Consolidated Financial Statements of

ROGERS SUGAR INC.

Years ended September 29, 2018 and September 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

We have audited the accompanying consolidated financial statements of Rogers Sugar Inc., which comprise the consolidated statements of financial position as at September 29, 2018 and September 30, 2017, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years ended September 29, 2018 and September 30, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at September 29, 2018 and September 30, 2017, and of its consolidated financial performance and its consolidated cash flows for the years ended September 29, 2018 and September 30, 2017, in accordance with International Financial Reporting Standards.

KPMG LLP*

November 21, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A109612

ROGERS SUGAR INC.

Consolidated statements of earnings and comprehensive income
(In thousands of dollars except per share amounts)

Consolidated statements of earnings	For the years ended **September 29, 2018**	September 30, 2017
Revenues (note 34)	**$ 805,201**	$ 682,517
Cost of sales	**674,348**	605,219
Gross margin	**130,853**	77,298
Administration and selling expenses	**32,071**	25,603
Distribution expenses	**14,682**	10,664
	46,753	36,267
Results from operating activities	**84,100**	41,031
Finance income (note 6)	**(532)**	(371)
Finance costs (note 6)	**17,664**	10,589
Net finance costs (note 6)	**17,132**	10,218
Earnings before income taxes	**66,968**	30,813
Income tax expense (recovery) (note 7):		
Current	**17,967**	13,198
Deferred	**272**	(4,291)
	18,239	8,907
Net earnings	**$ 48,729**	$ 21,906
Net earnings per share (note 29):		
Basic	**$ 0.46**	$ 0.23
Diluted	**0.43**	0.22

Consolidated statements of comprehensive income	For the years ended **September 29, 2018**	**September 30, 2017**
Net earnings	**$ 48,729**	$ 21,906
Other comprehensive (loss) income:		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (note 11)	**(32)**	401
Income tax on other comprehensive (loss) income (note 7)	**9**	(106)
Foreign currency translation differences	**506**	(192)
	483	103
Items that will not be reclassified to net earnings:		
Defined benefit actuarial gains (note 22)	**6,643**	15,866
Income tax recovery on other comprehensive income (note 7)	**(1,763)**	(4,182)
	4,880	11,684
Other comprehensive income	**5,363**	11,787
Net earnings and comprehensive income for the year	**$ 54,092**	$ 33,693

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

ROGERS SUGAR INC.

Consolidated statements of financial position
(In thousands of dollars)

		September 29, 2018		September 30, 2017*
Assets				
Current assets:				
Cash	**$**	**2,101**	$	17,033
Restricted cash (note 8)		**846**		4,201
Trade and other receivables (note 9)		**81,736**		80,032
Income taxes receivable		**-**		1,174
Inventories (note 10)		**179,325**		172,542
Prepaid expenses		**5,304**		2,892
Derivative financial instruments (note 11)		**4,011**		93
Total current assets		**273,323**		277,967
Non-current assets:				
Restricted cash (note 8)		**-**		631
Property, plant and equipment (note 12)		**208,899**		190,700
Intangible assets (note 13)		**38,947**		30,874
Other assets (note 14)		**985**		982
Deferred tax assets (note 15)		**12,976**		15,048
Derivative financial instruments (note 11)		**2,072**		2,323
Goodwill (Note 16)		**333,007**		316,949
Total non-current assets		**596,886**		557,507
Total assets	**$**	**870,209**	$	835,474
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank overdraft	**$**	**5,469**	$	-
Revolving credit facility (note 17)		**12,000**		20,000
Trade and other payables (note 18)		**113,777**		125,294
Income taxes payable		**3,506**		-
Provisions (note 20)		**1,006**		478
Finance lease obligations (note 21)		**50**		48
Derivative financial instruments (note 11)		**1,847**		6,665
Current portion of other long-term liabilities (note 19)		**773**		4,703
Total current liabilities		**138,428**		157,188
Non-current liabilities:				
Revolving credit facility (note 17)		**160,000**		150,000
Employee benefits (note 22)		**31,494**		39,169
Provisions (note 20)		**1,199**		1,753
Derivative financial instruments (note 11)		**2,720**		2,381
Finance lease obligations (note 21)		**64**		114
Convertible unsecured subordinated debentures (note 23)		**142,421**		111,544
Deferred tax liabilities (note 15)		**44,238**		38,581
Other long-term liabilities (note 19)		**-**		588
Total non-current liabilities		**382,136**		344,130
Total liabilities		**520,564**		501,318
Shareholders' equity:				
Share capital (note 24)		**100,639**		101,335
Contributed surplus		**300,436**		300,247
Equity portion of convertible unsecured subordinated debentures (note 23)		**5,085**		3,141
Deficit		**(63,171)**		(71,860)
Accumulated other comprehensive income		**6,656**		1,293
Total shareholders' equity		**349,645**		334,156
Commitments (notes 26 and 27)				
Contingencies (note 28)				
Total liabilities and shareholders' equity	**$**	**870,209**	$	835,474

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill)

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

ROGERS SUGAR INC.

Consolidated statements of changes in shareholders' equity
(In thousands of dollars except number of shares)

For the 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 (note 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.

ROGERS SUGAR INC.

Consolidated statements of changes in shareholders' equity (continued)
(In thousands of dollars except number of shares)

For the year ended September 30, 2017

	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, October 1, 2016	93,850,160	133,528	200,201	1,188	(10,494)	-	-	(58,870)	265,553
Net earnings for the year	-	-	-	-	-	-	-	21,906	21,906
Dividends (note 24)	-	-	-	-	-	-	-	(34,896)	(34,896)
Stock options exercised (notes 24 and 25)	96,500	549	(28)	-	-	-	-	-	521
Conversion of convertible debentures into common shares (note 24)	66,922	435	-	-	-	-	-	-	435
Issuance of convertible debentures, net of tax (note 23)	-	-	-	1,953	-	-	-	-	1,953
Reduction of stated capital (note 24)	-	(100,000)	100,000	-	-	-	-	-	-
Issuance of common shares, net of issuance costs (note 24)	11,730,000	66,823	-	-	-	-	-	-	66,823
Share-based compensation (note 25)	-	-	74	-	-	-	-	-	74
Cash flow hedges, net of tax (note 11)	-	-	-	-	-	295	-	-	295
Defined benefit actuarial gains, net of tax (note 22)	-	-	-	-	11,684	-	-	-	11,684
Translation of foreign operations	-	-	-	-	-	-	(192)	-	(192)
Balance, September 30, 2017	105,743,582	101,335	300,247	3,141	1,190	295	(192)	(71,860)	334,156

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

ROGERS SUGAR INC.

