initial application;
- the Company will account for leases for which the lease term ends within twelve months of September 28, 2019 as short-term leases; and
- the Company will use hindsight in determining the lease term at the date of initial application.

The Company's preliminary assessment of the impact of the adoption of the standard is an increase of the lease liability of approximately $11.0 million and an increase in the right-of-use asset of approximately $11.0 million on the consolidated statement of financial position as at September 29 2019. As amounts previously recognized as lease expenses will be replaced by the depreciation of the right-of-use asset and the lease liability finance costs, the consolidated statement of (loss) earnings and comprehensive (loss) income will be affected.

(ii) IFRIC 23, *Uncertainty over Income Tax Treatments:*
On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments.*

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires an entity to:

- Contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- Measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on September 29, 2019. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not yet adopted (continued):

(iii) Annual Improvements to IFRS Standards (2015-2017) Cycle:
On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements* – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12, *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23, *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on September 29, 2019. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(iv) Amendments to References to the Conceptual Framework in IFRS Standards*:*
On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework.

Both documents are effective from January 1, 2020 with earlier application permitted.

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 4, 2020. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

4. BUSINESS COMBINATIONS

On November 18, 2017, the Company acquired all of the issued and outstanding shares of Decacer for a total consideration of $43.0 million ($42.1 million net of cash acquired) (the "Decacer Transaction"). The Company financed the acquisition, including transaction costs, with a draw-down on the Company's $265.0 million amended credit facility (see Note 17, Revolving credit facility).

Decacer is a major bottler and distributor of branded and private label maple syrup and maple sugar based in Dégelis, Québec.

The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. The Company had completed the purchase price allocation over the identifiable net assets and goodwill and no adjustment was made to the purchase price allocation as presented in the audited annual consolidated financial statements for the fiscal year ended September 29, 2018.

The following table presents the purchase price allocation:

Identifiable assets and liabilities assumed:	2018 $
Cash	928
Trade and other receivables	3,832
Inventories	15,711
Prepaid expenses	96
Property, plant and equipment	8,132
Intangible assets	11,307
Trade and other payables	(8,311)
Income taxes payable	(197)
Deferred tax liabilities	(4,544)
Total net assets acquired	26,954
Total consideration transferred	43,012
Goodwill (note 16)	16,058

	$
Revolving credit facility	43,012
Total consideration transferred	43,012

The trade receivables comprise a gross amount of $3.8 million for which the full amount was expected to be collectable subsequent to the acquisition date.

Goodwill is attributable primarily to expected synergies and assembled workforce, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill and intangible assets recorded in connection with this acquisition are not deductible for tax purposes.

The operating results of Decacer are included in the maple products segment. If the acquisition had occurred on October 1, 2017, the consolidated results of the Company for fiscal 2018 would have included additional net sales of approximately $11.7 million and additional results from operating activities of approximately $0.3 million, based on management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on October 1, 2017.

Acquisition-related costs of $0.7 million for legal fees, due diligence costs and other fees have been expensed in relation to the above business combination. These costs have been recorded in administration and selling expenses in the consolidated statements of (loss) earnings and comprehensive (loss) income.

5. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization expenses were charged to the consolidated statements of (loss) earnings and comprehensive (loss) income as follows:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**14,927**	14,292
Administration and selling expenses	**522**	424
	15,449	14,716
Amortization of intangible assets:		
Administration and selling expenses	**3,772**	3,758
Total depreciation and amortization expenses	**19,221**	18,474

6. FINANCE INCOME AND FINANCE COSTS

Recognized in net (loss) earnings:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Net change in fair value of interest rate swaps (note 11)	**378**	532
Finance income	**378**	532
Interest expense on convertible unsecured subordinated debentures, including accretion of $821 (2018 - $785) (note 23)	**8,339**	7,691
Interest on revolving credit facility	**7,337**	6,893
Amortization of deferred financing fees	**1,178**	1,422
Other interest expense	**1,637**	1,658
Finance costs	**18,491**	17,664
Net finance costs recognized in net (loss) earnings	**18,113**	17,132

7. INCOME TAX EXPENSE (RECOVERY)

	For the fiscal years ended September 28, 2019	September 29, 2018
	$	$
Current tax expense:		
Current period	**16,084**	17,967
Deferred tax (recovery) expense:		
Recognition and reversal of temporary differences	**(978)**	375
Adjustments for prior year periods	**(453)**	—
Changes in tax rates	**(452)**	(103)
Deferred tax (recovery) expense	**(1,883)**	272
Total income tax expense	**14,201**	18,239

Income tax recognized in other comprehensive (loss) income:

	For the fiscal years ended September 28, 2019			September 29, 2018		
	Before tax	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
	$	**$**	**$**	$	$	$
Cash flow hedges	**(4,763)**	**1,243**	**(3,520)**	(32)	9	(23)
Defined benefit actuarial (losses) gains	**(19,902)**	**5,194**	**(14,708)**	6,643	(1,763)	4,880

Reconciliation of effective tax rate:

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial tax rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the fiscal years ended September 28, 2019		September 29, 2018	
	%	**$**	%	$
Earnings before income taxes	—	**6,034**	—	66,968
Income taxes using the Company's statutory tax rate	**27.00**	**1,629**	26.75	17,914
Changes due to the following items:				
Changes in tax rates	**(7.49)**	**(452)**	(0.15)	(103)
Non-deductible expenses	**2.59**	**156**	0.23	156
Non-deductible impairment of goodwill	**220.76**	**13,321**	—	—
Adjustments for prior year periods	**(7.51)**	**(453)**	—	—
Other	—	—	0.41	272
	235.35	**14,201**	27.24	18,239

8. RESTRICTED CASH

Restricted cash represents balances assumed by the Company as a result of having acquired all of the issued and outstanding shares of TMTC. On December 1, 2016, TMTC acquired all issued and outstanding Class A shares of Great Northern with $7.0 million cash consideration (which was placed in escrow), conditionally payable in quarterly installments contingent on achieving monthly and annual sales volume targets to a specific client for the twelve-month periods ending November 30, 2017 and November 30, 2018. The fair value of the contingent consideration was determined to be $6.6 million and was calculated using a probability-weighted expectation of the payment of the contingent consideration and a discount rate of 3.45% as at the acquisition date. As at September 28, 2019, cash held in an escrow account was nil (September 29, 2018 - $0.8 million) and the fair value of the contingent consideration payable was nil (September 29, 2018 - $0.8 million) (See Note 19, Other long-term liabilities).

9. TRADE AND OTHER RECEIVABLES

	September 28, 2019	September 29, 2018
	$	$
Trade receivables	**80,174**	73,794
Less expected credit loss	**(827)**	(373)
	79,347	73,421
Other receivables	**5,961**	5,505
Initial margin deposits with commodity brokers	**515**	2,810
	85,823	81,736

The Company grants credit to its customers in the ordinary course of business.

Management believes that the Company's exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.
- Bad debt write-offs to total revenue have been less than 0.1% for each of the last five years (averaging less than $0.1 million per year). Write-offs for fiscal 2019 were $0.1 million (September 29, 2018 - $0.2 million). All bad debt write-offs are charged to administration and selling expenses.
- Less than 2% of trade receivables are outstanding for more than 90 days, which is comparable to September 29, 2018, while over 83% are current (less than 30 days) as at September 28, 2019 (September 29, 2018 - 79%).

Through general security agreements with its lenders, trade and other receivables have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

10. INVENTORIES

	September 28, 2019	September 29, 2018
	$	$
Raw inventory	**113,487**	113,134
Work in progress	**7,947**	10,460
Finished goods	**36,356**	32,491
	157,790	156,085
Packaging and operating supplies	**11,831**	11,074
Spare parts and other	**12,738**	12,166
	182,359	179,325

Costs of sales expensed during the year were all inventorial items, except for fixed costs incurred in Taber, Alberta, after the beet slicing campaign, and mark-to-market adjustments of derivative financial instruments.

As at September 28, 2019, inventories recognized as cost of goods sold amounted to $677.7 million (September 29, 2018 - $669.9 million).

As at September 28, 2019, the Company recorded an amount of $0.1 million (September 29, 2018 - nil) related to onerous contracts as defined in IAS 37 paragraph 66, as a write-down to inventory through cost of sales. In the normal course of business, the Company enters into an economic hedge for all of its raw sugar purchases and refined sugar sales. As the Company does not apply hedge accounting for these contracts, the related derivative instruments, being the futures contracts are marked-to-market. As a result, the Company must record an onerous loss to cost of sales when the net realizable value is lower than the mark-to-market of the raw sugar futures contract and the related refining costs.

11. FINANCIAL INSTRUMENTS

Derivative financial instruments

Fair value estimates are made as of a specific point in time, using available information about the financial instruments. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring the fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of the sugar future contracts and options are measured using Level 1 inputs, using published quoted values for these commodities. The fair values for the natural gas futures contracts, foreign exchange forward contracts and interest rate swap contracts are measured using Level 2 inputs. The fair values for these derivative assets or liabilities are estimated using industry standard valuation models.

Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

As at October 2, 2016, the Company's natural gas futures and interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at year-end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution, which is a counterparty to these contracts. The fair values of the interest rate swaps have been determined by using rates published on financial capital markets.

