Consolidated Financial Statements of

ROGERS SUGAR INC.

Fiscal years ended October 2, 2021 and October 3, 2020

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

Opinion

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

- the consolidated statements of financial position as at October 2, 2021 and October 3, 2020;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 2, 2021 and October 3, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 2, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Goodwill impairment assessment for the Maple products cash-generating unit

Description of the matter

As discussed in Notes 3(i) and 15 to the financial statements, the Entity performs impairment testing annually for goodwill and when circumstances indicate that there may be an impairment. The goodwill balance as of October 2, 2021 is $283 million, of which $53 million relate to the Maple products cash-generating unit ("CGU"). The Entity assesses impairment by comparing the carrying amount of the CGU to its recoverable amount. The recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is based on estimates of discounted future cash flows expected to be recovered from the CGU through its use. Fair value less costs to sell is the amount obtainable from the sale of the CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The Entity's significant assumption in determining the fair value less costs to sell relates to the range of earning multiples.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment analysis for the Maple products CGU as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of goodwill and the high degree of estimation uncertainty in assessing the assumptions used to determine the recoverable amounts. Significant auditor judgement and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence for the Entity's significant assumptions. Minor changes to these assumptions could have a significant effect on the recoverable amount of the CGU and result in impairment charges.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter.

We involved valuation professionals with specialized skills and knowledge, who assisted in developing an independent expectation of the fair value less costs to sell for the Maple product CGU. The procedures performed include the following:

- Developed a range of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") multiples based on comparable precedent transactions and qualitative considerations;
- Assessed the reasonability of the adjusted EBITDA amount determined by management;
- Developed a range of recoverable amounts by multiplying the adjusted EBITDA multiples by the adjusted EBITDA amount; and
- Compared the independently developed range of recoverable amounts to the carrying amount of the Maple product CGU.

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

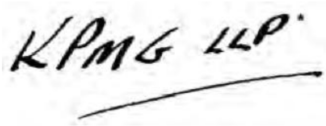
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this auditors' report is Aaron Fima.



Montréal, Canada

November 24, 2021

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

Consolidated statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

		Fiscal year ended
Consolidated statements of earnings	**October 2, 2021**	October 3, 2020
Revenues (note 32)	**893,931**	860,801
Cost of sales	**754,187**	734,602
Gross margin	**139,744**	126,199
Administration and selling expenses	**36,955**	38,940
Distribution expenses	**18,292**	19,249
	55,247	58,189
Results from operating activities	**84,497**	68,010
Finance income (note 5)	**-**	(197)
Finance costs (note 5)	**19,439**	18,720
Net finance costs	**19,439**	18,523
Earnings before income taxes	**65,058**	49,487
Income tax expense (note 6):		
Current	**17,333**	11,290
Deferred	**198**	2,778
	17,531	14,068
Net earnings	**47,527**	35,419
Net earnings per share (note 27):		
Basic	**0.46**	0.34
Diluted	**0.44**	0.34

		Fiscal year ended
Consolidated statements of comprehensive income	**October 2, 2021**	October 3, 2020
Net earnings	**47,527**	35,419
Other comprehensive income (loss):		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (note 9)	**17,973**	(3,887)
Income tax on cash flow hedges (note 6)	**(4,614)**	1,016
Foreign currency translation differences	**(1,032)**	54
	12,327	(2,817)
Items that will not be reclassified to net earnings:		
Defined benefit actuarial gains (losses) (note 20)	**34,219**	(5,847)
Income tax on defined benefit actuarial gains (losses) (note 6)	**(8,786)**	1,502
	25,433	(4,345)
Other comprehensive income (loss)	**37,760**	(7,162)
Comprehensive income	**85,287**	28,257

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

Consolidated statements of financial position

(In thousands of dollars)

Assets	**October 2, 2021**	October 3, 2020
Current assets:		
Cash	**15,643**	1,974
Trade and other receivables (note 7)	**95,546**	94,262
Income taxes receivable	**285**	2,042
Inventories (note 8)	**180,291**	180,792
Prepaid expenses	**4,570**	7,923
Derivative financial instruments (note 9)	**5,897**	2,616
Total current assets	**302,232**	289,609
Non-current assets:		
Property, plant and equipment (note 10)	**241,713**	230,385
Right-of-use assets (note 11)	**18,526**	20,489
Intangible assets (note 12)	**28,034**	31,666
Other assets (note 13)	**548**	745
Derivative financial instruments (note 9)	**5,870**	158
Goodwill (note 15)	**283,007**	283,007
Total non-current assets	**577,698**	566,450
Total assets	**879,930**	856,059
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	**-**	2,797
Revolving credit facility (note 16)	**-**	29,000
Trade and other payables (note 17)	**119,940**	131,089
Income taxes payable	**3,454**	-
Provisions (note 18)	**1,394**	500
Lease obligations (note 19)	**3,049**	3,981
Derivative financial instruments (note 9)	**2,089**	1,458
Total current liabilities	**129,926**	168,825
Non-current liabilities:		
Revolving credit facility (note 16)	**100,000**	165,000
Employee benefits (note 20)	**29,299**	59,212
Provisions (note 18)	**2,431**	437
Derivative financial instruments (note 9)	**546**	6,933
Lease obligations (note 19)	**15,443**	16,423
Convertible unsecured subordinated debentures (note 21)	**147,742**	145,836
Senior guaranteed notes (note 22)	**98,785**	-
Deferred tax liabilities (note 14)	**36,800**	23,202
Total non-current liabilities	**431,046**	417,043
Total liabilities	**560,972**	585,868
Shareholders' equity:		
Share capital (note 23)	**100,139**	99,452
Contributed surplus	**300,887**	300,794
Equity portion of convertible unsecured subordinated debentures (note 21)	**5,085**	5,085
Deficit	**(106,604)**	(116,831)
Accumulated other comprehensive income (loss)	**19,451**	(18,309)
Total shareholders' equity	**318,958**	270,191
Commitments (notes 19 and 25)		-
Contingencies (note 26)		-
Total liabilities and shareholders' equity	**879,930**	856,059

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

Consolidated statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

For the fiscal year ended October 2, 2021

	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 3, 2020	**103,536,923**	**99,452**	**300,794**	**5,085**	**(12,983)**	**(6,119)**	**793**	**(116,831)**	**270,191**
Net earnings for the year	-	-	-	-	-	-	-	**47,527**	**47,527**
Dividends (note 23)	-	-	-	-	-	-	-	**(37,300)**	**(37,300)**
Issuance of shares (note 23)	**150,000**	**687**	**(14)**	-	-	-	-	-	**673**
Share-based compensation (note 24)	-	-	**107**	-	-	-	-	-	**107**
Cash flow hedges, net of tax (note 9)	-	-	-	-	-	**13,359**	-	-	**13,359**
Defined benefit actuarial gains, net of tax (note 20)	-	-	-	-	**25,433**	-	-	-	**25,433**
Translation of foreign operations	-	-	-	-	-	-	**(1,032)**	-	**(1,032)**
Balance, October 2, 2021	**103,686,923**	**100,139**	**300,887**	**5,085**	**12,450**	**7,240**	**(239)**	**(106,604)**	**318,958**

For the fiscal year ended October 3, 2020

	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized loss on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total
		$	$	$	$	$	$	$	$
Balance, September 28, 2019	104,885,464	100,522	300,626	5,085	(8,638)	(3,248)	739	(109,654)	285,432
Net earnings for the year	-	-	-	-	-	-	-	35,419	35,419
Dividends (note 23)	-	-	-	-	-	-	-	(37,380)	(37,380)
Purchase and cancellation of shares (note 23)	(1,377,394)	(1,320)	-	-	-	-	-	(5,216)	(6,536)
Share-based compensation (note 24)	-	-	168	-	-	-	-	-	168
Conversion of convertible debentures into common shares (notes 21 and 23)	28,853	250	-	-	-	-	-	-	250
Cash flow hedges, net of tax (note 9)	-	-	-	-	-	(2,871)	-	-	(2,871)
Defined benefit actuarial losses, net of tax (note 20)	-	-	-	-	(4,345)	-	-	-	(4,345)
Translation of foreign operations	-	-	-	-	-	-	54	-	54
Balance, October 3, 2020	103,536,923	99,452	300,794	5,085	(12,983)	(6,119)	793	(116,831)	270,191

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

Consolidated statements of cash flows
(In thousands of dollars)

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
Cash flows from operating activities:		
Net earnings	**47,527**	35,419
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	**21,381**	19,656
Amortization of intangible assets (note 4)	**3,830**	3,822
Changes in fair value of derivative financial instruments included in cost of sales	**2,752**	(2,413)
Income tax expense (note 6)	**17,531**	14,068
Pension contributions	**(10,155)**	(9,636)
Pension expense	**14,462**	11,191
Net finance costs (note 5)	**19,439**	18,523
Gain on disposal of property, plant and equipment (note 10)	**(86)**	(82)
Share-based compensation - equity settled (note 24)	**107**	168
Share-based compensation - cash settled (note 24)	**21**	26
Other	**-**	1
	116,809	90,743
Changes in:		
Trade and other receivables	**(1,359)**	(9,381)
Inventories	**223**	1,604
Prepaid expenses	**3,353**	(3,761)
Trade and other payables	**(13,354)**	13,496
Provisions (note 18)	**(343)**	(860)
	(11,480)	1,098
Cash generated from operating activities:	**105,329**	91,841
Interest paid	**(14,629)**	(15,900)
Income taxes paid	**(12,123)**	(11,340)
Net cash flows from operating activities	**78,577**	64,601
Cash flows used in financing activities:		
Dividends paid	**(37,287)**	(37,501)
Increase (decrease) in bank overdraft	**(2,797)**	(5,528)
Increase (decrease) in revolving credit facility (note 16)	**(94,000)**	17,000
Payment of lease obligations (note 19)	**(5,487)**	(4,205)
Net proceeds from senior guaranteed notes (note 22)	**98,740**	-
Issuance of shares (note 23)	**673**	-
Purchase and cancellation of shares (note 23)	**-**	(6,536)
Payment of financing fees	**-**	(16)
Net cash flows used in financing activities	**(40,158)**	(36,786)
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	**(24,320)**	(26,128)
Additions to intangible assets (note 12)	**(358)**	(25)
Net cash flows used in investing activities	**(24,678)**	(26,153)
Effect of changes in exchange rate on cash	**(72)**	28
Net increase in cash	**13,669**	1,690
Cash, beginning of year	**1,974**	284
Cash, end of year	**15,643**	1,974

Supplemental cash flow information (note 28).
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 October 2, 2021 and October 3, 2020 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and The Maple Treat Corporation ("TMTC"), (together referred to as the "Company"). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2021 and 2020 represent the years ended October 2, 2021 and October 3, 2020.

