

Consolidated Financial Statements of

ROGERS SUGAR INC.

Fiscal years ended October 1, 2022 and October 2, 2021

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 1, 2022 and October 2, 2021;
- the consolidated statements of earnings (loss) 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 1, 2022 and October 2, 2021, 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 1, 2022. 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 Entity assesses impairment by comparing the carrying amount of the cash-generating unit ("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 estimated 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 has recorded an impairment of \$50 million during the year based on fair value less cost to sell with respect to the Maple products CGU. The Entity's significant assumption in determining the fair value less costs to sell relates to the range of earning multiples. The goodwill balance as of October 1, 2022 is \$233 million, of which \$3 million relate to the Maple products CGU.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment assessment 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 earnings before interest, tax, depreciation and amortization ("EBITDA") multiples using available market information from third party sources and observed in recent comparable transactions;
- Developed a range of an estimated EBITDA amount based on quantitative and qualitative considerations;
- Developed a range of recoverable amounts by multiplying the EBITDA multiples by an estimated EBITDA amount; and
- Compared the independently developed range of recoverable amounts to the recoverable amount determined by the Entity.

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.

A handwritten signature in black ink that reads "KPMG LLP*" with a horizontal line underneath it.

Montréal, Canada

November 30, 2022

Consolidated statements of earnings (loss) and comprehensive income

(In thousands of dollars except per share amounts)

Consolidated statements of earnings (loss)	Fiscal year ended	
	October 1, 2022	October 2, 2021
Revenues (note 32)	1,006,134	893,931
Cost of sales	875,329	754,187
Gross margin	130,805	139,744
Administration and selling expenses	45,783	36,955
Distribution expenses	21,709	18,292
Goodwill impairment (note 15)	50,000	-
	117,492	55,247
Results from operating activities	13,313	84,497
Net finance costs (note 5)	17,567	19,439
Earnings (loss) before income taxes	(4,254)	65,058
Income tax expense (recovery) (note 6):		
Current	14,275	17,333
Deferred	(1,961)	198
	12,314	17,531
Net earnings (loss)	(16,568)	47,527
Net earnings (loss) per share (note 27):		
Basic	(0.16)	0.46
Diluted	(0.16)	0.44

Consolidated statements of comprehensive income	Fiscal year ended	
	October 1, 2022	October 2, 2021
Net earnings (loss)	(16,568)	47,527
Other comprehensive income:		
Items that are or may be reclassified subsequently to net earnings (loss):		
Cash flow hedges (note 9)	17,323	17,973
Income tax on cash flow hedges (note 6)	(4,447)	(4,614)
Foreign currency translation differences	1,784	(1,032)
	14,660	12,327
Items that will not be reclassified to net earnings (loss):		
Defined benefit actuarial gains (note 20)	11,332	34,219
Income tax on defined benefit actuarial gains (note 6)	(2,909)	(8,786)
	8,423	25,433
Other comprehensive income	23,083	37,760
Comprehensive income	6,515	85,287

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

Consolidated statements of financial position

(In thousands of dollars)

Assets	October 1, 2022	October 2, 2021
Current assets:		
Cash	151	15,643
Trade and other receivables (note 7)	120,207	95,546
Income taxes receivable	3,096	285
Inventories (note 8)	246,706	180,291
Prepaid expenses	8,868	4,570
Derivative financial instruments (note 9)	11,582	5,897
Total current assets	390,610	302,232
Non-current assets:		
Property, plant and equipment (note 10)	247,969	241,713
Right-of-use assets (note 11)	22,932	18,526
Intangible assets (note 12)	24,264	28,034
Other assets (note 13)	564	548
Derivative financial instruments (note 9)	18,610	5,870
Goodwill (note 15)	233,007	283,007
Total non-current assets	547,346	577,698
Total assets	937,956	879,930
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility (note 16)	26,000	-
Trade and other payables (note 17)	177,435	119,940
Income taxes payable	-	3,454
Provisions (note 18)	1,503	1,394
Lease obligations (note 19)	3,991	3,049
Derivative financial instruments (note 9)	7,643	2,089
Total current liabilities	216,572	129,926
Non-current liabilities:		
Revolving credit facility (note 16)	100,000	100,000
Employee benefits (note 20)	18,529	29,299
Provisions (note 18)	1,333	2,431
Derivative financial instruments (note 9)	76	546
Lease obligations (note 19)	19,198	15,443
Convertible unsecured subordinated debentures (note 21)	149,699	147,742
Senior guaranteed notes (note 22)	98,901	98,785
Deferred tax liabilities (note 14)	42,229	36,800
Total non-current liabilities	429,965	431,046
Total liabilities	646,537	560,972
Shareholders' equity:		
Share capital (note 23)	103,550	100,139
Contributed surplus	300,922	300,887
Equity portion of convertible unsecured subordinated debentures (note 21)	5,085	5,085
Deficit	(160,672)	(106,604)
Accumulated other comprehensive income (loss)	42,534	19,451
Total shareholders' equity	291,419	318,958
Commitments (notes 19 and 25)		
Contingencies (note 26)		
Total liabilities and shareholders' equity	937,956	879,930

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 1, 2022								
	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 2, 2021	103,686,923	100,139	\$ 300,887	\$ 5,085	\$ 12,450	\$ 7,240	\$ (239)	\$ (106,604)	\$ 318,958
Net loss for the year	-	-	-	-	-	-	-	(16,568)	(16,568)
Dividends (note 23)	-	-	-	-	-	-	-	(37,500)	(37,500)
Issuance of shares (note 23)	685,122	3,411	(108)	-	-	-	-	-	3,303
Share-based compensation (note 24)	-	-	143	-	-	-	-	-	143
Cash flow hedges, net of tax (note 9)	-	-	-	-	-	12,876	-	-	12,876
Defined benefit actuarial gains, net of tax (note 20)	-	-	-	-	8,423	-	-	-	8,423
Translation of foreign operations	-	-	-	-	-	-	1,784	-	1,784
Balance, October 1, 2022	104,372,045	103,550	300,922	5,085	20,873	20,116	1,545	(160,672)	291,419