Consolidated statements of cash flows
(In thousands of dollars)

	For the years ended	
	September 29, 2018	September 30, 2017*
Cash flows from (used in) operating activities:		
Net earnings	**$ 48,729**	$ 21,906
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	**14,716**	13,022
Amortization of intangible assets (note 5)	**3,758**	574
Changes in fair value of derivative financial instruments included in cost of sales	**(7,645)**	(278)
Income tax expense (note 7)	**18,239**	8,907
Pension contributions	**(8,435)**	(7,324)
Pension expense	**7,403**	9,426
Net finance costs (note 6)	**17,132**	10,218
Loss on disposal of property, plant and equipment (note 12)	**-**	1
Share-based compensation – equity settled (note 25)	**189**	74
Share-based compensation – cash settled (note 25)	**(5)**	15
Other	**(21)**	8
	94,060	56,549
Changes in:		
Trade and other receivables	**2,205**	5,613
Inventories	**8,962**	16,422
Prepaid expenses	**(2,315)**	429
Trade and other payables	**(20,866)**	1,491
Provisions (note 20)	**(750)**	(763)
	(12,764)	23,192
Cash generated from operating activities:	**81,296**	79,741
Interest paid	**(14,952)**	(10,024)
Income taxes paid	**(13,432)**	(17,680)
Net cash flows from operating activities	**52,912**	52,037
Cash flows (used in) from financing activities:		
Dividends paid	**(38,037)**	(33,826)
Increase in bank overdraft	**5,469**	-
Increase in revolving credit facility (note 17)	**2,000**	110,000
Issuance of convertible debentures, net of underwriting fees and issuances costs of $4.5 million (2017 - $2.7 million) (note 23)	**93,238**	54,786
Repurchase of convertible debentures (note 23)	**(59,990)**	(49,565)
Issuance of common shares, net of underwriting fees and issuance costs of $3.2 million (note 24)	**-**	65,985
Purchase and cancellation of shares (note 24)	**(3,963)**	-
Payment of financing fees (note 14)	**(272)**	(629)
Stock options exercised (note 25)	**-**	521
Net cash flows (used in) from financing activities	**(1,555)**	147,272
Cash flows used in investing activities:		
Business combination, net of cash acquired and prior year adjustments (Note 4)	**(42,084)**	(166,182)
Payment of purchase price payable	**(690)**	-
Additions to property, plant and equipment, net of proceeds on disposal	**(23,271)**	(17,046)
Additions to intangible assets (note 13)	**(384)**	(257)
Net cash used in investing activities	**(66,429)**	(183,485)
Effect of changes in exchange rate on cash	**140**	(37)
Net (decrease) increase in cash	**(14,932)**	15,787
Cash, beginning of year	**17,033**	1,246
Cash, end of year	**$ 2,101**	$ 17,033

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill)

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 29, 2018 and September 30, 2017 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. (“Lantic”) and L.B. Maple Treat Corporation (“LBMT”), (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 quarters end on the Saturday closest to the end of December, March, June and September. All references to 2018 and 2017 represent the years ended September 29, 2018 and September 30, 2017.

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 21, 2018.

(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) 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.

(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.

2. Basis of preparation (continued):

(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:

(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 29, 2018, 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. These estimates take into account the control premium in determining the fair value less cost to sell.

(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.

2. Basis of preparation (continued):

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

(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, L.B. Maple Treat Corporation ("LBMTC"), 9020-2292 Québec Inc. ("Decacer") and Highland Sugarworks Inc. ("Highland") (the latter three companies together referred to as "LBMT". 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.

3. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(i) Subsidiaries (continued):

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 earnings and comprehensive 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 earnings and comprehensive 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):

(a) Basis of consolidation (continued):

(ii) Business combinations (continued):

The Company recognizes any non-controlling interest in an acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net identifiable assets. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the business acquired, a purchase gain is recognized immediately in the consolidated statements of earnings and comprehensive income.

(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 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.

3. Significant accounting policies (continued):

(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 substantially 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.

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.

3. Significant accounting policies (continued):

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

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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.

(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.

3. Significant accounting policies (continued):

(g) Intangible assets (continued):

(ii) Other intangible assets (continued):

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 life 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 or that are not yet available for use, 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 on a pro rata basis.

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.

3. Significant accounting policies (continued):

(j) Employee benefits (continued):

(i) Pension benefit plans (continued):

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.

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 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.

3. Significant accounting policies (continued):

(j) Employee benefits (continued):

(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.

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 earnings and comprehensive income of the current year.

3. Significant accounting policies (continued):

(j) Employee benefits (continued):

(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 earnings.

(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.

3. Significant accounting policies (continued):

(k) Provisions (continued):

(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.

(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

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

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

	IAS 39	**IFRS 9 (2014)**
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.

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.

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

(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.

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 earnings. The Company currently has no significant financial liabilities measured at fair value except for other long-term 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).

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

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

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 earnings.

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 earnings (marked-to-market).

3. Significant accounting policies (continued):

(l) Financial instruments (continued):

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

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 earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity.

The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net 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 income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss.

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

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

Revenue is measured at the fair value of the consideration received or receivable and recognized at the time products are shipped to customers, at which time significant risks and rewards of ownership are transferred to the customers. Revenue is recorded net of all returns and allowances and excludes sales taxes.

Sales incentives, including volume rebates provided to customers, are estimated based on contractual agreements and historical trends and are recognized at the time of sale as a reduction in revenue. Such rebates are primarily based on a combination of volume purchased and achievement of specified volume levels.

(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.

3. Significant accounting policies (continued):

(n) Lease payments (continued):

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.

(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 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 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.

3. Significant accounting policies (continued):

(p) Income taxes (continued):

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 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) Earnings per share:

The Company presents basic and diluted 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.

(r) New standards and interpretations adopted:

(i) IAS 7, Disclosure Initiative

On January 7, 2016 the IASB issued *Disclosure Initiative* (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, includes both changes arising from cash flow and non-cash changes.

The Company adopted the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The adoption of the standard did not have a material impact on the consolidated financial statements.

(ii) IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*:

On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

3. Significant accounting policies (continued):

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

(ii) IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses* (continued):

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company adopted the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The adoption of the amendments did not have a material impact on the consolidated financial statements.

(iii) 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:

- Clarification that IFRS 12, *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017.

The Company adopted the amendment in its consolidated financial statements for the annual period beginning October 1, 2017. The adoption of the amendments did not have a material 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 29, 2018 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 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.

3. Significant accounting policies (continued):

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

(i) IFRS 2, *Classification and Measurement of Share-based Payment Transactions* (continued):

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 will adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The Company does not expect the amendments to have a material 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 will adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The Company does not expect the standard 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) 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 will adopt the Interpretation in its consolidated financial statements for the annual period beginning on September 30, 2018, as applicable. . The Company does not expect the standard to have a material impact on the consolidated financial statements.

(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 will adopt these amendments in its consolidated financial statements for the annual period beginning September 30, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(v) 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*.

3. Significant accounting policies (continued):

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

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

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 Company has started reviewing the impact of the adoption of IFRS 16 and expects that certain of the existing leases will require to be recognized as assets and liabilities. However, the extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been quantified.

(vi) 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 extent of the impact of the adoption of the Interpretation has not yet been determined.

3. Significant accounting policies (continued):

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

(vii) 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 extent of the impact of adoption of the amendments has not yet been determined.

(viii) 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 extent of the impact of the change has not yet been determined.

4. Business combinations:

(a) Decacer transaction:

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. As of the reporting date, the Company had not yet completed the purchase price allocation over the identifiable net assets and goodwill. Information to confirm the fair value of certain assets and liabilities is still to be obtained. As the Company obtains more information, the allocation will be completed.

The following table presents the purchase price allocation based on the best information available to the Company to date:

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 at the acquisition date.

4. Business combinations (continued):

(a) Decacer transaction (continued):

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 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 earnings and comprehensive income.

(b) LBMTC transaction – adjustment to provisional amounts of prior year:

The September 30, 2017 consolidated financial statements included details of the Company's LBMT business combination and set out provisional fair values relating to the consideration and net assets acquired. During fiscal 2018, as additional relevant information was obtained for the August 5, 2017 acquisition of all of the issued and outstanding shares of LBMT ("LBMT transaction"), the Company reassessed the provisional fair values and consideration transferred during the measurement period and adjusted the purchase price allocation as described in the table below. Changes to the total consideration reflect the finalization of standard closing and post-closing adjustments.

