Unaudited condensed consolidated interim financial statements of

# ROGERS SUGAR INC.

Three and six months ended March 30, 2019 and March 31, 2018

(Unaudited and not reviewed by the Company’s external independent auditors)

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

| *Condensed consolidated interim statements of earnings* | For the three months ended March 30, 2019 | March 31, 2018 | For the six months ended March 30, 2019 | March 31, 2018 |
|---|---|---|---|---|
| Revenues (note 19) | **$ 189,250** | $ 189,455 | **$ 395,272** | $ 394,338 |
| Cost of sales | **161,038** | 162,400 | **332,511** | 324,170 |
| Gross margin | **28,212** | 27,055 | **62,761** | 70,168 |
| Administration and selling expenses | **8,271** | 8,851 | **16,066** | 17,038 |
| Distribution expenses | **4,546** | 3,316 | **8,318** | 6,557 |
| | **12,817** | 12,167 | **24,384** | 23,595 |
| Results from operating activities | **15,395** | 14,888 | **38,377** | 46,573 |
| Finance income (note 6) | **(94)** | (133) | **(192)** | (268) |
| Finance costs (note 6) | **4,451** | 4,319 | **9,191** | 8,458 |
| Net finance costs (note 6) | **4,357** | 4,186 | **8,999** | 8,190 |
| Earnings before income taxes | **11,038** | 10,702 | **29,378** | 38,383 |
| Income tax expense (recovery): | | | | |
| Current | **1,453** | 4,165 | **7,713** | 9,926 |
| Deferred | **1,574** | (1,049) | **243** | 655 |
| | **3,027** | 3,116 | **7,956** | 10,581 |
| Net earnings | **$ 8,011** | $ 7,586 | **$ 21,422** | $ 27,802 |
| Net earnings per share (note 14) | | | | |
| Basic | **$ 0.08** | $ 0.07 | **$ 0.20** | $ 0.26 |
| Diluted | **$ 0.08** | $ 0.07 | **$ 0.20** | $ 0.23 |

| *Condensed consolidated interim statements of comprehensive income* | For the three months ended March 30, 2019 | March 31, 2018 | For the six months ended March 30, 2019 | March 31, 2018 |
|---|---|---|---|---|
| Net earnings | **$ 8,011** | $ 7,586 | **$ 21,422** | $ 27,802 |
| Other comprehensive (loss) income | | | | |
| Items that may or may not be reclassified subsequently to net earnings: | | | | |
| Cash flow hedges (note 9) | **(282)** | (194) | **(2,631)** | (561) |
| Income tax on other comprehensive loss (note 9) | **75** | 52 | **697** | 149 |
| Foreign currency translation differences | **(385)** | 369 | **591** | 471 |
| | **(592)** | 227 | **(1,343)** | 59 |
| Net earnings and comprehensive income for the period | **$ 7,419** | $ 7,813 | **$ 20,079** | $ 27,861 |

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

# ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of financial position
(In thousands of dollars)

| | March 30, 2019 | September 29, 2018 | March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash | **$ 7,301** | $ 2,101 | $ 6,047 |
| Restricted cash (note 7) | **-** | 846 | 1,891 |
| Trade and other receivables | **81,402** | 81,736 | 72,840 |
| Inventories (note 8) | **150,530** | 179,325 | 158,109 |
| Prepaid expenses | **8,253** | 5,304 | 1,928 |
| Income taxes receivable | **1,185** | - | - |
| Derivative financial instruments (note 9) | **1,213** | 4,011 | 1,125 |
| Total current assets | **249,884** | 273,323 | 241,940 |
| Non-current assets: | | | |
| Property, plant and equipment | **213,264** | 208,899 | 200,225 |
| Intangible assets | **37,195** | 38,947 | 41,116 |
| Other assets | **886** | 985 | 978 |
| Deferred tax assets | **13,578** | 12,976 | 14,211 |
| Derivative financial instruments (note 9) | **15** | 2,072 | 2,218 |
| Goodwill | **333,007** | 333,007 | 332,380 |
| Total non-current assets | **597,945** | 596,886 | 591,128 |
| Total assets | **$ 847,829** | $ 870,209 | $ 833,068 |
| **Liabilities and Shareholder’s Equity** | | | |
| Current liabilities: | | | |
| Bank overdraft | **$ -** | $ 5,469 | $ - |
| Revolving credit facility (note 10) | **48,000** | 12,000 | 29,000 |
| Trade and other payables | **61,501** | 113,777 | 58,268 |
| Income taxes payable | **-** | 3,506 | 2,820 |
| Provisions | **1,005** | 1,006 | - |
| Finance lease obligations | **50** | 50 | 50 |
| Derivative financial instruments (note 9) | **1,600** | 1,847 | 3,538 |
| Current portion of other long-term liabilities (note 11) | **-** | 773 | 2,455 |
| Total current liabilities | **112,156** | 138,428 | 96,131 |
| Non-current liabilities: | | | |
| Revolving credit facility (note 10) | **160,000** | 160,000 | 175,000 |
| Employee benefits | **31,829** | 31,494 | 37,935 |
| Provisions | **1,174** | 1,199 | 1,738 |
| Derivative financial instruments (note 9) | **3,145** | 2,720 | 2,406 |
| Finance lease obligations | **892** | 64 | 88 |
| Convertible unsecured subordinated debentures (note 12) | **143,320** | 142,421 | 130,053 |
| Deferred tax liabilities | **44,393** | 44,238 | 43,915 |
| Total non-current liabilities | **384,753** | 382,136 | 391,135 |
| Total liabilities | **$ 496,909** | $ 520,546 | $ 487,266 |
| Shareholder’s equity: | | | |
| Share capital (note 13) | **100,639** | 100,639 | 101,345 |
| Contributed surplus | **300,534** | 300,436 | 300,333 |
| Equity portion of convertible unsecured subordinated debentures (note 12) | **5,085** | 5,085 | 4,676 |
| Deficit | **(60,651)** | (63,171) | (61,904) |
| Accumulated other comprehensive income | **5,313** | 6,656 | 1,352 |
| Total shareholder’s equity | **350,920** | 349,645 | 345,802 |
| Total liabilities and shareholder’s equity | **$ 847,829** | $ 870,209 | $ 833,068 |