	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

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 1, 2022	October 2, 2021
Cash flows from operating activities:		
Net earnings (loss)	(16,568)	47,527
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets (note 4)	22,283	21,381
Amortization of intangible assets (note 4)	3,865	3,830
Changes in fair value of derivative financial instruments included in cost of sales	6,831	2,752
Income tax expense (note 6)	12,314	17,531
Pension contributions	(10,363)	(10,155)
Pension expense	10,925	14,462
Net finance costs (note 5)	17,567	19,439
Loss (gain) on disposal of property, plant and equipment (note 10)	44	(86)
Share-based compensation - equity settled (note 24)	143	107
Share-based compensation - cash settled (note 24)	5,779	21
Goodwill impairment (note 15)	50,000	-
	102,820	116,809
Changes in:		
Trade and other receivables	(23,709)	(1,359)
Inventories	(65,811)	223
Prepaid expenses	(4,292)	3,353
Trade and other payables	51,707	(13,354)
Provisions (note 18)	(1,090)	(343)
	(43,195)	(11,480)
Cash generated from operating activities:		
Interest paid	(17,493)	(14,629)
Income taxes paid	(20,580)	(12,123)
Net cash flows from operating activities	21,552	78,577
Cash flows used in financing activities:		
Dividends paid	(37,439)	(37,287)
Increase (decrease) in bank overdraft	-	(2,797)
Increase (decrease) in revolving credit facility (note 16)	26,000	(94,000)
Payment of lease obligations (note 19)	(5,150)	(5,487)
Net proceeds from senior guaranteed notes (note 22)	-	98,740
Issuance of shares (note 23)	3,303	673
Payment of financing fees	(268)	-
Net cash flows used in financing activities	(13,554)	(40,158)
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	(23,635)	(24,320)
Additions to intangible assets (note 12)	(95)	(358)
Net cash flows used in investing activities	(23,730)	(24,678)
Effect of changes in exchange rate on cash	240	(72)
Net increase (decrease) in cash	(15,492)	13,669
Cash, beginning of year	15,643	1,974
Cash, end of year	151	15,643

Supplemental cash flow information (note 28).

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

Notes to consolidated financial statements

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

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 1, 2022 and October 2, 2021 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 the packaging, marketing and distribution of maple products.

The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2022 and 2021 represent the years ended October 1, 2022 and October 2, 2021.

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 30, 2022.

(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:

Notes to consolidated financial statements

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

2. Basis of preparation: (continued)

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

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:

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 (loss) 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.

Notes to consolidated financial statements

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

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.

Notes to consolidated financial statements

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

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.

Notes to consolidated financial statements

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

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. Fair value less costs to sell (the "FVLCS") is the estimated amount obtainable from the sale of the CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing the fair value less cost to sell, the market approach is used which incorporated comparable transaction multiples which were applied to adjusted EBITDA less an estimate of the cost to sell to derive a range of the FVLCS.

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

Notes to consolidated financial statements

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

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.

Notes to consolidated financial statements

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

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 Company initially recognizes trade receivables when they are originated and other 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 except for trade receivables without a financing component which are initially measured at the transaction price. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

(ii) Financial assets:

Financial assets are classified into the following categories:

a. Financial assets measured at amortized cost:

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

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

The Company 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.

Notes to consolidated financial statements

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

3. Significant accounting policies: (continued)

(L) FINANCIAL INSTRUMENTS: (CONTINUED)

(ii) Financial assets: (continued)

b. Financial assets measured at fair value through profit or loss:

These assets are measured at fair value through profit or loss 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 derivative financial instruments.

(iii) Financial liabilities:

Financial liabilities are classified into the following categories:

a. Financial liabilities measured at amortized cost:

Financial liability subsequently measured at amortized cost, is accounted for using the effective interest method.

b. Financial liabilities measured at fair value through profit or loss:

Financial liabilities at fair value through profit or loss are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings (loss). The Company currently has no significant financial liabilities measured at fair value except for derivative financial instruments.

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

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

(iv) Fair values of financial instruments:

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

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

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

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

a. Cash:

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:

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.

Notes to consolidated financial statements

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

3. Significant accounting policies: (continued)

(L) FINANCIAL INSTRUMENTS: (CONTINUED)

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

b. Derivative financial instruments: (continued)

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 a portion of interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

For sugar futures contracts, the amounts are netted with the variation margins paid or received to/from brokers at the end of the reporting period.

c. 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.

d. 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.

e. 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.

Notes to consolidated financial statements

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

3. Significant accounting policies: (continued)

(L) FINANCIAL INSTRUMENTS: (CONTINUED)

(v) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings (loss), 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 (loss).

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 (loss).

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

The Company has designated as hedging items its natural gas futures and a portion of 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 (loss). Net change in fair value of interest rate swap that do not meet hedge accounting is recognized in net finance costs. Interest expense is recorded using the effective interest method.

Notes to consolidated financial statements

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

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 (loss) 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 NOT YET ADOPTED:

A number of new standards and amendments to standards and interpretations are not yet effective for the year ending October 1, 2022 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)
- Lease liability in a sale and leaseback (Amendments to IFRS 16 Leases)

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 2, 2022. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

4. Depreciation and amortization expenses:

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

	October 1, 2022	For the fiscal years ended October 2, 2021
	\$	
Depreciation of property, plant and equipment		
Cost of sales	17,276	16,144
Administration and selling expenses	492	555
	17,768	16,699
Depreciation of right-of-use assets		
Cost of sales	2,836	2,849
Administration and selling expenses	1,679	1,833
	4,515	4,682
Amortization of intangible assets:		
Administration and selling expenses	3,865	3,830
Total depreciation and amortization expenses	26,148	25,211

5. Net finance costs:

Recognized in net earnings (loss):

	October 1, 2022	For the fiscal years ended October 2, 2021
	\$	\$
Interest expense on convertible unsecured subordinated debentures, including accretion of \$969 (2021 - \$917) (note 21)	8,413	8,423
Interest on revolving credit facility	5,063	5,843
Interest on senior guaranteed notes, including accretion of \$116 (2021 - \$45)	3,595	1,527
Amortization of deferred financing fees	1,240	1,187
Other interest expense	1,057	1,150
Interest accretion on discounted lease obligations	1,000	858
Net change in fair value of interest rate swap (note 9)	(2,801)	451
Net finance costs	17,567	19,439

Notes to consolidated financial statements

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

6. Income tax expense (recovery):

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	
Current tax expense:		
Current period	15,263	17,931
Adjustments for prior year periods	(988)	(598)
Current tax expense	14,275	17,333
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	(2,774)	(368)
Adjustments for prior year periods	813	566
Deferred tax expense (recovery)	(1,961)	198
Total income tax expense	12,314	17,531

Income tax recognized in other comprehensive income (loss):

	For the fiscal years ended					
	October 1, 2022			October 2, 2021		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
	\$	\$	\$	\$	\$	\$
Cash flow hedges	17,323	(4,447)	12,876	17,973	(4,614)	13,359
Defined benefit actuarial gains	11,332	(2,909)	8,423	34,219	(8,786)	25,433

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 (loss) before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the fiscal years ended			
	October 1, 2022		October 2, 2021	
	%	\$	%	\$
Earnings (loss) before income taxes	-	(4,254)	-	65,058
Income taxes using the Company's statutory tax rate	27.00	(1,149)	27.00	17,566
Changes due to the following items:				
Effect of differences in tax rates in other jurisdictions	0.93	(20)	0.15	94
Non-deductible impairment of goodwill	(317.36)	13,500	-	-
Non-deductible expenses (income)	(4.18)	178	(0.15)	(97)
Adjustments for prior year periods	4.12	(175)	(0.05)	(32)
	(289.49)	12,314	26.95	17,531

Notes to consolidated financial statements

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

7. Trade and other receivables:

	October 1, 2022	October 2, 2021
	\$	\$
Trade receivables	110,758	80,430
Less expected credit loss	(567)	(536)
	110,191	79,894
Other receivables	8,277	13,493
Initial margin deposits with commodity brokers	1,739	2,159
	120,207	95,546

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 2022 were \$0.1 million (October 2, 2021 - \$0.2 million). All bad debt write-offs are charged to administration and selling expenses.
- Less than 2% of trade receivables are outstanding for more than 90 days (October 2, 2021 - less than 1%), while over 84% are current (less than 30 days) as at October 1, 2022 (October 2, 2021 - 80%).