4. Business combinations (continued):

(b) LBMTC transaction – adjustment to provisional amounts of prior year (continued):

The comparative information for the prior year presented in these consolidated financial statements has been revised as follows:

Identifiable assets and liabilities assumed:	Original $	Adjustments $	Reassessed fair values $
Cash	210	-	210
Restricted cash	10,883	-	10,883
Trade and other receivables	16,951	(75)	16,876
Income taxes recoverable	882	-	882
Inventories	109,224	(587)	108,637
Prepaid expenses	687	-	687
Property, plant and equipment	8,163	(175)	7,988
Intangible assets	23,875	5,500	29,375
Trade and other payables	(75,914)	(34)	(75,948)
Income taxes payable	(718)	-	(718)
Other long-term liabilities	(11,308)	-	(11,308)
Derivative financial instruments	(769)	-	(769)
Deferred tax liabilities	(5,952)	(1,448)	(7,400)
Total net assets acquired	76,214	3,181	79,395
Total consideration transferred	169,490	(3,098)	166,392
Goodwill (Note 16)	93,276	(6,279)	86,997

5. Depreciation and amortization expenses:

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

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**14,292**	12,605
Administration and selling expenses	**424**	417
	14,716	13,022
Amortization of intangible assets:		
Administration and selling expenses	**3,758**	574
Total depreciation and amortization expenses	**18,474**	13,596

6. Finance income and finance costs:

Recognized in net earnings:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Net change in fair value of interest rate swaps (note 11)	**532**	371
Finance income	**532**	371
Interest expense on convertible unsecured subordinated debentures, including accretion of $785 (2017 - $233) (note 23)	**7,691**	5,813
Interest on revolving credit facility	**5,374**	3,474
Amortization of deferred financing fees	**1,422**	781
Other interest expense	**3,177**	521
Finance costs	**17,664**	10,589
Net finance costs recognized in net earnings	**17,132**	10,218

7. Income tax expense (recovery):

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Current tax expense:		
Current period	**17,967**	13,198
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	**375**	(4,599)
Changes in tax rates	**(103)**	308
Deferred tax expense (recovery)	**272**	(4,291)
Total income tax expense	**18,239**	8,907

Income tax recognized in other comprehensive income:

	For the years ended					
	September 29, 2018			September 30, 2017		
	Before tax	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
	$	**$**	**$**	$	$	$
Cash flow hedges	**(32)**	**9**	**(23)**	401	(106)	295
Defined benefit actuarial gains	**6,643**	**(1,763)**	**4,880**	15,866	(4,182)	11,684

7. Income tax expense (recovery) (continued):

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 years ended			
	September 29, 2018		September 30, 2017	
	%	**$**	%	$
Earnings before income taxes	**–**	**66,968**	–	30,813
Income taxes using the Company's statutory tax rate	**26.75**	**17,914**	26.00	8,011
Changes due to the following items:				
Changes in tax rate	**(0.15)**	**(103)**	1.00	308
Non-deductible expenses	**0.23**	**156**	2.39	736
Other	**0.41**	**272**	(0.48)	(148)
	27.24	**18,239**	28.91	8,907

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 LBMT. They are as a result of:

(a) On December 1, 2016, LBMT 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 and September 30, 2017. As at September 29, 2018, cash held in an escrow account was $0.8 million (September 30, 2017 - $3.9 million) and the fair value of the contingent consideration payable was $0.8 million (September 30, 2017 - $4.5 million) (See Note 19, Other long-term liabilities).

8. Restricted cash (continued):

(b) On August 26, 2016, LBMT acquired all issued and outstanding common stock of Highland with $1.7 million (US $1.3 million) as a balance of purchase price payable. Fifty percent of the balance of purchase price payable was paid on August 26, 2017 and the remainder was paid on February 26, 2018. The fair value of the balance of purchase price payable, as at the acquisition date and September 30, 2017, was $1.7 million (US $1.3 million) and was calculated using a discount rate of 3.14%. Under the share purchase agreement, the amount of the balance of purchase price was placed in escrow pursuant to an escrow agreement and, as at September 29, 2018, cash held in an escrow account and the carrying value of the balance of the purchase price payable were nil (September 30, 2017 - $0.9 million and $0.8 million respectively) (See Note 19, Other long-term liabilities).

9. Trade and other receivables:

	September 29, 2018	September 30, 2017*
	$	$
Trade receivables	**73,794**	72,103
Less allowance for doubtful accounts	**(373)**	(385)
	73,421	71,718
Other receivables	**5,505**	4,334
Initial margin deposits with commodity brokers	**2,810**	3,980
	81,736	80,032

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill)

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 $113 per year). Write-offs for fiscal 2018 were $0.2 million (September 30, 2017 – nominal). 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 30, 2017, while over 79% are current (less than 30 days) as at September 29, 2018 (September 30, 2017 - 84%).

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 29, 2018	September 30, 2017*
	$	$
Raw inventory	**113,134**	111,281
Work in progress	**10,460**	10,770
Finished goods	**32,491**	29,453
	156,085	151,504
Packaging and operating supplies	**11,074**	9,245
Spare parts and other	**12,166**	11,793
	179,325	172,542

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill)

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 29, 2018, inventories recognized as cost of goods sold amounted to $669.9 million (September 30, 2017 - $579.1 million).

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.

11. Financial instruments (continued):

Derivative financial instruments (continued)

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.

The fair values of the interest rate swap have been determined by using rates published on financial capital markets.

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 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 29, 2018 and September 30, 2017, the Company's financial derivatives carrying values were as follows:

	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 swap	**460**	**2,014**	**–**	**–**
	4,011	**2,072**	**1,847**	**2,720**

11. Financial instruments (continued):

Derivative financial instruments (continued)

	Financial Assets Current September 30, 2017	Financial Assets Non-current September 30, 2017	Financial Liabilities Current September 30, 2017	Financial Liabilities Non-current September 30, 2017
	$	$	$	$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	93	–	–	37
Foreign exchange forward contracts	–	1,280	2,712	–
Embedded derivatives	–	–	74	–
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	–	–	3,826	2,344
Interest rate swap	–	1,043	53	–
	93	2,323	6,665	2,381

	Charged to cost of sales Unrealized (loss) gain		Charged to finance income		For the years ended Other comprehensive (loss) gain	
	September 29, 2018	September 30, 2017	**September 29, 2018**	September 30, 2017	**September 29, 2018**	September 30, 2017
	$	$	**$**	$	**$**	$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	**(3,154)**	(9,311)	**–**	–	**–**	–
Foreign exchange forward contracts	**1,494**	(861)	**–**	–	**–**	–
Embedded derivatives	**51**	254	**–**	–	**–**	–
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts:	**2,715**	3,018	**–**	–	**(979)**	(1,701)
Interest rate swap:	**–**	–	**532**	371	**947**	2,102
	1,106	(6,900)	**532**	371	**(32)**	401

11. Financial instruments (continued):

Derivative financial instruments (continued)

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at September 29, 2018 and September 30, 2017:

	September 29, 2018			September 30, 2017		
	Natural gas futures contracts	**Interest rate swap**	**Total**	**Natural gas futures contracts**	**Interest rate swap**	**Total**
	$	**$**	**$**	$	$	$
Opening OCI	**(1,701)**	**2,102**	**401**	-	-	-
Income taxes	**451**	**(557)**	**(106)**	-	-	-
Opening OCI – net of income taxes	**(1,250)**	**1,545**	**295**	-	-	-
Change in fair value of derivatives designated as cash flow hedges	**1,736**	**1,479**	**3,215**	1,317	2,473	3,790
Amounts reclassified to net earnings	**(2,715)**	**(532)**	**(3,247)**	(3,018)	(371)	(3,389)
Income taxes	**262**	**(253)**	**9**	451	(557)	(106)
Ending OCI – net of income taxes	**(1,967)**	**2,239**	**272**	(1,250)	1,545	295

For the year ended September 29, 2018, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately $0.5 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

For its financial assets and liabilities measured at amortized cost as at September 29, 2018 and September 30, 2017, 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.