The fair value of natural gas futures contracts, foreign exchange forward contracts and interest rate swap calculations includes a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

As at September 28, 2019 and September 29, 2018, the Company's financial derivatives carrying values were as follows:

	Financial Assets		**Financial Liabilities**	
	Current	**Non-current**	**Current**	**Non-current**
	September 28, 2019		**September 28, 2019**	
	$	**$**	**$**	**$**
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	**27**	**—**	**—**	**59**
Foreign exchange forward contracts	**673**	**21**	**13**	**328**
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	**—**	**—**	**602**	**2,956**
Interest rate swaps	**231**	**—**	**—**	**1,334**
	931	**21**	**615**	**4,677**

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	September 29, 2018		September 29, 2018	
	$	$	$	$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	364	—	—	135
Foreign exchange forward contracts	3,187	58	—	—
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	—	—	1,847	2,585
Interest rate swaps	460	2,014	—	—
	4,011	2,072	1,847	2,720

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

	For the fiscal years ended					
	Charged to cost of sales Unrealized (loss) gain		**Charged to finance income**		**Other comprehensive (loss) gain**	
	September 28, 2019	September 29, 2018	**September 28, 2019**	September 29, 2018	**September 28, 2019**	September 29, 2018
	$	$	**$**	$	**$**	$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	**179**	(3,154)	**—**	—	**—**	—
Foreign exchange forward contracts	**(541)**	1,494	**—**	—	**—**	—
Embedded derivatives	**—**	51	**—**	—	**—**	—
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	**1,658**	2,715	**—**	—	**(784)**	(979)
Interest rate swap	**—**	—	**378**	532	**(3,979)**	947
	1,296	1,106	**378**	532	**(4,763)**	(32)

The following table summarizes the Company's hedging components of other comprehensive (loss) income ("OCI") as at September 28, 2019 and September 29, 2018:

	September 28, 2019			September 29, 2018		
	Natural gas futures contracts	**Interest rate swap**	**Total**	Natural gas futures contracts	Interest rate swap	Total
	$	**$**	**$**	$	$	$
Opening OCI	**(2,229)**	**2,492**	**263**	(1,701)	2,102	401
Income taxes	**262**	**(253)**	**9**	451	(557)	(106)
Opening OCI – net of income taxes	**(1,967)**	**2,239**	**272**	(1,250)	1,545	295
Change in fair value of derivatives designated as cash flow hedges	**874**	**(3,601)**	**(2,727)**	1,736	1,479	3,215
Amounts reclassified to net (loss) earnings	**(1,658)**	**(378)**	**(2,036)**	(2,715)	(532)	(3,247)
Income taxes	**204**	**1,039**	**1,243**	262	(253)	9
Ending OCI – net of income taxes	**(2,547)**	**(701)**	**3,248**	(1,967)	2,239	272

For the fiscal year ended September 28, 2019, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net (loss) earnings.

Approximately $0.1 million of net losses presented in accumulated other comprehensive (loss) income are expected to be reclassified to net (loss) earnings within the next twelve months.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

For its financial assets and liabilities measured at amortized cost as at September 28, 2019 and September 29, 2018, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short period to maturity of these instruments.

The Company uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In addition, the Company entered into interest rate swap contracts to fix a portion of the Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

(a) Raw sugar:

The Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales to reduce price risk. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the committed purchase price of raw sugar. The pricing mechanisms of futures contracts and the respective forecasted raw sugar purchase transactions are the same.

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at September 28, 2019 and September 29, 2018 are as follows:

	September 28, 2019			September 29, 2018		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
0 - 6 months	**35,746**	**35,393**	**(353)**	61,500	51,794	(9,706)
6 - 12 months	**51,877**	**51,665**	**(212)**	86,326	76,767	(9,559)
12 - 24 months	**6,964**	**6,757**	**(207)**	8,567	7,962	(605)
Over 24 months	**613**	**604**	**(9)**	361	357	(4)
	95,200	**94,419**	**(781)**	156,754	136,880	(19,874)
Sales						
0 - 6 months	**(40,393)**	**(39,774)**	**619**	(56,761)	(52,898)	3,863
6 -12 months	**(39,556)**	**(38,553)**	**1,003**	(81,107)	(66,426)	14,681
12 - 24 months	**(12,816)**	**(12,556)**	**260**	(19,167)	(18,199)	968
Over 24 months	**—**	**—**	**—**	—	—	—
	(92,765)	**(90,883)**	**1,882**	(157,035)	(137,523)	19,512
Net position	**2,435**	**3,536**	**1,101**	(281)	(643)	(362)
Foreign exchange rate at the end of the period			**1.3247**			1.2918
Net value (CA$)			**1,458**			(468)
Margin call payment (receipt) at year-end			**(1,490)**			697
Net (liability) asset (CA$)			**(32)**			229

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(a) Raw sugar (continued):

All sugar futures contracts are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the U.S. futures industry is primarily self-regulation, with the role of the Federal Commodity Futures Trading Commission being principally an oversight role to determine that self-regulation is continuous and effective.

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings. Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account. Due to the above, the Company does not anticipate a credit risk from the raw sugar futures derivative instruments.

(b) Natural gas:

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty's non-performance. The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas are as follows:

	September 28, 2019			September 29, 2018		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
Less than 1 year	**5,904**	**5,449**	**(455)**	5,044	3,614	(1,430)
1 to 2 years	**6,415**	**5,480**	**(935)**	6,821	6,332	(489)
2 to 3 years	**6,429**	**5,568**	**(861)**	6,495	5,814	(681)
3 years and over	**9,834**	**9,399**	**(435)**	11,775	10,944	(831)
	28,582	**25,896**	**(2,686)**	30,135	26,704	(3,431)

Foreign exchange rate at the end of the period	**1.3247**	1.2918
Net liability (CA$)	**(3,558)**	(4,432)

The forecasted purchases of natural gas, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net (loss) earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts:

The Company's activities, which result in exposure to fluctuations in foreign currency exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and maple products, the purchase of natural gas and purchases of property, plant and equipment. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell U.S. dollars or euros at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract, in which the Company has an unrealized gain, fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than four years and relate mostly to U.S. currency, and from time to time, euro currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar, the purchase of natural gas and purchases of property, plant and equipment for the sugar segment are detailed below. In addition, for the maple products segment, the Company hedges its exposure to fluctuations in foreign currency related to its anticipated cash flows from sales to specific U.S. customers, using a foreign exchange forward contract.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

				September 28, 2019
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$/EUR/AUD$)	(CA$)	(CA$)	(CA$)
SUGAR				
Purchases U.S. dollars				
Less than 1 year	66,592	77,280	77,782	502
1 to 2 years	8,481	11,157	11,614	457
2 to 3 years	575	756	760	4
	75,648	89,193	90,156	963
Sales U.S. dollars				
Less than 1 year	(96,978)	(117,528)	(118,025)	(497)
1 to 2 years	(14,791)	(19,178)	(19,964)	(786)
2 to 3 years	(1,616)	(2,138)	(2,142)	(4)
	(113,385)	(138,844)	(140,131)	(1,287)
Total U.S. dollars - Sugar	(37,737)	(49,651)	(49,975)	(324)
SUGAR				
Purchases EUR				
Less than 1 year	263	400	382	(18)
Total EUR - Sugar	263	400	382	(18)
MAPLE PRODUCTS				
Purchases U.S. dollars				
Less than 1 year	2,500	3,323	3,303	(20)
Sales U.S. dollars				
Less than 1 year	(28,694)	(38,204)	(37,973)	231
1 to 2 years	(400)	(531)	(530)	1
	(29,094)	(38,735)	(38,503)	232
Total U.S. dollars - Maple	(26,594)	(35,412)	(35,200)	212
MAPLE PRODUCTS				
Purchases EUR				
Less than 1 year	155	236	227	(9)
Sales EUR				
Less than 1 year	(8,072)	(12,283)	(11,816)	467
1 to 2 years	(270)	(426)	(406)	20
	(8,342)	(12,709)	(12,222)	487
Total EUR - Maple	(8,187)	(12,473)	(11,995)	478
MAPLE PRODUCTS				
Sales AUD				
Less than 1 year	(2,666)	(2,404)	(2,399)	5
1 to 2 years	(148)	(134)	(134)	—
Total AUD - Maple	(2,814)	(2,538)	(2,533)	5
Total Foreign Exchange	(75,069)	(99,674)	(99,321)	353

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

				September 29, 2018
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$/EUR)	(CA$)	(CA$)	(CA$)
SUGAR				
Purchases U.S. dollars				
Less than 1 year	68,896	88,515	87,153	(1,362)
1 to 2 years	6,769	8,696	6,408	(2,288)
2 to 3 years	1,040	1,341	1,355	14
	76,705	98,552	94,916	(3,636)
Sales U.S. dollars				
Less than 1 year	(95,188)	(124,766)	(121,181)	3,585
1 to 2 years	(2,590)	(3,410)	(1,061)	2,349
2 to 3 years	(1,330)	(1,707)	(1,726)	(19)
	(99,108)	(129,883)	(123,968)	5,915
Total U.S. dollars - Sugar	(22,403)	(31,331)	(29,052)	2,279
MAPLE PRODUCTS				
Purchases U.S. dollars				
Less than 1 year	1,606	2,108	2,058	(50)
Sales U.S. dollars				
Less than 1 year	(26,878)	(35,303)	(34,632)	671
Total U.S. dollars - Maple	(25,272)	(33,195)	(32,574)	621
Total U.S. dollars	(47,675)	(64,526)	(61,626)	2,900
MAPLE PRODUCTS				
Purchases Euro dollars				
Less than 1 year	364	554	509	(45)
Sales Euro dollars				
Less than 1 year	(3,631)	(5,827)	(5,439)	388
1 to 2 years	(92)	(144)	(142)	2
	(3,723)	(5,971)	(5,581)	390
Total Euro dollars - Maple	(3,359)	(5,417)	(5,072)	345
Total Foreign Exchange	(51,034)	(69,943)	(66,698)	3,245

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(d) Interest rate swap agreements:

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. The outstanding swap agreements by maturity are as follows:

Fiscal year contracted	Date	Total value
		$
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 – 2.08%	20,000
Fiscal 2019	June 28, 2022 to June 28, 2024 – 2.17%	80,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at September 28, 2019, the fair value of the swap agreements amounted to a liability of $1.1 million (September 29, 2018 - asset of $2.5 million).

