FINDING THE SWEET SPOT

2016 ANNUAL REPORT

ROGERS

Lantic

TOTAL DIVIDEND (thousand of $)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2016	—	—	8,458	—	—	8,449	—	—	8,443	—	—	8,446	33,796
Fiscal 2015	—	—	8,463	—	—	8,465	—	—	8,465	—	—	8,463	33,856

PER SHARE DIVIDEND ($)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2016	—	—	0.09	—	—	0.09	—	—	0.09	—	—	0.09	0.36
Fiscal 2015	—	—	0.09	—	—	0.09	—	—	0.09	—	—	0.09	0.36

OUR FACILITIES

- Head Office and Cane Refinery
  VANCOUVER, BC
- Beet Plant
  TABER, AB
- Distribution Centre and Blending Facility
  TORONTO, ON
- Administrative Office and Cane Refinery
  MONTREAL, QC

Rogers Sugar Inc. (TSX: RSI) a Canadian corporation, holds all of the common shares of Lantic Inc., which operates cane sugar refineries in Montreal, Quebec and Vancouver, British Columbia as well as the only Canadian sugar beet processing facility in Taber, Alberta.

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TO MY FELLOW SHAREHOLDERS

I am extremely pleased to report a significant year-over-year improvement in performance in fiscal 2016 for Rogers Sugar Inc. ("Rogers" or the "Company").

This year will be remembered for its volume improvement and strong financial and operating performance. In fact, fiscal 2016 is the third best fiscal year over the past decade. Although fiscal 2012 and 2009 finished ahead of this year's results, their financial performances were highly dependent on opportunistic U.S. special import quotas resulting from temporary supply chain or market disruptions such as Hurricane Katrina. The fact that 2016's financial results are amongst our top three and were realized without the benefit of extraordinary U.S market access is rewarding and a testament to the strength of our core business.

Looking at the results, on a standard 52 week basis, year-over-year volume was approximately 29,400 metric tonnes greater than in fiscal 2015. A significant portion of this volume improvement, more than 80%, was driven by strong organic growth from our domestic customers. All segments contributed to this progression with above trend line performances, most notably in the industrial segment.

The financial performance of Rogers improved markedly in fiscal 2016. Adjusted gross margin was $96.2 million, an increase of $10.3 million compared to fiscal 2015. Adjusted gross margin rate, at $142.43 per metric tonne, was $12.07 per metric tonne above last year. Furthermore, adjusted EBIT was $66.5 million compared to $54.1 million in fiscal 2015, an increase of $12.4 million. Finally, Rogers' free cash flow also improved in fiscal 2016 and totalled $41.2 million an increase of $3.4 million compared to last year.

Adding to the overall positive momentum, it is noteworthy that the Company leveraged well-developed customer relationships and took quick advantage of favourable market spreads to secure new three-year contracts to supply Mexico and a domestic liquid customer from Western Canada. This new business represents a total of approximately 25,000 metric tonnes of incremental annual sales volume starting in fiscal 2017.

Total dividends declared for the current year amounted to $33.8 million. In fiscal 2016, Rogers paid quarterly dividends of $0.09 per share for a yearly total of $0.36 per share. The Board of Directors will continue to assess the appropriateness of the level of the dividend based on performance and on the outlook for the business. The Board views sustainable returns to shareholders as a strategic priority.

During the year, the Company purchased and cancelled a total of 178,600 common shares under a Normal Course Issuer Bid.

In fiscal 2016, the Company's wholly-owned subsidiary, Lantic Inc. ("Lantic"), exercised its option to extend its revolving credit facility under the same terms and conditions as those entered into in June of 2013. As a result, the credit facility will now mature on June 28, 2021. Lantic's financial position remains strong and the extended revolving credit facility as well as interest rate swap agreements will maintain stability in the Company's financing costs.

As part of our mandate, the Board of Directors is committed to maintaining good corporate governance practices. As a measure of this commitment, we have documented and adopted specific guidelines to assist in our governance responsibilities. During the year, we reviewed and amended our majority voting policy whereby a director who has received a majority withheld vote is expected to submit to the Board his or her resignation. The Board shall accept a resignation absent exceptional circumstances.

Finally, on behalf of the Board of Directors, I would like to thank all our shareholders for their ongoing commitment to Rogers and all of our employees for their efforts and commitment to strengthen the company. We continue to be guided by our obligation to both ensure and enhance the value of your investment. We thank you for the trust you have accorded us.

On behalf of the Board of Directors,

A. Stuart Belkin
Chairman

November 23, 2016

John Holliday
President and Chief Executive Officer

REPORT FROM THE PRESIDENT AND CEO

Fiscal 2016 was a year full of accomplishments! Faced with challenges and opportunities, the organization effectively managed outcomes by limiting downside risks and fully leveraging growth. The overall results of the team's efforts were excellent on all critical financial measures.

Equally satisfying was the progress made on a broad range of objectives linked to our core values of Safety, Our Employees, Excellence, Customers, Sustainability, Our Community and Integrity.

Expanding on our financial and operating results, it is evident that volume was a significant contributing factor to the performance of the business. The overall weekly shipping cadence for the year exceeded fiscal 2015 by approximately 4.5%. This surpassed our early expectations and recent historical trends. Looking at the results in more detail, it is clear that a large part of our gains came from the industrial segment which continues to benefit from organic growth on the part of our existing customer base. Evidence of positive market momentum began in the fourth quarter of fiscal 2015 and has continued since in each quarter of fiscal 2016. Results for the consumer, liquid and export segments, when compared on an equivalent 52 week basis, also exceeded fiscal 2015 results.

Adjusted gross margin for the year was $96.2 million or $142.43 per metric tonne, a noteworthy improvement compared to $85.9 million or $130.36 per metric tonne in fiscal 2015. Margin improvements are largely attributable to higher volume, lower beet costs, better by-product revenues and operational excellence achievements at all three plants.

Looking at the results in more detail, it is clear that a large part of our gains came from the industrial segment which continues to benefit from organic growth on the part of our existing customer base. Evidence of positive market momentum began in the fourth quarter of fiscal 2015 and has continued since in each quarter of fiscal 2016.

Complementing and supporting our financial results is a commitment to living and enhancing outcomes linked to our core values. The following examples help illustrate some of our accomplishments.

SAFETY

Fiscal 2016 was characterized by a unified team approach to standardizing and strengthening our safety processes and procedures. As a group, we reduced our Reportable Injury Frequency ("RIF") by 11% versus the prior year. The RIF index is an important measure for the Company and represents a combination of lost time, medical and modified work incidents.

OUR EMPLOYEES

Last year, we kicked off several initiatives aimed at improving employee engagement and updating policies to reflect new norms, strengthening our employee performance management process and working to ensure consistency and equity across the business.

EXCELLENCE

In addition to our internal commitment to continuous improvement and innovation, this year included recognition by two prestigious organizations for our product development and marketing efforts. Rogers/Lantic branded Stevia was recognized by the Retail Council of Canada as a finalist at the Canadian Grand Prix New Product Awards™. Lantic was also applauded for its new website design by CSSDA, an international web design and development award platform that honours and showcases work that pushes the boundaries of creativity, functionality and usability.

Internally, our Operational Excellence goals of continuous improvement on key metrics such as melt & slice rate/hour, energy usage/MT and packing efficiency saw improvements at all sites. Spending on capital improvements and innovation exceeded $15.0 million dollars in fiscal 2016. This spending level exceeds recent years and attests to our commitment to invest in our core business. Attention to in-scope project planning and execution was an important part of our capital goals and measures. The team made good headway in capital management with the development and use of better forecasting tools.

CUSTOMERS

Our commitment to our customers starts with service. By our internal measures, we improved our service levels despite a number of operational and industry challenges. The leadership team also adopted and reported weekly on service level performance as measured by a key customer. These results validated our internal metric. Measured on a calendar year basis, fiscal 2016 concluded the year at a 99.8% order fill rate. This result represents our best performance in recent history.

SUSTAINABILITY

Avoiding waste, reducing rework, maintaining equipment reliability, monitoring equipment performance and investing in new technology are key factors that lead to a reduction in our environmental footprint. In fiscal 2016, this focus enabled us to reduce water consumption by the equivalent amount of water used annually by 245,000 households. Efforts to increase energy efficiency across all plants generated a reduction in use equivalent to the amount of natural gas needed to heat 2,000 households.

OUR COMMUNITY

This past year, we invested in excess of $200,000 in charities that are aligned with our value of giving back to the neighbourhoods in which we work while also offering support to other communities that faced unusual hardship. Nationally, we rallied together to donate $20,000 to the victims of the Fort McMurray fires. Locally, all sites strengthened or built new relationships with community associations that offer help to those less fortunate.

INTEGRITY

Our Code of Conduct, which articulates expectations and standards for doing business and how we engage with stakeholders, was modernized to include our refreshed values and better reflect today's business environment.

OUTLOOK

Overall, total sales volume is expected to increase in fiscal 2017, in large part as a result of additional volume to Mexico and with a liquid domestic customer, resulting from 3-year supply agreements signed in fiscal 2016. With the benefit of this incremental volume and a cautious outlook on our core domestic and export sales, we expect year-over-year growth in the neighbourhood of 3.5%.

As we navigate through the new fiscal year, we will continue to monitor currency fluctuations, spreads between #11 world raw sugar prices and #16 U.S. refined sugar prices and the competitiveness of liquid sugar versus High Fructose Corn Syrup, all with a view to seizing new market opportunities and mitigating risks.

Buoyed by strong financial results and measured progress on core values, Lantic will maintain its focus in fiscal 2017 on three previously declared strategic priorities:

- Operational Excellence
- Access for existing products to new geographic markets and/or new distribution channels
- The targeted acquisition of new businesses and/or investments in existing assets

Our commitment to Operational Excellence will continue to seek improvements in refining throughput, packaging efficiencies, energy consumption, water usage and supply chain optimization. Gains will be leveraged by capital investments, shared best practices across locations and enhancing our bench strength in critical areas.

Operating in a mature category and having limited access to broadly protected export markets, the business will look for bolt-on acquisitions and investments in existing assets that will bring new growth and synergies to our core sweetener products, plus potential expansion and extension of our brand portfolio. We will also leverage the newly signed Canada-European Union Comprehensive Economic and Trade Agreement ("CETA") and pursue incremental export opportunities once CETA is ratified by all parties.

Our future success will be driven by engaged employees, guided in their efforts by our shared Mission and Values.

I would like to take this opportunity to thank all employees and management across Canada for their dedication and hard work. It is extremely satisfying to see our efforts translate into such superb results. Faced with new opportunities and challenges I am confident that together, we will continue to find solutions that best serve the long-term interests of our business and the shareholders of Rogers Sugar Inc.

John Holliday
President and Chief Executive Officer

November 23, 2016

MISSION AND VALUES

We work to benefit our customers, our people, communities and investors. Our team will conduct business ethically and professionally as we strive to have our brands, products and service recognized as the best.

Safety | Employees | Excellence | Customers | Sustainability | Community | Integrity

OUR EMPLOYEES

We inspire pride and passion for our business in our employees and we promote a healthy balance between work, family, and community.

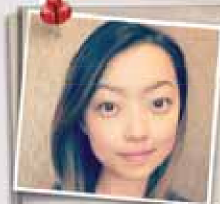
Discover Our Employees' Recipes!

We feature great recipes including the ones well-loved by our employees. Our newly redesigned website has over 70 recipes that highlight a variety of our products. Users can now share our recipes or share their own, which will continue to drive stronger brand engagement.

lantic.ca

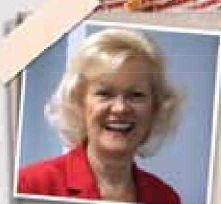
Rita's Turdilli

Rita Pellegrino
Customer Service Representative,
Montreal office



Justyne's Blueberry-Raspberry Pie

Justyne Beck
Administrative Assistant,
Vancouver office



Linda's Apple *Streusel Coffee Cake*

Linda Laidler-Askew
Executive Assistant, Toronto office

Deons' Guyanese Sponge Cake

Deon Ramkelawan
Blender/General Helper,
Scarborough Blending Facility

Sonia's Dulce de Leche Cookies

"One of my favourite baking traditions is making these cookies during the Holiday Season. The crumbly texture of the cookie contrasted with the rich, creamy filling is a delicious combination!"

Sonia De Santis - Executive Secretary, Montreal office

INGREDIENTS

- ½ cup softened unsalted butter
- ⅓ cup **Lantic or Rogers White Granulated Sugar**
- 2 egg yolks
- ½ tsp vanilla extract
- 1 cup cornstarch
- ¾ cup all-purpose flour
- 1 tsp baking powder
- ½ tsp baking soda
- ¼ tsp salt
- ¾ cup prepared thick Dulce de Leche or butterscotch sauce
- **Lantic or Rogers Icing Sugar** (for dusting)

DIRECTIONS

1. Beat butter with sugar for 3 minutes or until light and fluffy. Beat in egg yolks and vanilla, scraping bowl as needed. Stir cornstarch with flour, baking powder, baking soda and salt in a separate bowl. On low speed, gradually add cornstarch mixture to butter mixture, just until uniformly incorporated. Form dough into a disc; wrap tightly in plastic wrap and chill for at least 1 hour or until firm.

2. Preheat oven to 350°F. Line baking sheets with parchment paper. Working on a lightly floured surface, roll dough to about 1/8-inch thick (if dough cracks, it patches easily). Use a 2-inch round cookie cutter to cut 36 rounds and place on prepared baking sheets.

3. Bake, in batches, for 8 to 9 minutes or until just pale golden on bottom. (Do not overbake.) Transfer to a wire rack to cool completely.

4. Spread bottom of one cookie with 1 ½ tsp of Dulce de Leche spread; sandwich with a second cookie. Dust both sides of cookies with icing sugar. **Makes about 18 sandwich cookies.**

TIP!