11. Financial instruments (continued):

Derivative financial instruments (continued)

(a) Raw sugar (continued):

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 29, 2018 and September 30, 2017 are as follows:

	September 29, 2018			September 30, 2017		
	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	**61,500**	**51,794**	**(9,706)**	114,184	103,927	(10,257)
6 - 12 months	**86,326**	**76,767**	**(9,559)**	75,166	72,290	(2,876)
12 - 24 months	**8,567**	**7,962**	**(605)**	18,114	17,765	(349)
Over 24 months	**361**	**357**	**(4)**	56	54	(2)
	156,754	**136,880**	**(19,874)**	207,520	194,036	(13,484)
Sales						
0 - 6 months	**(56,761)**	**(52,898)**	**3,863**	(111,228)	(103,311)	7,917
6 -12 months	**(81,107)**	**(66,426)**	**14,681**	(73,971)	(67,402)	6,569
12 - 24 months	**(19,167)**	**(18,199)**	**968**	(22,808)	(22,568)	240
Over 24 months	**–**	**–**	**–**	(18)	(18)	–
	(157,035)	**(137,523)**	**19,512**	(208,025)	(193,299)	14,726
Net position	**(281)**	**(643)**	**(362)**	(505)	737	1,242
Foreign exchange rate at the end of period			**1.2918**			1.2476
Net value (CA$)			**(468)**			1,550
Margin call payment (receipt) at year-end			**697**			(1,494)
Net asset (CA$)			**229**			56

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:

11. Financial instruments (continued):

Derivative financial instruments (continued)

(b) Natural gas (continued):

	September 29, 2018			September 30, 2017		
	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	**5,044**	**3,614**	**(1,430)**	4,955	1,888	(3,067)
1 to 2 years	**6,821**	**6,332**	**(489)**	5,580	4,276	(1,304)
2 to 3 years	**6,495**	**5,814**	**(681)**	5,774	5,610	(164)
3 years and over	**11,775**	**10,944**	**(831)**	11,706	11,296	(410)
	30,135	**26,704**	**(3,431)**	28,015	23,070	(4,945)
Foreign exchange rate at the end of period			**1.2918**			1.2476
Net liability (CA$)			**(4,432)**			(6,170)

The forecasted purchases of natural gas, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net 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.

(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.

11. Financial instruments (continued):

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

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.

				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)

(c) Foreign exchange contracts (continued):

				September 30, 2017
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$)	(CA$)	(CA$)	(CA$)
Sugar				
Purchases U.S. dollars				
Less than 1 year	94,575	122,561	118,010	(4,551)
1 to 2 years	12,320	15,552	15,380	(172)
2 to 3 years	233	294	292	(2)
	107,128	138,407	133,682	(4,725)
Sales U.S. dollars				
Less than 1 year	(119,837)	(151,973)	(149,529)	2,444
1 to 2 years	(13,463)	(18,190)	(16,835)	1,355
2 to 3 years	(783)	(1,080)	(981)	99
	(134,083)	(171,243)	(167,345)	3,898
Total U.S. dollars - Sugar	(26,955)	(32,836)	(33,663)	(827)
Maple products				
Sales U.S. dollars				
Less than 1 year	(5,962)	(8,049)	(8,654)	(605)
Total U.S. dollars	(32,917)	(40,885)	(42,317)	(1,432)

(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 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000
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

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 29, 2018, the fair value of the swap agreements amounted to an asset of $2.5 million (September 30, 2017 - asset of $1.0 million).

11. Financial instruments (continued):

Derivative financial instruments (continued)

(d) Interest rate swap agreements (continued):

The forecasted interest payments, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net 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 29, 2018 (US$)	September 30, 2017 (US$)
Financial instruments measured at amortized cost:		
Cash	**1,672**	8,454
Trade and other receivables, including initial margin deposits	**21,440**	15,851
Trade and other payables	**(3,560)**	(3,004)
	19,552	21,301
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	**157,035**	208,025
Raw sugar futures purchases contracts	**(156,754)**	(207,520)
Balance of purchase price payable	**-**	(659)
Natural gas contracts	**(30,135)**	(28,015)
Fair value loss or (gain) on futures contracts	**362**	(1,242)
	(29,492)	(29,411)
Total exposure from above	**(9,940)**	(8,110)
Forward exchange contracts	**(47,675)**	(32,917)
Gross exposure	**(57,615)**	(41,027)

As at September 29, 2018, the U.S./Can. exchange rate was $1.2918 (September 30, 2017 - $1.2476).

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 increase in net earnings of $2.1 million, (September 30, 2017 - increase of $1.5 million) while a 5-cent decrease would have an equal but opposite effect on net 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:

11. Financial instruments (continued):

Risks (continued)

(b) Currency risk (continued):

	September 29, 2018	September 30, 2017
	(US$)	(US$)
Gross exposure as per above	**(57,615)**	(41,027)
Sugar purchases priced not received	**(93,516)**	(98,341)
Committed future sales in U.S. dollars	**111,698**	117,736
Ocean freight	**(15)**	(142)
Other	**(592)**	(284)
Net exposure	**(40,040)**	(22,058)

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 increase of net earnings by $1.5 million in 2018 (September 30, 2017 - increase of $0.8 million) while a decrease would have an equal but opposite effect on net earnings.

The Company did not have a Euro foreign exchange currency exposure at year-end seeing as the forward exchange contracts were equal to the futures sales and purchases.

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.

11. Financial instruments (continued):

Risks (continued)

(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 29, 2018, the Company has a short-term cash borrowing of $12.0 million (September 30, 2017 - $20.0 million) and a long-term cash borrowing of $160.0 million (September 30, 2017 - $150.0 million). The Company normally enters into a 30- or 90-day bankers' acceptance for an amount varying between $100.0 million to $175.0 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 year ended September 29, 2018, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net earnings would have been $0.5 million lower (September 30, 2017 - $0.3 million lower) while a decrease would have an equal but opposite effect on net 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 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.

11. Financial instruments (continued):

Risks (continued)

(d) Liquidity risk (continued):

						September 30, 2017*
	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	170,000	170,000	20,000	-	50,000	100,000
Trade and other payables	125,294	125,294	125,294	-	-	-
Finance lease obligations	162	178	28	28	56	66
	295,456	295,472	145,322	28	50,056	100,066
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) (i)	(56)	(920)	(769)	(6,098)	5,992	(45)
Forward exchange contracts (net) (i)	1,432	(40,885)	(52,869)	15,408	(2,638)	(786)
Other long-term liabilities	5,291	5,291	2,852	1,851	588	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts (i)	6,170	34,952	3,254	2,928	6,962	21,808
Interest on swap agreements	(990)	7,206	855	846	1,619	3,886
	11,847	5,644	(46,677)	14,935	12,523	24,863
	307,303	301,116	98,645	14,963	62,579	124,929

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

(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 $175.0 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.

11. Financial instruments (continued):

Risks (continued)

(d) Liquidity risk (continued):

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 29, 2018, the Company had an unused available line of credit of $93.0 million (September 30, 2017 - $105.0 million), a cash balance of $2.1 million (September 30, 2017 - $17.0 million) and an overdraft balance of $5.5 million (September 30, 2017 – nil).

(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.

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 M.T.	**Current average value (US$)**	**Current contract value (US$)**	**Contracts (10,000 MM BTU)**	**Current average value (US$)**	**Current contract value (US$)**
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**

As at September 30, 2017, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume M.T.	Current average value (US$)	Current contract value (US$)	Contracts (10,000 MM BTU)	Current average value (US$)	Current contract value (US$)
Purchases	614,005	$ 316.02	$ 194,036	912	$ 25.30	$ 23,070
Sales	(609,839)	316.97	(193,299)	–	–	–
	4,166	$ n/a	$ 737	912	$ 25.30	$ 23,070
Foreign exchange rate at the end of the period			1.2476			1.2476
Net value CA$			$ 920			$ 28,782

If, on September 29, 2018, 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 earnings would have been an increase of approximately $0.1 million (calculated only on the point-in-time exposure on September 29, 2018) (September 30, 2017 - increase of $0.4 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 earnings would have been a decrease of approximately $0.1 million (September 30, 2017 - decrease of $0.3 million for US$0.03 decrease).