The forecasted interest payments, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net (loss) earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in Note 9, Trade and other receivables and Note 11, Financial instruments.

(b) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate. The Company's significant cash flow exposure to foreign currency is due mainly to the following:

- sales in U.S. dollars for both the sugar and maple products segments;
- purchases of natural gas;
- sales of by-products;
- Taber refined sugar and by-products sales;
- ocean freight; and
- purchases of property, plant and equipment for both the sugar and maple products segments.

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see Note 11, Financial instruments; Derivative financial instruments, (c) Foreign exchange contracts).

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

The Company had the following significant foreign currency exposures at year-end:

	September 28, 2019	September 29, 2018
	(US$)	(US$)
Financial instruments measured at amortized cost:		
Cash	**2,115**	1,672
Trade and other receivables, including initial margin deposits	**21,330**	21,440
Trade and other payables	**(3,356)**	(3,560)
	20,089	19,552
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	**92,765**	157,035
Raw sugar futures purchases contracts	**(95,200)**	(156,754)
Natural gas contracts	**(28,582)**	(30,135)
Fair value loss or (gain) on futures contracts	**(1,101)**	362
	(32,118)	(29,492)
Total exposure from above	**(12,029)**	(9,940)
Forward exchange contracts	**(64,333)**	(47,675)
Gross exposure	**(76,362)**	(57,615)

As at September 28, 2019, the U.S./Can. exchange rate was $1.3247 (September 29, 2018 - $1.2918).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an decrease in net loss of $2.8 million, (September 29, 2018 - increase in net earnings of $2.1 million) while a 5-cent decrease would have an equal but opposite effect on net (loss) earnings.

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the consolidated statements of financial position as at year-end but were committed during the fiscal year, and will be accounted for as the physical transactions occur:

	September 28, 2019	September 29, 2018
	(US$)	(US$)
Gross exposure as per above	**(76,362)**	(57,615)
Sugar purchases priced not received	**(85,992)**	(93,516)
Committed future sales in U.S. dollars	**139,368**	111,698
Ocean freight	**(488)**	(15)
Other	**(374)**	(592)
Net exposure	**(23,848)**	(40,040)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an decrease of net loss by $0.9 million in 2019 (September 29, 2018 - increase in net earnings of $1.5 million) while a decrease would have an equal but opposite effect on net (loss) earnings.

Raw sugar futures sales contracts represent, in large part, futures contracts entered into when sugar is priced by a raw sugar supplier. As both the raw sugar futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to economically hedge the currency, hence the reason for the adjustment for sugar purchases priced not received.

Included in other is the Taber sales formula for refined sugar, which is based on the raw sugar value that trades in U.S. dollars. As all beet sugar is paid in Canadian dollars, the raw sugar value within the Taber sales contracts is in U.S. dollars and therefore needs to be economically hedged for currency exposure.

Some sales are transacted in U.S. dollars. For these sales, the raw sugar value is not hedged, as the corresponding futures contract is also in U.S. dollars. Only the U.S. dollar refined sugar margin and ocean freight contribution are economically hedged for the currency exposure.

Ocean freight for raw sugar is denominated in U.S. dollars and therefore forward exchange contracts are used to cover the foreign exchange exposure.

(c) 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.

As at September 28, 2019, the Company has a short-term cash borrowing of $17.0 million (September 29, 2018 - $12.0 million) and a long-term cash borrowing of $160.0 million (September 29, 2018 - $160.0 million). The Company normally enters into a 30 - or 90-day bankers' acceptance for an amount varying between $100.0 million to $180.0 million of the borrowings, and will borrow either under prime rate loans or shorter term bankers' acceptances for any other borrowings.

To mitigate the risk in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements from time to time (see Note 11, Financial Instruments, Derivative financial instruments, (d) interest rate swap agreements). All other borrowings over and above the aggregate notional amount of the swap agreements are therefore exposed to interest rate fluctuations.

For the fiscal year ended September 28, 2019, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net loss would have been $0.5 million higher (September 29, 2018 - $0.5 million lower net earnings) while a decrease would have an equal but opposite effect on net (loss) earnings.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

						September 28, 2019
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility	177,000	177,000	17,000	—	—	160,000
Trade and other payables	117,731	117,731	117,731	—	—	—
Finance lease obligations	881	1,025	89	81	117	738
	295,612	295,756	134,820	81	117	160,738
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) [i]	32	(4,684)	5,804	(17,368)	7,680	(800)
Forward exchange contracts (net) [i]	(353)	(99,674)	(77,736)	(11,443)	(9,112)	(1,383)
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts [i]	3,558	37,863	4,256	3,565	8,498	21,544
Interest on swap agreements	1,103	9,341	939	922	1,811	5,669
	4,340	(57,154)	(66,737)	(24,324)	8,877	25,030
	299,952	238,602	68,083	(24,243)	8,994	185,768

(i) Based on notional amounts as presented above.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk (continued):

					September 29, 2018	
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility	172,000	172,000	12,000	—	—	160,000
Trade and other payables	113,777	113,777	113,777	—	—	—
Finance lease obligations	114	121	28	28	56	9
	285,891	285,898	125,805	28	56	160,009
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) (i)	(229)	831	1,426	(13,359)	13,224	(460)
Forward exchange contracts (net) (i)	(3,245)	(69,943)	(75,765)	1,046	5,142	(366)
Other long-term liabilities	773	773	773	—	—	—
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts (i)	4,432	38,928	3,070	3,446	8,811	23,601
Interest on swap agreements	(2,474)	5,505	837	783	1,445	2,440
	(743)	(23,906)	(69,659)	(8,084)	28,622	25,215
	285,148	261,992	56,146	(8,056)	28,678	185,224

(i) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of $155.3 million have been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

The Company borrows under its revolving credit facility (see Note 17, Revolving credit facility). It is the Company's intention to keep a debt level under its revolving credit facility between $100.0 million to $180.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flows generated from operations.

Derivative financial instruments for raw sugar, natural gas and forward exchange contracts are expected to be financed from the working capital of the Company.

As at September 28, 2019, the Company had an unused available line of credit of $88.0 million (September 29, 2018 - $93.0 million), a cash balance of $0.3 million (September 29, 2018 - $2.1 million) and an overdraft balance of $8.3 million (September 29, 2018 - $5.5 million).

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk:

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

There are two types of commodity contracts, which are entered into by the Company:

(i) Sugar:

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. Anytime raw sugar is priced by a sugar supplier, a corresponding sugar futures contract is sold for the same quantity, period and underlying value. Anytime refined sugar is priced by a customer, the corresponding volume of raw sugar is purchased for the same quantity, period and underlying value. The Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contract positions against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

For the Company's beet operation, the Board of Directors approved an economic pre-hedge, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

The Board of Directors also approved a trading book up to a maximum of 25,000 metric tonnes of sugar derivative contracts. The Board reviews on a quarterly basis the results achieved.

(ii) Natural gas:

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas futures contracts. Natural gas futures contracts cannot be entered into for speculative reasons. The Board reviews on a quarterly basis the position of the natural gas contracts.

As at September 28, 2019, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	**Current average value**	**Current contract value**	**Contracts**	**Current average value**	**Current contract value**
	(M.T.)	**(US$)**	**(US$)**	**(10,000 MM BTU)**	**(US$)**	**(US$)**
Purchases	**333,725**	**282.92**	**94,419**	**1,127**	**22.98**	**25,896**
Sales	**(320,872)**	**283.24**	**(90,883)**	**—**	**—**	**—**
	12,853	**n/a**	**3,536**	**1,127**	**22.98**	**25,896**
Foreign exchange rate at the end of the period			**1.3247**			**1.3247**
Net value CA$			**4,684**			**34,304**

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk (continued):

(ii) Natural gas (continued):

As at September 29, 2018, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	(M.T.)	(US$)	(US$)	(10,000 MM BTU)	(US$)	(US$)
Purchases	542,119	252.49	136,880	1,090	24.50	26,704
Sales	(541,154)	254.13	(137,523)	—	—	—
	965	n/a	(643)	1,090	24.50	26,704
Foreign exchange rate at the end of the period			1.2918			1.2918
Net value CA$			(831)			34,496

If, on September 28, 2019, the raw sugar value would have increased by US$0.05 per pound (being approximately US$110.0 per metric tonne), and all other variables remained constant, the impact on net loss would have been a decrease of approximately $1.4 million (calculated only on the point-in-time exposure on September 28, 2019) (September 29, 2018 - increase in net earnings of $0.1 million for US$0.05 per pound increase). If the raw sugar value would have decreased by US$0.02 per pound (being approximately US$44.00 per metric tonne), and all other variables remained constant, the impact on net loss would have been an increase of approximately $0.5 million (September 29, 2018 - decrease in net earnings of $0.1 million for US$0.02 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. The Company had no beet pre-hedge contracts as at September 28, 2019 nor September 29, 2018. If, on September 28, 2019, the natural gas market price would have increased by US$1.00, and all other variables remained constant, net loss would have decreased by $11.0 million (September 29, 2018 - increase in net earnings of $10.4 million) as a result of the change in fair value of our natural gas futures. If the natural gas value would have decreased by US$1.00, and all other variables remained constant, net loss would have increased by $11.0 million (September 29, 2018 - decrease in net earnings of $10.4 million).