If a thick enough Dulce de Leche is hard to find, use this shortcut recipe: pour 1 can (300 mL) of condensed milk into a small heavy pot set over medium heat. Bring to a boil. Boil, stirring constantly, for 4 minutes or until thickened. Cool to room temperature before using.

Make several batches of these cookies; wrap them up in cute boxes and offer them as holiday gifts.

Everyone just loves these cookies, friends, family... and neighbours too!

EXCELLENCE, SWEET EXCELLENCE

We consistently look for better ways to do things by setting and reviewing goals to promote continuous improvement and creative problem solving. We achieve operation excellence through objective measurement of everything we do.

STEVIA AMONG THE FINALISTS REVEALED FOR CANADA'S TOP PRIZE FOR GROCERY NEWCOMERS

As the leading national brand, understanding and delivering on our consumer evolving sweetener needs is a responsibility we take seriously. For us this means delivering high quality, relevant solutions. With this in mind it was very satisfying that Rogers/Lantic branded Stevia was recognized by the Retail Council of Canada as a finalist at the Canadian Grand Prix New Product Awards™.

OUR OPERATIONAL EXCELLENCE EFFORTS

Avoiding waste, reducing rework, maintaining equipment reliability, monitoring equipment performance and investing in new technology underpin our efforts to achieve operational excellence. Score carding results across the business keeps us focused on progress and accelerates our progress. In fiscal 2016, this focus enabled us to reduce water consumption by the equivalent amount of water used annually by 245,000 households. Efforts to increase energy efficiency across all plants generated a reduction in use equivalent to the amount of natural gas needed to heat 2,000 households.

OUR NEW AWARD WINNING WEBSITE

We are pleased to announce Lantic.ca site won a "Special Kudos" award from *CSS Design Awards*, an international website design and development awards platform that judges some of the best sites in the industry. Content driven and user friendly, we believe this new site will prove to be a good return on investment as it creates a greater exposure on our products.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
October 1, 2016 and October 3, 2015

This Management's Discussion and Analysis ("MD&A") of Rogers Sugar Inc.'s ("Rogers") audited consolidated financial statements for the years ended October 1, 2016 and October 3, 2015 should be read in conjunction with the audited consolidated financial statements and related notes for the years ended October 1, 2016 and October 3, 2015. The Company's MD&A and consolidated financial statements are prepared using a fiscal year which consists of 52 and 53 weeks, respectively. The fiscal year ended October 1, 2016 includes 52 weeks and the fiscal year ended October 3, 2015 includes 53 weeks.

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

Rogers's audited consolidated financial statements have been approved by its Board of Directors upon the recommendation of its audit committee prior to release. This MD&A is dated November 23, 2016.

Additional information relating to Rogers and Lantic Inc., including the annual information form, quarterly and annual reports, management proxy circular and various press releases issued by Rogers is available on the Rogers's website at www.rogerssugarinc.com or on the SEDAR website at www.sedar.com.

NON-GAAP MEASURES

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

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

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding the financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable IFRS financial measures are also contained in this MD&A.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements which reflect the current expectations of Rogers and Lantic Inc. (together referred to as "the Company") with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States ("U.S."), beet production forecasts, the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Rule 52-109 respecting certification of disclosure in issuers' annual filings, the Chief Executive Officer and Vice-President Finance have evaluated the effectiveness of the Company's disclosure controls and procedures as at October 1, 2016. The Chief Executive Officer and the Vice-President Finance have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As required by national Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Chief Executive Officer and the Vice-President Finance, in the capacity of an officer performing the functions of a Chief Financial Officer, have caused to be evaluated under their supervision the effectiveness of such internal controls over financial reporting ("ICFR") as at October 1, 2016 using the framework established in "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at October 1, 2016.

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

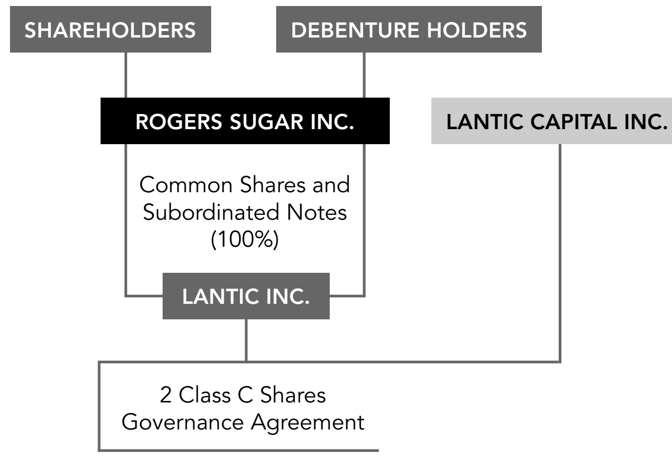
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

OVERVIEW

Rogers is a corporation incorporated under the *Canada Business Corporations Act*, which holds all of the common shares and subordinated notes of Lantic Inc. ("Lantic").

The following chart illustrates the structural relations between shareholders, debenture holders, Rogers, Lantic Capital Inc., and Rogers's operating company, Lantic.



Rogers is governed by not less than three, nor more than seven directors who are appointed annually at the annual general meeting of the shareholders of Rogers. As of the date of this MD&A, there were five directors.

The directors are responsible for, among other things: acting for, voting on behalf of and representing Rogers as a shareholder and noteholder of Lantic; maintaining records and providing reports to the shareholders; supervising the activities and managing the investments and affairs of Rogers; and effecting payments of dividends to shareholders.

Communication with shareholders on matters relating to the Company is primarily the responsibility of the Administrator, Lantic, through its Chief Executive Officer and Vice-President Finance. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

An Audit Committee of Rogers exists and is composed of three directors, all of whom are independent and unrelated.

Production Facilities

Lantic is the largest refined sugar producer in Canada, with annual nominal production capacity of approximately 1,000,000 metric tonnes. Lantic operates cane refineries in Montreal, Quebec and Vancouver, British Columbia, and a sugar beet factory in Taber, Alberta.

With total sales volume of approximately 600,000 to 700,000 metric tonnes per year, Lantic has ample capacity to meet all current volume requirements. None of the production facilities currently operate at full capacity. Lantic is the only sugar producer with operating facilities across Canada. The strategic location of these facilities confers operating flexibility and the ability to service all customers across the country efficiently and on a timely basis.

Lantic also operates a custom blending operation in Toronto which blends high sugar containing products, as well as non-sugar products, for manufacturing and food processing companies. Blends can be sold in retail format, aimed directly at consumers, as well as totes, geared to the industrial market. The total capacity of this plant is approximately 30,000 metric tonnes per year.

Lantic also operates a full service rail truck transfer and distribution centre in Toronto.

Our Products

All Lantic operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, and raw material source. We are also committed to responding to the evolving needs of our customers through innovative packaging and supply chain solutions, as well as customized product specifications.

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

In fiscal 2016, the domestic refined sugar market grew by more than 3% due to an increase in demand from the industrial and liquid segments. The improvement was driven by organic growth from manufacturers of value-added products containing sugar.

The industrial segment is the largest segment accounting for approximately 65% of all shipments. This segment started experiencing above trend line growth in the last quarter of fiscal 2015 and its momentum continued into the current fiscal year. The industrial segment is comprised of a broad range of food processing companies that serve both the Canadian and American markets. These processors are able to take the relative advantage of a weaker Canadian dollar and lower value of the #11 world raw sugar prices, compared to #16 refined sugar prices, to expand sales into export markets. These sales are not subject to duty tariffs that apply to sugar.

In the consumer segment, a wide variety of products are offered under the Lantic and Rogers brand names. This segment has remained stable during the last several years. Our marketing efforts continue to focus on building volume through market share growth and expansion of our brand with the development of new specialty products and alternate sweetener solutions. In fiscal 2016, the Company increased its efforts in the new product development area with the launch of co-branded Coconut Sugar and Sugar + Stevia blend. During the year, the Company also completed a review of selected packaging formats with a view to improve its functionality and/or add value to the consumer. This effort culminated with the launch of a newly designed sugar cube packaging and the launch of several new shop keeping units to its retail customers. Validating the quality of new product development activities, the Company was proud and excited to have received a nomination from the Retail Council of Canada as a finalist in the 2015 Canadian Grand Prix award in the category of 'new products' for its Stevia product. This recognition will continue to fuel our drive to improve offerings of value-added products to our customers. The Company realizes that consumer awareness, education and product promotion are important pillars of our marketing strategy. Our website was redesigned to be more focused on our customers and their needs. Shortly after its launch, the Company, through its website design consultants, received the 'Special Kudos' award from CSS Design Awards for a special commendation for noteworthy websites.

The liquid segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup ("HFCS"). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence. The liquid segment was stable when compared to the last fiscal year, when adjusted for the 53rd week in fiscal 2015.

Lantic's Taber plant is the only beet sugar factory in Canada and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in an annual Canadian-specific quota to the U.S. of 10,300 metric tonnes. In addition, there is a 7,090 metric tonne U.S. global refined sugar quota, which opens and is usually filled on a first-come first-served pro-rata basis on October 1st of every year. The Montreal and Vancouver cane operations and the Taber beet factory can all participate in this global quota. Sales to the

U.S. under both the Canadian-specific and the U.S. global quotas are typically made at above average margins since the selling price is U.S. market driven. Meaning, the spread in values between the U.S. #16 refined sugar prices and the #11 world raw sugar prices, combined with a recognition of Canadian dollar based costs, are typically favourable factors to the Company. In fiscal 2016, these such favourable market conditions also allowed the Company to complete some additional volume of sales of specialty sugars over and above these two quotas, on a high tier (duty paid) basis. These favourable conditions occur when the spread between #11 world raw sugar prices and #16 refined sugar prices widens combined with the devaluation of the Canadian dollar more than fully offset the U.S. import duties. With its broad and diversified production platform, the Company is well positioned to take advantage of such opportunistic sales. The Company pays close attention to these market spreads and when appropriate, leverages a well-developed customer network to commercialize these opportunities.

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

Our Supply

The global supply of raw sugar is ample. Over the last several years, Lantic has purchased most of its raw sugar from Central and South America for its Montreal and Vancouver cane refineries. All raw cane sugar purchases are hedged on the Intercontinental Exchange ("ICE") #11 world raw sugar market. This hedging eliminates gains or losses from raw sugar price fluctuations, and thus helps Lantic avoid the effects of volatility in the world raw sugar market.

In fiscal 2015, the Company entered into a new four-year agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant. The 2016 crop, which will be harvested in the fall and processed in fiscal 2017, is the second one under this contract. Any shortfall in beet sugar production related to crop problems is replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery.

The contract with the Growers stipulates a fixed price for all beet sugar derived from the beets processed in addition to a scaled incentive as the price of raw sugar increases. As a consequence, the Company is exposed to fluctuations in the #11 world raw sugar price for all domestic beet sugar volume sold against the #11 world raw sugar prices, which is approximately 70,000 metric tonnes. The Company can use a pre-hedge strategy to mitigate the fluctuation risks, which is explained below in the section "Use of Financial Derivatives for Hedging".

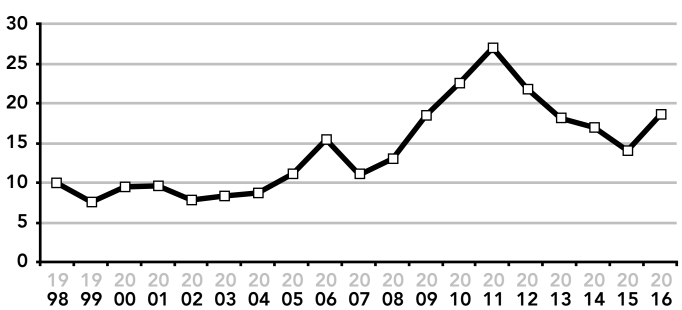
Pricing

In fiscal 2016, the price of raw sugar fluctuated between U.S. 12.61 cents per pound and U.S. 24.10 cents per pound and closed at U.S. 23.00 cents per pound at the end of the fiscal year, which was 9.47 cents higher than the closing value at October 3, 2015. Price variation during the year was significantly greater than in fiscal 2015 when raw sugar prices fluctuated between U.S. 10.13 and U.S. 16.94 cents per pound. In the past few years, a cumulated response to lower #11 world raw sugar prices resulted in lower acreage which was further acerbated by unfavourable weather conditions. This resulted in a reduction in world sugar crops and shifted the global production/consumption balance into a deficit year and therefore, strong price appreciation.

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

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

World raw sugar cane prices
Cents per pound — yearly averages
(September 1998 to September 2016)



Source: #11 ICE

Operations

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

For our refinery operations, labour remains the largest cost item. Our operating plants' labour agreements have staggered expiry dates. Three of the four collective agreements for the Montreal hourly employees were ratified in fiscal 2016 and the remaining one was ratified in November 2016. All collective agreements are covering a five-year period and will expire at the end of May 2021. These agreements were reached at competitive rates. The Taber bargaining agreement will expire at the end of March 2017. Negotiations will start in the new calendar year.

Energy is our second largest operating expense. We use large amounts of natural gas in our refineries. We have a hedging strategy in place with futures contracts to mitigate the impact of large fluctuations in natural gas prices. With a continued weakness in natural gas prices, Lantic added some hedged positions for fiscal 2017 through 2020 at prices equal to or lower than fiscal 2016's average price. We will continue to closely monitor the natural gas market in order to reduce volatility and maintain an overall market competitiveness. However, due to the significant spend in this area, Lantic's forward hedging policy mitigates but does not fully eliminate the impact of year-over-year trends in natural gas prices.

Provincial application of some form of carbon tax has been increasingly important across Canada. The Company's two cane refineries and, starting on January 1, 2017, its beet factory, will be subject to an additional levy pertaining to gas emissions. This new trend could increase the overall energy costs for the Company.