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 24, 2021.

(B) BASIS OF MEASUREMENT:

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

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

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

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

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

(v) lease obligations which are measured at the present value of minimum lease liabilities in accordance with IFRS 16 *Leases*.

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(D) USE OF ESTIMATES AND JUDGEMENTS:

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

The novel coronavirus disease ("COVID-19") did not have a significant impact on estimates and judgements.

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

2. Basis of preparation: (continued)

(D) USE OF ESTIMATES AND JUDGEMENTS: (CONTINUED)

(i) Goodwill and unamortizable intangibles impairment:

The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill and unamortizable intangibles using discounted future cash flows or other valuation methods.

3. Significant accounting policies:

(A) BASIS OF CONSOLIDATION:

(i) Subsidiaries:

The consolidated financial statements include Rogers and the subsidiary it controls, Lantic and its subsidiaries, TMTC and Highland Sugarworks Inc. (the latter two companies together referred to as "TMTC").

Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

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

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

(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 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 less any government grants received for capital expenditures. 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.

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	3 to 10 years
Machinery and equipment	5 to 40 years

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

3. Significant accounting policies: (continued)

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

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

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

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

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

(H) LEASES:

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. The Company uses their incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in administration and selling expenses or distribution expenses as incurred.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

(I) IMPAIRMENT:

Non-financial assets:

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

3. Significant accounting policies: (continued)

(I) IMPAIRMENT: (CONTINUED)

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

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

(J) EMPLOYEE BENEFITS:

(i) Pension benefit plans:

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

Defined contribution plans

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

Defined benefit plans

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

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

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 (loss). 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

3. Significant accounting policies: (continued)

(J) EMPLOYEE BENEFITS: (CONTINUED)

(i) Pension benefit plans: (continued)

the Company being committed to a settlement, the plan liability is measured at the expected settlement amount using settlement interest rates.

(ii) Short-term employee benefits:

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

(iii) Share-based compensation:

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

(iv) Employee share purchase plan:

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

(v) Cash-settled Performance Share Units:

The Company has 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. The fair value of the employee benefits expense of the PSUs is measured using the Monte Carlo pricing model.

(vi) 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.

3. Significant accounting policies: (continued)

(K) PROVISIONS: (CONTINUED)

(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, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset, or earlier if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

(ii) Contingent liability:

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

(L) FINANCIAL INSTRUMENTS:

(i) IFRS 9, Financial Instruments:

The following summarizes the classification and measurement for the Company's non-derivative and derivative financial assets and financial liabilities.

Financial assets:	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Income taxes receivable	Amortized cost
Non-hedged derivative assets	Fair value through profit or loss

Financial liabilities:	
Bank overdraft	Amortized cost
Revolving credit facility	Amortized cost
Trade and other payables	Amortized cost
Income taxes payable	Amortized cost
Senior guaranteed notes	Amortized cost
Convertible unsecured subordinated debentures	Amortized cost
Non-hedged derivative liabilities	Fair value through profit or loss

The Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instruments.

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

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

b. Financial assets measured at fair value:

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

(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 bank overdraft and revolving credit facility, trade and other payables, income tax payables, senior guaranteed notes, 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 non-hedged derivative liabilities.

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

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

3. Significant accounting policies: (continued)

(L) FINANCIAL INSTRUMENTS: (CONTINUED)

(iv) Fair values of financial instruments:

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

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

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

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

a. Cash:

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

b. Derivative financial instruments and hedging relationships:

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

c. 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).

d. 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.

e. 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.

f. Trade date:

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

3. Significant accounting policies: (continued)

(L) FINANCIAL INSTRUMENTS: (CONTINUED)

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

g. 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.

(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 (loss) until the forecasted transaction affects profit or loss.

If the forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income (loss) 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 price and interest rate fluctuations as cash flow hedges.

(M) REVENUE RECOGNITION:

The Company derives revenue from the sale of finished goods, which include sugar and maple products. The Company recognizes revenue when all performance obligations have been met which is generally at a point in time when it transfers control of the finished goods to a customer, which occurs upon shipment of the finished goods from the Company's facilities or upon delivery of the finished goods to the customer's premises. Some arrangements for the sale of finished goods provide for customer price discounts and/or volume rebates based on aggregate sales over a specified period, which gives rise to variable consideration. At the time of sale, estimates are made for items giving rise to variable consideration based on the terms of the sales program or arrangement.

The estimate is based on historical experience, current trends, and other known factors. Sales are recorded net of customer discounts, rebates, and exclude sales taxes.

(N) 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.

3. Significant accounting policies: (continued)

(O) 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 (loss).

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income (loss) 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.

(P) 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.

(Q) NEW STANDARDS AND INTERPRETATIONS ADOPTED:

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.

The Company adopted the Amendments in its consolidated interim financial statements for the annual period beginning on October 4, 2020. The adoption of the amendments did not have an impact on the consolidated financial statements.

(R) 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 October 2, 2021 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:

- Annual Improvements to IFRS Standards 2018-2020
- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

3. Significant accounting policies: (continued)

(R) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED: (CONTINUED)

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 3, 2021. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

4. Depreciation and amortization expenses:

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

		For the fiscal years ended
	October 2, 2021	October 3, 2020
	$	
Depreciation of property, plant and equipment		
Cost of sales	**16,144**	15,677
Administration and selling expenses	**555**	545
	16,699	16,222
Depreciation of right-of-use assets		
Cost of sales	**2,849**	2,324
Administration and selling expenses	**1,833**	1,110
	4,682	3,434
Amortization of intangible assets:		
Administration and selling expenses	**3,830**	3,822
Total depreciation and amortization expenses	**25,211**	23,478

5. Finance income and finance costs:

Recognized in net earnings:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	
Net change in fair value of interest rate swaps (note 9)	**-**	197
Finance income	**-**	197
Interest expense on convertible unsecured subordinated debentures, including accretion of $917 (2020 - $868) (note 21)	**8,423**	8,446
Interest on revolving credit facility	**5,843**	6,723
Interest on senior guaranteed notes, including accretion of $45	**1,527**	-
Amortization of deferred financing fees	**1,187**	1,187
Other interest expense	**1,150**	1,500
Interest accretion on discounted lease obligations	**858**	864
Net change in fair value of interest rate swap (note 9)	**451**	-
Finance costs	**19,439**	18,720
Net finance costs recognized in net earnings	**19,439**	18,523

6. Income tax expense (recovery):

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	
Current tax expense:		
Current period	**17,931**	11,290
Adjustments for prior year periods	**(598)**	-
Current tax expense	**17,333**	11,290
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	**(368)**	2,394
Adjustments for prior year periods	**566**	384
Deferred tax expense (recovery)	**198**	2,778
Total income tax expense	**17,531**	14,068

Income tax recognized in other comprehensive income (loss):

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Before tax	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax
	$	**$**	**$**	$	$	$
Cash flow hedges	**17,973**	**(4,614)**	**13,359**	(3,887)	1,016	(2,871)
Defined benefit actuarial losses	**34,219**	**(8,786)**	**25,433**	(5,847)	1,502	(4,345)

6. 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 fiscal years ended
	October 2, 2021		October 3, 2020	
	%	**$**	%	$
Earnings before income taxes	**-**	**65,058**	-	49,487
Income taxes using the Company's statutory tax rate	**27.00**	**17,566**	27.00	13,362
Changes due to the following items:				
Effect of differences in tax rates in other jurisdictions	**0.15**	**94**	0.29	145
Non-deductible expenses (income)	**(0.15)**	**(97)**	0.36	177
Adjustments for prior year periods	**(0.05)**	**(32)**	0.78	384
Other	**-**	**-**	-	-
	26.95	**17,531**	28.43	14,068

7. Trade and other receivables:

	October 2, 2021	October 3, 2020
	$	$
Trade receivables	**80,430**	82,191
Less expected credit loss	**(536)**	(662)
	79,894	81,539
Other receivables	**13,493**	11,866
Initial margin deposits with commodity brokers	**2,159**	867
	95,546	94,262

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

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

- There is a broad base of customers with dispersion across different market segments.
- Bad debt write-offs to total revenue have been less than 0.1% for each of the last five years (averaging less than $0.2 million per year). Write-offs for fiscal 2021 were $0.2 million (October 3, 2020 - $0.2 million). All bad debt write-offs are charged to administration and selling expenses.
- Less than 1% of trade receivables are outstanding for more than 90 days (October 3, 2020 - less than 1%), while over 80% are current (less than 30 days) as at October 2, 2021 (October 3, 2020 - 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.