Management believes that this impact for natural gas is not representative as this variance will mostly offset when the actual natural gas is purchased and used. At such time, a gain or loss on the liquidation of the natural gas contracts would mostly offset the same increase or decrease in the actual physical transaction.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments

The fair values of derivative instruments are the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

The following describes the fair value determinations of financial instruments:

i) Cash: due to the short-term maturity of these instruments, the carrying amount approximates fair value.

ii) Restricted cash: the carrying amount approximates fair value.

iii) Trade and other receivables and trade and other payables: the carrying amount approximates fair value due to the short-term maturity of these instruments.

iv) Borrowing under the revolving credit facility: the carrying amount approximates fair value as the borrowings bear interest at variable rates.

v) The fair values for the derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

vi) The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments.

vii) See Note 21, Finance lease obligations.

viii) The fair value of the contingent consideration was discounted and calculated using a probability-weighted expectation (see Note 8, Restricted cash).

11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments (continued)

The following tables provide a comparison of carrying and fair values for each classification of financial instruments at year-end, and show a level within the fair values hierarchy in which they have been classified.

	Fair values hierarchy level	**September 28, 2019** Carrying values	Fair values	September 29, 2018 Carrying values	Fair values
		$	**$**	$	$
FINANCIAL ASSETS:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	**—**	**—**	229	229
Foreign exchange forward contracts	Level 2	**353**	**353**	3,245	3,245
Derivative financial instruments designated as effective cash flow hedging instruments:					
Interest rate swap	Level 2	**—**	**—**	2,474	2,474
Financial assets recorded at amortized cost:					
Cash	Level 1	**284**	**284**	2,101	2,101
Restricted cash	Level 1	**—**	**—**	846	846
Trade and other receivables	n/a	**85,823**	**85,823**	81,736	81,736
Income taxes receivable	n/a	**1,977**	**1,977**	—	—
Total financial assets		**88,437**	**88,437**	90,631	90,631
FINANCIAL LIABILITIES:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 2	**32**	**32**	—	—
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	**3,558**	**3,558**	4,432	4,432
Interest rate swap	Level 2	**1,103**	**1,103**	—	—
Financial liabilities recorded at amortized cost:					
Bank overdraft	Level 1	**8,325**	**8,325**	5,469	5,469
Revolving credit facility	n/a	**177,000**	**177,000**	172,000	172,000
Trade and other payables	n/a	**117,731**	**117,731**	113,777	113,777
Income taxes payable	n/a	**—**	**—**	3,506	3,506
Finance lease obligations	n/a	**881**	**881**	114	114
Other long-term liabilities	Level 3	**—**	**—**	773	773
Convertible unsecured subordinated debentures	Level 1	**144,230**	**158,010**	142,421	157,464
Total financial liabilities		**452,860**	**466,640**	442,492	457,535

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Finance leases	Construction in progress	Total
	$	$	$	$	$	$	$	$
Cost or deemed cost								
Balance at September 30, 2017	17,949	66,631	270,044	2,237	7,528	417	13,947	378,753
Additions through business combination	140	3,347	4,616	—	29	—	—	8,132
Additions	—	—	1,771	349	110	6	22,524	24,760
Transfers	—	3,490	17,242	—	572	—	(21,304)	—
Effect of movements in exchange rate	—	—	15	3	1	5	—	24
Balance at September 29, 2018	18,089	73,468	293,688	2,589	8,240	428	15,167	411,669
Additions	**—**	**630**	**1,578**	**36**	**123**	**897**	**23,725**	**26,989**
Transfers	**—**	**1,241**	**20,674**	**—**	**288**	**—**	**(22,203)**	**—**
Disposals	**—**	**(9)**	**(752)**	**—**	**(1,955)**	**—**	**—**	**(2,716)**
Effects of movements in exchange rate	**—**	**—**	**11**	**3**	**1**	**3**	**—**	**18**
Balance at September 28, 2019	**18,089**	**75,330**	**315,199**	**2,628**	**6,697**	**1,328**	**16,689**	**435,960**
Depreciation								
Balance at September 30, 2017	—	22,559	161,201	57	4,128	108	—	188,053
Depreciation for the year	—	1,725	11,807	412	709	63	—	14,716
Effect of movements in exchange rate	—	—	1	—	—	—	—	1
Balance at September 29, 2018	—	24,284	173,009	469	4,837	171	—	202,770
Depreciation for the year	**—**	**1,873**	**12,258**	**439**	**781**	**98**	**—**	**15,449**
Disposals	**—**	**(9)**	**(706)**	**—**	**(1,955)**	**—**	**—**	**(2,670)**
Effect of movements in exchange rate	**—**	**—**	**2**	**1**	**—**	**—**	**—**	**3**
Balance at September 28, 2019	**—**	**26,148**	**184,563**	**909**	**3,663**	**269**	**—**	**215,552**
Net carrying amounts								
At September 29, 2018	18,089	49,184	120,679	2,120	3,403	257	15,167	208,899
At September 28, 2019	**18,089**	**49,182**	**130,636**	**1,719**	**3,034**	**1,059**	**16,689**	**220,408**

There were no impairment losses during fiscal 2019 and 2018.

Any grants received are offset against property, plant and equipment additions. During the year, an amount of $4 million was recorded.

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 17, Revolving credit facility).

13. INTANGIBLE ASSETS

	Software	Customer relationships	Brand names[1]	Other	Total
	$	$	$	$	$
Cost					
Balance at September 30, 2017	3,880	25,203	3,850	284	33,217
Additions through business combinations	87	9,220	2,000	—	11,307
Additions	94	—	—	290	384
Effect of movements in exchange rate	—	119	21	—	140
Balance at September 29, 2018	4,061	34,542	5,871	574	45,048
Additions	**172**	**—**	**—**	**—**	**172**
Disposals	**(203)**	**—**	**—**	**—**	**(203)**
Effect of movements in exchange rate	**—**	**81**	**16**	**—**	**97**
Balance at September 28, 2019	**4,030**	**34,623**	**5,887**	**574**	**45,114**
Amortization					
Balance at September 30, 2017	1,842	352	—	149	2,343
Amortization for the year	317	3,395	—	46	3,758
Balance at September 29, 2018	2,159	3,747	—	195	6,101
Amortization for the year	**279**	**3,465**	**—**	**28**	**3,772**
Disposals	**(203)**	**—**	**—**	**—**	**(203)**
Balance at September 28, 2019	**2,235**	**7,212**	**—**	**223**	**9,670**
Net carrying amounts					
At September 29, 2018	1,902	30,795	5,871	379	38,947
At September 28, 2019	**1,795**	**27,411**	**5,887**	**351**	**35,444**

(1) Indefinite life.

14. OTHER ASSETS

	September 28, 2019	September 29, 2018
	$	$
Deferred financing charges, net	**925**	975
Other	**3**	10
	928	985

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year credit agreement. Borrowings under the revolving credit facility are short term in nature and can be repaid at any time. Therefore, deferred financing charges are presented separately and not applied against the debt (see Note 17, Revolving credit facility).

On July 9, 2019, the Company paid $0.1 million in financing fees to amend its existing revolving credit facility.

These fees, along with the outstanding balance of the previously deferred financing charges, are amortized over the extended life of the revolving credit facility, which now matures on June 28, 2024.

15. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets (liabilities) comprise the following temporary differences:

	September 28, 2019	September 29, 2018
	$	$
Assets:		
Employee benefits	**13,267**	8,330
Derivative financial instruments	**1,339**	1,299
Losses carried forward	**3,548**	1,518
Provisions	**435**	583
Intangibles	**58**	41
Other	**1,037**	1,205
	19,684	12,976
Liabilities:		
Property, plant and equipment	**(29,465)**	(29,260)
Derivative financial instruments	**(565)**	(1,517)
Goodwill	**(2,537)**	(2,509)
Deferred financing charges	**(549)**	(417)
Intangibles	**(7,894)**	(8,694)
Other	**(1,616)**	(1,841)
	(42,626)	(44,238)
Net assets (liabilities):		
Property, plant and equipment	**(29,465)**	(29,260)
Intangibles	**(7,836)**	(8,653)
Employee benefits	**13,267**	8,330
Derivative financial instruments	**774**	(218)
Losses carried forward	**3,548**	1,518
Goodwill	**(2,537)**	(2,509)
Provisions	**435**	583
Deferred financing charges	**(549)**	(417)
Other	**(579)**	(636)
	(22,942)	(31,262)

15. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in temporary differences during the current years is as follows:

	Balance September 29, 2018	**Recognized in profit (loss)**	**Recognized in other comprehensive (loss) income**	**Recognized in equity**	**Acquired in business combination**	**Balance September 28, 2019**
	$	**$**	**$**	**$**	**$**	**$**
Property, plant and equipment	**(29,260)**	**(205)**	**—**	**—**	**—**	**(29,465)**
Intangibles	**(8,653)**	**817**	**—**	**—**	**—**	**(7,836)**
Employee benefits	**8,330**	**(257)**	**5,194**	**—**	**—**	**13,267**
Derivative financial instruments	**(218)**	**(251)**	**1,243**	**—**	**—**	**774**
Losses carried forward	**1,518**	**2,030**	**—**	**—**	**—**	**3,548**
Goodwill	**(2,509)**	**(28)**	**—**	**—**	**—**	**(2,537)**
Provisions	**583**	**(148)**	**—**	**—**	**—**	**435**
Deferred financing charges	**(417)**	**(132)**	**—**	**—**	**—**	**(549)**
Other	**(636)**	**57**	**—**	**—**	**—**	**(579)**
	(31,262)	**1,883**	**6,437**	**–**	**–**	**(22,942)**