In August 2015, the Montreal refinery received confirmation from its natural gas provider that its request to convert its interruptible gas contract to a firm gas contract on a long-term basis had been accepted by the *Régie de l'énergie du Québec*. As such, fiscal 2016's firm gas contract was the second year of a five-year contract, terminating in November 2019. This firm gas contract will eliminate incremental energy costs relating to service interruptions as a result of cold winter conditions.

Production reliability is also critical to the success of our operations. Every year, each plant makes considerable investments in preventive maintenance and repairs, thus maintaining their efficient working order and competitiveness.

Natural gas price continuation chart
(January 2005 to September 2016)

Source: NYMEX

Lantic invested $14.3 million in "Stay in Business and Safety" capital projects for plant reliability, product security, information systems and environmental requirements. The amount spent in the current year is higher than the recent fiscal years, due to the start of more significant projects being undertaken, more specifically, in Montreal and Vancouver. In fiscal 2016, the Company completed the purchase and installation of new specialty packaging equipment at the Vancouver refinery, of which, $1.7 million was spent in fiscal 2016.

"Operational Excellence", or return on investment capital projects, forms the balance of the fiscal year spend. In fiscal 2016, operational excellence capital investments amounted to $0.8 million and comprised of a few projects, of which, half was spent on an energy saving project at the Montreal refinery that will be completed in fiscal 2017. These investments are undertaken because of operational savings to be realized when such projects are completed.

The Company is fully committed to continuous improvement and to the competitive supply of quality and safe products that meet or surpass customer and legislative requirements. Customer satisfaction is achieved and maintained by a qualified and motivated workforce that is accountable and responsible for all aspects of quality and food safety. By understanding and responding to evolving needs and expectations, we are well positioned with respect to ever changing requirements such as the Global Food Safety Initiative, currently the universal benchmark for food safety and consumer protection.

As a result of this commitment and focus, we are pleased to report that the Food Safety System Certification 22000 ("FSSC 22000") is in place at each of our three production facilities.

Furthermore, our blending facility is also certified under the FSSC 22000 standard, thereby demonstrating our commitment to provide quality products for our customers. The plant also secured the Canadian Food Inspection Agency ("CFIA") dairy certification, which allows Lantic to pursue dry dairy blends for both the domestic and export markets. Several audits undertaken by major multinational companies were also completed in fiscal 2016. We are committed to increasing blending volume in both the industrial and retail sectors, including non-sugar containing blends.

USE OF FINANCIAL DERIVATIVES FOR HEDGING

Accounting Measurement

The following description of how financial derivatives are used to provide the Company's adjusted earnings is inconsistent with the Company's IFRS financial information. The following reflects the determination of adjusted results of the Company.

Sugar

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

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

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

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

Inefficiencies could occur and small gains or losses could be incurred on hedged transactions. Every year, the Company estimates sales patterns against the receipt of sugar deliveries. Any discrepancies in these estimates may result in small gains or losses on hedged transactions. As an example, a customer may be taking more or less sugar than determined under its contract and small gains or losses may be incurred as a result on the hedged transactions.

The Company mitigates the impact of the above by reviewing on a daily basis the total hedged position to determine that, in total, all sugar transactions are hedged. The Company also prepares a hedged transaction report by terminal periods to determine that there are no straddles within each terminal period. In the event that a straddle position exists due to circumstances discussed above, the Company will immediately correct the straddle and record any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its "priced" sugar, and if the Company needs to roll forward the un-drawn quantity to the following terminal period, the Company can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

The Board of Directors authorized the Company to have a trading book to trade outright sugar futures, options, spreads and white-raw differentials to a limit of 25,000 metric tonnes. It was also agreed that a report on all activities would be reviewed quarterly at each Board meeting and that all trading book activities would be discontinued if trading losses of $250,000 were accumulated in any given year. Any mark-to-market gains or losses on any open positions of the trading book at year end, as well as gains or losses on any liquidated positions of the trading book are recognized in the Company's adjusted earnings.

Beet Sugar

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

The Board of Directors authorized the Company to hedge forward up to 70% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow the Company to benefit from a sudden rise in the raw sugar market. Any gains earned (if a sales contract is entered at a lower raw value) or losses incurred (if a sales contract is entered at a higher raw value) when those positions are unwound, are recognized in the period when that quantity of beet sugar is delivered. This is referred to as the Taber pre-hedge.

The Company has a small volume under the pre-hedge program for fiscal 2017.

Natural Gas

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

The Company purchases between 2.8 million gigajoules and 3.5 million gigajoules of natural gas per year for use in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 90% of its estimated usage over the next 12 months and lower percentages of its estimated usage on a longer term basis. The Company will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of the prior year's average price and therefore lock in year-over-year savings.

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

Variation Margins (Margin Calls)

For all hedged sugar positions on the futures market, the Company must settle with the commodity broker on the following day any gains or losses incurred on the net hedged position, based on the trading values at closing of the day. These daily requirements are called "margin calls."

When sugar prices are on the rise, the Company's raw sugar suppliers will normally price in advance large quantities of sugar to benefit from these higher prices. On the other hand, the Company's customers will only price forward small quantities, hoping for a downward correction in the marketplace. This will result in the Company having a "short" paper position. As the price of sugar continues to rise, the Company has to pay margin calls on a regular basis. These margin calls are paid back to the Company when the price of sugar declines or upon receipt or delivery of sugar.

Foreign Exchange

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

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

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of Rogers' consolidated results for the 2016, 2015 and 2014 fiscal years. The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2016, 2015 and 2014 represent the fiscal years ended October 1, 2016, October 3, 2015 and September 27, 2014. It should be noted that fiscal 2015 had 53 weeks of operations, compared to 52 weeks in fiscal 2016 and 2014. The additional week had a positive impact of approximately 2% of total sales volume, revenues, adjusted gross margin and adjusted net earnings (as described in the Reconciliation of Non-GAAP Measures). The Company's audited consolidated financial statements were prepared under IFRS and the Company's functional and reporting currency is the Canadian dollar.

(In thousands of dollars, except volume and per share information)	**2016**	2015	2014
Total volume (metric tonnes)	**675,224**	658,812	646,376
	$	$	$
Total revenues	**564,411**	541,545	532,295
Gross margin	**128,223**	76,295	82,939
Results from operating activities ("EBIT")	**98,598**	44,470	49,834
Net earnings	**65,579**	24,033	29,229
Net earnings per share:			
Basic	**0.70**	0.26	0.31
Diluted	**0.64**	0.26	0.31
Dividends per share	**0.36**	0.36	0.36

RECONCILIATION OF NON-GAAP MEASURES

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Company sells refined sugar to some clients in U.S. dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not U.S. dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of operations with a corresponding offsetting amount charged to the statement of financial position. These mark-to-market adjustments create non-cash volatility to the gross margin, all the way to the net income.

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

Management uses the non-GAAP adjusted results of the Company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performances to our past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

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

Gain / (Loss) (In thousands of dollars)	**2016**	2015	2014
	$	$	$
Mark-to-market adjustment	**8,078**	(7,350)	(1,432)
Cumulative timing differences	**23,974**	(2,237)	2,436
Total adjustment to cost of sales	**32,052**	(9,587)	1,004

The mark-to-market adjustment represents the variation between all derivative contracts at the end of each reporting quarter as compared to the mark-to-market value of the contracts that were present in the previous measured quarter and to the initial value of all new contracts entered during that time period. The year-end mark-to-market adjustment is the total of all these quarterly results.

A mark-to-market gain of $10.6 million was recorded in fiscal 2016 compared to a loss of $2.3 million in fiscal 2015 related to sugar futures contracts due to the significant variation in #11 world raw sugar prices during the current year. The Company recorded a mark-to-mark loss of $2.5 million on natural gas futures contracts compared to a loss of $11.9 million in fiscal 2015 as a result of declining natural gas future values. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined nominal mark-to-market loss for the year compared to a mark-to-market gain of $6.8 million in fiscal 2015.

The cumulative timing differences are as a result of the fact that mark-to-market gains or losses are recognized by the Company only when sugar is sold to a customer and when natural gas is used. In addition, the gains or losses on the sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions being the sale and purchase contracts with customers and suppliers. The year-end adjustment is the total of all quarterly results. This adjustment is added to the mark-to-market results to arrive at the total adjustment to cost of sales. For fiscal 2016, the total cost of sales adjustment is a gain of $32.1 million to be deducted from the consolidated operating results compared to a total cost of sales loss of $9.6 million to be added to the consolidated operating results in fiscal 2015 to arrive at the adjusted operating results of these two years.

The Company also recorded a mark-to-market gain of $0.2 million in fiscal 2016 for the mark-to-market of interest rate swaps under finance income, as compared to a mark-to-market loss of $1.2 million in fiscal 2015, as a result of movements in forward interest rates.

Therefore, the total adjustment to earnings before income taxes for fiscal 2016 was a gain of $32.3 million compared to a loss of $10.8 million in fiscal 2015.

Adjusted consolidated financial information (non-GAAP reconciliation) is as follows:

Consolidated Results (In thousands of dollars, except per share information)	**2016**	2015	2014
	$	$	$
Gross margin as per financial statements	**128,223**	76,295	82,939
Adjustment as per above	**(32,052)**	9,587	(1,004)
Adjusted gross margin	**96,171**	85,882	81,935
Results from operating activities as per financial statements	**98,598**	44,470	49,834
Adjustment as per above	**(32,052)**	9,587	(1,004)
Adjusted results from operating activities	**66,546**	54,057	48,830
Net earnings as per financial statements	**65,579**	24,033	29,229
Adjustment to cost of sales as per above	**(32,052)**	9,587	(1,004)
Adjustment for mark-to-market of finance costs	**(205)**	1,168	433
Income taxes on above adjustments	**8,581**	(3,030)	113
Adjusted net earnings	**41,903**	31,758	28,771
Net earnings per share basic, as per financial statements	**0.70**	0.26	0.31
Adjustment for the above	**(0.25)**	0.08	—
Adjusted net earnings, per share basic	**0.45**	0.34	0.31

RESULTS OF OPERATIONS

Revenues

	2016	2015
Volume (MT)	**675,224**	658,812
Revenues ($000's)	**564,411**	541,545

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, is estimated to have increased by more than 2% in fiscal 2016 compared to a decrease of approximately 1.5% in fiscal 2015. The increase is mostly explained by strong industrial and liquid demand. In fiscal 2015, the decrease is mainly due to the closure of two manufacturing plants in Ontario. We estimate that per capita sugar consumption remained stable during the year.

The Company's total sugar deliveries improved compared to the prior year and ended at approximately 16,400 metric tonnes higher than in fiscal 2015, despite the fact that last year included an additional shipping week. Eliminating the impact of the fifty-third week of fiscal 2015, total volume would have been approximately 29,400 metric tonnes higher than the previous year. Furthermore, all segments ended the year with positive growth, when adjusted for the additional week in fiscal 2015, with the industrial segment being the clear leader in volume improvement.

The industrial segment increased by approximately 10,600 metric tonnes or approximately 19,300 metric tonnes when the fifty-third shipping week of fiscal 2015 is removed, mostly due to strong demand from existing customers. The volume growth was experienced throughout the year but more significantly in the last nine months of the year.

Total consumer volume was slightly higher than last year by approximately 1,300 metric tonnes and approximately 3,100 metric tonnes when the additional shipping week is excluded. The increase is mainly explained by additional demand from existing customers due to an increase in promotional activities.

When compared to last fiscal year, the liquid segment ended approximately 400 metric tonnes lower than fiscal 2015. However, when removing the impact of the fifty-third week from fiscal 2015, the liquid segment was higher by approximately 1,700 metric tonnes due to continued strong demand from existing customers, which started in the second half of last year and due to timing in deliveries.

The export segment was approximately 4,900 metric tonnes higher than last year or approximately 5,300 metric tonnes higher than fiscal 2015, without the fifty-third shipping week last year. The increase is mostly explained by opportunistic sales due to favourable export conditions and an increase in sales to Mexico.

The increase in revenues for fiscal 2016 is explained by higher sales volume as well as an increase in raw sugar values during the year, since the cost of raw sugar for all domestic sales is passed on to the Company's customers.

Gross Margins

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

	2016	2015
Gross margin ($000's)	**128,223**	76,295
Adjusted gross margin ($000's)	**96,171**	85,882
Gross margin per metric tonne ($)	**189.90**	115.81
Adjusted gross margin per metric tonne ($)	**142.43**	130.36

Consolidated gross margin of $128.2 million in fiscal 2016 and of $76.3 million in fiscal 2015 does not reflect the adjusted gross margin of the Company, as it includes a gain of $32.1 million for fiscal 2016 and a loss of $9.6 million for fiscal 2015 due to the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. We will therefore comment on adjusted gross margin results.

Adjusted gross margin improved significantly when compared to last year and amounted to $96.2 million, an increase of $10.3 million versus fiscal 2015. Adjusted gross margin for the current year includes a non-cash pension charge of $1.8 million for committed future pension plan upgrades to one of the Company's defined benefit pension plans following the agreement with the Montreal unionized employees. Without this adjustment, the Company's adjusted gross margin would have been $12.1 million higher than last year. The favourable variance in adjusted gross margin is mostly due to higher sales volume, higher by-product revenues, lower beet costs and better operating costs in its three operating facilities. It should be noted that the Taber beet factory incurred additional operating costs in fiscal 2015 as a result of severe beet deterioration at the end of the slicing campaign from its 2014 crop. Furthermore, a weaker Canadian dollar was also beneficial to the Company on export sales contracted in fiscal 2016. However, the Company experienced a six-day work stoppage in June 2016 at the Montreal refinery, which added approximately $0.8 million in additional costs and slightly reduced the year-over-year positive variance.