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

# ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated interim statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

| | | | | | | | | | **For the six months ended March 30, 2019** |
|---|---|---|---|---|---|---|---|---|---|
| | **Number of shares** | **Common shares** | **Contributed surplus** | **Equity portion of convertible debentures** | **Accumulated unrealized gain on employee benefit plans** | **Accumulated cash flow hedge gain (loss)** | **Accumulated foreign currency translation differences** | **Deficit** | **Total** |
| | | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance, September 29, 2018 | **105,008,070** | **100,639** | **300,436** | **5,085** | **6,070** | **272** | **314** | **(63,171)** | **349,645** |
| Net earnings for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **21,422** | **21,422** |
| Dividends (note 13) | **-** | **-** | **-** | **-** | **-** | **-** | | **(18,902)** | **(18,902)** |
| Share-based compensation (note 15) | **-** | **-** | **98** | **-** | **-** | **-** | **-** | **-** | **98** |
| Cash flow hedges, net of tax (note 9) | **-** | **-** | **-** | **-** | **-** | **(1,934)** | **-** | **-** | **(1,934)** |
| Translation of foreign operations | **-** | **-** | **-** | **-** | **-** | **-** | **591** | **-** | **591** |
| Balance, March 30, 2019 | **105,008,070** | **100,639** | **300,534** | **5,085** | **6,070** | **(1,662)** | **905** | **(60,651)** | **350,920** |

| | | | | | | | | | For the six month period ended March 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | Common shares | Contributed surplus | Equity portion of convertible debentures | Accumulated unrealized gain on employee benefit plans | Accumulated cash flow hedge gain (loss) | Accumulated foreign currency translation differences | Deficit | Total |
| | | $ | $ | $ | $ | $ | $ | $ | $ |
| Balance, September 30, 2017 | 105,743,582 | 101,335 | 300,247 | 3,141 | 1,190 | 295 | (192) | (71,860) | 334,156 |
| Net earnings for the period | - | - | - | - | - | - | - | 27,802 | 27,802 |
| Dividends (note 13) | - | - | - | - | - | - | | (19,034) | (19,034) |
| Share-based compensation (note 15) | - | - | 86 | - | - | - | - | - | 86 |
| Conversion of convertible debentures into common shares (note 12) | 1,388 | 10 | - | - | - | - | - | - | 10 |
| Repurchase of convertible debentures (note 12) | - | - | - | (1,188) | - | - | - | 1,188 | - |
| Issuance of convertible debentures, net of tax (note 12) | - | - | - | 2,723 | - | - | - | - | 2,723 |
| Cash flow hedges, net of tax (note 9) | - | - | - | - | - | (412) | - | - | (412) |
| Translation of foreign operations | - | - | - | - | - | - | 471 | - | 471 |
| Balance, March 31, 2018 | 105,744,970 | 101,345 | 300,333 | 4,676 | 1,190 | (117) | 279 | (61,904) | 345,802 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements

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# ROGERS SUGAR INC.

(Unaudited)
Condensed consolidated interim statements of cash flows
(In thousands of dollars)