8. Inventories:

	October 2, 2021	October 3, 2020
	$	$
Raw materials	**99,323**	104,852
Work in progress	**8,435**	10,378
Finished goods	**42,787**	37,975
	150,545	153,205
Packaging and operating supplies	**14,986**	13,453
Spare parts and other	**14,760**	14,134
	180,291	180,792

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 October 2, 2021, inventories recognized as cost of goods sold amounted to $773.1 million (October 3, 2020 - $734.7 million).

9. Financial instruments:

Derivative financial 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.

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.

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

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

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

9. Financial instruments: (continued)

As at October 2, 2021 and October 3, 2020, the Company's financial derivatives carrying values were as follows:

		Financial Assets		**Financial Liabilities**
	Current	**Non-current**	**Current**	**Non-current**
		October 2, 2021		**October 2, 2021**
	$	**$**	**$**	**$**
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	**-**	**120**	**142**	**-**
Foreign exchange forward contracts	**18**	**127**	**213**	**-**
Interest rate swap	**-**	**-**	**455**	**16**
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	**5,879**	**5,623**	**-**	**-**
Interest rate swap	**-**	**-**	**1,279**	**530**
	5,897	**5,870**	**2,089**	**546**

		Financial Assets		Financial Liabilities
	Current	Non-current	Current	Non-current
		October 3, 2020		October 3, 2020
	$	$	$	$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	8	95	-	-
Foreign exchange forward contracts	2,521	63	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	87	-	-	1,662
Interest rate swap	-	-	1,458	5,271
	2,616	158	1,458	6,933

9. Financial instruments: (continued)

	Charged to cost of sales Unrealized gain (loss)		Charged to finance income (costs)		Other comprehensive gain (loss)	
					For the fiscal years ended	
	October 2, 2021	October 3, 2020	**October 2, 2021**	October 3, 2020	**October 2, 2021**	October 3, 2020
	$	$	**$**	$	**$**	$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	**3,431**	(801)	**–**	–	**–**	–
Foreign exchange forward contracts	**4,639**	2,615	**–**	–	**–**	–
Interest rate swap	**–**	–	**(451)**	–	**–**	–
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	**–**	95	**–**	–	**13,077**	1,886
Interest rate swap	**–**	–	**–**	197	**4,896**	(5,773)
	8,070	1,909	**(451)**	197	**17,973**	(3,887)

The following table summarizes the Company's hedging components of accumulated other comprehensive income (loss) ("AOCI") as at October 2, 2021 and October 3, 2020:

	October 2, 2021			October 3, 2020		
	Natural gas futures contracts	**Interest rate swap**	**Total**	Natural gas futures contracts	Interest rate swap	Total
	$	**$**	**$**	$	$	$
Opening AOCI	**(865)**	**(7,513)**	**(8,378)**	(2,751)	(1,740)	(4,491)
Income taxes	**(289)**	**2,548**	**2,259**	204	1,039	1,243
Opening AOCI - net of income taxes	**(1,154)**	**(4,965)**	**(6,119)**	(2,547)	(701)	(3,248)
Change in fair value of derivatives designated as cash flow hedges	**13,077**	**5,709**	**18,786**	1,981	(5,576)	(3,595)
Amounts reclassified to net earnings	**-**	**(813)**	**(813)**	(95)	(197)	(292)
Income taxes	**(3,357)**	**(1,257)**	**(4,614)**	(493)	1,509	1,016
Ending AOCI - net of income taxes	**8,566**	**(1,326)**	**7,240**	(1,154)	(4,965)	(6,119)

For the fiscal year ended October 2, 2021, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings, except for $60.0 million of interest rate swap agreements that became ineffective following the issuance of senior guaranteed notes and hedging is no longer expected to be effective in the future. This caused $0.8 million to be derecognized from OCI and the recognition of $0.5 million of expense in finance costs.

Approximately $3.1 million of net gains presented in accumulated other comprehensive income (loss) are expected to be reclassified to net earnings within the next twelve months.

9. Financial instruments: (continued)

(A) RAW SUGAR:

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

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at October 2, 2021 and October 3, 2020 are as follows:

	October 2, 2021			October 3, 2020		
	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	**39,818**	**45,743**	**5,925**	33,496	35,997	2,501
6 - 12 months	**45,366**	**55,641**	**10,275**	66,611	72,132	5,521
12 - 24 months	**12,070**	**15,045**	**2,975**	16,737	16,611	(126)
Over 24 months	**274**	**307**	**33**	2,022	2,013	(9)
	97,528	**116,736**	**19,208**	118,866	126,753	7,887
Sales						
0 - 6 months	**(54,855)**	**(58,078)**	**(3,223)**	(31,580)	(35,573)	(3,993)
6 - 12 months	**(34,004)**	**(45,369)**	**(11,365)**	(69,148)	(74,749)	(5,601)
12 - 24 months	**(312)**	**(350)**	**(38)**	(20,594)	(20,315)	279
Over 24 months	**(79)**	**(89)**	**(10)**	-	-	-
	(89,250)	**(103,886)**	**(14,636)**	(121,322)	(130,637)	(9,315)
Net position	**8,278**	**12,850**	**4,572**	(2,456)	(3,884)	(1,428)
Foreign exchange rate at the end of period			**1.2635**			1.3304
Net value (CA$)			**5,776**			(1,900)
Margin call (receipt) payment at year-end			**(5,798)**			2,003
Net asset (liability) (CA$)			**(22)**			103

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.

9. Financial instruments: (continued)

(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:

	October 2, 2021			October 3, 2020		
	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	**4,475**	**9,128**	**4,653**	5,106	5,171	65
1 to 2 years	**5,200**	**7,371**	**2,171**	6,413	6,144	(269)
2 to 3 years	**4,770**	**5,761**	**991**	6,384	5,960	(424)
3 years and over	**7,776**	**9,064**	**1,288**	12,546	11,990	(556)
	22,221	**31,324**	**9,103**	30,449	29,265	(1,184)
Foreign exchange rate at the end of period			**1.2635**			1.3304
Net asset (liability) (CA$)			**11,502**			(1,575)

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, Euros or Australian dollars 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 and Australian dollar currencies. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

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

9. Financial instruments: (continued)

(C) FOREIGN EXCHANGE CONTRACTS: (CONTINUED)

	October 2, 2021			
	Original contract value	**Original contract value**	**Current contract value**	**Fair value gain/(loss)**
	(US/EUR/AUD$)	**(CA$)**	**(CA$)**	**(CA$)**
Sugar				
Purchases U.S. dollars				
Less than 1 year	**64,080**	**81,497**	**80,974**	**(523)**
1 to 2 years	**10,074**	**12,811**	**12,770**	**(41)**
2 to 3 years	**1,345**	**1,706**	**1,713**	**7**
	75,499	**96,014**	**95,457**	**(557)**
Sales U.S. dollars				
Less than 1 year	**(106,467)**	**(134,916)**	**(134,569)**	**347**
1 to 2 years	**(8,033)**	**(10,323)**	**(10,177)**	**146**
2 to 3 years	**(719)**	**(923)**	**(916)**	**7**
	(115,219)	**(146,162)**	**(145,662)**	**500**
Total U.S. dollars – Sugar	**(39,720)**	**(50,148)**	**(50,205)**	**(57)**
Sugar				
Purchases EUR				
Less than 1 year	**357**	**560**	**523**	**(37)**
Total EUR – Sugar	**357**	**560**	**523**	**(37)**
Maple products				
Purchases U.S. dollars				
Less than 1 year	**1,300**	**1,656**	**1,643**	**(13)**
Sales U.S. dollars				
Less than 1 year	**(26,380)**	**(33,177)**	**(33,351)**	**(174)**
1 to 2 years	**(547)**	**(701)**	**(693)**	**8**
2 to 3 years	**-**	**-**	**-**	**-**
	(26,927)	**(33,878)**	**(34,044)**	**(166)**
Total U.S. dollars - Maple	**(25,627)**	**(32,222)**	**(32,401)**	**(179)**
Maple products				
Sales EUR				
Less than 1 year	**(1,188)**	**(1,772)**	**(1,742)**	**30**
Total EUR - Maple	**(1,188)**	**(1,772)**	**(1,742)**	**30**
Maple products				
Sales AUD				
Less than 1 year	**(5,241)**	**(4,987)**	**(4,811)**	**176**
Total AUD - Maple	**(5,241)**	**(4,987)**	**(4,811)**	**176**
Total Foreign Exchange	**(71,419)**	**(88,569)**	**(88,636)**	**(67)**

9. Financial instruments: (continued)

(C) FOREIGN EXCHANGE CONTRACTS: (CONTINUED)