On a per metric tonne basis, the current year's adjusted gross margin was $142.43 per metric tonne as opposed to $130.36 per metric tonne for the comparable period last year, an improvement of $12.07 per metric tonne. Excluding the non-cash pension expense, the adjusted gross margin rate would have been $145.10. The increase year-over-year is mostly explained by efficiency gains due to higher throughput at both cane refineries as well as a good harvest and processing campaign in Taber and the subsequent juice campaign, which resulted in lower beet costs and lower operating costs.

Other Expenses

(In thousands of dollars)	**2016**	2015
	$	$
Administration and selling expenses	**19,636**	22,430
Distribution	**9,989**	9,395

Administration and selling expenses were $2.8 million lower than in fiscal 2015. In fiscal 2014, the only remaining salaried defined benefit pension plan ("Salaried Plan") was terminated, for which years of service had been frozen since 2008. In fiscal 2016, the Company completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. In fiscal 2015, a non-cash expense of $0.8 million was recorded, resulting in a year-over-year positive variation of $2.0 million. Excluding the impact of the settlement of the Salaried Plan, administration and selling expenses were $0.8 million lower than the comparable period last year. The reduction in administrative and selling expenses is explained by lower consulting fees and allowance for doubtful accounts. However, somewhat offsetting the positive variation are additional administrative and selling expenses incurred as a result of the Montreal refinery work stoppage as well as higher employee benefits.

Distribution expenses for the year were approximately $0.6 million higher than last year due to additional transfer costs between the Company's various locations as a result of an increase in sales volume and as a contingency plan for the Montreal refinery work stoppage.

Results from operating activities

(in thousands of dollars)	**2016**	2015	2014
	$	$	$
Results from operating activities	**98,598**	44,470	49,834
Adjusted results from operating activities	**66,546**	54,057	48,830

Consolidated results from operating activities of $98.6 million, $44.5 million and $49.8 million in fiscal 2016, 2015 and 2014, respectively, do not reflect the adjusted results from operating activities of the Company, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. We will therefore comment on adjusted results from operating activities.

Adjusted results from operating activities at $66.5 million were $12.5 million higher than the previous year. The increase is mainly explained by higher sales volume, lower beet costs and lower administrative and selling costs, as explained above. Somewhat offsetting the positive variance are additional costs incurred as a result of the six-day work stoppage at the Montreal refinery and incremental distribution costs due to transfers between the Company's various locations, as discussed above. In addition, the Company recorded a net non-cash pension expense of $0.6 million, representing an expense of $1.8 million in operating costs at the Montreal refinery and a profit of $1.2 million in administration and selling expenses. As explained above, the pension adjustments relate to the Montreal refinery pension upgrades and the termination of the Salaried Plan, respectively.

Net finance costs

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

The net finance costs breakdown is as follows:

(In thousands of dollars)	**2016**	2015
	$	$
Interest expense on convertible unsecured subordinated debentures	**6,446**	6,503
Interest on revolving credit facility	**2,545**	3,428
Amortization of deferred financing costs	**826**	832
Net change in fair value of interest rate swap	**(205)**	1,168
Net finance costs	**9,612**	11,931

Interest on the revolving credit facility decreased by $0.9 million due to a reduction in the level of borrowings throughout the year, mainly due to the lower level of raw sugar inventories during the year and better financial results in fiscal 2016.

The interest rate swaps are marked-to-market at each reporting period. For the year ended October 1, 2016, an unrealized gain of $0.2 million was recorded compared to an unrealized loss of $1.2 million in fiscal 2015. The variation is due to a slight increase in short-term forward interest rates in fiscal 2016 versus a decrease in fiscal 2015.

Taxation

The income tax expense (recovery) is as follows:

(In thousands of dollars)	**2016**	2015
	$	$
Current	**14,214**	9,935
Deferred	**9,193**	(1,429)
Total income tax expense	**23,407**	8,506

The variation in current and deferred tax expense, year-over-year, is explained by the increase in taxable income in fiscal 2016.

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

Net earnings

(in thousands of dollars)	**2016**	2015	2014
	$	$	$
Net earnings	**65,579**	24,033	29,229
Adjusted net earnings	**41,903**	31,758	28,771

Consolidated net earnings of $65.6 million, $24.0 million and $29.2 million in fiscal 2016, 2015 and 2014, respectively, do not reflect the adjusted net earnings of the Company, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments. We will therefore comment on adjusted net earnings.

Adjusted net earnings at $41.9 million were $10.1 million higher than the previous year due to the above-mentioned variances to adjusted results from operating activities, net of taxes.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2016 and 2015:

	QUARTERS							
(In thousands of dollars, except for volume and per share information)	2016				2015			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Volume (MT)	**156,926**	**161,638**	**169,481**	**187,179**	152,608	152,579	160,713	192,912
	$	**$**	**$**	**$**	$	$	$	$
Total revenues	**130,090**	**133,988**	**138,600**	**161,733**	128,726	127,120	130,592	155,107
Gross margin	**38,564**	**20,520**	**36,721**	**32,418**	23,364	18,402	10,854	23,675
EBIT	**32,590**	**12,900**	**28,636**	**24,472**	15,760	11,209	3,748	13,753
Net earnings	**22,071**	**7,672**	**19,383**	**16,453**	9,415	5,767	1,050	7,801
Gross margin rate per MT	**245.75**	**126.95**	**216.67**	**173.19**	153.10	120.61	67.54	122.72
Per share								
Net earnings								
Basic	**0.23**	**0.08**	**0.21**	**0.18**	0.10	0.06	0.01	0.08
Diluted	**0.21**	**0.08**	**0.19**	**0.16**	0.10	0.06	0.01	0.08
Non-GAAP Measures								
Adjusted gross margin	**25,834**	**20,366**	**20,356**	**29,615**	25,325	17,071	19,432	24,054
Adjusted EBIT	**19,860**	**12,746**	**12,271**	**21,669**	17,721	9,878	12,326	14,132
Adjusted net earnings	**12,751**	**7,630**	**7,259**	**14,263**	10,804	5,400	7,060	8,494
Adjusted gross margin rate per MT	**164.63**	**126.00**	**120.11**	**158.22**	165.95	111.88	120.91	124.69
Adjusted net earnings per share								
Basic	**0.14**	**0.08**	**0.08**	**0.15**	0.11	0.06	0.08	0.09
Diluted	**0.13**	**0.08**	**0.08**	**0.14**	0.11	0.06	0.08	0.09

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volume as well as an unfavourable customer mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings. It should be noted that the fourth quarter of fiscal 2015 represents 14 weeks of operation as opposed to 13 weeks in the comparable period in fiscal 2016.

Fourth Quarter Results

Revenues for the quarter were higher than the previous year due to an increase in #11 world raw sugar prices, slightly offset by a reduction in sales volume.

Fourth quarter volume decreased by approximately 5,700 metric tonnes versus the last quarter of fiscal 2015. However, it should be noted that last year included an additional shipping week versus the current year's comparable quarter, which represented approximately 13,000 metric tonnes of incremental sales volume. Therefore, once the adjustment is made to exclude the additional shipping week, volume for the fourth quarter of fiscal 2016 increased by approximately 7,300 metric tonnes with an improvement in all categories. Due to the segment size, the fifty-third week in fiscal 2015 had the most significant impact on industrial volume. When compared to the fourth quarter of fiscal 2015, industrial volume for the quarter decreased by approximately 5,900 metric tonnes. When the additional week is excluded from the volume of the fourth quarter of fiscal 2015, the industrial volume increased by approximately 2,900 metric tonnes due to strong demand from existing customers. Consumer volume was slightly above last year's fourth quarter and approximately 2,100 metric tonnes higher when the additional shipping week is excluded. The improvement is due to an increase in customer promotions and timing in deliveries. Liquid volume was approximately 500 metric tonnes lower than the comparable period last year. The impact of the additional shipping week represents approximately 2,100 metric tonnes. Therefore, on a comparable basis, the liquid segment was approximately 1,600 metric tonnes higher than the fourth quarter last year due to timing in deliveries. Finally, the export segment was approximately 300 metric tonnes higher than last year. Excluding the additional shipping week, export volume was approximately 700 metric tonnes higher than the comparable quarter last year. The increase is mainly due to opportunistic sales in export markets.

For the quarter, adjusted gross margin amounted to $29.6 million, an increase of $5.6 million when compared to the same period last year. The increase is explained by a combination of factors. Firstly, lower beet costs in Taber and lower operating costs in our three operating facilities contributed positively to the adjusted gross margin for the quarter. In addition, the Taber factory started its production of the 2016 crop in mid-September as opposed to last year, where the 2015 crop production started early October. As a result of the early start of the 2016 campaign, some fixed costs were deferred into inventory in the fourth quarter of fiscal 2016 as opposed to being expensed in fiscal 2015. This resulted in a $0.7 million positive variation in adjusted gross margin. Moreover, the Company recorded a non-cash profit of $0.6 million to adjust the pension expense recorded in the third quarter of the current year for committed future pension plan upgrades. Finally, the Montreal refinery suffered from operating inefficiencies in the last quarter of last year, following a refinery equipment breakdown. These variations contributed to an overall improvement in adjusted gross margin rate of more than 25%. The current quarter's adjusted gross margin rate was $158.22 per metric tonne as compared to $124.69 per metric tonne in fiscal 2015, an increase of $33.53 per metric tonne.

Distribution expenses for the quarter were $0.7 million lower than the same period last year. In the fourth quarter of fiscal 2015, the Company incurred incremental transfer costs between its various locations as a result of low inventory levels at the Taber factory and production inefficiencies at the Montreal refinery, which mainly explain the positive variation for the current quarter.

Administration and selling expenses decreased by approximately $1.3 million compared to the same quarter of fiscal 2015. The positive variance is mostly explained by the non-recurrence of a non-cash expense of $0.8 million recorded in the fourth quarter of fiscal 2015 for the termination of the Salaried Plan as well as a reduction in bad debt expense of $0.4 million.

Excluding the mark-to-market variation in interest rate swap agreements, net finance costs for the quarter were $0.3 million lower than the comparable quarter of fiscal 2015 due to a reduction in overall borrowings.

Financial condition

(In thousands of dollars)	**2016**	2015	2014
	$	$	$
Total assets	**585,198**	551,929	568,334
Total non-current liabilities	**214,685**	260,196	249,496

The increase in total assets in the current fiscal year is explained by higher trade and other receivables as well as inventories. As mentioned above, the #11 world raw sugar price increased during the year when compared to last fiscal year, which had an impact on trade receivables and inventories. In addition, the Taber beet factory started its campaign mid-September, which also contributed to higher inventory levels. The decrease in total assets between fiscal 2014 and 2015 is mostly explained by a higher level of inventory in fiscal 2014 due to the early arrival of a raw sugar vessel to take advantage of the favourable spreads in the #11 world raw sugar futures.

Non-current liabilities for fiscal 2016 decreased due mainly to the Fourth Series Convertible Unsecured Subordinated Debentures (the "Fourth Series Debentures") becoming current as they mature on April 30, 2017. In addition, borrowings under the long-term revolving credit facility also decreased. This is somewhat offset by increases in employee benefits and deferred tax liabilities. The increase in non-current liabilities between fiscal 2014 and 2015 is mainly due to the movement in derivative financial instruments.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the fair value of the Company is more than its respective carrying value. There was no impairment in the fiscal 2016 analysis or any of the previous two years.

Liquidity

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

(In thousands of dollars)	**2016**	2015
	$	$
Cash flow from operating activities	**66,672**	55,485
Cash flow from financing activities	**(51,629)**	(42,793)
Cash flow from investing activities	**(15,156)**	(11,439)
Net (decrease) increase in cash and cash equivalents	**(113)**	1,253

Cash flow from operating activities was $66.7 million in fiscal 2016, as opposed to $55.5 million in fiscal 2015. The increase of $11.2 million was mainly due to an EBIT variation of $54.1 million and lower interest paid of $1.0 million. These positive variances were somewhat offset by a negative working capital variation year-over-year of $39.1 million due mainly to higher trade and other receivables, inventories and trade and other payables as well as a negative non-cash variation in fair value of derivative financial instruments of $2.9 million. In addition, the Company's pension plan contributions and income taxes paid increased by $0.8 million and $0.1 million, respectively. Finally, the Company applied an incremental $0.9 million against its provision for asset retirement obligation, therefore reducing cash flow from operating activities.

The variation in cash outflow from financing activities is mostly attributable to the movement in the revolving credit facility, year-over-year. In fiscal 2016, the Company reduced its revolving credit facility by $17.0 million as opposed to $8.0 million in fiscal 2015. The borrowings under the revolving credit facility amounted to $60.0 million at the end of the current year.

The cash outflow from investing activities increased compared to fiscal 2015 by $3.7 million due to greater capital spending during the current year as a result of various major projects undertaken or completed during the year.

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

Free cash flow is as follows:

(In thousands of dollars)	**2016**	2015	2014
	$	$	$
Cash flow from operations	**66,672**	55,485	31,965
Adjustments:			
Changes in non-cash working capital	**27,703**	(11,407)	2,984
Changes in non-cash income taxes payable	**(3,620)**	28	760
Changes in non-cash interest payable	**11**	93	(33)
Mark-to-market and derivative timing adjustments	**(32,257)**	10,755	(571)
Financial instruments non-cash amount	**(2,155)**	(6,414)	4,621
Capital expenditures	**(15,156)**	(11,439)	(11,569)
Operational excellence capital expenditures	**835**	772	2,869
Buyback of securities	**(727)**	(14)	(372)
Deferred financing charges	**(90)**	(90)	(90)
Free cash flow	**41,216**	37,769	30,564
Declared dividends	**33,796**	33,856	33,858

Free cash flow for 2016 was $3.4 million higher than the previous year. The increase is due mainly to a higher adjusted gross margin of $10.3 million. This positive variance was somewhat offset by higher capital expenditures, net of operational excellence capital, of $3.7 million, higher pension plan contributions and income taxes of $0.8 million and $0.1 million, respectively. In addition, the Company applied an incremental $0.9 million against its provision for asset retirement obligation, therefore reducing free cash flow. Finally the share buyback also reduced free cash flow by $0.7 million.