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 1, 2022	October 2, 2021
	\$	\$
Raw materials	166,125	99,323
Work in progress	10,000	8,435
Finished goods	38,146	42,787
	214,271	150,545
Packaging and operating supplies	15,795	14,986
Spare parts and other	16,640	14,760
	246,706	180,291

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 1, 2022, inventories recognized as cost of sales amounted to \$862.7 million (October 2, 2021 - \$773.1 million).

Notes to consolidated financial statements

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

9. Financial instruments and risk management:

(A) CLASSIFICATION AND FAIR VALUES:

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value (which is the case for cash, trade and other receivables, bank overdraft, revolving credit facility and trade and other).

	Carrying Amount				Fair Value	
	Fair value - hedging instruments	Fair value through profit or loss	Amortized cost	Total	Fair value hierarchy level	Amount
October 1, 2022						
	\$	\$	\$	\$	\$	\$
Financial assets measured at fair value						
Sugar futures contracts	-	561	-	561	Level 1	561
Foreign exchange forward contracts	-	237	-	237	Level 2	237
Natural gas futures contracts used for hedging	21,634	-	-	21,634	Level 2	21,634
Interest rate swaps used for hedging	5,383	-	-	5,383	Level 2	5,383
Other interest rate swaps	-	2,377	-	2,377	Level 2	2,377
	27,017	3,175	-	30,192		
Financial assets not measured at fair value						
Cash	-	-	151	151		
Trade and other receivables	-	-	120,207	120,207		
	-	-	120,358	120,358		
Financial liabilities measured at fair value						
Foreign exchange forward contracts	-	(7,719)	-	(7,719)	Level 2	(7,719)
	-	(7,719)	-	(7,719)		
Financial liabilities not measured at fair value						
Revolving credit facility	-	-	(126,000)	(126,000)		
Trade and other payables	-	-	(177,435)	(177,435)		
Senior guaranteed notes	-	-	(98,901)	(98,901)	Level 2	(85,200)
Convertible unsecured subordinated debentures	-	-	(149,699)	(149,699)	Level 1	(152,100)
	-	-	(552,035)	(552,035)		

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(A) CLASSIFICATION AND FAIR VALUES: (CONTINUED)

	Carrying Amount				Fair Value	
	Fair value - hedging instruments	Fair value through profit or loss	Amortized cost	Total	Fair value hierarchy level	Amount
October 2, 2021						
	\$	\$	\$	\$	\$	\$
Financial assets measured at fair value						
Sugar futures contracts	-	120	-	120	Level 1	120
Foreign exchange forward contracts	-	145	-	145	Level 2	145
Natural gas futures contracts used for hedging	11,502	-	-	11,502	Level 2	11,502
	11,502	265	-	11,767		
Financial assets not measured at fair value						
Cash	-	-	15,643	15,643		
Trade and other receivables	-	-	95,546	95,546		
	-	-	111,189	111,189		
Financial liabilities measured at fair value						
Sugar futures contracts	-	(142)	-	(142)	Level 1	(142)
Foreign exchange forward contracts	-	(213)	-	(213)	Level 2	(213)
Interest rate swaps used for hedging	(1,809)	-	-	(1,809)	Level 2	(1,809)
Other interest rate swaps	-	(471)	-	(471)	Level 2	(471)
	(1,809)	(826)	-	(2,635)		
Financial liabilities not measured at fair value						
Revolving credit facility	-	-	(100,000)	(100,000)		
Trade and other payables	-	-	(119,940)	(119,940)		
Senior guaranteed notes	-	-	(98,785)	(98,785)	Level 2	(98,785)
Convertible unsecured subordinated debentures	-	-	(147,742)	(147,742)	Level 1	(160,200)
	-	-	(466,467)	(466,467)		

(B) DERIVATIVES AND HEDGING:

As at October 1, 2022 and October 2, 2021, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	October 1, 2022		October 1, 2022	
	\$	\$	\$	\$
Derivative financial instruments measured at fair value through profit or loss:				
Sugar futures contracts	561	-	-	-
Foreign exchange forward contracts	-	237	7,643	76
Interest rate swap	965	1,412	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:				
Natural gas futures contracts	7,858	13,776	-	-
Interest rate swap	2,198	3,185	-	-
	11,582	18,610	7,643	76

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(B) DERIVATIVES AND HEDGING: (CONTINUED)

	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

	For the fiscal years ended					
	Charged to cost of sales Unrealized gain (loss)		Charged to finance income (costs)		Other comprehensive income	
	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021	October 1, 2022	October 2, 2021
	\$	\$	\$	\$	\$	\$
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts	1,325	3,431	-	-	-	-
Foreign exchange forward contracts	(7,532)	4,639	-	-	-	-
Interest rate swap	-	-	2,801	(451)	-	-
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas futures contracts	-	-	-	-	10,132	13,077
Interest rate swap	-	-	-	-	7,191	4,896
	(6,207)	8,070	2,801	(451)	17,323	17,973

The following table summarizes the Company's hedging components of accumulated other comprehensive income (loss) ("AOCI") as at October 1, 2022 and October 2, 2021:

	October 1, 2022			October 2, 2021		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
	\$	\$	\$	\$	\$	\$
Opening AOCI	12,212	(2,617)	9,595	(865)	(7,513)	(8,378)
Income taxes	(3,646)	1,291	(2,355)	(289)	2,548	2,259
Opening AOCI - net of income taxes	8,566	(1,326)	7,240	(1,154)	(4,965)	(6,119)
Change in fair value of derivatives designated as cash flow hedges	10,132	7,191	17,323	13,077	5,709	18,786
Amounts reclassified to net earnings (loss)	-	-	-	-	(813)	(813)
Income taxes	(2,601)	(1,846)	(4,447)	(3,357)	(1,257)	(4,614)
Ending AOCI - net of income taxes	16,097	4,019	20,116	8,566	(1,326)	7,240

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(B) DERIVATIVES AND HEDGING: (CONTINUED)

For the fiscal year ended October 1, 2022, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings (loss), except for \$50.0 million of interest rate swap agreements that became ineffective following the issuance of senior guaranteed notes in 2021 and hedging is no longer expected to be effective in the future.