	October 3, 2020			
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US/EUR/AUD$)	(CA$)	(CA$)	(CA$)
Sugar				
Purchases U.S. dollars				
Less than 1 year	68,395	81,032	70,145	(10,887)
1 to 2 years	5,232	5,791	5,758	(33)
2 to 3 years	400	540	550	10
	74,027	87,363	76,453	(10,910)
Sales U.S. dollars				
Less than 1 year	(121,608)	(152,480)	(140,947)	11,533
1 to 2 years	(17,093)	(21,621)	(21,550)	71
2 to 3 years	(3,513)	(4,706)	(4,706)	-
3 years and over	(179)	(236)	(240)	(4)
	(142,393)	(179,043)	(167,443)	11,600
Total U.S. dollars - Sugar	(68,366)	(91,680)	(90,990)	690
Sugar				
Purchases EUR				
Less than 1 year	672	1,058	1,055	(3)
1 to 2 years	-	-	(2)	(2)
Total EUR - Sugar	672	1,058	1,053	(5)
Maple products				
Purchases U.S. dollars				
Less than 1 year	3,201	4,292	4,012	(280)
Sales U.S. dollars				
Less than 1 year	(34,475)	(47,715)	(45,623)	2,092
1 to 2 years	(1,788)	(2,400)	(2,380)	20
2 to 3 years	(103)	(139)	(138)	1
	(36,366)	(50,254)	(48,141)	2,113
Total U.S. dollars - Maple	(33,165)	(45,962)	(44,129)	1,833
Maple products				
Sales EUR				
Less than 1 year	(12,108)	(19,022)	(18,923)	99
Total EUR - Maple	(12,108)	(19,022)	(18,923)	99
Maple products				
Sales AUD				
Less than 1 year	(5,123)	(4,840)	(4,873)	(33)
Total AUD - Maple	(5,123)	(4,840)	(4,873)	(33)
Total Foreign Exchange	(118,090)	(160,446)	(157,862)	2,584

9. Financial instruments: (continued)

(D) INTEREST RATE SWAP AGREEMENTS:

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

Fiscal year contracted	Date	Total value
		$
Fiscal 2017	May 29, 2017 to June 28, 2022 - 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 - 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 - 1.733%	30,000
Fiscal 2019	March 12, 2019 to June 28, 2024 - 2.08%	20,000
Fiscal 2019	June 28, 2022 to June 28, 2024 - 2.17%	80,000
Fiscal 2020	October 3, 2019 to June 28, 2024 - 1.68%	20,000
Fiscal 2020	February 24, 2020 to June 28, 2025 - 1.60%	20,000
Fiscal 2020	June 28, 2021 to June 28, 2023 - 1.08%	10,000
Fiscal 2020	June 28, 2024 to June 28, 2025 - 1.18%	80,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at October 2, 2021, the fair value of the swap agreements amounted to a liability of $2.3 million (October 3, 2020 - liability of $6.7 million).

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 7, Trade and other receivables and Note 9, 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 9, Financial instruments; Derivative financial instruments, (c) Foreign exchange contracts).

9. Financial instruments: (continued)

(B) CURRENCY RISK: (CONTINUED)

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

	October 2, 2021	October 3, 2020
	(US$)	(US$)
Financial instruments measured at amortized cost		
Cash	**6,107**	3,126
Trade and other receivables, including initial margin deposits	**29,430**	22,400
Trade and other payables	**(2,883)**	(2,703)
	32,654	22,823
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	**89,250**	121,322
Raw sugar futures purchases contracts	**(97,528)**	(118,866)
Natural gas contracts	**(22,221)**	(30,449)
Fair value loss or (gain) on futures contracts	**(4,572)**	1,428
	(35,071)	(26,565)
Total exposure from above	**(2,417)**	(3,742)
Forward exchange contracts	**(65,346)**	(101,532)
Gross exposure	**(67,763)**	(105,274)

As at October 2, 2021, the U.S./Can. exchange rate was $1.2635 (October 3, 2020 - $1.3304).

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 $2.5 million, (October 3, 2020 – increase in net earnings of $3.9 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:

	October 2, 2021	October 3, 2020
	(US$)	(US$)
Gross exposure as per above	**(67,763)**	(105,274)
Sugar purchases priced not received	**(114,172)**	(112,742)
Committed future sales in U.S. dollars	**167,190**	185,095
Ocean freight	**(1,770)**	554
Other	**(1,716)**	(1,515)
Net exposure	**(18,231)**	(33,882)

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 in net earnings by $0.7 million in 2021 (October 3, 2020 - increase in net earnings of $1.3 million) while a decrease would have an equal but opposite effect on net earnings.

Sugar futures sales contracts represent, in large part, contracts entered into when sugar is priced to a customer. As both the raw sugar component of futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to hedge the currency of the raw sugar component, hence the adjustment for sugar purchases priced not received. It also includes the Taber sales of refined sugar in U.S. dollars. As all beet sugar is paid in Canadian dollars, Taber sales contracts in U.S. dollars need to be financially hedged for currency exposure.

Included in other, is the U.S. dollar exposure stemming from future purchases entering in the production of Blending products. As this exposure is hedged, an offsetting amount is included in the forward exchange contracts.

9. Financial instruments: (continued)

(B) CURRENCY RISK: (CONTINUED)

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 hedged for the currency exposure.

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

(C) INTEREST RATE RISK:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at October 2, 2021, the Company has a short-term cash borrowing of $Nil (October 3, 2020 - $29.0 million) and a long-term cash borrowing of $198.8 million (October 3, 2020 - $165.0 million). The Company has $98.8 million in senior guaranteed notes bearing fixed interest rate and therefore may be exposed to fair value variance. Remaining borrowing is normally entered into a 30 - or 90-day bankers' acceptance for an amount varying between $100.0 million to $160.0 million of the borrowings and will borrow either under prime rate loans or shorter term bankers' acceptances.

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 9, 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, to the exception of the senior guaranteed notes that bear fixed interest rate.

For the fiscal year ended October 2, 2021, 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 $0.2 million lower (October 3, 2020 - $0.4 million lower net earnings) while a decrease would have an equal but opposite effect on net earnings.

(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:

	October 2, 2021				
	Carrying amount	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Non-derivative financial liabilities					
Revolving credit facility	**100,000**	100,000	-	-	100,000
Trade and other payables	**119,940**	119,940	119,940	-	-
Senior guaranteed notes	**98,785**	100,000	-	-	100,000
	318,725	319,940	119,940	-	200,000
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts[1]	**22**	16,233	(2,607)	18,567	273
Forward exchange contracts (net) [1]	**67**	(88,569)	(91,139)	1,787	783
Interest on swap agreements	**471**	2,313	764	737	812
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas contracts[1]	**(11,502)**	28,076	5,654	6,570	15,852
Interest on swap agreements	**1,809**	6,615	1,896	2,152	2,567
	(9,133)	(35,332)	(85,432)	29,813	20,287
	309,592	284,608	54,508	29,813	220,287

(1) Based on notional amounts as presented above.

9. Financial instruments: (continued)

(D) LIQUIDITY RISK: (CONTINUED)

	October 3, 2020				
	Carrying amount	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$
Non-derivative financial liabilities					
Bank overdraft	2,797	2,797	2,797	-	-
Revolving credit facility	194,000	194,000	29,000	-	165,000
Trade and other payables	131,089	131,089	131,089	-	-
	327,886	327,886	162,886	-	165,000
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts[1]	(103)	5,167	2,916	4,928	(2,677)
Forward exchange contracts (net) [1]	(2,584)	(160,446)	(137,677)	(18,230)	(4,539)
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas contracts[1]	1,575	40,509	6,794	8,532	25,183
Interest on swap agreements	6,729	11,583	2,655	2,660	6,268
	5,617	(103,187)	(125,312)	(2,110)	24,235
	333,503	224,699	37,574	(2,110)	189,235

(1) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of $147.7 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 16, Revolving credit facility). It is the Company's intention to keep a debt level under its revolving credit facility between $100.0 million to $160.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flows generated from operations.

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

As at October 2, 2021, the Company had an unused available line of credit of $165.0 million (October 3, 2020 - $71.0 million), a cash balance of $15.6 million (October 3, 2020 - $2.0 million) and an overdraft balance of $Nil (October 3, 2020 - $2.8 million).

(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 15,000 metric tonnes of sugar derivative contracts.

9. Financial instruments: (continued)

(E) COMMODITY PRICE RISK: (CONTINUED)

(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.

As at October 2, 2021, 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$)**	**Current average value (US$))**
Purchases	**276,927**	**421.54**	**116,736**	**933**	**33.57**	**31,324**
Sales	**(226,480)**	**429.97**	**(97,379)**	**-**	**-**	**-**
Beet pre-hedge	**(15,749)**	**413.20**	**(6,507)**	**-**	**-**	**-**
	34,698	**n/a**	**12,850**	**933**	**33.57**	**31,324**
Foreign exchange rate at the end of the period			**1.2635**			**1.2635**
Net value CA$			**16,236**			**39,578**

As at October 3, 2020, 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$)	Current average value (US$))
Purchases	441,122	287.34	126,753	1,155	25.34	29,264
Sales	(457,024)	285.84	(130,637)	-	-	-
	(15,902)	n/a	(3,884)	1,155	25.34	29,264
Foreign exchange rate at the end of the period			1.3304			1.3304
Net value CA$			(5,167)			38,933

If, on October 2, 2021, 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 $3.6 million (calculated only on the point-in-time exposure on October 2, 2021) (October 3, 2020 - decrease in net earnings of $1.7 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 $1.4 million (October 3, 2020 - increase in net earnings of $0.7 million for US$0.02 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on October 2, 2021, the raw sugar value would have increased by US$0.05 per pound (being approximately US$110.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately $1.6 million (calculated only on the point-in-time exposure on October 2, 2021). 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 an increase of approximately $0.6 million. The Company had no beet pre-hedge contracts as at October 3, 2020. If, on October 2, 2021, the natural gas market price would have increased by US$1.00, and all other variables remained constant, net earnings would have increased by $8.7 million (October 3, 2020 - increase in net earnings of $11.4 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, would have an equal but opposite effect on net earnings.

9. Financial instruments: (continued)

(E) COMMODITY PRICE RISK: (CONTINUED)

(ii) Natural gas: (continued)

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

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

iv) 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.