Capital expenditures, net of operational excellence capital, were higher in fiscal 2016 since the Company undertook or completed various significant capital projects to maintain the business. During the current year, the Company completed the purchase and installation of a new specialty packaging equipment at the Vancouver refinery, of which, $1.7 million was spent in fiscal 2016.

The Company invested, during the current fiscal year, $14.3 million in "Stay in Business and Safety" capital projects.

Operational excellence capital expenditures is comparable to last fiscal year and amounted to $0.8 million. This year's operational excellence capital expenditures was comprised of a few projects. Half was spent on an energy saving project at the Montreal refinery, for which, $2.5 million was committed and will be completed in fiscal 2017. In fiscal 2014, the Company completed the acquisition and installation of a new $2.3 million palletizing station at the Vancouver refinery, which started generating some labour savings in the second half of fiscal 2015. In addition, the Company spent $0.9 million in fiscal 2014 to expand its refined sugar storage capacity at the Montreal refinery. The project was completed in fiscal 2015 and started generating modest external storage savings in the second half of last year. Free cash flow is not reduced by operational excellence capital expenditures, as these projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings that are realized once the projects are completed.

In fiscal 2016, Rogers purchased and cancelled a total of 178,600 common shares under the normal course issuer bid ("NCIB") for a total cash consideration of $0.7 million, as opposed to 30,100 common shares in fiscal 2015 for a total cash consideration of $0.1 million. In addition, 30,000 common shares were issued in fiscal 2015 pursuant to the exercise of share options under the Share Option Plan for a total cash proceed of approximately $0.1 million.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result is deducted from free cash flow. In fiscal 2016, 2015 and 2014, the Company exercised its option to extend its revolving credit facility and as a result, paid $0.1 million in deferred financing costs each year.

The Company declared a quarterly dividend of 9.0 cents per common share, for a total amount of approximately $8.5 million per quarter.

Changes in non-cash operating working capital, income taxes payable and interest payable represent year-over-year movements in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from the Company's available credit facility of $150.0 million. Increases or decreases in bank indebtedness are also due to timing issues from the above and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market and financial instruments non-cash amount of $34.4 million does not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

Contractual obligations

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

(In thousands of dollars)	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	$	$	$	$	$
Revolving credit facility	**60,000**	**—**	**—**	**60,000**	**—**
Interest on convertible debentures	**9,426**	**5,113**	**4,313**	**—**	**—**
Interest based on swap agreement	**2,847**	**836**	**1,570**	**441**	**—**
Finance lease obligations	**233**	**56**	**111**	**66**	**—**
Operating leases	**3,647**	**1,282**	**1,381**	**753**	**231**
Purchase obligations	**51,758**	**51,758**	**—**	**—**	**—**
Derivative financial instruments	**(23,320)**	**(30,606)**	**5,699**	**1,587**	**—**
	104,591	**28,439**	**13,074**	**62,847**	**231**
Purchase obligations (In metric tonnes)	**1,238,000**	**479,000**	**759,000**	**—**	**—**

In fiscal 2013, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, replacing the $200.0 million credit agreement that expired on the same date. For the past three fiscal years, Lantic exercised its option to extend this credit agreement under the same terms and conditions. In fiscal 2016, the maturity date of the credit facility was therefore extended to June 28, 2021. At October 1, 2016, a total of $60.0 million had been borrowed under this facility.

In fiscal 2015, the Company obtained a $30.0 million two-year interest rate swap agreement at a rate of 1.959%, effective June 28, 2018. In fiscal 2014, the Company entered into a $10.0 million five-year interest rate swap agreement at a rate of 2.09%, effective June 30, 2014. Finally, a five-year interest rate swap agreement was negotiated in fiscal 2013 with an effective date of June 28, 2013, also at a rate of 2.09% for an initial amount of $50.0 million, declining to $40.0 million in 2015 and to $30.0 million in 2016. The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the above table.

The fourth and fifth series convertible debentures, in the amount of $50.0 million and $60.0 million respectively, maturing in April 2017 and December 2018, have been excluded from the above table due to the holders' conversion option and the Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

Finance and operating lease obligations relate mainly to the leasing of various mobile equipment and the premises of the blending operations in Toronto.

Purchase obligations represent all open purchase orders as at year-end and approximately $40.1 million for sugar beets that will be harvested and processed in fiscal 2017 and exclude any raw sugar priced against futures contracts.

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

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

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

The Company has hedged all of its exposure to raw sugar price risk movement through October 2018.

At October 1, 2016, the Company had a net short sugar position of $3.1 million in net contract amounts with a current net positive contract value of $12.9 million. This short position represents the offset of a smaller volume of sugar priced with customers than purchases priced from suppliers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At October 1, 2016, the Company had $26.7 million in natural gas derivatives, with a current contract value of $19.2 million.

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

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

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

At October 1, 2016, the Company had a net $46.5 million in U.S. foreign currency forward contracts with a current contract value of $60.9 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on the ICE #11 world raw sugar market. At October 1, 2016, the Company had commitments to purchase a total of 1,238,000 metric tonnes of raw sugar, of which approximately 144,000 metric tonnes had been priced, for a total dollar commitment of $83.8 million.

The Company has no other off-balance sheet arrangements.

CAPITAL RESOURCES

As mentioned above, Lantic entered into a five-year credit agreement of $150.0 million effective June 28, 2013, replacing the $200.0 million credit agreement that expired on the same date. The total available credit was reduced by $50.0 million to better suit the expected financial needs of the Company. At October 1, 2016, $60.0 million had been drawn from the working capital facility and $1.2 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. The Company has sufficient cash and availability under its line of credit to meet such requirements.

Future commitments of approximately $7.8 million have been approved for completing capital expenditures presently in progress.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at October 1, 2016, all of the Company's registered defined benefit pension plans were in a deficit position. The total accounting deficit was estimated at approximately $52.9 million. In fiscal 2014, the Company approved the termination of the Salaried Plan as of December 31, 2014. During the first quarter of fiscal 2016, the Company completed the termination process by transferring the obligation to an insurance company. As of October 1, 2016, there was no further obligation for the Company towards the Salaried Plan. The Company performed actuarial evaluations for two of its three remaining pension plans as of December 31, 2015. The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2016, cash contributions to defined benefit pension plans increased by approximately $0.7 million to $4.9 million. In total, the Company expects to incur cash contributions of approximately $4.3 million for fiscal 2017 relating to employee defined benefit pension plans. For more information regarding the Company's employee benefits, please refer to Note 19 of the audited consolidated financial statements.

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

OUTSTANDING SECURITIES

A total of 93,850,160 shares were outstanding as at October 1, 2016.

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid (the "2015 NCIB"). Under the 2015 NCIB program, the Company may purchase up to 500,000 common shares. The 2015 NCIB program commenced on December 1, 2015 and may continue to November 30, 2016. In fiscal 2015, the Company had another normal course issuer bid (the "2014 NCIB"). Under the 2014 NCIB program, the Company could purchase up to 1,000,000 common shares. The NCIB program commenced on November 27, 2014 and terminated on November 26, 2015.

During the current fiscal year, the Company purchased 178,600 common shares, for a total cash consideration of $0.7 million as opposed to 30,100 common shares in fiscal 2015 for a total consideration of $0.1 million. All shares purchased were cancelled.

In addition, the Company has entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the 2015 NCIB. Under the agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares.

In addition, in fiscal 2015, 30,000 common shares were issued pursuant to the exercise of share options under the Share Option Plan for a total proceed of approximately $0.1 million.

As at November 23, 2016, 93,850,160 shares were outstanding.

On December 16, 2011, the Company issued $60.0 million of fifth series 5.75% convertible unsecured subordinated debentures ("fifth series debentures"), maturing December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The fifth series debentures may be converted at the option of the holder at a conversion price of $7.20 per share (representing 8,333,333 shares) per share at any time prior to maturity, and cannot be redeemed prior to December 31, 2014. On or after December 31, 2014 and prior to December 31, 2016, the fifth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $7.20. Subsequent to December 31, 2016, the fifth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On April 8, 2010, the Company issued $50.0 million of fourth series 5.7% convertible unsecured subordinated debentures ("fourth series debentures"), maturing April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010. The fourth series debentures may be converted at the option of the holder at a conversion price of $6.50 per share (representing 7,692,308 shares) at any time prior to maturity. On or after April 30, 2013 and prior to April 30, 2015, the fourth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the fourth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest. Given the fact that the fourth series debentures matures on April 30, 2017, it was shown as current as at October 1, 2016. The Company does not anticipate any issues with refinancing.

On July 1, 2005, the Company reserved and set aside for issuance a total of 850,000 units to be allocated to key personnel. On January 1, 2011, the 450,000 options outstanding under the unit option plan were transferred to a share option plan (the "Share Option Plan") on a one-for-one basis. Between July 2005 and March 2012, all these options were allocated at different times to executives of the Company. In fiscal 2015, the number of common shares set aside to be allocated to key personnel was increased from 450,000 to 4,000,000 common shares. On May 21, 2015, 850,000 common shares were granted to the new President and CEO of Lantic at a price of $4.59 per common share, representing the average market price for the five business days before the granting of the options. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited. No options were granted or exercised in fiscal 2016, while 30,000 common shares were exercised in fiscal 2015.

During fiscal 2016, 70,000 share options were forfeited at a price of $5.61 per common share following the retirement of an executive.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited consolidated financial statements in conformity with IFRS requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. We base these estimates on historical experience, knowledge of economics and market factors, and various other assumptions that we believe to be reasonable under the circumstances.

Goodwill Valuation

We test goodwill for possible impairment on an annual basis, and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

The impairment test consists of comparing the carrying amount of each reporting unit to its fair value, which is calculated using the reporting unit's market capitalization and discounted cash flow. When the fair value exceeds the carrying amount, goodwill is considered not to be impaired.

There was no impairment in goodwill in fiscal 2016.

Deferred Income Taxes

We regularly assess the likelihood that the deferred tax assets will be realized from recoverable income taxes or recovered from deferred taxable income, and we record the deferred income tax assets to the amount that we believe to be probable.

Defined Benefit Pension Plans and Employees' Future Benefits

The plan obligations and related assets of the defined benefit and medical retirement plans are presented in Note 19 to the audited consolidated financial statements. Plan assets, equity and debt investments are valued using market quotations. Plan obligations and annual pension expenses are determined by independent actuaries and are based in part on a number of assumptions we provide. Key assumptions in measuring the plan obligations include the discount rate, the rate of compensation increases, the long-term health care trend rate and mortality rates.

The next actuarial valuations are scheduled for December 31, 2016 for two of the three defined benefit pension plans. The actuarial valuation for the other plan is scheduled for December 31, 2018.

The discount rate used in assessing plan assets and liabilities may significantly increase pension plan expenses in future years.

Depreciation

Estimated useful lives of property, plant and equipment are based on management's judgement and assumptions about the physical useful lives of the assets and the economic life, the maintenance of the asset and the method by which the asset depreciates.

CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective for fiscal 2016 and have not been applied in preparing the consolidated financial statements. The Company will continue evaluating the impact that these standards will have on its results of operations and financial position.

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

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

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

  The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

- IFRS 9, *Financial Instruments*:

  On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

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

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

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

  The Company intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

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

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

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

  The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

- IAS 1, *Presentation of Financial Statements*:
  On December 18, 2015 the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

  The Company intends to adopt the amendments to IAS 1 in its consolidated financial statements for the annual period beginning on October 2, 2016. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

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

  The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, includes both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

  The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

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

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

  The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

- Annual improvements to IFRS (2012-2014) cycle:
  On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:
  - Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
  - "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
  - Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
  - Disclosure of information "elsewhere in the interim financial report" under IAS 34, *Interim Financial Reporting*.

  The Company intends to adopt the amendments to IFRS (2012-2014) in its consolidated financial statements for the year beginning on October 2, 2016. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

ENVIRONMENT

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

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

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

In fiscal 2013, the Company spent $0.7 million to remove an unused oil tank. In fiscal 2016, the Company spent $0.6 million to remove contaminated soil under the tank. The Company had recorded a provision under asset retirement obligations for this purpose and the provision was sufficient.

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

RISK FACTORS

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

Dependence Upon Lantic

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

Fluctuations in Margins and Foreign Exchange

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

Fluctuations in Raw Sugar Prices

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

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

Security of Raw Sugar Supply

There are over 180 million metric tonnes of sugar produced worldwide. Of this, more than 60 million metric tonnes of raw cane sugar is traded on the world market. The Company, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

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

Weather and Other Factors Related to Production

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

Competition

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

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

Operating Costs

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

Government Regulations and Foreign Trade Policies

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

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes have not materially changed the factors that originally led to the original CITT decision and the importance of continuing these duties. However, there is no assurance that in 2020 these duties will be continued for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

Canada now has free trade agreements in force with more than 10 countries, however, few beyond the North American Free Trade Agreement ("NAFTA") offer significant market potential for Canadian sugar and sugar-containing products ("SCPs"). There are a number of reasons why these free trade agreements ("FTAs") have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. "Rules of origin" in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available because sugar refined in Canada from Costa Rica raw sugar does qualify for some preferential access to that market.

More recent negotiations with the EU and the Trans Pacific Partnership ("TPP") offer much greater opportunity for Canadian refined sugar, SCPs and Canadian processed foods made with Canadian refined sugar.