Approximately \$8.2 million of net gains presented in accumulated other comprehensive income (loss) are expected to be reclassified to net earnings (loss) within the next twelve months.

(C) 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.

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 1, 2022 and October 2, 2021 are as follows:

	October 1, 2022			October 2, 2021		
	Original futures contractual amount	Current contractual amount	Fair value gain (loss)	Original futures contractual amount	Current contractual amount	Fair value gain (loss)
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
Purchases						
0 - 12 months	113,148	110,436	(2,712)	85,184	101,384	16,200
12 - 24 months	45,243	44,277	(966)	12,070	15,045	2,975
Over 24 months	4,195	4,046	(149)	274	307	33
	162,586	158,759	(3,827)	97,528	116,736	19,208
Sales						
0 - 12 months	(139,108)	(132,030)	7,078	(88,859)	(103,447)	(14,588)
12 - 24 months	(28,224)	(28,157)	67	(312)	(350)	(38)
Over 24 months	(56)	(54)	2	(79)	(89)	(10)
	(167,388)	(160,241)	7,147	(89,250)	(103,886)	(14,636)
Net position	(4,802)	(1,482)	3,320	8,278	12,850	4,572
Foreign exchange rate at the end of period			1.3814			1.2635
Net value (CA\$)			4,586			5,776
Margin call (receipt) payment at year-end			(4,025)			(5,798)
Net asset (liability) (CA\$)			561			(22)

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(C) COMMODITY PRICE RISK: (CONTINUED)

(i) Sugar:

All sugar futures contracts are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the US 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.

As at October 1, 2022 and October 2, 2021, the Company had the following sugar futures contracts:

	October 1, 2022			October 2, 2021		
	Volume M.T.	Current average value (US\$)	Current contractual amount (US\$)	Volume M.T.	Current average value (US\$)	Current contractual amount (US\$)
Purchases	422,122	376.10	158,759	276,927	421.54	116,736
Sales	(424,307)	377.65	(160,241)	(226,480)	429.97	(97,379)
Beet pre-hedge	-	-	-	(15,749)	413.20	(6,507)
	(2,185)	n/a	(1,482)	34,698	n/a	12,850
Foreign exchange rate at the end of the period			1.3814			1.2635
Net value CA\$			(2,047)			16,236

If, on October 1, 2022, 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 (loss) would have been a decrease of approximately \$0.2 million (calculated only on the point-in-time exposure on October 1, 2022) (October 2, 2021 - increase in net earnings (loss) of \$3.6 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 (loss) would have been an increase of approximately \$0.1 million (October 2, 2021 - decrease in net earnings (loss) of \$1.4 million for US\$0.02 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. The Company had no beet pre-hedge contracts as at October 1, 2022. 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 (loss) 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 (loss) would have been an increase of approximately \$0.6 million.

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(C) 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. 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 1, 2022				October 2, 2021			
	Contracts (10,000 MM BTU)	Original futures contractual amount	Current contractual amount	Fair value gain/(loss)	Contracts (10,000 MM BTU)	Original futures contractual amount	Current contractual amount	Fair value gain/(loss)
		(US\$)	(US\$)	(US\$)		(US\$)	(US\$)	(US\$)
Purchases								
Less than 1 year		9,445	15,134	5,689		4,475	9,128	4,653
1 to 2 years		4,788	7,964	3,176		5,200	7,371	2,171
2 to 3 years		4,673	8,188	3,515		4,770	5,761	991
3 years and over		6,167	9,448	3,281		7,776	9,064	1,288
	974	25,073	40,734	15,661	933	22,221	31,324	9,103
Foreign exchange rate at the end of period				1.3814				1.2635
Net asset (liability) (CA\$)				21,634				11,502

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

If, on October 1, 2022, the natural gas market price would have increased by US\$1.00, and all other variables remained constant, net earnings (loss) would have increased by \$10.1 million (October 2, 2021 – increase in net earnings (loss) of \$8.7 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 (loss).

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.

(D) 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 US 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.

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 US 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.

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(D) CURRENCY RISK: (CONTINUED)

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

The Company's foreign exchange contracts as at October 1, 2022 and October 2, 2021 are as follows:

	October 1, 2022			Fair value gain/(loss)
	Original contract value	Original contract value	Current contract value	
	(US/EUR/AUD\$)	(CA\$)	(CA\$)	(CA\$)
Sugar				
Purchases US dollars				
Less than 1 year	75,969	98,821	104,840	6,019
1 to 2 years	12,882	16,718	17,632	914
2 to 3 years	2,720	3,552	3,707	155
	91,571	119,091	126,179	7,088
Sales US dollars				
Less than 1 year	(147,127)	(191,697)	(203,043)	(11,346)
1 to 2 years	(9,009)	(11,511)	(12,336)	(825)
2 to 3 years	(440)	(553)	(598)	(45)
	(156,576)	(203,761)	(215,977)	(12,216)
Total US dollars – Sugar	(65,005)	(84,670)	(89,798)	(5,128)
Maple products				
Purchases US dollars				
Less than 1 year	500	688	691	3
Sales US dollars				
Less than 1 year	(34,788)	(45,801)	(48,017)	(2,216)
1 to 2 years	(549)	(709)	(756)	(47)
2 to 3 years	-	-	-	-
	(35,337)	(46,510)	(48,773)	(2,263)
Total US dollars - Maple	(34,837)	(45,822)	(48,082)	(2,260)
Maple products				
Sales EUR				
Less than 1 year	(2,457)	(3,304)	(3,371)	(67)
1 to 2 years	(1,019)	(1,381)	(1,410)	(29)
Total EUR - Maple	(3,476)	(4,685)	(4,781)	(96)
Maple products				
Sales AUD				
Less than 1 year	(3,102)	(2,750)	(2,748)	2
Total AUD - Maple	(3,102)	(2,750)	(2,748)	2
Total Foreign Exchange	(106,420)	(137,927)	(145,409)	(7,482)

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(D) CURRENCY RISK: (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 US 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 US 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 US 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 US dollars				
Less than 1 year	1,300	1,656	1,643	(13)
Sales US 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 US 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)

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(D) CURRENCY RISK: (CONTINUED)

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

	October 1, 2022	October 2, 2021
	(US\$)	(US\$)
Financial instruments measured at amortized cost		
Cash	5,602	6,107
Trade and other receivables, including initial margin deposits	29,991	29,430
Trade and other payables	(9,883)	(2,883)
	25,710	32,654
Financial instruments at cash flow hedging instruments or at fair value through profit or loss:		
Net current contractual amount of raw sugar futures contracts	1,482	(12,850)
Natural gas contracts	(25,074)	(22,221)
	(23,592)	(35,071)
Total exposure from above	2,118	(2,417)
Forward exchange contracts	(99,842)	(65,346)
Gross exposure	(97,724)	(67,763)
Sugar purchases priced not received	(162,315)	(114,172)
Committed future sales in US dollars	236,570	167,190
Ocean freight	(289)	(1,770)
Other	67	(1,716)
Net exposure	(23,691)	(18,231)

As at October 1, 2022, the US/Can. Exchange rate was \$1.3814 (October 2, 2021 - \$1.2635).