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

vi) Borrowing under the senior guaranteed notes: the carrying amount approximates fair value as borrowing was made in the current year.

9. Financial instruments: (continued)

(E) COMMODITY PRICE RISK: (CONTINUED)

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

		October 2, 2021		October 3, 2020	
	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	**120**	**120**	103	103
Foreign exchange forward contracts	Level 2	**145**	**145**	2,584	2,584
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	**11,502**	**11,502**	87	87
Financial assets recorded at amortized cost:					
Cash	Level 1	**15,643**	**15,643**	1,974	1,974
Trade and other receivables	n/a	**95,546**	**95,546**	94,262	94,262
Income taxes receivable	n/a	**285**	**285**	2,042	2,042
Total financial assets		**123,241**	**123,241**	101,052	101,052
Financial liabilities:					
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts	Level 1	**142**	**142**	-	-
Foreign exchange forward contracts	Level 2	**213**	**213**	-	-
Interest rate swap	Level 2	**471**	**471**	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas futures contracts	Level 2	**-**	**-**	1,662	1,662
Interest rate swap	Level 2	**1,809**	**1,809**	6,729	6,729
Financial liabilities recorded at amortized cost:					
Bank overdraft	Level 1	**-**	**-**	2,797	2,797
Revolving credit facility	n/a	**100,000**	**100,000**	194,000	194,000
Trade and other payables	n/a	**119,940**	**119,940**	131,089	131,089
Income taxes payable	n/a	**3,454**	**3,454**	-	-
Senior guaranteed notes	Level 1	**98,785**	**98,785**	-	-
Convertible unsecured subordinated debentures	Level 1	**147,742**	**160,224**	145,836	156,722
Total financial liabilities		**472,556**	**485,038**	482,113	492,999

10. Property, plant and equipment:

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Finance leases	Construc-tion in progress	Total
		$	$	$	$	$	$	$
Cost or deemed cost								
Balance at September 28, 2019	18,089	75,330	315,199	2,628	6,697	1,328	16,689	435,960
Additions	-	2,655	3,481	142	359	-	20,618	27,255
Transfers	-	2,248	16,848	-	500	-	(19,596)	-
Transfer to right-of-use-assets	-	-	-	-	-	(1328)		(1,328)
Disposals	-	-	(224)	(38)	-	-	-	(262)
Effect of movements in exchange rate	-	-	2	1	-	-	-	3
Balance at October 3, 2020	18,089	80,233	335,306	2,733	7,556	-	17,711	461,628
Additions	**-**	**53**	**3,395**	**71**	**123**	**-**	**24,610**	**28,252**
Transfers	**-**	**4,065**	**10,253**	**-**	**466**	**-**	**(14,784)**	**-**
Disposals	**-**	**-**	**(564)**	**-**	**-**	**-**	**-**	**(564)**
Effect of movements in exchange rate	**-**	**-**	**(2)**	**(7)**	**-**	**-**	**-**	**(9)**
Balance at October 2, 2021	**18,089**	**84,351**	**348,388**	**2,797**	**8,145**	**-**	**27,537**	**489,307**
Accumulated depreciation								
Balance at September 28, 2019	-	26,148	184,563	909	3,663	269	-	215,552
Transfer to right-of-use-assets	-	-	-	-	-	(269)	-	(269)
Depreciation for the year	-	2,144	12,726	456	896	-	-	16,222
Disposals	-	-	(224)	(38)	-	-	-	(262)
Effect of movements in exchange rate	-	-	-	-	-	-	-	-
Balance at October 3, 2020	-	28,292	197,065	1,327	4,559	-	-	231,243
Depreciation for the year	**-**	**2,297**	**13,060**	**440**	**902**	**-**	**-**	**16,699**
Disposals		**-**	**(348)**	**-**	**-**	**-**	**-**	**(348)**
Effect of movements in exchange rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at October 2, 2021	**-**	**30,589**	**209,777**	**1,767**	**5,461**	**-**	**-**	**247,594**
Net carrying amounts								
At October 3, 2020	18,089	51,941	138,241	1,406	2,997	-	17,711	230,385
At October 2, 2021	**18,089**	**53,762**	**138,611**	**1,030**	**2,684**	**-**	**27,537**	**241,713**

There were no impairment losses during fiscal 2021 and 2020.

Any grants received are offset against property, plant and equipment additions. During the year, an amount of $0.4 million was recorded (October 3, 2020 - $0.6 million).

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 16, Revolving credit facility).

11. Right-of-use assets:

	Land	Buildings	Machinery and equipment	Total
	$	$	$	$
Cost				
Balance at September 28, 2019	-	-	-	-
Reclassification from property, plant and equipment	40	1,023	265	1,328
Additions as at September 29, 2019 (initial recognition)	-	7,159	3,876	11,035
Other additions	-	9,383	2,435	11,818
Effect of movements in exchange rate	-	6	2	8
Balance at October 3, 2020	40	17,571	6,578	24,189
Additions	**-**	**1,349**	**1,375**	**2,724**
Effect of movements in exchange rate	**-**	**(6)**	**(1)**	**(7)**
Balance at October 2, 2021	**40**	**18,914**	**7,952**	**26,906**
Accumulated depreciation:				
Balance at September 28, 2019	-	-	-	-
Reclassification from property, plant and equipment	-	69	200	269
Depreciation for the year	-	2,712	722	3,434
Effect of movements in exchange rate	-	(3)	-	(3)
Balance at October 3, 2020	-	2,778	922	3,700
Depreciation for the year	**-**	**3,435**	**1,247**	**4,682**
Effect of movements in exchange rate	**-**	**(2)**	**-**	**(2)**
Balance at October 2, 2021	**-**	**6,211**	**2,169**	**8,380**
Net carrying amounts:				
At October 3, 2020	40	14,793	5,656	20,489
At October 2, 2021	**40**	**12,703**	**5,783**	**18,526**

12. Intangible assets:

	Software	Customer relationships	Brand names[1]	Other	Total
	$	$	$	$	$
Cost:					
Balance at September 28, 2019	4,030	34,623	5,887	574	45,114
Additions	25	-	-	-	25
Effect of movements in exchange rate	-	15	4	-	19
Balance at October 3, 2020	4,055	34,638	5,891	574	45,158
Additions	**358**	**-**	**-**	**-**	**358**
Effect of movements in exchange rate	**-**	**(125)**	**(34)**	**-**	**(159)**
Balance at October 2, 2021	**4,413**	**34,513**	**5,857**	**574**	**45,357**
Accumulated amortization:					
Balance at September 28, 2019	2,235	7,212	-	223	9,670
Amortization for the year	324	3,470	-	28	3,822
Balance at October 3, 2020	2,559	10,682	-	251	13,492
Amortization for the year	**383**	**3,419**	**-**	**29**	**3,831**
Balance at October 2, 2021	**2,942**	**14,101**	**-**	**280**	**17,323**

	Software	Customer relationships	Brand names[1]	Other	Total
	$	$	$	$	$
Net carrying amounts					
At October 3, 2020	1,496	23,956	5,891	323	31,666
At October 2, 2021	**1,471**	**20,412**	**5,857**	**294**	**28,034**

[1] Indefinite life

13. Other assets:

Deferred financing charges represent the fees and costs related to the revolving credit facility agreement (see Note 16, Revolving credit facility). These fees are amortized over the life of the revolving credit facility, which matures on June 28, 2024.

14. Deferred tax liabilities:

The deferred tax liabilities comprise the following temporary differences:

	October 2, 2021	October 3, 2020
	$	$
Net assets (liabilities): [1]		
Property, plant and equipment	**(35,926)**	(36,529)
Right-of-use assets	**(4,855)**	(5,335)
Intangibles	**(7,705)**	(6,987)
Employee benefits	**6,847**	15,213
Lease obligations	**4,840**	5,310
Derivative financial instruments	**(3,834)**	1,942
Losses carried forward	**6,918**	6,307
Goodwill	**(2,729)**	(2,649)
Provisions	**982**	241
Deferred financing charges	**(874)**	(687)
Other	**(464)**	(28)
	(36,800)	(23,202)

(1) The Company has offset the comparative period's deferred tax asset against deferred tax liability as the Company has the legal right to settle the current tax amount on a net basis and the amounts are levied by the same taxing authorities on the same entity

As at October 2, 2021, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	Balance October 3, 2020	**Recognized in profit (loss)**	**Recognized in other comprehensive income (loss)**	**Balance October 2, 2021**
Property, plant and equipment	**(36,529)**	**603**	**-**	**(35,926)**
Right-of-use assets	**(5,335)**	**480**	**-**	**(4,855)**
Intangibles	**(6,987)**	**(718)**	**-**	**(7,705)**
Employee benefits	**15,213**	**420**	**(8,786)**	**6,847**
Lease obligations	**5,310**	**(470)**	**-**	**4,840**
Derivative financial instruments	**1,942**	**(1,162)**	**(4,614)**	**(3,834)**
Losses carried forward	**6,307**	**611**	**-**	**6,918**
Goodwill	**(2,649)**	**(80)**	**-**	**(2,729)**
Provisions	**241**	**741**	**-**	**982**
Deferred financing charges	**(687)**	**(187)**	**-**	**(874)**
Other	**(28)**	**(436)**	**-**	**(464)**
	(23,202)	**(198)**	**(13,400)**	**(36,800)**

	Balance September 28, 2019	Recognized in profit (loss)	Recognized in other comprehensive income (loss)	Balance October 3, 2020
Property, plant and equipment	(29,465)	(7,064)	–	(36,529)
Right-of-use assets	-	(5,335)	–	(5,335)
Intangibles	(7,836)	849	–	(6,987)
Employee benefits	13,267	444	1,502	15,213
Lease obligations	-	5,310	–	5,310
Derivative financial instruments	774	152	1,016	1,942
Losses carried forward	3,548	2,759	–	6,307
Goodwill	(2,537)	(112)	–	(2,649)
Provisions	435	(194)	–	241
Deferred financing charges	(549)	(138)	–	(687)
Other	(579)	551	–	(28)
	(22,942)	(2,778)	2,518	(23,202)

15. Goodwill:

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:

	October 2, 2021	October 3, 2020
	$	$
Sugar:		
Goodwill	**229,952**	229,952
Maple products:		
Goodwill	**53,055**	53,055
Brand names	**5,857**	5,891
	288,864	288,898

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.