The Canada-European Union Comprehensive Economic and Trade Agreement ("CETA") was signed on October 30, 2016, concluding seven years of negotiations. On October 31st, the Government of Canada tabled the treaty and introduced implementing legislation in the House of Commons beginning the formal legislative process towards final ratification in Canada. The EU approval process may take longer because it requires each of the EU Member States to ratify the agreement after approval by the European Parliament. A likely scenario will see CETA being ratified by Canada and the EU Parliament late in 2016 and then 90% of CETA, including tariff reductions, could be provisionally implemented in early 2017. More controversial provisions including investment rules will require Member State approval and this could take a number of years.

The CETA is a positive development in the sugar market that is otherwise distorted by widespread government intervention in the EU. Under provisional implementation of the agreement, Canada is expected to have material financial benefits from exports of SCP which should contribute to the long term prosperity of Canada's sugar industry. The initial SCP volume is set at 30,000 metric tonnes growing in 5 year increments to 51,840 metric tonnes over 15 years. It is too early to determine how the quota allocation will be administered within the Canadian refined sugar industry. Regardless, the Company is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to the Company in the future and has already started exploratory discussions with potential customers.

On February 4, 2016, Canada's Trade Minister signed the TPP agreement along with Ministers of the other 11 Trans-Pacific Partnership (TPP) countries – Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The United States granted Canada a combined 19,200 metric tonnes of new access consisting of two separate tariff rate quotas; one for 9,600 metric tonnes of Canadian origin refined sugar and a second for 9,600 metric tonnes of SCPs. As the only producer of Canadian origin sugar, the Company's Canadian-specific quota will increase from 10,300 metric tonnes to 19,900 metric tonnes once the TPP agreement is in place. It is too early to determine how the SCP quota allocation will be administered within the Canadian refined sugar industry.

The TPP countries are diverse in terms of sugar policies and trade but collectively represent an important opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may also benefit from new TPP-wide access for SCPs in Japan, Malaysia and Vietnam. The Canadian Sugar Institute ("CSI") is in the process of analyzing the quota and tariff benefits in each country but given the complexity of the agreement, an understanding of possible gains in new export markets will depend on further Government of Canada research and analysis. The Government of Canada has committed to the development of implementation plans to help Canadian businesses to take advantage of the opportunities that flow from trade agreements such as the TPP.

For the TPP to take effect, it has to be ratified by at least six TPP countries, representing 85% of their combined gross domestic product. This means that the U.S. and Japan must be among the countries to approve the deal before it can be implemented. Japan is progressing towards ratification; however, the outcome of the 2016 U.S. election makes it unlikely that the TPP will be ratified in the U.S. Given these uncertainties, the Company does not expect any financial benefits from the TPP in fiscal 2017.

Canada is also active in other bilateral FTA negotiations including with Japan (separate from the TPP) and with India but these are progressing slowly. If the TPP does not advance towards implementation in the near future, it is likely that Canada will resume more active bilateral negotiations with Japan. Canada has also been engaged in other exploratory discussions that may result in free trade negotiations with Turkey, the Philippines and Thailand. On September 22, 2016, additional exploratory talks were announced with China. The CSI anticipates a formal consultation process that will enable the sugar industry to provide its specific perspective to the Government of Canada on market access priorities for sugar and SCPs in any future Canada-China FTA negotiations.

The CSI will continue to monitor these exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada's sugar industry while also monitoring potential threats. The Company continues to remain concerned that the inclusion of refined sugar in Canada's various regional and bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization ("WTO"). However, the WTO Doha round negotiations have been on hold since July 2008 with no specific date for conclusion. The CETA and TPP negotiations provide the best medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

Employee Relations

The majority of the Company's operations are unionized.

During the fiscal year, five-year labour agreements were reached with the main unit and with two of the other three smaller units of the unionized employees of the Montreal refinery for which the previous labour agreements expired in February 2016. Subsequent to year-end, a five-year labour agreement was reached with the remaining unit. The new agreements were all agreed upon at competitive rates and will expire at the end of May 2021.

The labour agreement for the Taber factory will expire at the end of March 2017. Negotiations are expected to start in early calendar 2017.

In fiscal 2013, a five-year labour agreement was reached with the unionized employees of the Vancouver refinery. Finally, the Toronto distribution centre labour agreement will expire in June 2018. There can be no assurance that new agreements will be reached at each location, or that the terms of such future agreements will be similar to the terms of the current agreements.

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

Food Safety and Consumer Health

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

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

Environmental Matters

The operations of the Company are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and the Company anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance. Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by the Company currently or in the past can be imposed by environmental regulators or other third parties. No assurance can be given that any such liabilities will not be material.

Income Tax Matters

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

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

Management and Operation of Lantic

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

OUTLOOK

In fiscal 2017, we expect the industrial and consumer volume to be comparable to fiscal 2016.

However, we expect the liquid and export segments to increase in fiscal 2017. As previously announced, the Company took advantage of favourable market conditions and the security of supply provided by its four year grower contract to enter into two, three-year agreements with a HFCS substitutable account and with an export customer.

As a result, the liquid segment is expected to increase by approximately 20,000 metric tonnes in fiscal 2017.

As for the export segment, we anticipate total volume to increase by approximately 5,000 metric tonnes in fiscal 2017. The expected improvement is explained by additional volume to Mexico of approximately 10,000 metric tonnes but should be slightly offset by lower export sales that occurred on an opportunistic basis in fiscal 2016.

Overall, we expect total volume to increase by approximately 25,000 metric tonnes.

The ratification process for the CETA is expected to be completed sometime in fiscal 2017. The Company will augment its market development activities and pursue export opportunities with the aim to fully capture the export opportunities provided by the new trade agreement. The Company does not expect CETA to have a significant impact on adjusted gross margin in fiscal 2017.

In the second half of fiscal 2016, the Alberta government announced the introduction of a carbon tax on natural gas of $1.011 per gigajoule starting on January 1, 2017 and increasing to $1.517 per gigajoule on January 1, 2018. The impact of the carbon tax is expected to be approximately $0.5 million in fiscal 2017 as most of the slicing campaign would have been completed by January 1, 2017. We foresee a greater financial impact in subsequent years as the whole slicing campaign will be subject to the new carbon tax.

Approximately 65% of fiscal 2017's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2016. In addition, some futures positions for fiscal 2018 to 2020 have also been taken. Some of these positions are at prices higher than current market value, but are at the same or better levels than those achieved in fiscal 2016. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances.

Capital expenditures for fiscal 2017 are expected to be comparable to fiscal 2016 due to various. carry-over of projects and a commitment to update targeted plant control systems in our Western plants. The Company will continue to aggressively pursue operational excellence capital investments in order to reduce costs and improve manufacturing efficiencies.

As a result of the additional volume secured starting for fiscal 2017 and to be supplied from our Taber plant, a total of 28,000 acres was contracted for planting in Taber. The harvest and beet slicing campaign started mid-September. Early indications are favourable as the yield per acre harvested and the extraction rate achieved to date are slightly better than forecast. If current harvesting conditions continue and no significant beet storage issues arise, the current crop should derive approximately 115,000 metric tonnes of refined sugar.

RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

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

Manon Lacroix,
Vice-President Finance and Secretary
Lantic Inc., Administrator

November 23, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

We have audited the accompanying consolidated financial statements of Rogers Sugar Inc., which comprise the consolidated statements of financial position as at October 1, 2016 and October 3, 2015, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years ended October 1, 2016 and October 3, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at October 1, 2016 and October 3, 2015, and of its consolidated financial performance and its consolidated cash flows for the years ended October 1, 2016 and October 3, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP*

November 23, 2016
Montréal, Canada

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

(In thousands of dollars except per share amounts)

Consolidated statements of earnings	For the years ended October 1, 2016	October 3, 2015
	$	$
Revenues (note 31)	**564,411**	541,545
Cost of sales	**436,188**	465,250
Gross margin	**128,223**	76,295
Administration and selling expenses	**19,636**	22,430
Distribution expenses	**9,989**	9,395
	29,625	31,825
Results from operating activities	**98,598**	44,470
Finance income (note 5)	**(205)**	–
Finance costs (note 5)	**9,817**	11,931
Net Finance costs	**9,612**	11,931
Earnings before income taxes	**88,986**	32,539
Income tax expense (recovery) (note 6):		
Current	**14,214**	9,935
Deferred	**9,193**	(1,429)
	23,407	8,506
Net earnings	**65,579**	24,033
Net earnings per share (note 26):		
Basic	**0.70**	0.26
Diluted	**0.64**	0.26

Consolidated statements of comprehensive income	For the years ended October 1, 2016	October 3, 2015
	$	$
Net earnings	**65,579**	24,033
Other comprehensive loss:		
Items that will not be reclassified to net earnings:		
Defined benefit actuarial losses (note 19)	**(7,587)**	(284)
Income tax on other comprehensive loss (note 6)	**1,993**	74
	(5,594)	(210)
Net earnings and comprehensive income for the year	**59,985**	23,823

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

(In thousands of dollars)

	October 1, 2016	October 3, 2015
	$	$
ASSETS		
Current assets:		
Cash and cash equivalents	**1,246**	1,359
Trade and other receivables (note 7)	**68,782**	48,202
Income taxes recoverable	**—**	147
Inventories (note 8)	**81,121**	67,273
Prepaid expenses	**2,631**	2,229
Derivative financial instruments (note 9)	**501**	5,976
Total current assets	**154,281**	125,186
Non-current assets:		
Property, plant and equipment (note 10)	**178,631**	176,410
Intangible assets (note 11)	**1,883**	1,703
Other assets (note 12)	**497**	511
Deferred tax assets (note 13)	**18,422**	18,077
Derivative financial instruments (note 9)	**1,532**	90
Goodwill (note 14)	**229,952**	229,952
Total non-current assets	**430,917**	426,743
Total assets	**585,198**	551,929
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (note 15)	**—**	7,000
Trade and other payables (note 16)	**47,096**	39,384
Income taxes payable	**3,473**	—
Provisions (note 17)	**1,133**	1,356
Finance lease obligations (note 18)	**45**	46
Derivative financial instruments (note 9)	**3,408**	3,890
Convertible unsecured subordinated debentures (note 20)	**49,805**	—
Total current liabilities	**104,960**	51,676
Non-current liabilities:		
Revolving credit facility (note 15)	**60,000**	70,000
Employee benefits (note 19)	**52,933**	45,135
Provisions (note 17)	**1,861**	2,350
Derivative financial instruments (note 9)	**6,305**	7,701
Finance lease obligations (note 18)	**162**	223
Convertible unsecured subordinated debentures (note 20)	**58,714**	107,622
Deferred tax liabilities (note 13)	**34,710**	27,165
Total non-current liabilities	**214,685**	260,196
Total liabilities	**319,645**	311,872
Shareholders' equity:		
Share capital (note 21)	**133,528**	133,782
Contributed surplus	**200,201**	200,167
Equity portion of convertible unsecured subordinated debentures (note 20)	**1,188**	1,188
Deficit	**(69,364)**	(95,080)
Total shareholders' equity	**265,553**	240,057
Commitments (notes 23 and 24)		
Contingencies (note 25)		
Total liabilities and shareholders' equity	**585,198**	551,929

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

(In thousands of dollars except number of shares)

	For the year ended October 1, 2016					
	Number of shares	**Common shares**	**Contributed surplus**	**Equity portion of convertible debentures**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance, October 3, 2015	**94,028,760**	**133,782**	**200,167**	**1,188**	**(95,080)**	**240,057**
Dividends (note 21)	**—**	**—**	**—**	**—**	**(33,796)**	**(33,796)**
Share-based compensation (note 22)	**—**	**—**	**34**	**—**	**—**	**34**
Purchase and cancellation of shares (note 21)	**(178,600)**	**(254)**	**—**	**—**	**(473)**	**(727)**
Net earnings and comprehensive income for the year	**—**	**—**	**—**	**—**	**59,985**	**59,985**
Balance, October 1, 2016	**93,850,160**	**133,528**	**200,201**	**1,188**	**(69,364)**	**265,553**

	For the year ended October 3, 2015					
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Deficit	Total
		$	$	$	$	$
Balance, September 27, 2014	94,028,860	133,712	200,148	1,188	(84,968)	250,080
Dividends (note 21)	—	—	—	—	(33,856)	(33,856)
Share-based compensation (note 22)	—	—	24	—	—	24
Stock options exercised (note 22)	30,000	113	(5)	—	—	108
Purchase and cancellation of shares (note 21)	(30,100)	(43)	—	—	(79)	(122)
Net earnings and comprehensive income for the year	—	—	—	—	23,823	23,823
Balance, October 3, 2015	94,028,760	133,782	200,167	1,188	(95,080)	240,057

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

(In thousands of dollars)

	For the years ended October 1, 2016	October 3, 2015
	$	$
Cash flows from (used in) operating activities:		
Net earnings	**65,579**	24,033
Adjustments for:		
Depreciation of property, plant and equipment (note 4)	**12,154**	12,719
Amortization of intangible assets (note 4)	**191**	199
Changes in fair value of derivative financial instruments included in cost of sales	**2,356**	5,246
Income tax expense (note 6)	**23,407**	8,506
Pension contributions	**(9,190)**	(8,414)
Pension expense	**9,401**	9,673
Net finance costs (note 5)	**9,612**	11,931
Investment tax credit receivable	**(318)**	–
Loss (gain) on disposal of property, plant and equipment	**32**	(9)
Share-based compensation (note 22)	**34**	24
Other	**—**	(8)
	113,258	63,900
Changes in:		
Trade and other receivables	**(20,580)**	3,993
Inventories	**(13,848)**	19,078
Prepaid expenses	**(402)**	(97)
Trade and other payables	**8,187**	(11,402)
Provisions	**(1,060)**	(165)
	(27,703)	11,407
Cash generated from operating activities:	**85,555**	75,307
Interest paid	**(8,827)**	(9,859)
Income taxes paid	**(10,056)**	(9,963)
Net cash from operating activities	**66,672**	55,485
Cash flows (used in) from financing activities:		
Dividends paid	**(33,812)**	(33,856)
Decrease in revolving credit facility	**(17,000)**	(8,000)
Purchase and cancellation of shares (note 21)	**(727)**	(122)
Payment of financing fees (note 12)	**(90)**	(90)
Decrease in bank overdraft	**—**	(833)
Stock options exercised (note 22)	**—**	108
Net cash used in financing activities	**(51,629)**	(42,793)
Cash flows used in investing activities:		
Additions to property, plant and equipment, net of proceeds on disposal	**(14,785)**	(11,439)
Additions to intangible assets	**(371)**	—
Net cash used in investing activities	**(15,156)**	(11,439)
Net (decrease) increase in cash and cash equivalents	**(113)**	1,253
Cash and cash equivalents, beginning of year	**1,359**	106
Cash and cash equivalents, end of year	**1,246**	1,359

Supplemental cash flow information (note 27)

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

1. REPORTING ENTITY

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The consolidated financial statements of Rogers as at October 1, 2016 and October 3, 2015 comprise Rogers and its subsidiary, Lantic Inc. (together referred to as the "Company"). The principal business activity of the Company is the refining, packaging and marketing of sugar products.