11. Financial instruments (continued):

Risks (continued)

(e) Commodity price risk (continued):

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 29, 2018 nor September 30, 2017. If, on September 29, 2018, the natural gas market price would have increased by US$1.00, and all other variables remained constant, net earnings would have increased by $10.4 million (September 30, 2017 - increase of $8.4 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 earnings would have decreased by $10.4 million (September 30, 2017 - decrease of $8.4 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.

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.

11. Financial instruments (continued):

Fair values of financial instruments (continued)

vi) The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments. The fair value of the conversion option has been marked-to-market using a model with various inputs.

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)

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.

		September 29, 2018		September 30, 2017*	
	Fair values hierarchy level	**Carrying values**	**Fair values**	Carrying values	Fair values
		$	**$**	$	$
Financial assets:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	**229**	**229**	56	56
Foreign exchange forward contracts	Level 2	**3,245**	**3,245**	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:					
Interest rate swap	Level 2	**2,474**	**2,474**	990	990
Financial assets recorded at amortized cost:					
Cash	Level 1	**2,101**	**2,101**	17,033	17,033
Restricted cash	Level 1	**846**	**846**	4,832	4,832
Trade and other receivables	n/a	**81,736**	**81,736**	80,032	80,032
Income taxes receivable	n/a	**-**	**-**	1,174	1,174
Total financial assets		**90,631**	**90,631**	104,117	104,117
Financial liabilities:					
Derivative financial instruments measured at fair value through profit or loss:					
Foreign exchange forward contracts	Level 2	-	-	1,432	1,432
Embedded derivatives	Level 2	**-**	**-**	74	74
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	**4,432**	**4,432**	6,170	6,170
Financial liabilities recorded at amortized cost:					
Bank overdraft	Level 1	**5,469**	**5,469**	-	-
Revolving credit facility	n/a	**172,000**	**172,000**	170,000	170,000
Trade and other payables	n/a	**113,777**	**113,777**	125,294	125,294
Income taxes payable	n/a	**3,506**	**3,506**	-	-
Finance lease obligations	n/a	**114**	**114**	162	162
Other long-term liabilities	Level 3	**773**	**773**	5,291	5,291
Convertible unsecured subordinated debentures	Level 1	**142,421**	**157,464**	111,544	121,469
Total financial liabilities		**442,492**	**457,535**	419,967	429,892

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

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 October 1, 2016	17,748	62,722	259,965	–	6,981	440	6,004	353,860
Additions through business combinations *	201	2,198	3,046	2,240	139	163	1	7,988
Additions	–	–	55	–	2	1	17,055	17,113
Transfers	–	1,711	6,994	–	408	–	(9,113)	–
Disposals	–	–	–	–	(2)	(184)	–	(186)
Effect of movements in exchange rate	–	–	(16)	(3)	–	(3)	–	(22)
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**
Depreciation								
Balance at October 1, 2016	–	21,130	150,333	–	3,523	243	–	175,229
Depreciation for the year	–	1,429	10,878	59	607	49	–	13,022
Disposals	–	–	–	–	(2)	(183)	–	(185)
Effect of movements in Exchange rate	–	–	(10)	(2)	–	(1)	–	(13)
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**
Net carrying amounts								
At September 30, 2017 *	17,949	44,072	108,843	2,180	3,400	309	13,947	190,700
At September 29, 2018	**18,089**	**49,184**	**120,679**	**2,120**	**3,403**	**257**	**15,167**	**208,899**

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

There were no impairment losses during fiscal 2018 and 2017.

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 October 1, 2016	3,368	-	-	284	3,652
Additions through business combinations *	255	25,260	3,860	-	29,375
Additions	257	-	-	-	257
Effect of movements in exchange rate	-	(57)	(10)	-	(67)
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**
Amortization					
Balance at October 1, 2016	1,648	-	-	121	1,769
Amortization for the year	194	352	-	28	574
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**
Net carrying amounts:					
At September 30, 2017 *	2,038	24,851	3,850	135	30,874
At September 29, 2018	**1,902**	**30,795**	**5,871**	**379**	**38,947**

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

(1) Indefinite life

14. Other assets:

	September 29, 2018	September 30, 2017
	$	$
Deferred financing charges, net	**975**	979
Other	**10**	3
	985	982

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).

14. Other assets (continued):

On December 20, 2017, the Company paid $0.1 million in financing fees to amend its existing revolving credit facility by drawing additional funds under the accordion feature (see Note 17, Revolving credit facility). Then, on May 28, 2018, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2023 under the same terms and conditions of the amended credit agreement entered into on December 20, 2017. An amount of $0.2 million was paid in financing fees, bringing the total paid to $0.3 million in fiscal 2018 (see Note 17, 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, 2023.

15. Deferred tax assets and liabilities:

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

	September 29, 2018	September 30, 2017*
	$	$
Assets:		
Employee benefits	**8,330**	10,279
Derivative financial instruments	**1,299**	2,022
Losses carried forward	**1,518**	110
Provisions	**583**	585
Intangibles	**41**	36
Other	**1,205**	2,016
	12,976	15,048
Liabilities:		
Property, plant and equipment	**(29,260)**	(27,763)
Derivative financial instruments	**(1,517)**	(668)
Goodwill	**(2,509)**	(2,418)
Deferred financing charges	**(417)**	(337)
Intangibles	**(8,694)**	(6,497)
Other	**(1,841)**	(898)
	(44,238)	(38,581)
Net assets (liabilities):		
Property, plant and equipment	**(29,260)**	(27,763)
Intangibles	**(8,653)**	(6,461)
Employee benefits	**8,330**	10,279
Derivative financial instruments	**(218)**	1,354
Losses carried forward	**1,518**	110
Goodwill	**(2,509)**	(2,418)
Provisions	**583**	585
Deferred financing charges	**(417)**	(337)
Other	**(636)**	1,118
	(31,262)	(23,533)

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

15. Deferred tax assets and liabilities (continued):

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

	Balance September 30, 2017 *	**Recognized in profit (loss)**	**Recognized in other comprehensive 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)**

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

	Balance October 1, 2016	Recognized in profit (loss)	Recognized in other comprehensive income	Recognized in equity	Acquired in business combination*	Balance September 30, 2017*
Property, plant and equipment	(27,024)	(74)	–	–	(665)	(27,763)
Intangibles	–	819	–	–	(7,280)	(6,461)
Employee benefits	13,977	484	(4,182)	–	–	10,279
Derivative financial instruments	(2,175)	3,430	(106)	–	205	1,354
Losses carried forward	–	110	–	–	–	110
Goodwill	(2,295)	(36)	–	–	(87)	(2,418)
Provisions	791	(206)	–	–	–	585
Deferred financing charges	(323)	(901)	–	838	49	(337)
Other	761	665	–	(686)	378	1,118
	(16,288)	4,291	(4,288)	152	(7,400)	(23,533)

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

16. Goodwill:

	September 29, 2018	September 30, 2017
	$	$
Balance, beginning of year	**316,949**	229,952
Adjustment of prior year purchase price allocation	**-**	(6,279)
Additions through business combination	**16,058**	93,276
Balance, end of year	**333,007**	316,949

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 29, 2018	September 30, 2017
	$	$
Sugar:		
Goodwill	**229,952**	229,952
Maple products:		
Goodwill	**103,055**	86,997 *
Brand names	**5,871**	3,850 *
	338,878	320,799

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations, Business combinations)

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.