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| Cash flows from operating activities: | | | | |
| Net earnings | **$ 8,011** | $ 7,586 | **$ 21,422** | $ 27,802 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment (note 5) | **3,835** | 3,622 | **7,674** | 7,078 |
| Amortization of intangible assets (note 5) | **943** | 1,167 | **1,885** | 1,854 |
| Changes in fair value of derivative financial instruments included in cost of sales | **(2,924)** | 430 | **2,595** | (4,323) |
| Income tax expense | **3,027** | 3,116 | **7,956** | 10,581 |
| Pension contributions | **(2,488)** | (2,300) | **(4,201)** | (4,162) |
| Pension expense | **2,646** | 2,537 | **4,536** | 2,928 |
| Net finance costs (note 6) | **4,357** | 4,186 | **8,999** | 8,190 |
| Share-based compensation – equity settled (note 15) | **47** | 150 | **98** | 287 |
| Share-based compensation – cash settled (note 15) | **61** | - | **110** | - |
| Gain on disposal of property, plant and equipment | **-** | - | **(16)** | - |
| Other | **1** | (7) | **5** | - |
| | **17,516** | 20,487 | **51,063** | 50,235 |
| Changes in: | | | | |
| Trade and other receivables | **(1,059)** | (6,567) | **377** | 8,068 |
| Inventories | **22,641** | 24,005 | **29,043** | 30,134 |
| Prepaid expenses | **(4,824)** | 241 | **(2,947)** | 1,061 |
| Trade and other payables | **(24,785)** | (22,696) | **(54,162)** | (75,945) |
| Provisions | **-** | (414) | **(26)** | (493) |
| | **(8,027)** | (5,431) | **(27,715)** | (37,175) |
| Cash flows from operating activities | **9,489** | 15,056 | **23,348** | 13,060 |
| Interest paid | **(2,051)** | (2,851) | **(7,998)** | (7,986) |
| Income taxes paid | **(5,142)** | (2,512) | **(12,061)** | (6,143) |
| Net cash from (used in) operating activities | **2,296** | 9,693 | **3,289** | (1,069) |
| Cash flows from (used in) financing activities: | | | | |
| Dividends paid (note 13) | **(9,451)** | (9,517) | **(18,902)** | (19,034) |
| Decrease in bank overdraft | **(229)** | - | **(5,469)** | - |
| Increase (decrease) in revolving credit facility (note 10) | **14,000** | (23,500) | **36,000** | 34,000 |
| Issuance of convertible debentures, net of underwriting fees and issuance costs of $3.8 million (note 12) | **-** | 81,200 | **-** | 81,200 |
| Repurchase of convertible debentures (note 12) | **-** | (59,990) | **-** | (59,990) |
| Payment of financing fees | **-** | - | **-** | (122) |
| Cash flow from (used in) financing activities | **4,320** | (11,807) | **11,629** | 36,054 |
| Cash flows used in investing activities: | | | | |
| Business combination, net of cash acquired (note 4) | **-** | 3,075 | **-** | (38,986) |
| Additions to property, plant and equipment, net of proceeds on disposal | **(6,660)** | (3,970) | **(9,886)** | (6,925) |
| Additions to intangible assets | **-** | (131) | **(2)** | (231) |
| Cash flow used in investing activities | **(6,660)** | (1,026) | **(9,888)** | (46,142) |
| Effect of changes in exchange rate on cash | **(149)** | 103 | **170** | 171 |
| Net (decrease) increase in cash | **(193)** | (3,037) | **5,200** | (10,986) |
| Cash, beginning of period | **7,494** | 9,084 | **2,101** | 17,033 |
| Cash, end of period | **$ 7,301** | $ 6,047 | **$ 7,301** | $ 6,047 |

Supplemental cash flow information (note 16)
The accompanying notes are an integral part of these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements of Rogers for the three and six month periods ended March 30, 2019 and March 31, 2018 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. (“Lantic”) and The Maple Treat Corporation (“TMTC”, formerly known as L.B. Maple Treat Corporation (“LBMTC”)), (together referred to as the “Company”). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

**2. Basis of presentation and statement of compliance:**

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* on a basis consistent with those accounting policies followed by the Company in the most recent audited consolidated annual financial statements other than the adoption of the amendments of IFRS 2, IFRS 15, IFRIC 22, and Annual Improvements to IFRS Standards (2014-2016) Cycle as described in note 3(b). Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended September 29, 2018. The quarterly unaudited condensed consolidated interim financial statements were neither reviewed nor audited by our external auditors and were authorized for issue by the Board of Directors on May 2, 2019.

(b) Basis of measurement:

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

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

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

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

(iv) assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

**2. Basis of presentation and statement of compliance (continued):**

(c) Functional and presentation currency:

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are as those applied and described in the Company's audited annual consolidated financial statements for the year ended September 29, 2018.

**3. Significant accounting policies:**

(a) Basis of consolidation:

(i) Subsidiaries:

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

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

**3. Significant accounting policies (continued):**

(b) New standards and interpretations adopted:

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended September 29, 2018 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements, except as noted below:

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

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

The amendments provide requirements on the accounting for:

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

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

(ii) IFRS 15, *Revenue from Contracts with Customers*:

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

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

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

**3. Significant accounting policies (continued):**

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

(ii) IFRS 15, *Revenue from Contracts with Customers* (continued):

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

(iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*:

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

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

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

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

(iv) Annual Improvements to IFRS Standards (2014-2016) Cycle:

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standard:

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

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

**3. Significant accounting policies (continued):**

(c) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the period ended March 30, 2019 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. New standards and amendments to standards and interpretations that are currently under review include:

(i) IFRS 16, *Leases*:

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

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

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

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

During the current year, the Company has continued to assess the impact of the adoption of IFRS 16. The Company expects to complete the assessment during the third quarter. Based on the preliminary analysis, the Company expects the adoption of IFRS 16 will have a significant impact on its consolidated financial statements, as the Company will recognize new assets and liabilities for its operating leases of warehouses, operating properties, railcars and production equipment. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. On a go-forward basis, there will be a decrease in operating lease expense and an increase in depreciation and amortization and interest expense.

**3. Significant accounting policies (continued):**

(c) New standards and interpretations not yet adopted:

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

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

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

The actual impact of the initial application of IFRS 16 has not yet been fully quantified as the Company has not finalized all its calculations. The Company expects to disclose additional information, including estimated quantitative financial effect in the third quarter of the fiscal 2019.