	Balance September 30, 2017	Recognized in profit (loss)	Recognized in other comprehensive (loss) income	Recognized in equity	Acquired in business combination	Balance September 29, 2018
	$	$	$	$	$	$
Property, plant and equipment	(27,763)	76	—	—	(1,573)	(29,260)
Intangibles	(6,461)	779	—	—	(2,971)	(8,653)
Employee benefits	10,279	(186)	(1,763)	—	—	8,330
Derivative financial instruments	1,354	(1,581)	9	—	—	(218)
Losses carried forward	110	1,408	—	—	—	1,518
Goodwill	(2,418)	(91)	—	—	—	(2,509)
Provisions	585	(2)	—	—	—	583
Deferred financing charges	(337)	(80)	—	—	—	(417)
Other	1,118	(595)	—	(1,159)	—	(636)
	(23,533)	(272)	(1,754)	(1,159)	(4,544)	(31,262)

16. GOODWILL

	September 28, 2019	September 29, 2018
	$	$
Balance, beginning of year	**333,007**	316,949
Additions through business combination	**—**	16,058
Goodwill impairment	**(50,000)**	—
Balance, end of year	**283,007**	333,007

Recoverability of cash generating units ("CGU"):

For the purpose of impairment testing, goodwill and intangibles with indefinite useful life are allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill and intangibles are monitored for internal management purposes, as follows:

	September 28, 2019	September 29, 2018
	$	$
Sugar:		
Goodwill	**229,952**	229,952
Maple products:		
Goodwill	**53,055**	103,055
Brand names	**5,887**	5,871
	288,894	338,878

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the segments (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of segments are based on the higher of the value in use and fair value less costs of disposal.

16. GOODWILL (CONTINUED)

SUGAR SEGMENT

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at September 28, 2019, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

The recoverable amount was based on value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2019
	%
Pre-tax discount rate	10.6
Terminal growth rate	2.0
Budgeted EBITDA growth rate (average of next 5 years)	6.4

The discount rate was a pre-tax measure estimated based on historical industry weighted-average cost of capital adjusted for impacts on risk and taxes.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's best estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth for the first year was projected taking into account the budgeted sales volumes, and the following years taking into account the average growth levels experienced over the past 5 years and the estimated sales volumes and price growth for the next five years. It was assumed that the sales price would increase in line with forecasted inflation over the next five years.

Management has identified the two key assumptions that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2019
	%
Pre-tax discount rate	7.3
Budgeted EBITDA growth rate	(6.2)

16. GOODWILL (CONTINUED)

MAPLE PRODUCTS SEGMENT

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at September 28, 2019.

The recoverable amount was based on value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2019
	%
Pre-tax discount rate	13.3
Terminal growth rate	2.8
Budgeted EBITDA growth rate (average of next 5 years)	7.3

The discount rate was a pre-tax measure estimated based on historical industry weighted-average cost of capital adjusted for impacts on risk and taxes.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's best estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth for the first year was projected taking into account the budgeted sales volumes, adjusted for uncertainties, and the following years taking into account the average growth levels experienced in the past and the estimated sales volumes and price growth for the next five years. It was assumed that the sales price would increase in line with forecasted inflation over the next five years.

As a result of the test, the Company recorded a goodwill impairment loss of $50.0 million in the fiscal year ended September 28, 2019. Following the impairment loss recognised in the maple products segment, the recoverable amount is equal to the carrying amount.

17. REVOLVING CREDIT FACILITY

On July 9, 2019, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2024 and made some minor amendments, which do not affect its outstanding borrowings nor its financial covenants. A total of $0.1 million was paid in financing fees.

On December 20, 2017, the Company amended its existing revolving credit facility thereby increasing its available credit by $40.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). A total of $0.1 million was paid in financing fees (see Note 14, Other assets).

As a result of the amended revolving credit facility, the Additional Accordion Borrowings and the Additional LBMT Accordion Borrowings, the Company has a total of $265.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios.

Certain assets of the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility. As at September 28, 2019, a total of $422.2 million of assets are pledged as security (September 29, 2018 - $407.8 million).

The following amounts were outstanding as at:

	September 28, 2019	September 29, 2018
	$	$
Outstanding amount on revolving credit facility:		
Current	**17,000**	12,000
Non-current	**160,000**	160,000
	177,000	172,000

The carrying value of the revolving credit facility approximates fair value as the borrowings bear interest at variable rates.

18. TRADE AND OTHER PAYABLES

	September 28, 2019	September 29, 2018
	$	$
Trade payables	**96,150**	91,675
Other non-trade payables	**2,907**	2,754
Personnel-related liabilities	**9,238**	9,897
Dividends payable to shareholders	**9,440**	9,451
	117,735	113,777

Considering that Maple products syrup is harvested once a year, the *Producteurs et Productrices Acericoles du Québec* ("PPAQ") offers to authorized purchasers the possibility to pay their purchases over the course of the year (ending in February). Once the syrup is graded, the Company must pay 30% of the cost of the syrup on the 15th of the following month. The outstanding balance bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February). Included in trade payables is an amount of $62.3 million as of September 28, 2019 (September 29, 2018 - $61.8 million).

During the year, more than 89% of the maple syrup purchases were made from the PPAQ.

Personnel-related liabilities represent the Company's obligation to its current and former employees that are expected to be settled within one year from the reporting period as salary and accrued vacation.

The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 11, Financial instruments.

19. OTHER LONG-TERM LIABILITIES

	September 28, 2019			September 29, 2018		
	Contingent consideration payable	**Balance of purchase price payable**	**Total**	Contingent consideration payable	Balance of purchase price payable	Total
	$	**$**	**$**	$	$	$
Opening balance	**773**	—	**773**	4,469	822	5,291
Accretion expense	**77**	—	**77**	190	8	198
Foreign exchange adjustment	—	—	—	—	30	30
Payment made	**(850)**	—	**(850)**	(3,886)	(860)	(4,746)
Closing balance	—	—	—	773	—	773
Presented as:						
Current	—	—	—	773	—	773
Non-current	—	—	—	—	—	—
	—	—	—	773	—	773

20. PROVISIONS

	September 28, 2019	September 29, 2018
	$	$
Opening balance	2,205	2,231
Additions	70	724
Provisions used during the period	(578)	(750)
Closing balance	1,697	2,205
Presented as:		
Current	878	1,006
Non-current	819	1,199
	1,697	2,205

Provisions are comprised of asset retirement obligations, which represent the future cost the Company estimated to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials storage tanks for which the Company has been able to identify the costs.

The estimate of the total liability for future asset retirement obligations is subject to change, based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions would be recognized prospectively as a change in estimate, when applicable.

21. FINANCE LEASE OBLIGATIONS

The Company leases moveable equipment. These leases have an interest rate of 5.65% with maturity dates in fiscal 2020. The Company also leases a warehouse. This lease has an interest rate of 3.66% with a maturity date in fiscal 2028. The leases substantially transfer all the usage benefits of such equipment and warehouse to the Company.

The outstanding liabilities are as follows:

	September 28, 2019		September 29, 2018	
	Carrying values	Fair values	Carrying values	Fair values
	$	$	$	$
Finance lease obligations	881	881	114	114

The finance lease obligations are payable as follows:

	September 28, 2019			September 29, 2018		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	$	$	$	$	$	$
Less than one year	170	31	139	55	5	50
Between one and five years	435	83	352	66	2	64
More than five years	420	30	390	—	—	—
	1,025	144	881	121	7	114

22. EMPLOYEE BENEFITS

The Company sponsors defined benefit pension plans for its employees ("Pension benefit plans"), as well as health care benefits, medical plans and life insurance coverage ("Other benefit plans").

The following table presents a reconciliation of the pension obligations, the plan assets and the funded status of the benefit plans:

	September 28, 2019	September 29, 2018
	$	$
Fair value of plan assets:		
Pension benefit plans	**105,323**	104,362
Defined benefit obligation:		
Pension benefit plans	**139,952**	120,650
Other benefit plans	**17,181**	15,206
	157,133	135,856
Funded status:		
Pension benefit plans	**(34,628)**	(16,288)
Other benefit plans	**(17,182)**	(15,206)
	(51,810)	(31,494)
Experience adjustment arising on plan liabilities	**19,363**	(4,911)
Experience adjustment arising on plan assets	**(539)**	1,732

The Company has determined that, in accordance with the terms and conditions of the defined benefit pension plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary as at September 28, 2019 (September 29, 2018 - no decrease in defined benefit asset).

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2016 and January 1, 2017 and the next required valuations will be as of December 31, 2019.

22. EMPLOYEE BENEFITS (CONTINUED)

The asset allocation of the major categories in the plan was as follows:

	September 28, 2019		September 29, 2018	
	%	**$**	%	$
Equity instruments	**61.4**	**64,668**	60.9	63,557
Government bonds	**35.4**	**37,285**	36.6	38,196
Cash and short-term securities	**3.2**	**3,370**	2.5	2,609
	100.0	**105,323**	100.0	104,362

The pension committee prepares the documentation relating to the management of asset allocation, reviews the investment policy and recommends it to the Board of Directors for approval in the event of material changes to the policy. Semi-annually monitoring of the asset allocation of the pension benefit plans allows the pension committee to ensure that the limits of asset allocation of the pension benefit plans are respected.