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at September 29, 2018, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

Sugar segment

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.

16. Goodwill (continued):

	2018
	%
Pre-tax discount rate	10.6
Terminal growth rate	2.0
Budgeted EBITDA growth rate (average of next 5 years)	0.6

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.

	2018
	%
Pre-tax discount rate	3.9
Budgeted EBITDA growth rate	(2.8)

Maple products segment

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.

	2018
	%
Pre-tax discount rate	13.6
Terminal growth rate	3.0
Budgeted EBITDA growth rate (average of next 5 years)	7.9

16. Goodwill (continued):

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 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.
- Costs savings related to ongoing return on investment capital projects.

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.

	2018
	%
Pre-tax discount rate	0.2
Budgeted EBITDA growth rate	(0.4)

17. Revolving credit facility:

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).

On May 18, 2018, the Company reduced and canceled an amount of $50.0 million that was drawn under the accordion (“Accordion Borrowings”) on April 28, 2017. In 2017, the funds from the Accordion borrowings were used to repay the Fourth series convertible unsecured subordinated debentures (“Fourth series debentures”) on May 1, 2017.

On May 28, 2018, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2023 under the same terms and conditions of the amended credit agreement entered into on December 20, 2017. An amount of $0.2 million was paid in financing fees (see Note 14, Other assets).

17. Revolving credit facility (continued):

On August 3, 2017, the Company amended its existing revolving credit facility in line with the acquisition of LBMT. The available credit was increased by $75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional LBMT Accordion Borrowings").

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 29, 2018, a total of $407.8 million of assets are pledged as security (September 30, 2017 - $417.9 million).

The following amounts were outstanding as at:

	September 29, 2018	September 30, 2017
	$	$
Outstanding amount on revolving credit facility:		
Current	**12,000**	20,000
Non-current	**160,000**	150,000
	172,000	170,000

As at September 29, 2018, an amount of $160.0 million is shown as non-current as we don't expect it to be repaid within the next 12 months.

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 29, 2018	September 30, 2017*
	$	$
Trade payables	**91,675**	101,605
Other non-trade payables	**2,754**	3,692
Personnel-related liabilities	**9,897**	10,480
Dividends payable to shareholders	**9,451**	9,517
	113,777	125,294

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill)

18. Trade and other payables (continued):

Considering that Maple products syrup is harvested once a year, the *Federation des producteurs acericoles du Quebec* ("FPAQ") 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 $61.8 million as of September 29, 2018 (September 30, 2017 - $70.9 million).

During the year, more than 85% of the maple syrup purchases were made from the FPAQ.

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 29, 2018			September 30, 2017		
	Contingent consideration payable	Balance of purchase price payable	Total	Contingent consideration payable	Balance of purchase price payable	Total
	$	**$**	**$**	$	$	$
Opening balance	**4,469**	**822**	**5,291**	-	-	-
Business acquisition (Note 4)	**-**	**-**	**-**	5,573	5,735	11,308
Accretion expense	**190**	**8**	**198**	22	9	31
Foreign exchange adjustment	**-**	**30**	**30**	-	(12)	(12)
Payment made	**(3,886)**	**(860)**	**(4,746)**	(1,126)	(4,910)	(6,036)
Closing balance	**773**	**-**	**773**	4,469	822	5,291
Presented as:						
Current	**773**	**-**	**773**	3,881	822	4,703
Non-current	**-**	**-**	**-**	588	-	588
	773	**-**	**773**	4,469	822	5,291

20. Provisions:

	September 29, 2018	September 30, 2017
	$	$
Opening balance	**2,231**	2,994
Additions	**724**	-
Provisions used during the period	**(750)**	(763)
Closing balance	**2,205**	2,231
Presented as:		
Current	**1,006**	478
Non-current	**1,199**	1,753
	2,205	2,231

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. The leases substantially transfer all the usage benefits of such equipment to the Company. These leases have an interest rate of 5.65% with maturity dates in fiscal 2020.

The outstanding liabilities are as follows:

	September 29, 2018		September 30, 2017	
	Carrying values	**Fair values**	Carrying values	Fair values
	$	**$**	$	$
Finance lease obligations	**114**	**114**	162	162

21. Finance lease obligations (continued):

The finance lease obligations are payable as follows:

	September 29, 2018			September 30, 2017		
	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	**55**	**5**	**50**	56	8	48
Between one and five years	**66**	**2**	**64**	122	8	114
	121	**7**	**114**	178	16	162

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 29, 2018	September 30, 2017
	$	$
Fair value of plan assets:		
Pension benefit plans	**104,362**	100,450
Defined benefit obligation:		
Pension benefit plans	**120,650**	121,886
Other benefit plans	**15,206**	17,733
	135,856	139,619
Funded status:		
Pension benefit plans	**(16,288)**	(21,436)
Other benefit plans	**(15,206)**	(17,733)
	(31,494)	(39,169)
Experience adjustment arising on plan liabilities	**(4,911)**	(13,296)
Experience adjustment arising on plan assets	**1,732**	2,570

22. Employee benefits (continued):

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 29, 2018 (September 30, 2017 - 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 the next required valuations will be as of December 31, 2019.

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

	September 29, 2018		September 30, 2017	
	%	**$**	%	$
Equity instruments	**60.9**	**63,557**	63.6	63,886
Government bonds	**36.6**	**38,196**	34.8	34,957
Cash and short-term securities	**2.5**	**2,609**	1.6	1,607
	100.0	**104,362**	100.0	100,450

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 2019 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 years ended					
	September 29, 2018			September 30, 2017		
	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	**121,886**	**17,733**	**139,619**	126,972	22,994	149,966
Current service cost	**2,388**	**282**	**2,670**	2,724	468	3,192
Past service costs	**(1,478)**	**-**	**(1,478)**	-	-	-
Re-measurements of other long-term benefits	**10**	**(56)**	**(46)**	17	(62)	(45)
Interest cost	**4,528**	**652**	**5,180**	4,166	740	4,906
Employee contributions	**1,003**	**-**	**1,003**	961	–	961
Benefit payments from plan	**(4,512)**	**-**	**(4,512)**	(4,243)	–	(4,243)
Benefit payments from employer	**(1,037)**	**(632)**	**(1,669)**	(1,073)	(749)	(1,822)
Actuarial (gains) losses arising from changes in demographic assumptions	**-**	**(2,427)**	**(2,427)**	651	(3,744)	(3,093)
Actuarial gains arising from changes in financial assumptions	**(814)**	**(210)**	**(1,024)**	(9,532)	(2,417)	(11,949)
Actuarial (gains) losses arising from member experience	**(1,324)**	**(136)**	**(1,460)**	1,243	503	1,746
Defined benefit obligation, end of year	**120,650**	**15,206**	**135,856**	121,886	17,733	139,619
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**100,450**	**-**	**100,450**	97,033	–	97,033
Interest income	**3,835**	**-**	**3,835**	3,212	–	3,212
Return on plan assets (excluding interest income)	**1,732**	**-**	**1,732**	2,570	–	2,570
Employer contributions	**3,251**	**632**	**3,883**	2,583	749	3,332
Employee contributions	**1,003**	**-**	**1,003**	961	–	961
Benefit payments from plan	**(4,512)**	**-**	**(4,512)**	(4,243)	–	(4,243)
Benefit payments from employer	**(1,037)**	**(632)**	**(1,669)**	(1,073)	(749)	(1,822)
Plan expenses	**(360)**	**-**	**(360)**	(593)	–	(593)
Fair value of plan assets, end of year	**104,362**	**-**	**104,362**	100,450	–	100,450

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 the first quarter of fiscal 2018, a $1.5 million pension income was recorded.