Sugar segment

The Company performed the annual impairment review for goodwill as at October 2, 2021, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

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

	2021
	%
Pre-tax discount rate	9.9
Terminal growth rate	2.0
Budgeted EBITDA growth rate (average of next 5 years)	4.0

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.

Budgeted EBITDA was estimated taking into account past experience, adjusted to factor revenue growth for the first year based on 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.

	2021
	%
Pre-tax discount rate	4.6
Budgeted EBITDA growth rate	(5.4)

15. Goodwill: (continued)

Maple products segment

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at October 2, 2021, and the estimated recoverable amounts using the higher of the value in use and fair value less costs to sell (the "FVLCS").

The FVLCS is the amount obtainable from the sale of the cash generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. The fair value hierarchy used to measure the FVLCS is level 3. Management has estimated this amount by using the market approach which incorporated comparable and transaction multiples which were applied to adjusted EBITDA of fiscal 2021 and budgeted EBITDA for fiscal 2022 to derive a range of the FVLCS. The key assumption was the multiple selected based on comparable companies in the same sector as the Maple CGU. Other assumptions include a size discount, the cost to dispose and a control premium. The estimated multiple ranged from 6.5x to 14.8x. A decline in the multiple used of 3x would result in the estimated recoverable amount to be equal to the carrying amount.

The Company determined that the FVLCS was the recoverable amount and no goodwill impairment was identified.

16. Revolving credit facility:

The Company has a total of $265.0 million of available working capital under the revolving credit facility, which matures on June 28, 2024, 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. On November 23, 2021, the revolving credit facility was amended. The available credit was reduced to 200.0 million and now matures on November 23, 2026.

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 October 2, 2021, a total of $498.5 million of assets are pledged as security (October 3, 2020 - $482.9 million). The Company must comply with certain financial covenants related to the revolving credit facility on a quarterly basis. The Company was in compliance with the financial covenants at year end.

The following amounts were outstanding under the revolving credit facility as at:

	October 2, 2021	October 3, 2020
	$	$
Current	**-**	29,000
Non-current	**100,000**	165,000
	100,000	194,000

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

17. Trade and other payables:

	October 2, 2021	October 3, 2020
	$	$
Trade payables	**93,424**	105,894
Other non-trade payables	**4,298**	2,641
Personnel-related liabilities	**12,886**	13,236
Dividends payable to shareholders	**9,332**	9,318
	119,940	131,089

Considering that Maple products syrup is harvested once a year, the *Producteurs et Productrices Acericoles du Québec* ("PPAQ") offers to authorized purchasers the possibility to pay their purchases over the course of the year (ending in February). Once the syrup is graded, the Company must pay 30% of the cost of the syrup on the 15th of the following month. The outstanding balance bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February). Included in trade payables is an amount of $38.6 million as of October 2, 2021 (October 3, 2020 - $61.4 million).

During the year, more than 93% of the maple syrup purchases were made from the PPAQ.

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

The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 9, Financial instruments.

18. Provisions:

	October 2, 2021	October 3, 2020
	$	$
Opening balance	**937**	1,697
Additions	**3,231**	100
Provisions used during the period	**(343)**	(860)
Closing balance	**3,825**	937
Presented as:		
Current	**1,394**	500
Non-current	**2,431**	437
	3,825	937

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 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.

19. Lease obligations:

The Company's leases are primarily for warehouses, operating properties, railcars and production equipment.

The following table presents lease obligations recorded in the consolidated statements of financial position:

	October 2,2021	October 3,2020
	$	$
Current	**3,049**	3,981
Non-current	**15,443**	16,423

The following table summarizes the reconciliation of the lease obligations for the periods ended:

	October 2,2021	October 3,2020
	$	$
Opening balance	**20,404**	-
Reclassification from finance lease obligations	**-**	881
Additions as at the date of initial application	**-**	11,035
Additions	**2,724**	11,818
Payment of lease obligations	**(5,487)**	(4,205)
Interest accretion	**858**	864
Effect of movements in exchange rate	**(7)**	11
Closing balance	**18,492**	20,404

Certain leases contain extension or termination options exercisable by the Company before the end of the non-cancellable contract period. The Company has applied judgement to determine the lease term for the contracts with renewal and termination options and has included renewal and termination options in the measurement of lease obligations when it is reasonably certain to exercise the options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or a significant change in circumstances which impacts the original assessments made.

Expenses relating to short-term leases, and for leases of low-value assets were not significant for the period ended October 2, 2021 (October 3, 2020 – not significant).

The total cash outflow for leases (including interest) for the period ended October 2, 2021 was $5.5 million (October 3, 2020-$4.2 million), which was included as part of cash outflows from financing activities.

The lease obligations are payable as follows:

	October 2, 2021			October 3, 2020		
	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	**3,810**	**761**	**3,049**	4,405	839	3,566
Between one and five years	**9,180**	**2,328**	**6,852**	10,188	2,931	7,257
More than five years	**10,556**	**1,965**	**8,591**	11,625	2,044	9,581
	23,546	**5,054**	**18,492**	26,218	5,814	20,404

20. 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:

	October 2, 2021	October 3, 2020
	$	$
Fair value of plan assets:		
Pension benefit plans	**121,435**	103,373
Defined benefit obligation:		
Pension benefit plans	**135,729**	145,667
Other benefit plans	**15,005**	16,918
	150,734	162,585
Funded status:		
Pension benefit plans	**(14,294)**	(42,294)
Other benefit plans	**(15,005)**	(16,918)
	(29,299)	(59,212)
Experience adjustment arising on plan liabilities	**(17,546)**	2,881
Experience adjustment arising on plan assets	**16,766**	(3,026)

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 liability is necessary as at October 2, 2021 and October 3, 2020.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2019, the next required valuation will be as of December 31, 2022.

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

	October 2, 2021		October 3, 2020	
	%	**$**	%	$
Equity instruments	**63.3**	**76,868**	58.5	60,473
Government bonds	**33.7**	**40,924**	36.1	37,318
Cash and short-term securities	**3.0**	**3,643**	5.4	5,582
	100.0	**121,435**	100.0	103,373

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 2022 are expected to be approximately $4.2 million.

20. Employee benefits: (continued)

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.

The movement in the pension and other benefit plans is as follows:

	For the fiscal years ended					
		October 2, 2021				October 3, 2020
	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	**145,667**	**16,918**	**162,585**	139,952	17,181	157,133
Current service cost	**3,376**	**405**	**3,781**	3,156	312	3,468
Past services cost	**2,970**	**-**	**2,970**	-	-	-
Interest cost	**3,928**	**448**	**4,376**	4,110	498	4,608
Employee contributions	**972**	**-**	**972**	1,006	-	1,006
Benefit payments from plan	**(4,781)**	**-**	**(4,781)**	(4,947)	-	(4,947)
Benefit payments from employer	**(929)**	**(694)**	**(1,623)**	(919)	(645)	(1,564)
Actuarial gains arising from changes in demographic assumptions	**-**	**(262)**	**(262)**	(826)	(1,180)	(2,006)
Actuarial (gains) losses arising from changes in financial assumptions	**(15,599)**	**(1,767)**	**(17,366)**	5,255	635	5,890
Actuarial (gains) losses arising from member experience	**125**	**(43)**	**82**	(1,120)	117	(1,003)
Defined benefit obligation, end of year	**135,729**	**15,005**	**150,734**	145,667	16,918	162,585
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**103,373**	**-**	**103,373**	105,323	-	105,323
Interest income	**2,822**	**-**	**2,822**	3,128	-	3,128
Return on plan assets (excluding interest income)	**16,766**	**-**	**16,766**	(3,026)	-	(3,026)
Employer contributions	**3,592**	**694**	**4,286**	3,376	645	4,021
Employee contributions	**972**	**-**	**972**	1,006	-	1,006
Benefit payments from plan	**(4,781)**	**-**	**(4,781)**	(4,947)	-	(4,947)
Benefit payments from employer	**(929)**	**(694)**	**(1,623)**	(919)	(645)	(1,564)
Plan expenses	**(380)**	**-**	**(380)**	(568)	-	(568)
Fair value of plan assets, end of year	**121,435**	**-**	**121,435**	103,373	-	103,373

20. Employee benefits: (continued)

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

	October 2, 2021		October 3, 2020	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
	%	%	%	%
Active plan participants	**49.2**	**39.0**	49.5	41.6
Retired plan members	**47.0**	**61.0**	46.4	58.4
Deferred plan participants	**3.8**	**-**	4.1	-
	100.0	**100.0**	100.0	100.0