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 (loss) of \$3.6 million, (October 2, 2021 – increase in net earnings (loss) of \$2.5 million) while a 5-cent decrease would have an equal but opposite effect on net earnings (loss).

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for 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.

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 (loss) by \$0.9 million in 2022 (October 2, 2021 – increase in net earnings (loss) of \$0.7 million) while a decrease would have an equal but opposite effect on net earnings (loss).

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 US 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 US dollars. As all beet sugar is paid in Canadian dollars, Taber sales contracts in US dollars need to be financially hedged for currency exposure.

Included in other, is the US 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.

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

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

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(E) 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. 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 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 1, 2022, the Company has a short-term cash borrowing of \$26.0 million (October 2, 2021 - \$Nil million) and a long-term cash borrowing of \$198.9 million (October 2, 2021 - \$198.8 million). The Company has \$98.9 million in senior guaranteed notes bearing fixed interest rate and therefore may be exposed to fair value variance (October 2, 2021 - \$98.8 million). 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. 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 1, 2022, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net earnings (loss) would have been \$0.1 million lower (October 2, 2021 - \$0.2 million lower net earnings (loss)) while a decrease would have an equal but opposite effect on net earnings (loss).

(F) 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.

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(G) 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 1, 2022				
	Carrying amount	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$
Non-derivative financial liabilities					
Revolving credit facility	126,000	126,000	-	-	126,000
Trade and other payables	177,435	177,435	177,435	-	-
Senior guaranteed notes	98,901	100,000	-	-	100,000
	402,336	403,435	177,435	-	226,000
Derivative financial instruments measured at fair value through profit or loss:					
Sugar futures contracts ⁽¹⁾	(561)	(2,047)	(29,831)	22,268	5,516
Forward exchange contracts (net) ⁽¹⁾	7,482	(137,927)	(144,043)	3,117	2,999
Interest on swap agreements	(2,377)	1,549	737	572	240
Derivative financial instruments designated as effective cash flow hedging instruments:					
Natural gas contracts ⁽¹⁾	(21,634)	56,270	20,906	11,001	24,363
Interest on swap agreements	(5,383)	4,719	2,152	1,850	717
	(22,473)	(77,436)	(150,079)	38,808	33,835
	379,863	325,999	27,356	38,808	259,835

(1) Based on notional amounts as presented above.

	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.

The convertible unsecured subordinated debentures of \$149.7 million (October 2, 2021 - \$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.

Notes to consolidated financial statements

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

9. Financial instruments and risk management: (continued)

(G) LIQUIDITY RISK: (CONTINUED)

As at October 1, 2022, the Company had an unused available line of credit of \$74.0 million (October 2, 2021 - \$165.0 million), a cash balance of \$0.2 million (October 2, 2021 - \$15.6 million).

10. Property, plant and equipment:

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Construction in progress	Total
		\$	\$	\$	\$	\$	\$
Cost or deemed cost							
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
Additions	-	61	288	153	151	23,402	24,055
Transfers	-	1,617	11,824	-	721	(14,162)	-
Disposals	-	-	(117)	-	-	-	(117)
Effect of movements in exchange rate	-	4	3	2	4	-	13
Balance at October 1, 2022	18,089	86,033	360,386	2,952	9,021	36,777	513,258
Accumulated depreciation							
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
Depreciation for the year	-	2,431	14,165	366	806	-	17,768
Disposals	-	-	(73)	-	-	-	(73)
Balance at October 1, 2022	-	33,020	223,869	2,133	6,267	-	265,289
Net carrying amounts							
At October 2, 2021	18,089	53,762	138,611	1,030	2,684	27,537	241,713
At October 1, 2022	18,089	53,013	136,517	819	2,754	36,777	247,969

There were no impairment losses during fiscal 2022 and 2021.

Any grants received are offset against property, plant and equipment additions. During the year, an amount of \$Nil was recorded (October 2, 2021 - \$0.4 million).

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

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

11. Right-of-use assets:

	Land	Buildings	Machinery and equipment	Total
	\$	\$	\$	\$
Cost				
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
Additions	-	7,861	981	8,842
Disposals	-	-	(243)	(243)
Effect of movements in exchange rate	-	68	11	79
Balance at October 1, 2022	40	26,843	8,701	35,584
Accumulated depreciation:				
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
Depreciation for the year	-	3,327	1,188	4,515
Disposals	-	-	(243)	(243)
Balance at October 1, 2022	-	9,538	3,114	12,652
Net carrying amounts:				
At October 2, 2021	40	12,703	5,783	18,526
At October 1, 2022	40	17,305	5,587	22,932

Notes to consolidated financial statements

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

12. Intangible assets:

	Software	Customer relationships	Brand names ⁽¹⁾	Other	Total
	\$	\$	\$	\$	\$
Cost:					
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
Additions	95	-	-	-	95
Balance at October 1, 2022	4,508	34,513	5,857	574	45,452
Accumulated amortization:					
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
Amortization for the year	414	3,422	-	29	3,865
Balance at October 1, 2022	3,356	17,523	-	309	21,188
Net carrying amounts					
At October 2, 2021	1,471	20,412	5,857	294	28,034
At October 1, 2022	1,152	16,990	5,857	265	24,264

⁽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 November 23, 2026.

Notes to consolidated financial statements

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

14. Deferred tax liabilities:

The deferred tax liabilities comprise the following temporary differences:

	October 1, 2022	October 2, 2021
	\$	\$
Net assets (liabilities):		
Property, plant and equipment	(37,289)	(35,926)
Right-of-use assets	(5,977)	(4,855)
Intangibles	(6,488)	(7,705)
Employee benefits	4,757	6,847
Lease obligations	6,039	4,840
Derivative financial instruments	(6,803)	(3,834)
Losses carried forward	5,283	6,918
Goodwill	(2,863)	(2,729)
Provisions	728	982
Deferred financing charges	(857)	(874)
Other	1,241	(464)
	(42,229)	(36,800)

As at October 1, 2022, 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 2, 2021	Recognized in profit (loss)	Recognized in other comprehensive income (loss)	Balance October 1, 2022
Property, plant and equipment	(35,926)	(1,358)	(5)	(37,289)
Right-of-use assets	(4,855)	(1,096)	(26)	(5,977)
Intangibles	(7,705)	1,208	9	(6,488)
Employee benefits	6,847	819	(2,909)	4,757
Lease obligations	4,840	1,175	24	6,039
Derivative financial instruments	(3,834)	1,478	(4,447)	(6,803)
Losses carried forward	6,918	(1,635)	-	5,283
Goodwill	(2,729)	(95)	(39)	(2,863)
Provisions	982	(254)	-	728
Deferred financing charges	(874)	17	-	(857)
Other	(464)	1,702	3	1,241
	(36,800)	1,961	(7 390)	(42,229)

	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)

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

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 1, 2022	October 2, 2021
	\$	\$
Sugar:		
Goodwill	229,952	229,952
Maple products:		
Goodwill	3,055	53,055
Brand names	5,857	5,857
	238,864	288,864

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 1, 2022, 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.