22. Employee benefits (continued):

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

	September 29, 2018		September 30, 2017	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Active plan participants	**45.8**	**41.6**	44.4	42.3
Retired plan members	**49.9**	**58.4**	50.1	57.7
Deferred plan participants	**1.3**	-	5.5	-
Other	**3.0**	**-**	**-**	-
	100.0	**100.0**	100.0	100.0

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

	For the years ended					
	September 29, 2018			September 30, 2017		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net earnings:						
Current service cost	**2,388**	**282**	**2,670**	2,724	468	3,192
Past service cost	**(1,478)**	**-**	**(1,478)**	-	-	-
Expenses related to the pension benefit plans	**360**	**-**	**360**	593	-	593
Net interest cost	**693**	**652**	**1,345**	954	740	1,694
Re-measurements of other long-term benefits	**10**	**(56)**	**(46)**	17	(62)	(45)
Pension expense	**1,973**	**878**	**2,851**	4,288	1,146	5,434
Recognized in:						
Cost of sales	**1,435**	**555**	**1,990**	3,730	715	4,445
Administration and selling expenses	**538**	**323**	**861**	558	431	989
	1,973	**878**	**2,851**	4,288	1,146	5,434

22. Employee benefits (continued):

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

	For the years ended					
			September 29, 2018			September 30, 2017
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in income at the beginning of the year	**4,040**	**(6,181)**	**(2,141)**	14,248	(523)	13,725
Recognized during the year	**(3,870)**	**(2,773)**	**(6,643)**	(10,208)	(5,658)	(15,866)
Cumulative amount in income at the end of the year	**170**	**(8,954)**	**(8,784)**	4,040	(6,181)	(2,141)
Recognized during the year, net of tax	**(2,843)**	**(2,037)**	**(4,880)**	(7,518)	(4,166)	(11,684)

Principal actuarial assumptions used were as follows:

	For the years ended			
		September 29, 2018		September 30, 2017
	Pension benefits plans	**Other benefits plans**	Pension benefits plans	Other benefits plans
	%	**%**	%	%
Company's defined benefit obligation:				
Discount rate	**3.90**	**3.90**	3.85	3.85
Rate of compensation increase	**2.20**	**3.00**	3.00	3.00
Net benefit plans expense:				
Discount rate	**3.85**	**3.85**	3.35	3.35
Rate of compensation increase	**2.20**	**3.00**	3.00	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 29, 2018	September 30, 2017
Longevity at age 65 for current pensioners:		
Males	**21.9**	21.8
Females	**24.6**	24.5
Longevity at age 65 for members aged 45:		
Males	**23.4**	23.3
Females	**26.0**	25.9

The assumed health care cost trend rate as at September 29, 2018 was 5.73% (September 30, 2017 - 5.6%), decreasing uniformly to 4.00% in 2040 (September 30, 2017 - 4.43% in 2034) and remaining at that level thereafter.

The following table outlines the key assumptions for the year ended September 29, 2018 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 year ended September 29, 2018		
	Pension benefit plans	**Other benefit plans**	**Total**
	$	**$**	**$**
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	**(15,069)**	**(1,827)**	**(16,896)**
Impact of decrease of 1%	**19,005**	**2,287**	**21,292**
Rate of compensation increase			
Impact of increase of 0.5%	**856**	**4**	**860**
Impact of decrease of 0.5%	**(845)**	**(4)**	**(849)**
Mortality			
99% of expected rate	**267**	**56**	**323**

22. Employee benefits (continued):

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	**1,926**	**(1,572)**

As at September 29, 2018, the weighted average duration of the defined benefit obligation amounts to 14.1 years (September 30, 2017 - 14.1 years).

23. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	September 29, 2018	September 30, 2017
	$	$
Non-current:		
Fifth series (i)	**-**	60,000
Sixth series (ii)	**57,500**	57,500
Seventh series (iii)	**97,750**	-
Total face value	**155,250**	117,500
Less net deferred financing fees	**(6,488)**	(3,121)
Less equity component (i), (ii), (iii)	**(6,930)**	(3,826)
Accretion expense on equity component	**589**	991
Total carrying value - non-current	**142,421**	111,544

(i) Fifth series:

On December 16, 2011, the Company issued $60.0 million Fifth series, 5.75% convertible unsecured subordinated debentures (“Fifth series debentures”), maturing on December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The debentures may be converted at the option of the holder at a conversion price of $7.20 per share (representing 8,333,333 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2014.

The Company allocated $1.2 million of the Fifth series debentures into an equity component. During the year, the Company recorded $243 (September 30, 2017 - $187) in finance costs for the accretion of the Fifth series debentures.

23. Convertible unsecured subordinated debentures (continued):

(i) Fifth series (continued):

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

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.

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 $287 (September 30, 2017– $46) 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.

23. Convertible unsecured subordinated debentures (continued):

(ii) Sixth series (continued):

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 29, 2018 was approximately $59.2 million (September 30, 2017 – $59.4 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 may, at its option, elect to satisfy its obligation to pay the principal amount of the outstanding debentures by issuing and delivering to the holders of the debentures that number of debenture shares obtained by dividing the principal amount of the outstanding debentures which are to be redeemed or which have matured by 95% of the weighted average trading price of the RSI Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or on the maturity date, as the case may be.

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.

23. Convertible unsecured subordinated debentures (continued):

(iii) Seventh series (continued):

The Company allocated $4.3 million ($3.1 million net of tax) of the Seventh series debentures into an equity component. During the period, the Company recorded $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 29, 2018 was approximately $98.2 million.

24. Share capital and other components of equity:

During the second quarter of 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.

On May 22, 2018, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company may purchase up to 1,500,000 common shares. The NCIB commenced on May 24, 2018 and may continue to May 23, 2019. During the year, 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 addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 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.

During fiscal 2017, a total of 96,500 common shares were issued pursuant to the exercise of share options under the Share Option Plan. See note 25, Share-based compensation.

During fiscal 2017, further to a special resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by $100.0 million and the contributed surplus was increased by the same amount of $100.0 million.

During fiscal 2017, a total of $435 of the Fourth series debentures was converted by holders of the securities for a total of 66,922 common shares.

24. Share capital and other components of equity (continued):

On August 5, 2017, the Company acquired all of the issued and outstanding shares of LBMT for a total consideration of $166.4 million (see Note 4, Business combinations). As part of the financing, a public offering was completed on July 28, 2017 consisting of subscription receipts (converted to 11,730,000 common shares upon closing of the transaction) for gross proceeds of $69.2 million ($66.8 million net of underwriting commissions and professional fees of $3.2 million and deferred tax of $0.8 million).

As of September 29, 2018, a total of 105,008,070 common shares (September 30, 2017- 105,743,582) were outstanding.

The Company declared a quarterly dividend of $0.09 per share for fiscal years 2018 and 2017. The following dividends were declared by the Company:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Dividends	**37,971**	34,896

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 between $15.0 million and $20.0 million yearly in capital expenditures. Management believes that these investments, combined with approximately $30.0 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 $175.0 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 below 1.60:1 for fiscal 2018 and below 1.50:1 for fiscal 2017.

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 30, 2017 - 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.

25. Share-based compensation (continued):

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

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.

During fiscal 2017, a total of 360,000 share options were granted at a price of $6.51 per common share to certain executives. In addition, during fiscal 2017, a total of 96,500 common shares were issued pursuant to the exercise of share options under the Share Option Plan for total cash proceeds of $521, which was recorded to share capital as well as an ascribed value from contributed surplus of $28.

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 $189 was incurred for the year ended September 29, 2018 (September 30, 2017 - $74).