(ii) IFRIC 23, *Uncertainty over Income Tax Treatments*:

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

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

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

The Interpretation requires an entity to:

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

**3. Significant accounting policies (continued):**

(c) New standards and interpretations not yet adopted:

(ii) IFRIC 23, *Uncertainty over Income Tax Treatments* (continued):

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

(iii) Annual Improvements to IFRS Standards (2015-2017) Cycle:

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

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

Amendments were made to the following standards:

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

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

(iv) Amendments to References to the Conceptual Framework in IFRS Standards:

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

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

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

(In thousands of dollars except as noted and amounts per share)

**4. Business combinations:**

On November 18, 2017, the Company acquired all of the issued and outstanding shares of Decacer for a total consideration of $43.0 million ($42.1 million net of cash acquired) (the "Decacer Transaction"). The Company financed the acquisition, including transaction costs, with a draw-down on the Company's $265.0 million amended credit facility (see Note 10, Revolving credit facility).

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

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

**5. Depreciation and amortization expense:**

Depreciation and amortization expense were charged to the unaudited condensed consolidated interim statements of earnings as follows:

| | **For the three months ended** | | **For the six months ended** | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Depreciation of property, plant and equipment: | | | | |
| Cost of sales | **3,705** | 3,517 | **7,412** | 6,865 |
| Administration and selling expenses | **130** | 105 | **262** | 213 |
| | **3,835** | 3,622 | **7,674** | 7,078 |
| Amortization of intangible assets: | | | | |
| Administration and selling expenses | **943** | 1,167 | **1,885** | 1,854 |
| Total depreciation and amortization expense | **4,778** | 4,789 | **9,559** | 8,932 |

(In thousands of dollars except as noted and amounts per share)

## 6. Finance income and finance costs:

Recognized in net earnings:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Net change in fair value of interest rate swap (note 9) | **94** | 133 | **192** | 268 |
| Finance income | **94** | 133 | **192** | 268 |
| Interest expense on convertible unsecured subordinated debentures, including accretion expense (1) (note 12) | **2,077** | 1,844 | **4,164** | 3,542 |
| Interest on revolving credit facility | **1,348** | 1,377 | **2,578** | 2,803 |
| Amortization of deferred financing fees | **295** | 529 | **589** | 778 |
| Other interest expense | **731** | 569 | **1,860** | 1,335 |
| Finance costs | **4,451** | 4,319 | **9,191** | 8,458 |
| Net finance costs recognized in net earnings | **4,357** | 4,186 | **8,999** | 8,190 |

(1) Includes accretion expense of $205 and $405 for the three and six months ended March 30, 2019 (March 31, 2018 - $270 and 389, respectively)

## 7. Restricted cash:

Restricted cash represents balances assumed by the Company as a result of having acquired all of the issued and outstanding shares of TMTC.

On December 1, 2016, TMTC acquired all issued and outstanding Class A shares of Great Northern with $7.0 million cash consideration (which was placed in escrow), conditionally payable in quarterly installments contingent on achieving monthly and annual sales volume targets to a specific client for the twelve-month periods ending November 30, 2017 and November 30, 2018. The fair value of the contingent consideration was determined to be $6.6 million and was calculated using a probability-weighted expectation of the payment of the contingent consideration and a discount rate of 3.45%. As at March 30, 2019, cash held in an escrow account and the fair value of the contingent consideration payable were nil (September 29, 2018 - $0.8 million and $0.8 million, respectively; March 31, 2018 - $1.9 million and $2.5 million, respectively) (See Note 11, Other long-term liabilities).

## 8. Inventories:

During the three and six months ended March 30, 2019, inventories recognized as cost of goods sold amounted to $164.9 million and $334.0 million respectively ($160.9 million and $328.4 million for the three and six months ended March 31, 2018).

(In thousands of dollars except as noted and amounts per share)

## 9. Financial instruments:

Disclosures relating to risks exposures, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity risk were provided in the September 29, 2018 annual consolidated financial statements and there have been no significant changes in the Company's risk exposures during the three and six months ended March 30, 2019.

For its financial assets and liabilities measured at amortized cost as at March 30, 2019, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short periods to maturity of these instruments.

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

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

As at March 30, 2019, September 29, 2018 and March 31, 2018, the Company's financial derivatives carrying values were as follows:

| | Financial Assets | | Financial Liabilities | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| | March 30, 2019 | | March 30, 2019 | |
| | $ | $ | $ | $ |
| **Derivative financial instruments measured at fair value through profit or loss:** | | | | |
| Sugar futures contracts | **31** | **-** | **-** | **124** |
| Foreign exchange forward contracts | **845** | **15** | **282** | **411** |
| **Derivative financial instruments designated as effective cash flow hedging instruments:** | | | | |
| Natural gas forward contracts | **-** | **-** | **1,318** | **2,093** |
| Interest rate swap | **337** | **-** | **-** | **517** |
| | **1,213** | **15** | **1,600** | **3,145** |

(In thousands of dollars except as noted and amounts per share)

## 9. Financial instruments (continued):

| | Financial Assets | | Financial Liabilities | | Financial Assets | | Financial Liabilities | |
|---|---|---|---|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current | Current | Non-Current | Current | Non-Current |
| | September 29, 2018 | | | | March 31, 2018 | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Derivative financial instruments measured at fair value through profit or loss:** | | | | | | | | |
| Sugar futures contracts | 364 | - | - | 135 | 265 | - | - | 117 |
| Foreign exchange forward contracts | 3,187 | 58 | - | - | 672 | 674 | - | - |
| **Derivative financial instruments designated as effective cash flow hedging instruments:** | | | | | | | | |
| Natural gas forward contracts | - | - | 1,847 | 2,585 | - | - | 3,538 | 2,289 |
| Interest rate swap | 460 | 2,014 | - | - | 188 | 1,544 | - | - |
| | 4,011 | 2,072 | 1,847 | 2,720 | 1,125 | 2,218 | 3,538 | 2,406 |