The Company's fiscal quarters end on the Saturday closest to the end of December, March, June and September. The Company's consolidated financial statements are prepared using a fiscal year which consists of 52 or 53 weeks. The fiscal year ended October 1, 2016 includes 52 weeks and the fiscal year ended October 3, 2015 includes 53 weeks. All references to 2016 and 2015 represent the years ended October 1, 2016 and October 3, 2015.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Board of Directors on November 23, 2016.

(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) financial instruments at fair value through profit or loss are measured at fair value; and

(ii) 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.

(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 that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

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

(i) Fair value of derivative financial instruments:

Derivative financial instruments are carried in the consolidated statements of financial position at fair value, with changes in fair value reflected in the consolidated statements of earnings and comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques. Financial instruments for which observable quoted prices are not available are subject to a high degree of estimation uncertainty.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (CONTINUED)

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

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

(iii) Goodwill impairment:
The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods. These estimates take into account the control premium in determining the fair value less cost to sell.

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

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

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

(vii) Consolidation:
See Note 3 (a).
Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future years affected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

The consolidated financial statements include the Company and Lantic Inc. ("Lantic"), the subsidiary it controls. 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 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 shareholders except as may be required by law.

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

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

(b) Foreign currency translation:

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

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Company's cash management.

(d) Inventories:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment:

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

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

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

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

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:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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
Other	10 years

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

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

(h) Impairment:

(i) Non-financial assets:
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated yearly at the same time and whenever there is an indication that the asset might be impaired.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment (continued):

(i) Non-financial assets (continued):
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

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.

(ii) Financial assets:
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and at the collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant trade and other receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables.

In assessing collective impairment 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 profit or loss and reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Employee benefits:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (continued):

(i) Pension benefit plans (continued):

Defined benefit plans

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

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

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

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

(ii) Short-term employee benefits:

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

(iii) Share-based compensation:

The Company has a Share Option Plan. Share-based payment awards are measured at fair value at the grant date, which is recognized as a personnel expense, with a corresponding increase in contributed surplus over the vesting period, which is normally 5 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (continued):

(v) 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.

(j) Provisions:

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

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

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

(k) Financial instruments:

All financial instruments are classified into one of the following categories: held to maturity financial assets, available-for-sale financial assets, loans and receivables, other financial liabilities, and financial assets and liabilities at fair value through profit or loss. Initial measurement of financial instruments is at fair value and subsequent measurement and recognition of changes in value of financial instruments depends on their classification. Held to maturity financial assets are initially measured at fair value and subsequently re-measured at amortized cost, using the effective interest method, less impairment. Available-for-sale financial assets are measured at fair value at each reporting period and unrealized gains or losses arising from changes in fair value, other than impairment losses, are recorded in other comprehensive income until such time as the asset is removed from the consolidated statements of financial position at which time the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company's trade and other receivables are initially measured at fair value and subsequently re-measured at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost, less impairment. The Company's trade and other payables have been classified as other financial liabilities and are, therefore, initially measured at fair value and subsequently at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost. Other financial liabilities also include short-term borrowings. Financial assets and liabilities classified at fair value through profit or loss are measured at fair value at each reporting period with changes in fair value in subsequent years included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued):

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

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

(ii) 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

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

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.

(i) Cash and cash equivalents:
The Company classifies its cash and cash equivalents as loans and receivables. Cash and cash equivalents include cash on hand and bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

(ii) Derivative financial instruments and embedded derivatives:
The Company classifies derivative financial instruments, which have not been designated as hedges for accounting purposes, and embedded derivatives as financial assets and liabilities at fair value through profit or loss (marked-to-market), and values them at fair value each period with changes recorded in cost of sales or net finance costs. The derivative financial instruments consist of sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts, natural gas futures and embedded derivatives, which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, all of which the Company enters into during the regular course of business, which is recorded at fair value each reporting period with changes recorded in cost of sales. In addition, the Company entered into interest rate swap agreements to protect itself against interest rate fluctuations, which is recorded at fair value each reporting period with changes recorded in net finance costs.

(iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued):

(iv) 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.

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

(vi) 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.

(l) Revenue recognition:

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

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

(m) Lease payments:

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

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

(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 either to finance income or finance costs based on its outcome. Interest expense is recorded using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income taxes:

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

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 or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Earnings per share:

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

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

(q) New standards and interpretations adopted:

(i) IAS 19, *Employee Benefits*:

In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee Benefits*. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are effective for years beginning on or after January 1, 2015. The Company adopted the amendments in the first quarter of the year ending October 1, 2016. The adoption of IAS 19, *Employee Benefits*, had no impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 1, 2016 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

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

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

The amendments provide requirements on the accounting for:

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

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

(ii) IFRS 9, *Financial Instruments*:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Company intends to adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

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

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

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

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been determined.

(v) IAS 1, *Presentation of Financial Statements*:
On December 18, 2015 the IASB issued amendments to IAS 1, Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

The Company intends to adopt the amendments to IAS 1 in its consolidated financial statements for the annual period beginning on October 2, 2016. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, includes both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

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

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

The Company intends to adopt the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

(viii) Annual improvements to IFRS (2012-2014) cycle:
On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34, *Interim Financial Reporting*.

The Company intends to adopt the amendments to IFRS (2012-2014) in its consolidated financial statements for the year beginning on October 2, 2016. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

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

4. DEPRECIATION AND AMORTIZATION EXPENSES

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

	For the years ended October 1, 2016	October 3, 2015
	$	$
Depreciation of property, plant and equipment:		
Cost of sales	**11,749**	12,278
Administration and selling expenses	**405**	441
	12,154	12,719
Amortization of intangible assets:		
Administration and selling expenses	**191**	199
Total depreciation and amortization expenses	**12,345**	12,918

5. FINANCE INCOME AND FINANCE COSTS

Recognized in net earnings:

	For the years ended October 1, 2016	October 3, 2015
	$	$
Net change in fair value of interest rate swaps (note 9)	**205**	—
Finance income	**205**	—
Interest expense on convertible unsecured subordinated debentures, including accretion of $175 (2015 - $165) (note 20)	**6,446**	6,503
Interest on revolving credit facility	**2,545**	3,428
Amortization of deferred financing fees	**826**	832
Net change in fair value of interest rate swaps (note 9)	**—**	1,168
Finance costs	**9,817**	11,931
Net finance costs recognized in net earnings	**9,612**	11,931

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

6. INCOME TAX EXPENSE (RECOVERY)

	For the years ended October 1, 2016	October 3, 2015
	$	$
Current tax expense:		
Current period	**14,214**	9,935
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	**8,991**	(1,426)
Changes in tax rates	**202**	(3)
Deferred tax expense (recovery)	**9,193**	(1,429)
Total income tax expense	**23,407**	8,506

Income tax recognized in other comprehensive income:

	For the years ended October 1, 2016			October 3, 2015		
	Before tax	**Tax benefit**	**Net of tax**	Before tax	Tax benefit	Net of tax
	$	**$**	**$**	$	$	$
Defined benefit actuarial losses	**(7,587)**	**1,993**	**(5,594)**	(284)	74	(210)

Reconciliation of effective tax rate:

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

	For the years ended October 1, 2016		October 3, 2015	
	%	**$**	%	$
Earnings before income taxes		**88,986**		32,539
Income taxes using the Company's statutory tax rate	**26.00**	**23,136**	26.00	8,460
Changes due to the following items:				
Changes in tax rate	**0.23**	**202**	(0.01)	(3)
Non-deductible expenses	**0.08**	**69**	0.23	75
Other	**—**	**—**	(0.08)	(26)
	26.31	**23,407**	26.14	8,506

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

7. TRADE AND OTHER RECEIVABLES

	October 1, 2016	October 3, 2015
	$	$
Trade receivables	**57,434**	44,542
Initial margin deposits with commodity brokers	**11,348**	3,660
	68,782	48,202

All trade and other receivables are current and are classified as loans and receivables.

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 0.07% for each of the last five years (averaging less than $117 per year). Write-offs for fiscal 2016 were nominal ($381 for fiscal 2015). The allowance for doubtful accounts as at October 1, 2016 was $300 (October 3, 2015 - $300). All bad debt write-offs are charged to administration and selling expenses.

– Less than 1% of trade receivables are outstanding for more than 90 days, which is comparable to October 3, 2015, while over 83% are current (less than 30 days) as at October 1, 2016 (October 3, 2015 – 87%).

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, 2016	October 3, 2015
	$	$
Raw sugar	**30,804**	25,667
Work in progress	**12,970**	7,762
Refined sugar	**19,585**	17,070
Sugar inventories	**63,359**	50,499
Packaging and operating supplies	**5,923**	5,381
Spare parts and other	**11,839**	11,393
	81,121	67,273

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

As at October 1, 2016, the Company recorded an amount of $0.5 million (October 3, 2015 – nil) related to onerous contracts as defined in IAS 37 paragraph 66, as a write-down to inventory through cost of sales. In the normal course of business, the Company enters into an economic hedge for all of its raw sugar purchases and refined sugar sales. As the Company does not apply hedge accounting for these contracts, the related derivative instruments, being the futures contracts are marked-to-market. As a result, the Company must record an onerous loss to cost of sales when the net realizable value is lower than the mark-to-market of the raw sugar futures contract and the related refining costs.

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

9. FINANCIAL INSTRUMENTS

Derivative financial instruments

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

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

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

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at year end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution which is counter-party to these contracts. The fair value of natural gas contracts, foreign exchange forward contracts and interest rate swap calculations include a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

The Company has embedded derivatives in certain sales contracts denominated in U.S. currency, which are accounted for separately at fair value from the base contract.

As at October 1, 2016 and October 3, 2015, financial derivatives outstanding and their mark-to-market impact on the consolidated statements of earnings and comprehensive income were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	October 1, 2016		October 1, 2016	
	$	$	$	$
Sugar futures contracts	—	—	186	231
Natural gas futures contracts	—	—	2,617	4,869
Foreign exchange forward contracts	501	1,532	—	—
Embedded derivatives	—	—	216	112
Interest rate swaps	—	—	389	1,093
	501	1,532	3,408	6,305

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	October 3, 2015		October 3, 2015	
	$	$	$	$
Sugar futures contracts	400	—	—	102
Natural gas futures contracts	—	—	3,312	6,376
Foreign exchange forward contracts	3,672	—	—	118
Embedded derivatives	1,904	90	—	—
Interest rate swaps	—	—	578	1,105
	5,976	90	3,890	7,701

	Unrealized gain (loss) For the years ended	
	October 1, 2016	October 3, 2015
	$	$
Sugar futures contracts	**10,562**	(2,285)
Natural gas futures contracts	**(2,460)**	(11,876)
Foreign exchange forward contracts	**2,298**	5,553
Embedded derivatives	**(2,322)**	1,258
Charged to cost of sales	**8,078**	(7,350)

For its financial assets and liabilities measured at amortized cost as at October 1, 2016 and October 3, 2015, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short period to maturity of these instruments.