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**

The following table summarizes information about the Share Option Plan as of September 30, 2017:

Exercise price per option	Outstanding number of options at October 1, 2016	Options granted during the period	Options exercised during the period	Outstanding number of options at September 30, 2017	Weighted average remaining life	Number of options exercisable
$4.59	850,000	-	(20,000)	830,000	7.65	150,000
$5.61	156,500	-	(76,500)	80,000	4.45	80,000
$6.51	-	360,000	-	360,000	9.17	-
	1,006,500	360,000	(96,500)	1,270,000	n/a	230,000

Options outstanding held by key management personnel amounted to 1,655,322 options as at September 29, 2018 and 1,270,000 options as at September 30, 2017 (see Note 31, Key management personnel).

25. Share-based compensation (continued):

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

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 2018 are the following:

Total fair value of options at grant date	$373
Share price at grant date	$6.31
Exercise price	$6.23
Expected volatility (weighted average volatility)	16.194% to 17.640%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	5.71%
Weighted average risk-free interest rate (based on government bonds)	1.647% to 1.760%

(b) Cash-settled share-based compensation:

(i) Share Appreciation Rights (“SAR”):

During the first quarter of 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. During the first quarter of fiscal 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 $5 was recorded for the year ended September 29, 2018 (September 30, 2017 – an expense of $15). The liabilities arising from the SARs as at September 29, 2018 were $10 (September 30, 2017 - $15).

The following table summarizes information about the SARs as of September 29, 2018:

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

The following table summarizes information about the Share Option Plan as of September 30, 2017:

Share price per unit	Outstanding number of units at October 1, 2016	Units granted during the period	Units exercised during the period	Units forfeited during the period	Outstanding number of units at September 30, 2017	Number of units exercisable
$6.51	-	125,000	-	-	125,000	-

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:

Options granted December 5, 2016	Grant date	**Measurement date as at September 29, 2018**
Total fair value of options	$53	**$15**
Share price	$6.63	**$5.47**
Exercise price	$6.51	**$6.51**
Expected volatility (weighted average volatility)	16.520% to 18.670%	**15.197% to 17.246%**
Option life (expected weighted average life)	2 to 6 years	**4 to 8 years**
Expected dividends	5.43%	**6.58%**
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	**2.32% to 2.42%**

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"):

During the first quarter of fiscal 2018, a PSU plan was created for executives that entitle them to a cash payment, with an aggregate of 224,761 PSUs having been granted by the Company at a share price of $6.31. In addition, an aggregate of 10,291 PSUs at a weighted-average share price of $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 29, 2018, an aggregate of 235,052 PSUs are outstanding.

These PSUs will vest at the end of the 2017-2020 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.

25. Share-based compensation (continued):

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

(ii) Performance Share Units ("PSU") (continued):

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.

An expense of nil was recorded for the period ending September 29, 2018 (September 30, 2017 – not applicable) in administration and selling expenses. The liabilities arising from the PSUs as at September 29, 2018 was nil.

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 29, 2018	September 30, 2017
	$	$
Less than 1 year	**2,581**	1,988
Between 1 and 5 years	**5,128**	3,770
More than 5 years	**956**	188
	8,665	5,946

For the year ended September 29, 2018, an amount of $3.9 million was recognized as an expense in net earnings with respect to operating leases (September 30, 2017 - $2.9 million).

27. Commitments:

As at September 29, 2018, the Company had commitments to purchase a total of 1,337,000 metric tonnes of raw cane sugar (September 30, 2017 - 1,708,000), of which 316,128 metric tonnes had been priced (September 30, 2017 – 286,000), for a total dollar commitment of $120.8 million (September 30, 2017 - $122.7 million). In addition, the Company has a commitment of approximately $43.5 million (September 30, 2017 - $43.1 million) for sugar beets to be harvested and processed in fiscal 2019.

A subsidiary of the Company has $19.3 million (September 30, 2017 - $2.5 million) remaining to pay related to an agreement to purchase approximately $38.2 million (12.8 million pounds) (September 30, 2017 - $4.0 million; 1.5 million pounds) of maple syrup from the FPAQ. In order to secure bulk syrup purchases, the Company issued letters of guarantee for a total amount of $16.0 million in favor of the FPAQ (September 30, 2017 - $12.5 million). The letters of guarantee expire on March 31, 2019.

27. Commitments (continued):

During the year ended September 29, 2018, the Company entered into capital commitments to complete its capital projects for a total value of $19.6 million (September 30, 2017 - $6.3 million).

The Taber beet sugar processing facility was established in 1950. Over the past few years, the Company has been actively working on solutions to reduce the air emissions footprint of the facility. The Taber facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019. As at the third quarter of fiscal 2018, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations. This solution is expected to require between $8.0 million to $10.0 million in capital expenditures of which, approximately $7.0 million to $9.0 million will be spent in fiscal 2019.

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 29, 2018 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. Earnings per share:

Reconciliation between basic and diluted earnings per share is as follows:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Basic earnings per share:		
Net earnings	**48,729**	21,906
Weighted average number of shares outstanding	**105,600,860**	96,027,566
Basic earnings per share	**0.46**	0.23
Diluted earnings per share:		
Net earnings	**48,729**	21,906
Plus impact of convertible unsecured subordinated debentures and share options	**5,694**	467
	54,423	22,373
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	**105,600,860**	96,027,566
Plus impact of convertible unsecured subordinated debentures and share options	**22,173,123**	7,197,978
	127,773,983	103,225,544
Diluted earnings per share	**0.43**	0.22

As at September 29, 2018, the 862,661 share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. As at September 30, 2017, the Fifth series debentures, representing 8,333,333 common shares were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

30. Supplementary cash flow information:

	September 29, 2018	September 30, 2017	October 1, 2016
	$	$	$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	**1,041**	247	135
Investment tax credit included in income taxes payable	**–**	-	220

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 years ended	
	September 29, 2018	September 30, 2017
	$	$
Salaries and short-term benefits	**2,763**	3,603
Attendance fees for members of the Board of Directors	**907**	627
Post-employment benefits	**120**	164
Share-based compensation (note 25)	**184**	89
	3,974	4,483

32. Personnel expenses:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Wages, salaries and employee benefits	**83,688**	72,674
Expenses related to defined benefit plans (1) (note 22)	**2,851**	5,434
Expenses related to defined contributions plans	**4,552**	3,992
Share-based compensation (note 25)	**184**	89
	91,275	82,189

(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.

32. Personnel expenses (continued):

The personnel expenses were charged to the consolidated statements of earnings and comprehensive income or capitalized in the consolidated statements of financial position as follows:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Cost of sales	**72,173**	66,941
Administration and selling expenses	**17,234**	13,255
Distribution expenses	**1,434**	1,564
	90,841	81,760
Property, plant and equipment	**434**	429
	91,275	82,189

33. Related parties:

Lantic has outstanding redeemable Class B 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 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 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 preferred 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.

34. Segmented information (continued):

Transactions between reportable segments are interest receivable (payable), which are eliminated upon consolidation.

			For the 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	**23,352**	**1,792**	**-**	**25,144**

			For the 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)**

			For the year ended September 30, 2017	
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Revenues	655,851	26,666	-	682,517
Cost of sales	582,143	23,076	-	605,219
Gross margin	73,708	3,590	-	77,298
Depreciation and amortization	13,105	491	-	13,596
Results from operating activities	41,247	948	(1,164)	41,031
Additions to property, plant and equipment and intangible assets	17,306	64	-	17,370

			For the year ended September 30, 2017 *	
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Total assets	744,311	255,538	(164,375)	835,474
Total liabilities	(918,313)	(212,129)	629,124	(501,318)

*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

34. Segmented information (continued):

Revenues were derived from customers in the following geographic areas:

	For the years ended	
	September 29, 2018	September 30, 2017
	$	$
Canada	**613,213**	624,992
United States	**112,642**	50,055
Other	**79,346**	7,470
	805,201	682,517