	2022	2021
	%	%
Pre-tax discount rate	10.7	9.9
Terminal growth rate	2.3	2.0
Budgeted EBITDA growth rate (average of next 5 years)	2.0	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.

	2022	2021
	%	%
Pre-tax discount rate	2.9	4.6
Budgeted EBITDA growth rate	(2.3)	(5.4)

Notes to consolidated financial statements

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

15. Goodwill: (continued)

Maple products segment

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at October 1, 2022, and determined 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 2022 and budgeted EBITDA for fiscal 2023 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 7.5x to 14.7x adjusted EBITDA.

The Company determined that the FVLCS was the recoverable amount and recorded a goodwill impairment loss of \$50.0 million in the fiscal year ended October 1, 2022. Following the impairment loss recognized in the Maple segment, the recoverable amount is equal to the carrying amount.

16. Revolving credit facility:

The Company has a total of \$200.0 million of available working capital under the revolving credit facility, which matures on November 23, 2026, 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 October 1, 2022, a total of \$590.6 million of assets are pledged as security (October 2, 2021 - \$498.5 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 1, 2022	October 2, 2021
	\$	\$
Current	26,000	-
Non-current	100,000	100,000
	126,000	100,000

The carrying value of the revolving credit facility approximates fair value. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

17. Trade and other payables:

	October 1, 2022	October 2, 2021
	\$	\$
Trade payables	142,236	93,424
Other non-trade payables	3,603	4,298
Personnel-related liabilities	22,203	12,886
Dividends payable to shareholders	9,393	9,332
	177,435	119,940

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 of \$78.2 million as at October 1, 2022 (October 2, 2021 - \$38.6 million) is included in trade payables, bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February).

During the year, more than 91% of the maple syrup purchases were made through the PPAQ process.

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.

Notes to consolidated financial statements

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

18. Provisions:

	October 1, 2022	October 2, 2021
	\$	\$
Opening balance	3,825	937
Additions	100	3,231
Provisions used during the period	(1,089)	(343)
Closing balance	2,836	3,825
Presented as:		
Current	1,503	1,394
Non-current	1,333	2,431
	2,836	3,825

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 1, 2022	October 2, 2021
	\$	\$
Current	3,991	3,049
Non-current	19,198	15,443

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

	October 1, 2022	October 2, 2021
	\$	\$
Opening balance	18,492	20,404
Additions	8,842	2,724
Payment of lease obligations	(5,150)	(5,487)
Interest accretion	1,000	858
Other	5	(7)
Closing balance	23,189	18,492

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 1, 2022 (October 2, 2021 – not significant).

The total cash outflow for leases (including interest) for the period ended October 1, 2022 was \$5.2 million (October 2, 2021-\$5.5 million), which was included as part of cash outflows from financing activities.

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

19. Lease obligations: (continued)

The lease obligations are payable as follows:

	October 1, 2022			October 2, 2021		
	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	4,969	978	3,991	3,810	761	3,049
Between one and five years	14,113	2,252	11,861	9,180	2,328	6,852
More than five years	8,845	1,508	7,337	10,556	1,965	8,591
	27,927	4,738	23,189	23,546	5,054	18,492

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 1, 2022	October 2, 2021
	\$	\$
Fair value of plan assets:		
Pension benefit plans	105,868	121,435
Defined benefit obligation:		
Pension benefit plans	112,550	135,729
Other benefit plans	11,847	15,005
	124,397	150,734
Funded status:		
Pension benefit plans	(6,682)	(14,294)
Other benefit plans	(11,847)	(15,005)
	(18,529)	(29,299)
Experience adjustment arising on plan liabilities	(28,127)	(17,546)
Experience adjustment arising on plan assets	(16,901)	16,766

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 1, 2022 and October 2, 2021.

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.

Notes to consolidated financial statements

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

20. Employee benefits: (continued)

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

	October 1, 2022		October 2, 2021	
	%	\$	%	\$
Equity instruments	58.4	61,827	63.3	76,868
Government bonds	38.7	40,971	33.7	40,924
Cash and short-term securities	2.9	3,070	3.0	3,643
	100.0	105,868	100.0	121,435

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 2023 are expected to be approximately \$3.8 million.

The pension plan exposes the Company to the following risks:

(i) Investment risk:

The defined benefit obligation is calculated using a discount rate. If the fund returns are lower than the discount rate, a deficit is created.

(ii) Interest rate risk:

Variation in bond rates will affect the value of the defined benefit obligation.

(iii) Inflation risk:

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

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

20. Employee benefits: (continued)

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

	For the fiscal years ended					
	October 1, 2022			October 2, 2021		
	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	135,729	15,005	150,734	145,667	16,918	162,585
Current service cost	2,989	311	3,300	3,376	405	3,781
Past services cost	-	-	-	2,970	-	2,970
Interest cost	4,633	507	5,140	3,928	448	4,376
Employee contributions	998	-	998	972	-	972
Benefit payments from plan	(6,067)	-	(6,067)	(4,781)	-	(4,781)
Benefit payments from employer	(841)	(740)	(1,581)	(929)	(694)	(1,623)
Actuarial gains arising from changes in demographic assumptions	-	(671)	(671)	-	(262)	(262)
Actuarial (gains) losses arising from changes in financial assumptions	(25,937)	(2,758)	(28,695)	(15,599)	(1,767)	(17,366)
Actuarial (gains) losses arising from member experience	1,046	193	1,239	125	(43)	82
Defined benefit obligation, end of year	112,550	11,847	124,397	135,729	15,005	150,734
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	121,435	-	121,435	103,373	-	103,373
Interest income	4,100	-	4,100	2,822	-	2,822
Return on plan assets (excluding interest income)	(16,901)	-	(16,901)	16,766	-	16,766
Employer contributions	3,534	740	4,274	3,592	694	4,286
Employee contributions	998	-	998	972	-	972
Benefit payments from plan	(6,067)	-	(6,067)	(4,781)	-	(4,781)
Benefit payments from employer	(841)	(740)	(1,581)	(929)	(694)	(1,623)
Plan expenses	(390)	-	(390)	(380)	-	(380)
Fair value of plan assets, end of year	105,868	-	105,868	121,435	-	121,435

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

	October 1, 2022		October 2, 2021	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Active plan participants	42.3	36.1	49.2	39.0
Retired plan members	54.1	63.9	47.0	61.0
Deferred plan participants	3.6	-	3.8	-
	100.0	100.0	100.0	100.0