Based on historical data, contributions to the defined benefit pension plans in fiscal 2020 are expected to be approximately $3.7 million.

The pension plan exposes the Company to the following risks:

(i) Investment risk:
The defined benefit obligation is calculated using a discount rate. If the fund returns are lower than the discount rate, a deficit is created.

(ii) Interest rate risk:
Variation in bond rates will affect the value of the defined benefit obligation.

(iii) Inflation risk:
The defined benefit obligation is calculated assuming a certain level of inflation. An actual inflation higher than expected will have the effect of increasing the value of the defined benefit obligation.

22. EMPLOYEE BENEFITS (CONTINUED)

Movement in the present value of the defined benefit obligations is as follows:

	For the fiscal years ended					
	September 28, 2019			September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	**120,650**	**15,206**	**135,856**	121,886	17,733	139,619
Current service cost	**2,370**	**235**	**2,605**	2,388	282	2,670
Past service costs	**—**	**—**	**—**	(1,478)	—	(1,478)
Re-measurements of other long-term benefits	**(8)**	**(103)**	**(111)**	10	(56)	(46)
Interest cost	**4,587**	**565**	**5,152**	4,528	652	5,180
Employee contributions	**982**	**—**	**982**	1,003	—	1,003
Benefit payments from plan	**(5,217)**	**—**	**(5,217)**	(4,512)	—	(4,512)
Benefit payments from employer	**(862)**	**(635)**	**(1,497)**	(1,037)	(632)	(1,669)
Actuarial (gains) losses arising from changes in demographic assumptions	**—**	**(56)**	**(56)**	—	(2,427)	(2,427)
Actuarial (gains) losses arising from changes in financial assumptions	**17,208**	**2,000**	**19,208**	(814)	(210)	(1,024)
Actuarial (gains) losses arising from member experience	**242**	**(31)**	**211**	(1,324)	(136)	(1,460)
Defined benefit obligation, end of year	**139,952**	**17,181**	**157,133**	120,650	15,206	135,856
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**104,362**	**—**	**104,362**	100,450	—	100,450
Interest income	**4,022**	**—**	**4,022**	3,835	—	3,835
Return on plan assets (excluding interest income)	**(539)**	**—**	**(539)**	1,732	—	1,732
Employer contributions	**2,972**	**635**	**3,607**	3,251	632	3,883
Employee contributions	**982**	**—**	**982**	1,003	—	1,003
Benefit payments from plan	**(5,217)**	**—**	**(5,217)**	(4,512)	—	(4,512)
Benefit payments from employer	**(862)**	**(635)**	**(1,497)**	(1,037)	(632)	(1,669)
Plan expenses	**(397)**	**—**	**(397)**	(360)	—	(360)
Fair value of plan assets, end of year	**105,323**	**—**	**105,323**	104,362	—	104,362

22. EMPLOYEE BENEFITS (CONTINUED)

On October 16, 2017, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan which led to the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. As a result, in fiscal 2018, a $1.5 million pension income was recorded.

The net defined benefit obligation can be allocated to the plans' participants as follows:

	September 28, 2019		September 29, 2018	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
	%	**%**	%	%
Active plan participants	**47.2**	**43.8**	45.8	41.6
Retired plan members	**48.4**	**56.2**	49.9	58.4
Deferred plan participants	**1.3**	**—**	1.3	—
Other	**3.1**	**—**	3.0	—
	100.0	**100.0**	100.0	100.0

The Company's defined benefit pension expense was as follows:

	For the fiscal years ended					
	September 28, 2019			September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net (loss) earnings:						
Current service cost	**2,370**	**235**	**2,605**	2,388	282	2,670
Past service cost	**—**	**—**	**—**	(1,478)	—	(1,478)
Expenses related to the pension benefits plans	**397**	**—**	**397**	360	—	360
Net interest cost	**565**	**565**	**1,130**	693	652	1,345
Re-measurements of other long-term benefits	**(8)**	**(103)**	**(111)**	10	(56)	(46)
Pension expense	**3,324**	**697**	**4,021**	1,973	878	2,851
Recognized in:						
Cost of sales	**2,802**	**606**	**3,408**	1,435	555	1,990
Administration and selling expenses	**522**	**91**	**613**	538	323	861
	3,324	**697**	**4,021**	1,973	878	2,851

22. EMPLOYEE BENEFITS (CONTINUED)

The following table presents the change in the actuarial gains and losses recognized in other comprehensive (loss) income:

	For the fiscal years ended					
	September 28, 2019			September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in comprehensive (loss) income at the beginning of the year	**170**	**(8,954)**	**(8,784)**	4,040	(6,181)	(2,141)
Recognized during the year	**17,989**	**1,913**	**19,902**	(3,870)	(2,773)	(6,643)
Cumulative amount in comprehensive (loss) income at the end of the year	**18,159**	**(7,041)**	**11,118**	170	(8,954)	(8,784)
Recognized during the year, net of tax	**13,294**	**1,414**	**14,708**	(2,843)	(2,037)	(4,880)

Principal actuarial assumptions used were as follows:

	For the fiscal years ended			
	September 28, 2019		September 29, 2018	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
	%	**%**	%	%
Company's defined benefit obligation:				
Discount rate	**3.00**	**3.00**	3.90	3.90
Rate of compensation increase	**2.50**	**3.00**	2.20	3.00
Net benefit plan expense:				
Discount rate	**3.90**	**3.90**	3.85	3.85
Rate of compensation increase	**2.20**	**3.00**	2.20	3.00

22. EMPLOYEE BENEFITS (CONTINUED)

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the value of the liabilities in the defined benefit plans are as follows:

	September 28, 2019	September 29, 2018
Longevity at age 65 for current pensioners:		
Males	**22.0**	21.9
Females	**24.7**	24.6
Longevity at age 65 for members aged 45:		
Males	**23.5**	23.4
Females	**26.0**	26.0

The assumed health care cost trend rate as at September 28, 2019 was 5.67% (September 29, 2018 - 5.73%), decreasing uniformly to 4.00% in 2040 (September 29, 2018 - 4.00% in 2040) and remaining at that level thereafter.

The following table outlines the key assumptions for the fiscal year ended September 28, 2019 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the fiscal year ended September 28, 2019		
	Pension benefit plans	**Other benefit plans**	**Total**
	$	**$**	**$**
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	**(19,241)**	**(2,228)**	**(21,469)**
Impact of decrease of 1%	**24,029**	**2,833**	**26,862**
Rate of compensation increase			
Impact of increase of 0.5%	**908**	**6**	**914**
Impact of decrease of 0.5%	**(1,458)**	**(5)**	**(1,463)**
Mortality			
99% of expected rate	**63**	**72**	**135**

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend would have the following effects:

	Increase	**Decrease**
	$	**$**
Effect on the defined benefit obligations	**2,393**	**(1,927)**

As at September 28, 2019, the weighted average duration of the defined benefit obligation amounts to 15.5 years (September 29, 2018 - 14.1 years).

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures are as follows:

	September 28, 2019	September 29, 2018
	$	$
Non-current		
Sixth series (ii)	**57,500**	57,500
Seventh series (iii)	**97,750**	97,750
Total face value	**155,250**	155,250
Less net deferred financing fees	**(5,500)**	(6,488)
Less equity component (ii), (iii)	**(6,930)**	(6,930)
Accretion expense on equity component	**1,410**	589
Total carrying value - non-current	**144,230**	142,421

(i) Fifth series:
On March 28, 2018, a portion of the net proceeds from the issuance of the Seventh series, 4.75% convertible unsecured subordinated debentures ("Seventh series debentures") was used to redeem the Fifth series debentures. The total amount redeemed was $59,990 as an amount of $10 was converted to 1,388 common shares by holders of the convertible debentures.

(ii) Sixth series:
On July 28, 2017, the Company issued $57.5 million Sixth series, 5.00% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing on December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting on December 31, 2017. The debentures may be converted at the option of the holder at a conversion price of $8.26 per share (representing 6,961,259 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2020.

On or after December 31, 2020 and prior to December 31, 2022, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the current market price on the day preceding the date on which the notice is given is at least 125% of the conversion price of $8.26. Subsequent to December 31, 2022, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(ii) Sixth series (continued):

The Company allocated $2.6 million of the Sixth series debentures into an equity component (net of tax an amount of $2.0 million). During the year, the Company recorded $303 (September 29, 2018 - $287) in finance costs for the accretion of the Sixth series debentures.

The Company incurred underwriting fees and issuance costs of $2.7 million, which are netted against the convertible debenture liability.

The fair value of the Sixth series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 28, 2019 was approximately $58.8 million (September 29, 2018 - $59.2 million).

(iii) Seventh series:

On March 28, 2018, in connection with a bought deal offering filed on March 21, 2018, the Company issued 85,000 Seventh series debentures, maturing on June 30, 2025 and bears interest of 4.75%, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing on June 30, 2018 for gross proceeds of $85.0 million. Then, on April 3, 2018, the Company issued an additional 12,750 Seventh series debentures pursuant to the exercise in full of the over-allotment option granted by the Company for gross proceeds of $12.8 million. As a result of the over-allotment, the total amount outstanding under the Seventh series is $97,750. The debentures may be converted at the option of the holder at a conversion price of $8.85 per share (representing 11,045,197 common shares) at any time prior to maturity, and cannot be redeemed by the Company prior to June 30, 2021.