| | **For the three months ended** | | | | | |
|---|---|---|---|---|---|---|
| | **Charged to cost of sales Unrealized gain / (loss)** | | **Charged to finance income (costs)** | | **Other comprehensive gain / (loss)** | |
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ | **$** | $ |
| **Derivative financial instruments measured at fair value through profit or loss:** | | | | | | |
| Sugar futures contracts | **(1,347)** | (3,375) | **-** | - | **-** | - |
| Foreign exchange forward contracts | **706** | (28) | **-** | - | **-** | - |
| Embedded derivatives | **-** | - | **-** | - | **-** | - |
| **Derivative financial instruments designated as effective cash flow hedging instruments:** | | | | | | |
| Natural gas forward contracts | **416** | 491 | **-** | - | **1,261** | (353) |
| Interest rate swap | **-** | - | **94** | 133 | **(1,543)** | 159 |
| | **(225)** | (2,912) | **94** | 133 | **(282)** | (194) |

(In thousands of dollars except as noted and amounts per share)

## 9. Financial instruments (continued):

| | Charged to cost of sales Unrealized gain / (loss) | | Charged to finance income (costs) | | For the six months ended Other comprehensive gain / (loss) | |
|---|---|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ | **$** | $ |
| **Derivative financial instruments measured at fair value through profit or loss:** | | | | | | |
| Sugar futures contracts | **(1,014)** | (2,144) | **-** | - | **-** | - |
| Foreign exchange forward contracts | **(2,778)** | 1,305 | **-** | - | **-** | - |
| Embedded derivatives | **-** | 51 | **-** | - | **-** | - |
| **Derivative financial instruments designated as effective cash flow hedging instruments:** | | | | | | |
| Natural gas forward contracts | **805** | 1,374 | **-** | - | **216** | (1,033) |
| Interest rate swap | **-** | - | **192** | 268 | **(2,847)** | 472 |
| | **(2,987)** | 586 | **192** | 268 | **(2,631)** | (561) |

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at March 30, 2019 and March 31, 2018:

| | **March 30, 2019** | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Natural gas forward contracts** | **Interest rate swap** | **Total** | Natural gas forward contracts | Interest rate swap | Total |
| | **$** | **$** | **$** | $ | $ | $ |
| Opening OCI | **(2,679)** | **3,049** | **370** | (1,700) | 2,101 | 401 |
| Income taxes | **712** | **(810)** | **(98)** | 450 | (556) | (106) |
| Opening OCI – net of income taxes | **(1,967)** | **2,239** | **272** | (1,250) | 1,545 | 295 |
| Change in fair value of derivatives designated as cash flow hedges | **1,020** | **(2,654)** | **(1,634)** | 341 | 740 | 1,081 |
| Amounts reclassified to net earnings | **(805)** | **(192)** | **(997)** | (1,374) | (268) | (1,642) |
| Income taxes | **(57)** | **754** | **697** | 274 | (125) | 149 |
| Ending OCI – net of income taxes | **(1,809)** | **147** | **(1,662)** | (2,009) | 1,892 | (117) |

For the three and six months ended March 30, 2019, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately $0.4 million of net losses presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

To mitigate the risk in future cash flows due to interest rate fluctuations, in the second quarter of fiscal 2019, the Company entered into two interest rate swap agreements. The first is a five-year interest rate swap agreement with an effective date of March 12, 2019 at a rate of 2.08% for a notional amount of $20.0 million. The second is a forward start interest rate swap agreement with an effective date of June 28, 2022 at a rate of 2.17% for a notional amount of $80.0 million.

(In thousands of dollars except as noted and amounts per share)

**9. Financial instruments (continued):**

The aggregate notional amount of the all interest rate swap agreements is as follows:

| Fiscal year contracted | Date | Total value $ |
|---|---|---|
| Fiscal 2014 | June 30, 2014 to June 28, 2019 – 2.09% | 10,000 |
| Fiscal 2015 | June 28, 2018 to June 28, 2020 – 1.959% | 30,000 |
| Fiscal 2017 | May 29, 2017 to June 28, 2022 – 1.454% | 20,000 |
| Fiscal 2017 | September 1, 2017 to June 28, 2022 – 1.946% | 30,000 |
| Fiscal 2017 | June 29, 2020 to June 29, 2022 – 1.733% | 30,000 |
| 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 |

**10. Revolving credit facility:**

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

Certain assets of the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility. As at March 30, 2019, a total of $399.0 million of assets are pledged as security (September 29, 2018 - $376.7 million; March 31, 2018 - $391.4 million).

The maturity date of the amended revolving credit facility is June 28, 2023.

The following amounts were outstanding as of:

| | **March 30, 2019** | September 29, 2018 | March 31, 2018 |
|---|---|---|---|
| | **$** | $ | $ |
| Outstanding amount on revolving credit facility: | | | |
| Current | **48,000** | 12,000 | 29,000 |
| Non-current | **160,000** | 160,000 | 175,000 |
| | **208,000** | 172,000 | 204,000 |

As at March 30, 2019, an amount of $160.0 million is shown as non-current as we don't expect it to be repaid within the next 12 months.