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

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net earnings (loss):						
Current service cost	**3,376**	**405**	**3,781**	3,156	312	3,468
Past service cost	**2,970**	**-**	**2,970**	-	-	-
Expenses related to the pension benefit plans	**380**	**-**	**380**	568	-	568
Net interest cost	**1,106**	**448**	**1,554**	982	498	1,480
Re-measurements of other long-term benefits	**6**	**(99)**	**(93)**	9	51	60
Pension expense	**7,838**	**754**	**8,592**	4,715	861	5,576
Recognized in:						
Cost of sales	**7,411**	**446**	**7,857**	4,218	580	4,798
Administration and selling expenses	**427**	**308**	**735**	497	281	778
	7,838	**754**	**8,592**	4,715	861	5,576

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

	For the fiscal years ended					
	October 2, 2021			October 3, 2020		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in comprehensive income (loss) at the beginning of the year	**24,485**	**(7,520)**	**16,965**	18,159	(7,041)	11,118
Recognized during the year	**(32,246)**	**(1,973)**	**(34,219)**	6,326	(479)	5,847
Cumulative amount in comprehensive income (loss) at the end of the year	**(7,761)**	**(9,493)**	**(17,254)**	24,485	(7,520)	16,965
Recognized during the year, net of tax	**(23,967)**	**(1,466)**	**(25,433)**	4,701	(356)	4,345

20. Employee benefits: (continued)

Principal actuarial assumptions used were as follows:

	For the fiscal years ended			
	October 2, 2021		October 3, 2020	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
	%	%	%	%
Company's defined benefit obligation:				
Discount rate	**3.50**	**3.50**	2.75	2.75
Rate of compensation increase	**3.00**	**3.00**	3.00	3.00
Net benefit plans expense:				
Discount rate	**2.75**	**2.75**	3.00	2.75
Rate of compensation increase	**3.00**	**3.50**	2.50	3.00

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:

	October 2, 2021	October 3, 2020
	$	$
Longevity at age 65 for current pensioners:		
Males	**22.1**	22.1
Females	**24.8**	24.7
Longevity at age 65 for members aged 45:		
Males	**23.6**	23.5
Females	**26.2**	26.1

The assumed health care cost trend rate as at October 2, 2021 was 5.65% (October 3, 2020 - 5.73%), decreasing uniformly to 4.00% in 2040 (October 3, 2020 - 4.00% in 2040) and remaining at that level thereafter.

The following table outlines the key assumptions for the fiscal year ended October 2, 2021 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

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

	For the fiscal year ended October 2, 2021		
	Pension benefit plan	**Other benefit plan**	**Total**
	$	**$**	**$**
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	**(16,888)**	**(1,905)**	**(18,793)**
Impact of decrease of 1%	**21,525**	**2,437**	**23,962**
Rate of compensation increase			
Impact of increase of 0.5%	**1,659**	**(4)**	**1,655**
Impact of decrease of 0.5%	**(1,498)**	**5**	**(1,493)**
Mortality			
99% of expected rate	**373**	**54**	**427**

20. 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	**2,009**	**(1,612)**

As at October 2, 2021, the weighted average duration of the defined benefit obligation amounts to 14.2 years (October 3, 2020 - 15.4 years).

21. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	October 2, 2021	October 3, 2020
	$	$
Non-current:		
Sixth series (i)	**57,425**	57,425
Seventh series (ii)	**97,575**	97,575
Total face value	**155,000**	155,000
Less net deferred financing fees	**(3,523)**	(4,512)
Less equity component (i), (ii)	**(6,930)**	(6,930)
Accretion expense on equity component	**3,195**	2,278
Total carrying value - non-current	**147,742**	145,836

(i) 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. The debentures may be converted at the option of the holder at any time prior to maturity, at a conversion price of $8.26 per share.

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. After 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 the indebtedness related to the convertible debenture 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 $0.3 million (October 3, 2020 - $0.3 million) 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.

During fiscal 2020, holders of the Sixth series debentures converted a total of $0.1 million into 9,079 common shares. This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

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 October 2, 2021 was approximately $59.7 million (October 3, 2020 - $58.2 million).

21. Convertible unsecured subordinated debentures: (continued)

(ii) Seventh series:

On March 28, 2018, and on April 3, 2020, the Company issued $85.0 million and $12.8 million for a total of $97.8 million, Seventh series, 4.75% convertible unsecured subordinated debentures ("Seventh series debentures"), maturing on June 30, 2025, with interest payable semi-annually in arrears on June 30 and December 31 of each year. The debentures may be converted at the option of the holder at any time prior to maturity at a conversion price of $8.85 per share.

On or after June 30, 2021 and prior to June 30, 2023, the debentures may be redeemed by the Company at a price equal to the principal amount 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. After June 30, 2023, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

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

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

The Company allocated $4.3 million ($3.1 million net of tax) of the Seventh series debentures into an equity component. During the year, the Company recorded $0.6 million (October 3, 2020 - $0.6 million) 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.

During fiscal 2020, holders of the Seventh series debentures converted a total of $0.2 million into 19,774 common shares. This conversion is a non-cash transaction and therefore not reflected in the consolidated statements of cash flows.

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 October 2, 2021 was approximately $100.5 million (October 3, 2020 - $98.6 million).

22. Senior guaranteed notes:

During the year, the Company issued a private placement of $100 million in the form of senior guaranteed notes ("Notes") under a note purchase agreement entered into with certain institutional investors. The Company has incurred $1.3 million of financing fees which are netted against the senior guaranteed notes liability. The Notes are guaranteed and rank pari pasu with the existing revolving credit facility. The Notes are due on April 30, 2031, bear interest at 3.49%, and interest will be payable semi-annually in arrears in equal installments on April 30th and October 30th of each year, commencing on October 30th, 2021 and will represent interest accrued from and including the date of issue of the Notes. The net proceeds from the private placement was used to refinance existing credit facility indebtedness.

The Notes are classified and measured at amortized cost, using the effective interest method. The Company must comply with certain financial covenants related to these Notes on a quarterly basis. The Company was in compliance with the financial covenants at year end.

23. Share capital and other components of equity:

On June 1, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2020 NCIB"), under which the Company may purchase up to 1,500,000 common shares. In addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2020 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. The 2020 NCIB commenced on June 3, 2020 and may continue to June 2, 2021. No shares were purchased under the 2020 NCIB during the year.

On May 22, 2019, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("2019 NCIB"), under which the Company may purchase up to 1,500,000 common shares. The 2019 NCIB commenced on May 24, 2019 and terminated on March 30, 2020, whereby all common shares had been purchased. During fiscal 2020, the Company purchased 1,377,394 common shares having a book value of $1.3 million for a total cash consideration of $6.5 million. The excess of the purchase price over the book value of the shares in the amount of $5.2 million was charged to deficit. All shares purchased were cancelled.

As of October 2, 2021, a total of 103,686,923 common shares (October 3, 2020 - 103,536,923) were outstanding.

During the year, 150,000 stock options have been exercised for net proceeds of $0.7 million and reversal of previously recognized share-based compensation recorded in contributed surplus of $0.1 million (note 24)

The Company declared a quarterly dividend of $0.09 per share for fiscal years 2021 and 2020.

The following dividends were declared by the Company:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Dividends	**37,300**	37,380

Contributed surplus:

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 24, 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; and meet its operations needs to manage the business;
- To maintain an appropriate debt level so that there is no financial constraint on the use of capital, and;
- To have an appropriate line of credit.

The Company typically invests in its operations approximately $25.0 million yearly in capital expenditures. On an exceptional basis, the Company may invest more than $25.0 million when special capital requirements arise. Management believes that these investments, combined with approximately $35.0 to $40.0 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 approved 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 in addition to $100 million senior guaranteed notes that have been issued during the year. The Company estimates to use between $100.0 million and $160.0 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 3.5:1. At year-end, the operating company's debt ratio was 2.07:1 for fiscal 2021 and 2.09:1 for fiscal 2020.

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

24. Share-based compensation:

(A) EQUITY-SETTLED SHARE-BASED COMPENSATION:

The Company has reserved and set aside for issuance an aggregate of 6,000,000 common shares (October 3, 2020 – 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 twenty percent 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.

For the fiscal year ended October 2, 2021, no options were granted.

Total share-based compensation expense is amortized over the service period and included in administration and selling expenses with an offsetting credit to contributed surplus. An expense of $107,000 was recorded for the fiscal year ended October 2, 2021 (October 3, 2020 - $168,000).

The following table summarizes information about the Share Option Plan as of October 2, 2021:

Exercise price per option	**Outstanding number of options at October 3, 2020**	**Options granted during the period**	**Options exercised during the period**	**Options forfeited during the period**	**Outstanding number of options at October 2, 2021**	**Weighted average remaining life**	**Number of options exercisable**
$4.28	**250,000**	**-**	**(50,000)**	**-**	**200,000**	**8.47**	**-**
$4.59	**830,000**	**-**	**(100,000)**	**-**	**730,000**	**3.64**	**730,000**
$4.68	**563,500**	**-**	**-**	**-**	**563,500**	**8.17**	**112,700**
$5.58	**447,175**	**-**	**-**	**-**	**447,175**	**7.17**	**178,870**
$5.61	**80,000**	**-**	**-**	**-**	**80,000**	**0.46**	**80,000**
$6.23	**1,005,322**	**-**	**-**	**(300,000)**	**705,322**	**6.17**	**423,193**
$6.51	**360,000**	**-**	**-**	**-**	**360,000**	**5.18**	**288,000**
	3,535,997	**-**	**(150,000)**	**(300,000)**	**3,085,997**	**n/a**	**1,812,763**

The following table summarizes information about the Share Option Plan as of October 3, 2020:

Exercise price per option	Outstanding number of options at September 28, 2019	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 3, 2020	Weighted average remaining life	Number of options exercisable
$4.28	-	250,000	-	-	250,000	9.46	-
$4.59	830,000	-	-	-	830,000	4.64	830,000
$4.68	-	563,500	-	-	563,500	9.16	-
$5.58	447,175	-	-	-	447,175	8.17	89,435
$5.61	80,000	-	-	-	80,000	1.46	80,000
$6.23	1,005,322	-	-	-	1,005,322	7.17	402,129
$6.51	360,000	-	-	-	360,000	6.17	216,000
	2,722,497	813,500	-	-	3,535,997	n/a	1,617,564

Options outstanding held by key management personnel amounted to 2,765,997 options as at October 2, 2021 and 2,915,997 options as at October 3, 2020 (see Note 29, Key management personnel).