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

20. Employee benefits: (continued)

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

	For the fiscal years ended					
	October 1, 2022			October 2, 2021		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Pension costs recognized in net earnings (loss):						
Current service cost	2,989	311	3,300	3,376	405	3,781
Past service cost	-	-	-	2,970	-	2,970
Expenses related to the pension benefit plans	390	-	390	380	-	380
Net interest cost	430	507	937	1,106	448	1,554
Re-measurements of other long-term benefits	16	90	106	6	(99)	(93)
Pension expense	3,825	908	4,733	7,838	754	8,592
Recognized in:						
Cost of sales	3,351	616	3,967	7,411	446	7,857
Administration and selling expenses	474	292	766	427	308	735
	3,825	908	4,733	7,838	754	8,592

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

	For the fiscal years ended					
	October 1, 2022			October 2, 2021		
	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	(7,761)	(9,493)	(17,254)	24,485	(7,520)	16,965
Recognized during the year	(8,006)	(3,326)	(11,332)	(32,246)	(1,973)	(34,219)
Cumulative amount in comprehensive income (loss) at the end of the year	(15,767)	(12,819)	(28,586)	(7,761)	(9,493)	(17,254)
Recognized during the year, net of tax	(5,951)	(2,472)	(8,423)	(23,967)	(1,466)	(25,433)

Principal actuarial assumptions used were as follows:

	For the fiscal years ended			
	October 1, 2022		October 2, 2021	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Company's defined benefit obligation:				
Discount rate	5.10	5.10	3.50	3.50
Rate of compensation increase	3.00	3.50	3.00	3.00
Net benefit plans expense:				
Discount rate	3.50	3.50	2.75	2.75
Rate of compensation increase	3.00	3.00	3.00	3.50

Notes to consolidated financial statements

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

20. Employee benefits: (continued)

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

	October 1, 2022	October 2, 2021
	\$	\$
Longevity at age 65 for current pensioners:		
Males	22.2	22.1
Females	24.9	24.8
Longevity at age 65 for members aged 45:		
Males	23.7	23.6
Females	26.2	26.2

The assumed health care cost trend rate as at October 1, 2022 was 5.56% (October 2, 2021 - 5.65%), decreasing uniformly to 4.00% in 2040 (October 2, 2021 - 4.00% in 2040) and remaining at that level thereafter.

The following table outlines the key assumptions for the fiscal year ended October 1, 2022 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 1, 2022		
	Pension benefit plan	Other benefit plan	Total
	\$	\$	\$
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	(11,703)	(1,289)	(12,992)
Impact of decrease of 1%	14,994	1,606	16,600
Rate of compensation increase			
Impact of increase of 0.5%	1,086	4	1,090
Impact of decrease of 0.5%	(823)	(4)	(827)
Mortality			
99% of expected rate	338	35	373

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

	Increase	Decrease
	\$	\$
Effect on the defined benefit obligations	1,342	(1,104)

As at October 1, 2022, the weighted average duration of the defined benefit obligation amounts to 11.9 years (October 2, 2021 - 14.2 years).

Notes to consolidated financial statements

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

21. Convertible unsecured subordinated debentures:

The outstanding convertible debentures are as follows:

	October 1, 2022	October 2, 2021
	\$	\$
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	(2,535)	(3,523)
Less equity component ^{(i), (ii)}	(6,930)	(6,930)
Accumulated accretion expense	4,164	3,195
Total carrying value - non-current	149,699	147,742

(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 \$0.4 million (October 2, 2021 - \$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.

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 1, 2022 was approximately \$56.9 million (October 2, 2021 - \$59.7 million).

(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.

Notes to consolidated financial statements

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

21. Convertible unsecured subordinated debentures: (continued)

(ii) Seventh series: (continued)

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 2, 2021 - \$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.

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 1, 2022 was approximately \$95.2 million (October 2, 2021 - \$100.5 million).

22. Senior guaranteed notes:

In 2021, 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 Notes are guaranteed and rank pari passu with the existing revolving credit facility. The Notes are due on April 30, 2031, bear interest at 3.49%, and interest is payable semi-annually in arrears in equal installments on April 30th and October 30th of each year and represent interest accrued from and including the date of issue of the Notes.

The Notes are classified and measured at amortized cost, using the effective interest method. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value as at October 1, 2022 was approximately \$85.2 million (October 2, 2021 - \$98.8 million). 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:

As of October 1, 2022, a total of 104,372,045 common shares (October 2, 2021 - 103,686,923) were outstanding.

During the year, 685,122 stock options have been exercised for net proceeds of \$3.3 million and reversal of previously recognized share-based compensation recorded in contributed surplus of \$0.1 million (note 24) (150,000 stock options were exercised for net proceeds of \$0.7 million and reversal of previously recognized share-based compensation recorded in contributed surplus was not significant for fiscal 2021).

The Company declared a quarterly dividend of \$0.09 per share for fiscal years 2022 and 2021.

The following dividends were declared by the Company:

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	\$
Dividends	37,500	37,300

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).

Notes to consolidated financial statements

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

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

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 \$40.0 to \$45.0 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 \$200.0 million revolving credit facility in addition to \$100 million senior guaranteed notes that have been issued in 2021. 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 2.17:1 for fiscal 2022 and 2.07:1 for fiscal 2021.

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 2, 2021 – 6,000,000 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.

On December 6, 2021, a total of 802,564 share options were granted at a price of \$5.85 per common share to certain executives.

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 for fiscal 2022 are the following:

Total fair value of options	\$227,000
Share price	\$5.94
Exercise price	\$5.85
Expected volatility (weighted average volatility)	15.057% to 16.877%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	6.06%
Weighted average risk-free interest rate (based on government bonds)	1.323% to 1.415%

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 \$143,000 was recorded for the fiscal year ended October 1, 2022 (October 2, 2021 - \$107,000).

The following table summarizes information about the Share Option Plan as of October 1, 2022:

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

24. Share-based compensation: (continued)

(A) EQUITY-SETTLED SHARE-BASED COMPENSATION: (CONTINUED)

Exercise price per option	Outstanding number of options at October 2, 2021	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 1, 2022	Weighted average remaining life	Number of options exercisable
\$4.28	200,000	-	-	-	200,000	7.47	50,000
\$4.59	730,000	-	(466,800)	-	263,200	2.64	263,200
\$4.68	563,500	-	(67,052)	-	496,448	7.17	158,348
\$5.58	447,175	-	(71,270)	-	375,905	6.17	197,035
\$5.61	80,000	-	(80,000)	-	-	-	-
\$5.85	-	802,564	-	-	802,564	9.18	-
\$6.23	705,322	-	-	(80,000)	625,322	5.18	500,258
\$6.51	360,000	-	-	-	360,000	4.18	360,000
	3,085,997	802,564	(685,122)	(80,000)	3,123,439	n/a	1,528,841

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

Options outstanding held by key management personnel amounted to 2,883,439 options as at October 1, 2022 and 2,765,997 options as at October 2, 2021 (see Note 29, Key management personnel).