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

(In thousands of dollars except as noted and amounts per share)

**11. Other long-liabilities:**

| | **March 30, 2019** | | September 29, 2018 | | March 31, 2018 | |
|---|---|---|---|---|---|---|
| | **Contingent consideration payable** | **Balance of purchase price payable** | Contingent consideration payable | Balance of purchase price payable | Contingent consideration payable | Balance of purchase price payable |
| | **$** | **$** | $ | $ | $ | $ |
| Opening balance | **773** | **-** | 4,469 | 822 | 4,469 | 822 |
| Accretion expense | **77** | **-** | 190 | 8 | 79 | 15 |
| Foreign exchange adjustment | **-** | **-** | - | 30 | - | 23 |
| Payment made | **(850)** | **-** | (3,886) | (860) | (2,093) | (860) |
| Closing balance | **-** | **-** | 773 | - | 2,455 | - |

**12. Convertible unsecured subordinated debentures:**

The outstanding convertible debentures are as follows:

| | **March 30, 2019** | September 29, 2018 | March 31, 2018 |
|---|---|---|---|
| | **$** | $ | $ |
| Sixth series | **57,500** | 57,500 | 57,500 |
| Seventh series | **97,750** | 97,750 | 85,000 |
| Total face value | **155,250** | 155,250 | 142,500 |
| Less deferred financing fees | **(5,994)** | (6,488) | (6,270) |
| Less equity component | **(6,930)** | (6,930) | (7,557) |
| Accretion expense on equity component | **994** | 589 | 1,380 |
| Total carrying value – non current | **143,320** | 142,421 | 130,053 |

The fair value of the Sixth and Seventh series debentures as at March 30, 2019 were approximately $156.4 million based on market quotes.

Fifth series:

On March 28, 2018, a portion of the net proceeds from the issuance of the Seventh series debentures were used to redeem the Fifth series 5.75% convertible unsecured subordinated debentures (“Fifth series debentures”). The total amount redeemed was $59,990 as an amount of $10 was converted to 1,388 common shares by holders of the convertible debentures.

**12. Convertible unsecured subordinated debentures (continued):**

Seventh series:

On March 28, 2018, in connection with a bought deal offering filed on March 21, 2018, the Company issued 85,000 seventh series, 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, commencing on June 30, 2018 for gross proceeds of $85.0 million. The debentures may be converted at the option of the holder at a conversion price of $8.85 per share (representing 9,604,519 common shares) at any time prior to maturity, and cannot be redeemed by the Company prior to June 30, 2021.

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

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

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

The Company allocated $3.7 million ($2.7 million net of tax) of the Seventh series debentures into an equity component. During the second quarter of fiscal 2018, the Company recorded $4.0 thousand in finance costs for the accretion of the Seventh series debentures.

The Company incurred underwriting fees and issuance costs of $3.8 million, which are netted against the convertible debenture liability.

**13. Share capital and other components of equity:**

As of March 30, 2019, a total of 105,008,070 common shares (September 29, 2018 - 105,008,070; March 31, 2018 – 105,744,970) were outstanding.

(In thousands of dollars except as noted and amounts per share)

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

As at March 31, 2018, a total of $10 of the Fifth series debentures was converted during the period by holders of the securities for a total of 1,388 common shares. This conversion is a non-cash transaction and therefore not reflected in the unaudited condensed consolidated interim statement of cash flow.

The Company declared a quarterly dividend of $0.09 per share amounting to the following for the six month period ending March 30, 2019 and March 31, 2018:

| | **March 30, 2019** | March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Dividends | **18,902** | 19,034 |

## 14. Earnings per share:

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

| | **For the three months ended** | | **For the six months ended** | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| Basic earnings per share: | | | | |
| Net earnings | **$8,011** | $7,586 | **$21,422** | $27,802 |
| Weighted average number of shares outstanding | **105,008,070** | 105,743,643 | **105,008,070** | 105,743,613 |
| Basic earnings per share | **$0.08** | $0.07 | **$0.20** | $0.26 |
| Diluted earnings per share: | | | | |
| Net earnings | **$8,011** | $7,586 | **$21,422** | $27,802 |
| Plus impact of convertible unsecured subordinated debentures and share options | **-** | 27 | **3,041** | 2,622 |
| | **$8,011** | $7,613 | **$24,463** | $30,424 |
| Weighted average number of shares outstanding: | | | | |
| Basic weighted average number of shares outstanding | **105,008,070** | 105,743,643 | **105,008,070** | 105,743,613 |
| Plus impact of convertible unsecured subordinated debentures and share options | **-** | 9,604,520 | **18,006,457** | 24,899,112 |
| | **105,008,070** | 115,348,163 | **123,014,527** | 130,642,725 |
| Diluted earnings per share | **$0.08** | $0.07 | **$0.20** | $0.23 |

For the three months ended March 30, 2019, the share options and the Sixth and Seventh series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the six months ended March 30, 2019, only the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the three months ended March 31, 2018, the share options and the Fifth and Sixth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. For the six months ended March 31, 2018, only the share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

(In thousands of dollars except as noted and amounts per share)

## 15. Share-based compensation:

(a) Equity-Settled Share-Based Compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (September 29, 2018 – 4,000,000 common shares, March 31, 2018 – 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

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

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

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of $47 and $98 was recorded for the three and six month periods ended March 30, 2019 (an expense of $52 and $86 for the three and six months ended March 31, 2018).