On or after June 30, 2021 and prior to June 30, 2023, the debentures will be redeemable in whole or in part from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the common shares, for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the conversion price of $8.85 per Debenture Share. On or after June 30, 2023 and prior to the maturity date, the debentures may be redeemed at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or on the maturity date, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

The Company allocated $4.3 million ($3.1 million net of tax) of the Seventh series debentures into an equity component. During the year, the Company recorded $518 (September 29, 2018 - $255) in finance costs for the accretion of the Seventh series debentures.

The Company incurred underwriting fees and issuance costs of $4.5 million, which are netted against the convertible debenture liability.

The fair value of the Seventh series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 28, 2019 was approximately $99.2 million (September 29, 2018 - $98.2 million).

24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

On May 22, 2019, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2019 NCIB"), the Company may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and may continue to May 23, 2020. During the year, the Company purchased 122,606 common shares having a book value of $117 for a total cash consideration of $640. The excess of the purchase price over the book value of the shares in the amount of $523 was charged to deficit. All shares purchased were cancelled. In addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2019 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares.

On May 22, 2018, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("2018 NCIB"). Under the 2018 NCIB, the Company was authorized to purchase up to 1,500,000 common shares. The 2018 NCIB commenced on May 24, 2018 and ended on May 23, 2019. In fiscal 2018, the Company purchased 736,900 common shares having a book value of $706 for a total cash consideration of $3,963. The excess of the purchase price over the book value of the shares in the amount of $3,257 was charged to deficit. All shares purchased were cancelled.

In fiscal 2018, a total of $10 of the Fifth series debentures was converted by holders of the securities for a total of 1,388 common shares. This conversion is a non-cash transaction and therefore not reflected in the audited consolidated financial statement of cash flow. See Note 23, Convertible unsecured subordinated debentures.

As of September 28, 2019, a total of 104,885,464 common shares (September 29, 2018- 105,008,070) were outstanding.

The Company declared a quarterly dividend of $0.09 per share for fiscal years 2019 and 2018. The following dividends were declared by the Company:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Dividends	**37,793**	37,971

Contributed surplus:
The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 25, Share-based compensation).

Capital management:
The Company's objectives when managing capital are:

- To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations;
- To have stability in the dividends paid to shareholders;
- To have appropriate cash reserves on hand to protect the level of dividends made to shareholders;
- To maintain an appropriate debt level so that there is no financial constraint on the use of capital;
- To have an appropriate line of credit, and;
- To repurchase shares or convertible debentures when trading values do not reflect fair values.

24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

Capital management (continued):

The Company typically invests in its operations approximately $20.0 million yearly in capital expenditures. On an exceptional basis, the Company may invest more than $20.0 million when special capital requirements arise. Management believes that these investments, combined with approximately $30.0 to $35.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Board of Directors aims to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be raised after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a $265.0 million revolving credit facility. The Company estimates to use between $100.0 million and $180.0 million of its revolving credit facility to finance its normal operations during the year.

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 4:1 in order not to have restrictions on interest payments from Lantic to the Company up to a year after an acquisition and below 3.5:1 thereafter. At year-end, the operating company's debt ratio was 1.96:1 for fiscal 2019 and 1.58:1 for fiscal 2018.

Having satisfied the above factors, if cash is available, it will be used to repurchase the Company's shares and convertible debentures when the Board of Directors considers that the current trading range does not reflect the fair trading value of the Company's shares. As such, the Company puts in place a NCIB from time to time.

The Company does not use equity ratios to manage its capital requirements.

25. SHARE-BASED COMPENSATION

(a) Equity-settled share-based compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (September 29, 2018 - 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

On December 3, 2018, a total of 447,175 share options were granted at a price of $5.58 per common share to certain executives.

On December 4, 2017, a total of 1,065,322 share options were granted at a price of $6.23 per common share to certain executives and senior managers. During fiscal 2018, a total of 60,000 share options were forfeited following the departure of a senior manager.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of $190 was incurred for the fiscal year ended September 28, 2019 (September 29, 2018 - $189).

25. SHARE-BASED COMPENSATION (CONTINUED)

(a) Equity-settled share-based compensation (continued):

The following table summarizes information about the Share Option Plan as of September 28, 2019:

Exercise price per option	Outstanding number of options at September 29, 2018	Options granted during the period	Options forfeited during the period	Options exercised during the period	Outstanding number of options at September 28, 2019	Weighted average remaining life (in years)	Number of options exercisable
$4.59	**830,000**	**—**	**—**	**—**	**830,000**	**5.65**	**660,000**
$5.58	**—**	**447,175**	**—**	**—**	**447,175**	**9.18**	**—**
$5.61	**80,000**	**—**	**—**	**—**	**80,000**	**2.48**	**80,000**
$6.23	**1,005,322**	**—**	**—**	**—**	**1,005,322**	**8.18**	**201,064**
$6.51	**360,000**	**—**	**—**	**—**	**360,000**	**7.19**	**144,000**
	2,275,322	**447,175**	**—**	**—**	**2,722,497**	**n/a**	**1,085,064**

The following table summarizes information about the Share Option Plan as of September 29, 2018:

Exercise price per option	Outstanding number of options at September 30, 2017	Options granted during the period	Options forfeited during the period	Outstanding number of options at September 29, 2018	Weighted average remaining life	Number of options exercisable
$4.59	830,000	—	—	830,000	6.65	490,000
$5.61	80,000	—	—	80,000	3.45	80,000
$6.23	—	1,065,322	(60,000)	1,005,322	9.35	—
$6.51	360,000	—	—	360,000	8.17	72,000
	1,270,000	1,065,322	(60,000)	2,275,322	n/a	642,000

Options outstanding held by key management personnel amounted to 2,102,497 options as at September 28, 2019 and 1,655,322 options as at September 29, 2018 (see Note 31, Key management personnel).

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in the first quarter of fiscal 2019 are the following:

Total fair value of options at grant date	$141
Share price at grant date	$5.75
Exercise price	$5.58
Expected volatility (weighted average volatility)	15.688% to 17.166%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	6.26%
Weighted average risk-free interest rate (based on government bonds)	1.842% to 1.853%

25. SHARE-BASED COMPENSATION (CONTINUED)

(b) Cash-settled share-based compensation:

i) Share Appreciation Rights ("SAR"):
In fiscal 2017, a SAR plan was created under the existing Share Option Plan that entitle the grantee to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the settlement date. On December 5, 2017, a total of 125,000 SARs were granted at a price of $6.51 to an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting debit / credit to liability. A gain on fair value change of $2 was recorded for the fiscal year ended September 28, 2019 (September 29, 2018 – a gain of $5). The liabilities arising from the SARs as at September 28, 2019 were $8 (September 29, 2018 - $10).

The following table summarizes information about the SARs as of September 28, 2019:

Share price per unit	**Outstanding number of SARs at September 29, 2018**	**SARs granted during the period**	**SARs exercised during the period**	**SARs forfeited during the period**	**Outstanding number of SARs at September 28, 2019**	**Number of SARs exercisable**
$6.51	**125,000**	**—**	**—**	**—**	**125,000**	**50,000**

The following table summarizes information about the Share Option Plan as of September 29, 2018:

Share price per unit	Outstanding number of SARs at September 30, 2017	SARs granted during the period	SARs exercised during the period	SARs forfeited during the period	Outstanding number of SARs at September 29, 2018	Number of SARs exercisable
$6.51	125,000	—	—	—	125,000	25,000

25. SHARE-BASED COMPENSATION (CONTINUED)

(b) Cash-settled share-based compensation (continued):

i) Share Appreciation Rights ("SAR") (continued):

The fair values at the measurement date were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the SARs granted are the following:

SARs granted December 5, 2016	Grant date	**Measurement date as at September 28, 2019**
Total fair value of options	$53	**$9**
Share price	$6.63	**$5.34**
Exercise price	$6.51	**$6.51**
Expected volatility (weighted average volatility)	16.520% to 18.670%	**15.128% to 16.823%**
Option life (expected weighted average life)	2 to 6 years	**6 to 10 years**
Expected dividends	5.43%	**6.74%**
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	**1.367% to 1.391%**

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

ii) Performance Share Units ("PSU"):

Fiscal 2018 grant:
In fiscal 2018, a PSU plan was created. On December 4, 2017, an aggregate of 224,761 PSUs having been granted by the Company at a share price of $6.31. In addition, an aggregate of 15,274 PSUs (September 29, 2018 - 10,291 PSUs) at a weighted-average share price of $5.68 (September 29, 2018 $6.01) were allocated as a result of the dividend paid during the last four quarters, as the participants also receive dividend equivalents paid in the form of PSU's. As at September 28, 2019, an aggregate of 250,326 PSUs are outstanding.

These PSUs will vest at the end of the 2018-2020 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. Following the end of a Performance Cycle, the Board of Directors of the Company will determine, and to the extent only that the Vesting Conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the Performance Cycle, whether the Vesting Conditions for the PSUs granted to a participant relating to such Performance Cycle have been achieved. Depending on the achievement of the Vesting Conditions, between 0% and 200% of the PSUs will become vested.

The Board of Directors of the Company has the discretion to determine that all or a portion of the PSUs granted to a participant for which the Vesting Conditions have not been achieved shall vest to such participant.

The value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan, and such date will in no event occur after December 31 of the third calendar year following the calendar year in which the PSUs are granted.