24. Share-based compensation: (continued)

(B) CASH-SETTLED SHARE-BASED COMPENSATION-PERFORMANCE SHARE UNITS ("PSU"):

Fiscal 2021 grant:

On December 7, 2020, a total of 491,412 PSUs were granted to certain executives and other members of the management team at a price of $5.59. In addition, an aggregate of 23,810 PSUs at a weighted-average share price of $5.66 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 515,222 PSUs was outstanding. These PSUs will vest at the end of the 2021-2023 performance cycle based on the achievement of total shareholder returns set by the Board of Directors of the Company. Following the end of a performance cycle, the Board of Directors of the Company will determine, and to the extent only that the vesting conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the performance cycle, whether the vesting conditions for the PSUs granted to a participant relating to such performance cycle have been achieved. Depending on the achievement of the vesting conditions, between 0% and 200% of the PSUs will become vested.

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

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

The fair values were established using the Monte Carlo model. The fair value as at grant date was $664,000 and $269,000 as at October 2, 2021. An expense of $55,000 was recorded for the period ending October 2, 2021. The liabilities arising from the PSUs as at October 2, 2021 were $55,000.

Fiscal 2020 grant:

On December 2, 2019, a total of 324,932 PSUs were granted to certain executives and other members of the management team. In addition, an aggregate of 41,581 PSUs at a weighted-average share price of $5.21 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 366,513 PSUs was outstanding. These PSUs will vest at the end of the 2020-2022 performance cycle based on the achievement of total shareholder returns set by the Board of Directors of the Company

The fair values were established using the Monte Carlo model. The fair value as at grant date was $64,000 and $13,000 as at October 2, 2021(October 3, 2020 - $89,000). A gain of $12,000 was recorded for the period ending October 2, 2021 (October 3, 2020 – expense of $19,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 2, 2021 were $7,000 (October 3, 2020 - $19,000).

Fiscal 2019 grant:

On December 3, 2018, an aggregate of 290,448 PSUs was granted by the Company. In addition, an aggregate of 58,553 PSUs at a weighted-average share price of $5.38 were allocated as a result of the dividend paid during the quarters since inception, as the participants also receive dividend equivalents paid in the form of PSUs. As at October 2, 2021, an aggregate of 349,001 PSUs was outstanding. These PSUs will vest at the end of the 2019-2021 performance cycle.

The fair values were established using the Monte Carlo model. The fair value as at grant date was $308,000 and $nil as at October 2, 2021 (October 3, 2020 - $43,000)). A gain of $22,000 was recorded for the period ending October 2, 2021 (October 3, 2020 – an expense of $15,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 2, 2021 were $nil (October 3, 2020 – $22,000).

25. Commitments:

As at October 2, 2021, the Company had commitments to purchase a total of 1,082,000 metric tonnes of raw cane sugar up to fiscal 2024 (October 3, 2020 - 1,496,000 up to fiscal 2024), of which 261,309 metric tonnes had been priced (October 3, 2020 - 383,574), for a total dollar commitment of $144.3 million (October 3, 2020 - $150.0 million). In addition, the Company has a commitment of approximately $42.7 million (October 3, 2020 - $22.9 million) for sugar beets to be harvested and processed in fiscal 2022.

TMTC has $23.1 million (October 3, 2020 - $4.1 million) remaining to pay related to an agreement to purchase approximately $32.7 million (10.7 million pounds) (October 3, 2020 - $12.2 million; 4.0 million pounds) of maple syrup from the PPAQ in fiscal 2022. In order to secure bulk syrup purchases, the Company issued an insurance bond for an amount of $16.9 million in favor of the PPAQ (October 3, 2020 – letter of guarantee in the amount of $14.5 million). The insurance bond expires on March 1, 2022.

During the fiscal year ended October 2, 2021, the Company entered into capital commitments to complete its capital projects for a total value of $17.2 million (October 3, 2020 - $23.6 million) to be incurred in fiscal 2022.

26. Contingencies:

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 October 2, 2021 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.

27. Earnings per share:

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

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Basic earnings per share:		
Net earnings	**47,527**	35,419
Weighted average number of shares outstanding	**103,581,358**	103,973,735
Basic earnings per share	**0.46**	0.34
Diluted earnings per share:		
Net earnings	**47,527**	35,419
Plus impact of convertible unsecured subordinated debentures and share options	**6,149**	2,348
	53,676	37,767
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	**103,581,358**	103,973,735
Plus impact of convertible unsecured subordinated debentures and share options	**17,977,603**	6,952,179
	121,558,961	110,925,914
Diluted earnings per share	**0.44**	0.34

As at October 2, 2021, the share options representing 46,870 common shares, were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. As at October 3, 2020, the share options and the Seventh series debentures, representing 11,025,424 common shares, were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

28. Supplementary cash flow information:

	October 2, 2021	October 3, 2020	September 28, 2019
	$	$	$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	**1,638**	1,239	294
Increase in asset retirement obligation provision included in property, plant and equipment	**3,231**	100	70
Additions to right-of-use assets	**2,724**	11,818	-

29. Key management personnel:

The Board of Directors as well as the executive team, which include the President and all the Vice-Presidents, are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Salaries and short-term benefits	**3,238**	3,989
Attendance fees for members of the Board of Directors	**967**	962
Post-employment benefits	**143**	164
Share-based compensation (note 24)	**128**	194
	4,476	5,309

30. Personnel expenses:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Wages, salaries and employee benefits	**101,740**	98,887
Expenses related to defined benefit plans (note 20)	**8,592**	5,576
Expenses related to defined contributions plans	**5,870**	5,615
Share-based compensation (note 24)	**128**	194
	116,330	110,272

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

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Cost of sales	**95,236**	89,046
Administration and selling expenses	**19,058**	19,445
Distribution expenses	**1,649**	1,494
	115,943	109,985
Property, plant and equipment	**387**	287
	116,330	110,272

31. Related parties:

Lantic has outstanding redeemable Class B special shares of $44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B special shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B special shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable Class B special shares, these amounts have been offset and, therefore, are not presented on the consolidated statements of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but have no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

32. Segmented information:

The Company has two operating and reportable segments, sugar and maple products. The principal business activity of the sugar segment is the refining, packaging and marketing of sugar products. The Maple products segment processes pure maple syrup and related maple products. The reportable segments are managed independently as they require different technology and capital resources. Performance is measured based on the segments' gross margins and results from operating activities. These measures are included in the internal management reports that are reviewed by the Company's President and CEO, and management believes that such information is the most relevant in the evaluation of the results of the segments.

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

	For the fiscal year ended October 2, 2021			
	Sugar	**Maple products**	**Corporate and eliminations**	**Total**
	$	**$**	**$**	**$**
Revenues	**668,118**	**225,813**	**-**	**893,931**
Cost of sales	**547,089**	**207,098**	**-**	**754,187**
Gross margin	**121,029**	**18,715**	**-**	**139,744**
Depreciation and amortization	**18,180**	**7,031**	**-**	**25,211**
Results from operating activities	**78,905**	**7,231**	**(1,639)**	**84,497**
Additions to property, plant and equipment and intangible assets, net of disposals	**23,574**	**1,222**	**-**	**24,796**
Increase in asset retirement obligation provision included in property, plant and equipment	**3,231**	**-**	**-**	**3,231**
Additions to right-of-use assets	**1,863**	**861**	**-**	**2,724**

	For the fiscal year ended October 2, 2021			
	Sugar	**Maple products**	**Corporate and eliminations**	**Total**
	$	**$**	**$**	**$**
Total assets	**804,366**	**240,975**	**(165,411)**	**879,930**
Total liabilities	**(923,697)**	**(139,184)**	**501,909**	**(560,972)**

32. Segmented information: (continued)

	For the fiscal year ended October 3, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Revenues	631,263	229,538	-	860,801
Cost of sales	526,175	208,427	-	734,602
Gross margin	105,088	21,111	-	126,199
Depreciation and amortization	16,890	6,588	-	23,478
Results from operating activities	62,382	7,147	(1,519)	68,010
Additions to property, plant and equipment and intangible assets, net of disposals	20,611	6,569	-	27,180
Increase in asset retirement obligation provision included in property, plant and equipment	100	-	-	100
Additions to right-of-use assets	14,550	8,303	-	22,853

	For the fiscal year ended October 3, 2020			
	Sugar	Maple products	Corporate and eliminations	Total
	$	$	$	$
Total assets	776,105	246,451	(166,497)	856,059
Total liabilities	(946,944)	(261,439)	622,515	(585,868)

Revenues were derived from customers in the following geographic areas:

	For the fiscal years ended	
	October 2, 2021	October 3, 2020
	$	$
Canada	**666,536**	637,781
United States	**158,248**	142,888
Europe	**31,696**	44,368
Other	**37,451**	35,764
	893,931	860,801

Substantially all of the non-current assets are located in Canada.