The following tables summarize information about the Share Option Plan as of March 30, 2019:

| Exercise price per option | Outstanding number of options at September 29, 2018 | Options granted during the six month period | Options exercised during the six month period | Options forfeited during the six month period | Outstanding number of options at March 30, 2019 | Weighted average remaining life | Number of options exercisable |
|---|---|---|---|---|---|---|---|
| $4.59 | 830,000 | - | - | - | 830,000 | 6.14 | 490,000 |
| $5.58 | - | 447,175 | - | - | 447,175 | 9.68 | - |
| $5.61 | 80,000 | - | - | - | 80,000 | 2.97 | 80,000 |
| $6.23 | 1,005,322 | - | - | - | 1,005,322 | 8.69 | 201,064 |
| $6.51 | 360,000 | - | - | - | 360,000 | 7.68 | 144,000 |
| | 2,275,322 | 447,175 | - | - | 2,722,497 | n/a | 915,064 |

Options outstanding held by key management personnel amounted to 2,102,497 options as at March 30, 2019 and 1,655,322 options as at September 29, 2018 (see note 17, Key management personnel).

(In thousands of dollars except as noted and amounts per share)

**15. Share-based compensation (continued):**

(a) Equity-Settled Share-Based Compensation (continued):

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

| | |
|---|---|
| Total fair value of options | $141 |
| Share price | $5.75 |
| Exercise price | $5.58 |
| Expected volatility (weighted average volatility) | 15.688% to 17.066% |
| Option life (expected weighted average life) | 4 to 6 years |
| Expected dividends | 6.26% |
| Weighted average risk-free interest rate (based on government bonds) | 1.842% to 1.853% |

(b) Cash-Settled Share-Based Compensation:

i) Share Appreciation Rights ("SAR"):

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to liability. An expense of $11 and $10 was recorded for the three and six month periods ended March 30, 2019 (no expense and an expense of $1 for the three and six months ended March 31, 2018). The liabilities arising from the SARs as at March 30, 2019 were $20 (September 30, 2018 – $10; March 31, 2018 – $16).

The following table summarizes information about the SARs as of March 30, 2019:

| Share price per unit | Outstanding number of SARs at September 29, 2018 | SARs granted during the six month period | SARs exercised during the six month period | SARs forfeited during the six month period | Outstanding number of SARs at March 30, 2019 | Number of SARs exercisable |
|---|---|---|---|---|---|---|
| **$6.51** | **125,000** | **-** | **-** | **-** | **125,000** | **50,000** |

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the SARs granted in the first quarter of fiscal 2018 are the following:

| **SARs granted December 5, 2016** | Grant date | **Measurement date as at March 30, 2019** |
|---|---|---|
| Total fair value of SARs | $53 | **$26** |
| Share price | $6.63 | **$6.03** |
| Exercise price | $6.51 | **$6.51** |
| Expected volatility (weighted average volatility) | 16.520% to 18.670% | **15.642% to 16.730%** |
| Option life (expected weighted average life) | 2 to 6 years | **4 to 8 years** |
| Expected dividends | 5.43% | **5.97%** |
| Weighted average risk-free interest rate (based on government bonds) | 0.740% to 1.160% | **1.580% to 1.650%** |

**15. Share-based compensation (continued):**

(b) Cash-Settled Share-Based Compensation (continued):

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

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

ii) Performance Share Units ("PSU"):

On December 3, 2018, a total of 290,448 PSUs were granted at a share price of $5.58 per common share to certain executives and senior managers. In addition, an aggregate of 4,677 PSUs at a weighted-average share price of $5.59 were allocated as a result of the dividend paid during the quarter since inception. These PSUs will vest at the end of the 2019-2021 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. Following the end of a Performance Cycle, the Board of Directors of the Company will determine, and to the extent only that the Vesting Conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the Performance Cycle, whether the Vesting Conditions for the PSUs granted to a participant relating to such Performance Cycle have been achieved. Depending on the achievement of the Vesting Conditions, between 0% and 200% of the PSUs will become vested.

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

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

During the first quarter of fiscal 2018, a total of 224,761 PSUs were granted at a share price of $6.31 per common share to executives. These shares will vest at the end of the 2018-2020 Performance Cycle. In addition, an aggregate of 18,014 PSUs at a weighted-average share price of $5.82 were allocated as a result of the dividend paid during the quarters since inception.

An expense of $50 and $100 was recorded for the three and six month periods ending March 30, 2019 (March 31, 2018 – an expense of $98 and $198 respectively) in administration and selling expenses. The liabilities arising from the PSUs as at March 30, 2019 was $100 (September 29, 2018 – nil; March 31, 2018 - $198).

(In thousands of dollars except as noted and amounts per share)

## 15. Share-based compensation (continued):

(b) Cash-Settled Share-Based Compensation (continued):

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

The following table summarizes information about the PSUs as of March 30, 2019:

| Performance Cycle | Outstanding number of PSUs at September 29, 2018 | PSUs granted during the six month period | PSUs exercised during the six month period | PSUs forfeited during the six month period | Outstanding number of PSUs at March 30, 2019 |
|---|---|---|---|---|---|
| **2018-2020** | **235,052** | **7,723** | **-** | **-** | **242,775** |
| **2019-2021** | **-** | **295,125** | **-** | **-** | **295,125** |
| | **235,052** | **302,848** | **-** | **-** | **537,900** |

## 16. Supplementary cash flow information:

| | **March 30, 2019** | March 31, 2018 | September 29, 2018 | September 30, 2017 |
|---|---|---|---|---|
| | **$** | $ | $ | $ |
| Non-cash transactions: | | | | |
| Additions of property, plant and equipment and intangibles included in trade and other payables | **2,329** | 1,620 | 1,041 | 247 |