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

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 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.

Notes to consolidated financial statements

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

24. Share-based compensation: (continued)

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

Fiscal 2022 grant:

On December 6, 2021, a total of 386,709 PSUs were granted to certain executives and other members of the management team at a price of \$5.85. In addition, an aggregate of 17,316 PSUs at a weighted-average share price of \$6.12 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 1, 2022, an aggregate of 404,025 PSUs was outstanding. These PSUs will vest at the end of the 2022-2024 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 fair values were established using the Monte Carlo model. The fair value as at grant date was \$1,493,000 and \$2,683,000 as at October 1, 2022. An expense of \$1,369,000 was recorded for the period ended October 1, 2022 in administration and selling expenses. The liabilities arising from the PSUs as at October 1, 2022 were \$1,369,000.

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. In addition, an aggregate of 55,641 PSUs at a weighted-average share price of \$5.84 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 1, 2022, an aggregate of 547,053 PSUs was outstanding. These PSUs will vest at the end of the 2021-2023 performance cycle.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$664,000 and \$4,863,000 as at October 1, 2022 (October 2, 2021 - \$269,000). An expense of \$3,762,000 was recorded for the period ended October 1, 2022 (October 2, 2021 - expense of \$55,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 1, 2022 were \$3,820,000 (October 2, 2021 - \$55,000).

Fiscal 2020 grant:

On December 2, 2019, a total of 324,932 PSUs was granted by the Company. In addition, an aggregate of 64,320 PSUs at a weighted-average share price of \$5.46 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 1, 2022, an aggregate of 389,252 PSUs was outstanding. These PSUs will vest at the end of the 2020-2022 performance cycle.

The fair values were established using the Monte Carlo model. The fair value as at grant date was \$64,000 and \$655,000 as at October 1, 2022 (October 2, 2021 - \$13,000). An expense of \$648,000 was recorded for the period ended October 1, 2022 (October 2, 2021 - a gain of \$12,000) in administration and selling expenses. The liabilities arising from the PSUs as at October 1, 2022 were \$655,000 (October 2, 2021 - \$7,000).

25. Commitments:

As at October 1, 2022, the Company had commitments to purchase a total of 585,000 metric tonnes of raw cane sugar up to fiscal 2024 (October 2, 2021 - 1,082,000 up to fiscal 2024), of which 374,479 metric tonnes had been priced (October 2, 2021 - 261,309), for a total dollar commitment of \$224.2 million (October 2, 2021 - \$144.3 million). In addition, the Company has a commitment of approximately \$43.5 million (October 2, 2021 - \$42.7 million) for sugar beets to be harvested and processed in fiscal 2023.

TMTC has \$2.4 million (October 2, 2021 - \$23.1 million) remaining to pay related to an agreement to purchase approximately \$2.4 million (1.2 million pounds) (October 2, 2021 - \$32.7 million; 10.7 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 \$17.4 million in favor of the PPAQ (October 2, 2021 - insurance bond in the amount of \$16.9 million). The insurance bond expires on March 1, 2023.

During the fiscal year ended October 1, 2022, the Company entered into capital commitments to complete its capital projects for a total value of \$13.6 million (October 2, 2021 - \$17.2 million) to be incurred in fiscal 2023.

Notes to consolidated financial statements

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

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 1, 2022 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 (loss) per share is as follows:

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	\$
Basic earnings (loss) per share:		
Net earnings (loss)	(16,568)	47,527
Weighted average number of shares outstanding	103,904,615	103,581,358
Basic earnings (loss) per share	(0.16)	0.46
Diluted earnings (loss) per share:		
Net earnings (loss)	(16,568)	47,527
Plus impact of convertible unsecured subordinated debentures and share options	-	6,149
	(16,568)	53,676
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	103,904,615	103,581,358
Plus impact of convertible unsecured subordinated debentures and share options	-	17,977,603
	103,904,615	121,558,961
Diluted earnings (loss) per share	(0.16)	0.44

As at October 1, 2022, the share options, the Sixth series debentures and the Seventh series debentures representing 18,243,788 common shares, were excluded from the calculation of diluted earnings (loss) per share as they were deemed anti-dilutive. As at October 2, 2021, the share options representing 46,870 common shares, were excluded from the calculation of diluted earnings (loss) per share as they were deemed anti-dilutive.

28. Supplementary cash flow information:

	October 1, 2022	October 2, 2021	October 3, 2020
	\$	\$	\$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	1,958	1,638	1,239
Increase in asset retirement obligation provision included in property, plant and equipment	100	3,231	100
Additions to right-of-use assets	8,842	2,724	11,818

Notes to consolidated financial statements

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

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 1, 2022	October 2, 2021
	\$	\$
Salaries and short-term benefits	4,431	3,238
Attendance fees for members of the Board of Directors	1,076	967
Post-employment benefits	152	143
Share-based compensation (note 24)	5,922	128
	11,581	4,476

30. Personnel expenses:

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	\$
Wages, salaries and employee benefits	107,850	101,740
Expenses related to defined benefit plans (note 20)	4,733	8,592
Expenses related to defined contributions plans	6,192	5,870
Share-based compensation (note 24)	5,922	128
	124,697	116,330

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

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	\$
Cost of sales	94,380	95,236
Administration and selling expenses	28,040	19,058
Distribution expenses	1,984	1,649
	124,404	115,943
Property, plant and equipment	293	387
	124,697	116,330

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.

Notes to consolidated financial statements

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

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 1, 2022			Total
	Sugar	Maple products	Corporate and eliminations	
	\$	\$	\$	\$
Revenues	792,200	213,934	-	1,006,134
Cost of sales	676,328	199,001	-	875,329
Gross margin	115,872	14,933	-	130,805
Depreciation and amortization	19,380	6,768	-	26,148
Results from operating activities	62,344	(47,145)	(1,886)	13,313
Additions to property, plant and equipment and intangible assets, net of disposals	22,642	1,364	-	24,006
Increase in asset retirement obligation provision included in property, plant and equipment	100	-	-	100
Addition to right-of-use assets	8,842	-	-	8,842

	For the fiscal year ended October 1, 2022			Total
	Sugar	Maple products	Corporate and eliminations	
	\$	\$	\$	\$
Total assets	871,332	232,402	(165,778)	937,956
Total liabilities	(972,962)	(179,598)	506,023	(646,537)

Notes to consolidated financial statements
(In thousands of dollars except as noted and amounts per share)

32. Segmented information: (continued)

	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
Addition 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)

Revenues were derived from customers in the following geographic areas:

	For the fiscal years ended	
	October 1, 2022	October 2, 2021
	\$	\$
Canada	783,132	666,536
United States	151,536	158,248
Europe	34,185	31,696
Other	37,281	37,451
	1,006,134	893,931

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