25. SHARE-BASED COMPENSATION (CONTINUED)

(b) Cash-settled share-based compensation (continued):

ii) Performance Share Units (“PSU”) (continued):

Fiscal 2018 grant (continued):

The fair value as at September 28, 2019 was nil (September 29, 2018 - nil). An expense of nil was recorded for the period ending September 28, 2019 (September 29, 2018 - nil) in administration and selling expenses. The liabilities arising from the PSUs as at September 28, 2019 were nil (September 29, 2018 - nil).

Fiscal 2019 grant:
On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company at a share price of $5.60. In addition, an aggregate of 13,858 at a weighted-average share price of $5.76 were allocated as a result of the dividend paid during the year, as the participants also receive dividend equivalents paid in the form of PSU’s. As at September 28, 2019, an aggregate of 304,306 PSUs are outstanding.

These PSUs will vest at the end of the 2019-2021 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. Following the end of a Performance Cycle, the Board of Directors of the Company will determine, and to the extent only that the Vesting Conditions include financial conditions, concurrently with the release of the Company’s financial and/or operational results for the fiscal year ended at the end of the Performance Cycle, whether the Vesting Conditions for the PSUs granted to a participant relating to such Performance Cycle have been achieved. Depending on the achievement of the Vesting Conditions, between 0% and 200% of the PSUs will become vested.

The Board of Directors of the Company has the discretion to determine that all or a portion of the PSUs granted to a participant for which the Vesting Conditions have not been achieved shall vest to such participant.

The value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan, and such date will in no event occur after December 31 of the third calendar year following the calendar year in which the PSUs are granted.

The fair values were established using the Monte Carlo model. The fair value as at grant date was $308 and $35 as at September 28, 2019. An expense of $7 was recorded for the period ending September 28, 2019 in administration and selling expenses. The liabilities arising from the PSUs as at September 28, 2019 were $7.

26. OPERATING LEASES

The Company has financial commitments for minimum lease payments under operating leases for various mobile equipment and the premises for the sugar and maple product segments. Non-cancellable operating lease rentals are payable as follows:

	September 28, 2019	September 29, 2018
	$	$
Less than 1 year	**3,439**	2,581
Between 1 and 5 years	**9,378**	5,128
More than 5 years	**8,113**	956
	20,930	8,665

For the fiscal year ended September 28, 2019, an amount of $5.4 million was recognized as an expense in net (loss) earnings with respect to operating leases (September 29, 2018 - $3.9 million).

27. COMMITMENTS

During fiscal 2019, TMTC entered into an agreement to lease a new premise in Granby for a total committed value of approximately $9.4 million over a fifteen year period. The lease will start on November 1, 2019.

As at September 28, 2019, the Company had commitments to purchase a total of 1,057,000 metric tonnes of raw cane sugar (September 29, 2018 - 1,337,000), of which 283,162 metric tonnes had been priced (September 29, 2018 - 316,128), for a total dollar commitment of $113.9 million (September 29, 2018 - $120.8 million). In addition, the Company has a commitment of approximately $25.0 million (September 29, 2018 - $43.5 million) for sugar beets to be harvested and processed in fiscal 2019.

TMTC has $8.8 million (September 29, 2018 - $18.9 million) remaining to pay related to an agreement to purchase approximately $13.9 million (4.3 million pounds) (September 29, 2018 - $38.2 million; 12.8 million pounds) of maple syrup from the PPAQ. In order to secure bulk syrup purchases, the Company issued letters of guarantee for a total amount of $17.3 million in favor of the PPAQ (September 29, 2018 - $16.0 million). The letters of guarantee expire on March 31, 2020.

During the fiscal year ended September 28, 2019, the Company entered into capital commitments to complete its capital projects for a total value of $19.0 million (September 29, 2018 - $19.6 million).

28. CONTINGENCIES

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations.

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at September 28, 2019 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

29. (LOSS) EARNINGS PER SHARE

Reconciliation between basic and diluted (loss) earnings per share is as follows:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Basic (loss) earnings per share:		
Net (loss) earnings	**(8,167)**	48,729
Weighted average number of shares outstanding	**104,997,204**	105,600,860
Basic (loss) earnings per share	**(0.08)**	0.46
Diluted (loss) earnings per share:		
Net (loss) earnings	**(8,167)**	48,729
Plus impact of convertible unsecured subordinated debentures and share options	**—**	5,694
	(8,167)	54,423
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	**104,997,204**	105,600,860
Plus impact of convertible unsecured subordinated debentures and share options	**—**	22,173,123
	104,997,204	127,773,983
Diluted (loss) earnings per share	**(0.08)**	0.43

As at September 28, 2019, the share options, the Sixth series debentures, representing 6,961,259 common shares and the Seventh series debentures, representing 11,045,198 common shares, were excluded from the calculation of diluted loss per share as they were deemed anti-dilutive. As at September 29, 2018, the 87,731 share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

30. SUPPLEMENTARY CASH FLOW INFORMATION

	September 28, 2019	September 29, 2018	September 30, 2017
	$	$	$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	**294**	1,041	247

31. KEY MANAGEMENT PERSONNEL

The Board of Directors as well as the executive team, which include the President and all the Vice-Presidents, are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Salaries and short-term benefits	**2,281**	2,763
Attendance fees for members of the Board of Directors	**883**	907
Post-employment benefits	**111**	120
Share-based compensation (note 25)	**195**	184
	3,470	3,974

32. PERSONNEL EXPENSES

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Wages, salaries and employee benefits	**86,806**	83,688
Expenses related to defined benefit plans [(1)] (note 22)	**4,021**	2,851
Expenses related to defined contributions plans	**4,815**	4,552
Share-based compensation (note 25)	**195**	184
	95,837	91,275

(1) On October 16, 2017, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan which led to the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. As a result, during fiscal 2018, a $1.5 million pension income was recorded.

The personnel expenses were charged to the consolidated statements of (loss) earnings and comprehensive (loss) income or capitalized in the consolidated statements of financial position as follows:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Cost of sales	**78,972**	72,173
Administration and selling expenses	**14,928**	17,234
Distribution expenses	**1,582**	1,434
	95,482	90,841
Property, plant and equipment	**355**	434
	95,837	91,275

33. RELATED PARTIES

Lantic has outstanding redeemable Class B special shares of $44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B special shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B special shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable Class B special shares, these amounts have been offset and, therefore, are not presented on the consolidated statements of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but have no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

34. SEGMENTED INFORMATION

The Company has two operating and reportable segments, sugar and maple products. The principal business activity of the sugar segment is the refining, packaging and marketing of sugar products. The Maple products segment processes pure maple syrup and related maple products. The reportable segments are managed independently as they require different technology and capital resources. Performance is measured based on the segments' gross margins and results from operating activities. These measures are included in the internal management reports that are reviewed by the Company's President and CEO, and management believes that such information is the most relevant in the evaluation of the results of the segments.

Transactions between reportable segments are interest receivable (payable), which are eliminated upon consolidation.

	For the fiscal year ended September 28, 2019			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Revenues	595,878	198,414	—	794,292
Cost of sales	495,577	176,140	—	671,717
Gross margin	100,301	22,274	—	122,575
Depreciation and amortization	15,449	3,772	—	19,221
Results from operating activities	66,868	(41,392)	(1,329)	24,147
Additions to property, plant and equipment and intangible assets, net of disposals	22,647	4,468	—	27,115

	For the fiscal year ended September 28, 2019			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Total assets	768,949	231,659	(165,580)	835,028
Total liabilities	(934,300)	(241,665)	626,369	(549,596)

34. SEGMENTED INFORMATION (CONTINUED)

	For the fiscal year ended September 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Revenues	601,958	203,243	—	805,201
Cost of sales	499,380	174,968	—	674,348
Gross margin	102,578	28,275	—	130,853
Depreciation and amortization	13,495	4,979	—	18,474
Results from operating activities	72,102	13,352	(1,354)	84,100
Additions to property, plant and equipment and intangible assets, net of disposals	23,352	1,792	—	25,144

	For the fiscal year ended September 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Total assets	742,993	292,232	(165,016)	870,209
Total liabilities	(899,026)	(248,871)	627,333	(520,564)

Revenues were derived from customers in the following geographic areas:

	For the fiscal years ended	
	September 28, 2019	September 29, 2018
	$	$
Canada	**611,633**	613,213
United States	**109,655**	72,442
Europe	**34,633**	40,200
Other	**38,371**	79,346
	794,292	805,201

ROGERS SUGAR INC.

Corporate Information

DIRECTORS

M. Dallas H. Ross, [1] [3]
Chairman and CEO
Kinetic Capital Limited Partnership

Dean Bergmame, [2] [3]
Director

William S. Maslechko, [3]
Partner
Burnet, Duckworth & Palmer LLP

Daniel Lafrance, [1] [2]
Director

Gary Collins, [2]
Senior Advisor
Lazard Group

Stephanie Wilkes,
Director

(1) Nominees to Board of Directors of Lantic Inc.
(2) Audit Committee Members
(3) Nominating and Governance Committee Members

LEGAL COUNSEL

Davies, Ward, Phillips & Vineberg
Montreal, Quebec

TRADING SYMBOL

RSI

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

ANNUAL MEETING

The annual meeting of Shareholders
to be held at 1:00 PM (Pacific Time)
February 11, 2020 at the
Vancouver Marriott Pinnacle Downtown
1128 West Hastings St.
Vancouver, British Columbia
V6E 4R5
Tel: (604) 684-1128

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OPERATING COMPANIES

Corporate Information — Management

DIRECTORS
M. Dallas H. Ross, [1]
Chairman & CEO
Kinetic Capital Limited Partnership

Gary Collins, [2]
Senior Advisor
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