## 17. Key management personnel:

The Board of Directors as well as 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 three months ended** | | **For the six months ended** | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Salaries and short-term benefits | **790** | 772 | **1,475** | 1,428 |
| Attendance fees for members of the Board of Directors | **221** | 210 | **414** | 440 |
| Post-retirement benefits | **36** | 35 | **73** | 70 |
| Share-based compensation | **108** | 150 | **208** | 287 |
| | **1,155** | 1,167 | **2,170** | 2,225 |

(In thousands of dollars except as noted and amounts per share)

## 18. Personnel expenses:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Wages, salaries and employee benefits | **22,209** | 20,870 | **44,979** | 43,334 |
| Expenses related to defined benefit plans (1) | **1,136** | 1,109 | **2,272** | 741 |
| Expenses related to defined contributions plans | **1,510** | 1,428 | **2,264** | 2,187 |
| Share-based compensation | **108** | 150 | **208** | 287 |
| | **24,963** | 23,557 | **49,723** | 46,549 |

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

The personnel expenses were charged and capitalized to the unaudited condensed consolidated interim statements of earnings and statements of financial position, respectively, as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Cost of sales | **19,985** | 18,452 | **40,410** | 36,383 |
| Administration and selling expenses | **4,548** | 4,673 | **8,403** | 9,265 |
| Distribution expenses | **362** | 348 | **744** | 705 |
| | **24,895** | 23,473 | **49,557** | 46,353 |
| Property, plant and equipment | **68** | 83 | **166** | 196 |
| | **24,963** | 23,556 | **49,723** | 46,549 |

## 19. 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.

(In thousands of dollars except as noted and amounts per share)

## 19. Segmented information (continued):

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

| | | | | **For the three months ended March 30, 2019** |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | **$** | **$** | **$** | **$** |
| Revenues | **139,067** | **50,183** | **-** | **189,250** |
| Cost of sales | **117,222** | **43,816** | **-** | **161,038** |
| Gross margin | **21,845** | **6,367** | **-** | **28,212** |
| Depreciation and amortization | **3,461** | **1,317** | **-** | **4,778** |
| Results from operating activities | **12,935** | **2,809** | **(349)** | **15,395** |
| Additions to property, plant and equipment and intangible assets | **4,447** | **1,294** | **-** | **5,741** |

| | | | | **For the six months ended March 30, 2019** |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | **$** | **$** | **$** | **$** |
| Revenues | **290,206** | **105,066** | **-** | **395,272** |
| Cost of sales | **239,009** | **93,502** | **-** | **332,511** |
| Gross margin | **51,197** | **11,564** | **-** | **62,761** |
| Depreciation and amortization | **6,952** | **2,607** | **-** | **9,559** |
| Results from operating activities | **34,341** | **4,701** | **(665)** | **38,377** |
| Additions to property, plant and equipment and intangible assets | **8,980** | **3,039** | **-** | **12,019** |

| | | | | **As at March 30, 2019** |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | **$** | **$** | **$** | **$** |
| Total assets | **777,284** | **235,889** | **(165,344)** | **847,829** |
| Total liabilities | **(930,290)** | **(193,831)** | **627,212** | **(496,909)** |

| | | | | For the three months ended March 31, 2018 |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | $ | $ | $ | $ |
| Revenues | 136,434 | 53,021 | - | 189,455 |
| Cost of sales | 115,780 | 46,620 | - | 162,400 |
| Gross margin | 20,654 | 6,401 | - | 27,055 |
| Depreciation and amortization | 3,257 | 1,532 | - | 4,789 |
| Results from operating activities | 12,880 | 2,348 | (340) | 14,888 |
| Additions to property, plant and equipment and intangible assets | 3,476 | 573 | - | 4,049 |

(In thousands of dollars except as noted and amounts per share)

**19. Segmented information (continued):**

| | | | For the six months ended March 31, 2018 | |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | $ | $ | $ | $ |
| Revenues | 292,198 | 102,140 | - | 394,338 |
| Cost of sales | 235,517 | 88,653 | - | 324,170 |
| Gross margin | 56,681 | 13,487 | - | 70,168 |
| Depreciation and amortization | 6,477 | 2,455 | - | 8,932 |
| Results from operating activities | 41,852 | 5,389 | (668) | 46,573 |
| Additions to property, plant and equipment and intangible assets | 7,791 | 737 | - | 8,529 |

| | | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Sugar | Maple products | Corporate and eliminations | Total |
| | $ | $ | $ | $ |
| Total assets | 759,440 | 238,526 | (164,898) | 833,068 |
| Total liabilities | (923,450) | (195,716) | 631,900 | (487,266) |

Revenues were derived from customers in the following geographic areas:

| | **For the three months ended** | | **For the six months ended** | |
|---|---|---|---|---|
| | **March 30, 2019** | March 31, 2018 | **March 30, 2019** | March 31, 2018 |
| | **$** | $ | **$** | $ |
| Canada | **145,889** | 142,662 | **298,837** | 299,457 |
| United States | **27,093** | 29,430 | **56,594** | 59,142 |
| Europe | **7,814** | 7,199 | **20,373** | 16,795 |
| Other | **8,454** | 10,164 | **19,468** | 18,944 |
| | **189,250** | 189,455 | **395,272** | 394,338 |