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

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(a) Raw sugar:

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

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar at October 1, 2016 and October 3, 2015 are as follows:

	October 1, 2016			October 3, 2015		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
0 - 6 months	**47,730**	**70,788**	**23,058**	78,842	66,449	(12,393)
6 - 12 months	**89,873**	**126,991**	**37,118**	97,997	91,110	(6,887)
12 - 24 months	**37,484**	**53,116**	**15,632**	45,859	45,967	108
Over 24 months	**19**	**20**	**1**	5,646	6,006	360
	175,106	**250,915**	**75,809**	228,344	209,532	(18,812)
Sales						
0 - 6 months	**(37,020)**	**(38,717)**	**(1,697)**	(53,615)	(60,630)	(7,015)
6 -12 months	**(108,595)**	**(163,547)**	**(54,952)**	(111,254)	(80,773)	30,481
12 - 24 months	**(31,863)**	**(38,805)**	**(6,942)**	(60,841)	(59,619)	1,222
Over 24 months	**—**	**—**	**—**	(3,205)	(3,407)	(202)
	(177,478)	**(241,069)**	**(63,591)**	(228,915)	(204,429)	24,486
Net position	**(2,372)**	**9,846**	**12,218**	(571)	5,103	5,674
Foreign exchange rate at end of period			**1.3117**			1.3164
Net value (CA$)			**16,026**			7,469
Less margin call receipt at year-end			**(16,443)**			(7,171)
Net (liabilities) asset (CA$)			**(417)**			298

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

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

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(b) Natural gas:

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty 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, 2016			October 3, 2015		
	Original futures contracts value	**Current contract value**	**Fair value gain/(loss)**	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases						
Less than 1 year	**5,318**	**3,323**	**(1,995)**	7,088	4,572	(2,516)
1 to 2 years	**7,410**	**5,155**	**(2,255)**	7,228	5,180	(2,048)
2 to 3 years	**5,580**	**4,208**	**(1,372)**	7,410	5,544	(1,866)
3 years and over	**2,033**	**1,948**	**(85)**	5,580	4,650	(930)
	20,341	**14,634**	**(5,707)**	27,306	19,946	(7,360)
Foreign exchange rate at end of period			**1.3117**			1.3164
Net liability (CA$)			**(7,486)**			(9,688)

(c) Foreign exchange contracts:

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

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

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

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar, the purchase of natural gas and purchases of property, plant and equipment are as follows:

		October 1, 2016		
	Original contract value	**Original contract value**	**Current contract value**	**Fair value gain/(loss)**
	(US$)	**(CA$)**	**(CA$)**	**(CA$)**
Purchases U.S. dollars				
Less than 1 year	**74,772**	**98,302**	**98,050**	**(252)**
1 to 2 years	**2,500**	**3,261**	**3,270**	**9**
2 to 3 years	**175**	**225**	**228**	**3**
	77,447	**101,788**	**101,548**	**(240)**
Sales U.S. dollars				
Less than 1 year	**(98,553)**	**(130,000)**	**(129,248)**	**752**
1 to 2 years	**(13,628)**	**(18,609)**	**(17,821)**	**788**
2 to 3 years	**(10,986)**	**(15,015)**	**(14,341)**	**674**
3 years and over	**(783)**	**(1,080)**	**(1,021)**	**59**
	(123,950)	**(164,704)**	**(162,431)**	**2,273**
Total U.S. dollars	**(46,503)**	**(62,916)**	**(60,883)**	**2,033**

As at October 1, 2016, the Company had no euro foreign currency forward contracts.

		October 3, 2015		
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US$)	(CA$)	(CA$)	(CA$)
Purchases U.S. dollars				
Less than 1 year	108,359	137,269	142,700	5,431
1 to 2 years	13,205	17,351	17,394	43
2 to 3 years	500	653	657	4
	122,064	155,273	160,751	5,478
Sales U.S. dollars				
Less than 1 year	(110,900)	(144,224)	(146,018)	(1,794)
1 to 2 years	(2,050)	(2,532)	(2,697)	(165)
	(112,950)	(146,756)	(148,715)	(1,959)
Total U.S. dollars	9,114	8,517	12,036	3,519

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

	October 3, 2015			
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(EUR)	(CA$)	(CA$)	(CA$)
Purchases euros				
Less than 1 year	482	680	715	35
Total euros	482	680	715	35
Net foreign currency	n/a	9,197	12,751	3,554

(d) Interest rate swap agreements:

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. In fiscal 2015, the Company entered into a forward start interest rate swap agreement effective for the period of June 28, 2018 to June 29, 2020 at a rate of 1.959% for a value of $30.0 million. The aggregate notional amount of all the interest rate swap agreements is as follows:

Date	Total value
	$
June 28, 2016 to June 28, 2019	40,000
June 29, 2019 to June 29, 2020	30,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at October 1, 2016, the fair value of the swap agreements amounted to a total liability of $1.5 million (October 3, 2015 – liability of $1.7 million).

Risks

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in Note 7, Trade and other receivables and Note 9, Financial instruments.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk:

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

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

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see Note 9, Derivative financial instruments (c) Foreign exchange contracts).

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

	October 1, 2016	October 3, 2015
	(US$)	(US$)
U.S. financial instruments measured at amortized cost:		
Cash	**2,272**	2,845
Trade and other receivables, including initial margin deposits	**19,867**	10,045
Trade and other payables	**(2,410)**	(1,953)
	19,729	10,937
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	**177,478**	228,915
Raw sugar futures purchases contracts	**(175,106)**	(228,344)
Natural gas contracts	**(20,341)**	(27,306)
Variation margins paid on futures contracts	**(12,218)**	(5,674)
	(30,187)	(32,409)
Total exposure from above	**(10,458)**	(21,472)
Forward exchange contracts	**(46,503)**	9,114
Gross exposure	**(56,961)**	(12,358)

As at October 1, 2016, the U.S./Can. exchange rate was $1.3117 (October 3, 2015 - $1.3164).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of $2.1 million, (October 3, 2015 - increase of $0.5 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(b) Currency risk (continued):

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

	October 1, 2016	October 3, 2015
	(US$)	(US$)
Gross exposure as per above	**(56,961)**	(12,358)
Sugar purchases priced not received	**(63,849)**	(79,573)
Committed future sales in U.S. dollars	**106,407**	68,564
Ocean freight	**(428)**	(634)
Other	**(243)**	(73)
Net exposure	**(15,074)**	(24,074)

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an increase of net earnings by $0.6 million in 2016 (October 3, 2015 - increase of $0.9 million) while a decrease would have an equal but opposite effect on net earnings.

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

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

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

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

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(c) Interest rate risk:

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

The Company has a long-term cash borrowing as at October 1, 2016 of $60.0 million, as opposed to short-term and long-term cash borrowings of $7.0 million and $70.0 million, respectively, as at October 3, 2015. The Company normally enters into a 30- or 90-day bankers' acceptance for an amount varying between $50.0 million to $90.0 million of the borrowings, and will borrow either under prime rate loans or shorter term bankers' acceptances for any other borrowings. To mitigate the risk in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements from time to time. In fiscal 2015 the Company entered into a 2-year interest rate swap agreement effective June 28, 2018 at a rate of 1.959% for a value of $30.0 million. In fiscal 2013 and 2014, the Company entered into two 5-year interest rate swap agreements at a rate of 2.09%. The aggregate notional amount of all the interest rate swap agreements is as follows:

Date	Total value
	$
June 28, 2016 to June 28, 2019	40,000
June 29, 2019 to June 29, 2020	30,000

All other borrowings over and above the aggregate notional amount of the two interest rate swap agreements are therefore exposed to interest rate fluctuations.

For the year ended October 1, 2016, if interest rates had been 50 basis points higher considering all borrowings not covered by the interest rate swap agreements, net earnings would have been $0.2 million lower (October 3, 2015 - $0.2 million lower) while a decrease would have an equal but opposite effect on net earnings.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk:

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

				October 1, 2016		
	Carrying amount	**Contractual cash flows**	**0 to 6 months**	**6 to 12 months**	**12 to 24 months**	**After 24 months**
	$	**$**	**$**	**$**	**$**	**$**
Non-derivative financial liabilities:						
Revolving credit facility	**60,000**	**60,000**	**—**	**—**	**—**	**60,000**
Trade and other payables	**47,096**	**47,096**	**47,096**	**—**	**—**	**—**
Finance lease obligations	**207**	**233**	**28**	**28**	**56**	**121**
	107,303	**107,329**	**47,124**	**28**	**56**	**60,121**
Derivative financial instruments:						
Sugar futures contracts (net) (ii)	**417**	**12,915**	**42,068**	**(47,951)**	**18,772**	**26**
Natural gas contracts (ii)	**7,486**	**26,681**	**3,484**	**3,491**	**9,720**	**9,986**
Forward exchange contracts (net) (ii)	**(2,033)**	**(62,916)**	**(28,722)**	**(2,976)**	**(15,348)**	**(15,870)**
Interest on swap agreements	**1,482**	**2,847**	**418**	**418**	**826**	**1,185**
	7,352	**(20,473)**	**17,248**	**(47,018)**	**13,970**	**(4,673)**
	114,655	**86,856**	**64,372**	**(46,990)**	**14,026**	**55,448**

				October 3, 2015		
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Non-derivative financial liabilities:						
Revolving credit facility (i)	77,000	77,000	7,000	—	—	70,000
Trade and other payables	39,384	39,384	39,384	—	—	—
Finance lease obligations	269	311	30	30	60	191
	116,653	116,695	46,414	30	60	70,191
Derivative financial instruments:						
Sugar futures contracts (net) (ii)	(298)	6,718	7,660	13,608	(17,971)	3,421
Natural gas contracts (ii)	9,688	35,946	5,200	4,131	9,515	17,100
Forward exchange contracts (net) (ii)	(3,554)	9,197	(31,503)	25,228	14,819	653
Interest on swap agreements	1,683	3,840	523	470	836	2,011
	7,519	55,701	(18,120)	43,437	7,199	23,185
	124,172	172,396	28,294	43,467	7,259	93,376

(i) The comparative figures of October 3, 2015 have been reclassified to reflect the expected non-current portion of the revolving credit facility (refer to Note 15, Revolving credit facility).

(ii) Based on notional amounts as presented above.

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk (continued):

The convertible unsecured subordinated debentures of $110.0 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 has a revolving credit facility of $150.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances.

It is the Company's intention to keep a debt level under its revolving credit facility between $50.0 million to $90.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flow generated from operations.

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

As at October 1, 2016, the Company had an unused available line of credit of $90.0 million (October 3, 2015 – $73.0 million) and cash and cash equivalent balance of $1.2 million (October 3, 2015 – $1.4 million).

(e) Commodity price risk:

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

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

(i) Sugar:

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

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

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

(ii) Natural gas:

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

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk (continued):

As at October 1, 2016, the Company had the following commodity contracts:

	Sugar futures contracts			**Natural gas contracts**		
	Volume	**Current average value**	**Current contract value**	**Contracts**	**Current average value**	**Current contract value**
	M.T.	**(US$)**	**(US$)**	**(10,000 MM BTU)**	**(US$)**	**(US$)**
Purchases	**530,028**	**473.40**	**250,915**	**598**	**2.447**	**14,634**
Sales	**(518,699)**	**462.57**	**(239,936)**	**—**	**—**	**—**
Beet pre-hedge	**(2,235)**	**506.94**	**(1,133)**	**—**	**—**	**—**
	9,094	**n/a**	**9,846**	**598**	**2.447**	**14,634**
Foreign exchange rate at end of period			**1.3117**			**1.3117**
Net value CA$			**12,915**			**19,195**

As at October 3, 2015, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	M.T.	(US$)	(US$)	(10,000 MM BTU)	(US$)	(US$)
Purchases	706,263	296.68	209,532	762	2.618	19,946
Sales	(687,720)	297.26	(204,429)	—	—	—
	18,543	n/a	5,103	762	2.618	19,946
Foreign exchange rate at end of period			1.3164			1.3164
Net value CA$			6,718			26,257

If, on October 1, 2016, the raw sugar value would have increased by US$0.03 per pound (being approximately US$66.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately $0.7 million (calculated only on the point-in-time exposure on October 1, 2016) (October 3, 2015 - increase of $2.0 million for US$0.05 per pound increase). If the raw sugar value would have decreased by US$0.05 per pound (being approximately US$110.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately $1.2 million (October 3, 2015 - decrease of $1.2 million for US$0.03 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on October 1, 2016, the raw sugar value would have increased by US$0.03 per pound (being approximately US$66.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately $0.1 million (calculated only on the point-in-time exposure on October 1, 2016). If the raw sugar value would have decreased by US$0.05 per pound (being approximately US$110.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately $0.2 million. The Company had no beet pre-hedge contracts as at October 3, 2015

9. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(e) Commodity price risk (continued):

If, on October 1, 2016, the natural gas market price would have increased by US$1.00, and all other variables remained constant, net earnings would have increased by $5.8 million (October 3, 2015 - increase of $7.4 million) as a result of the change in fair value of our natural gas futures. If the natural gas value would have decreased by US$1.00, and all other variables remained constant, net earnings would have decreased by $5.8 million (October 3, 2015 - decrease of $7.4 million).

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

Fair values of financial instruments

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

The following describes the fair value determinations of financial instruments:

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

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

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

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

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

(vi) Refer to Note 18, Finance lease obligations.

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

9. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments (continued)

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

		October 1, 2016		October 3, 2015	
	Fair values hierarchy level	**Carrying values**	**Fair values**	Carrying values	Fair values
		$	**$**	$	$
Financial assets:					
At fair value through profit or loss:					
Derivatives	(See below)	**2,033**	**2,033**	6,066	6,066
Loans and receivables:					
Cash and cash equivalents	Level 1	**1,246**	**1,246**	1,359	1,359
Trade and other receivables	n/a	**68,782**	**68,782**	48,202	48,202
Income taxes recoverable	n/a	**—**	**—**	147	147
Total financial assets		**72,061**	**72,061**	55,774	55,774
Financial liabilities:					
At fair value through profit or loss:					
Derivatives	(See below)	**9,713**	**9,713**	11,591	11,591
Other financial liabilities:					
Revolving credit facility	n/a	**60,000**	**60,000**	77,000	77,000
Trade and other payables	n/a	**47,096**	**47,096**	39,384	39,384
Income taxes payable	n/a	**3,473**	**3,473**	—	—
Finance lease obligations	n/a	**207**	**207**	269	269
Convertible unsecured subordinated debentures	Level 1	**108,519**	**113,275**	107,622	110,725
Total financial liabilities		**229,008**	**233,764**	235,866	238,969

The fair values hierarchy for derivative financial instruments is as follows:

		October 1, 2016		October 3, 2015	
	Fair values hierarchy level	**Financial assets**	**Financial liabilities**	Financial assets	Financial liabilities
		$	**$**	$	$
Sugar futures contracts	Level 1	**—**	**417**	400	102
Natural gas contracts	Level 2	**—**	**7,486**	—	9,688
Foreign exchange forward contracts	Level 2	**2,033**	**—**	3,672	118
Embedded derivatives	Level 2	**—**	**328**	1,994	—
Interest rate swaps	Level 2	**—**	**1,482**	—	1,683
Total as at year end		**2,033**	**9,713**	6,066	11,591

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

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Finance leases	Construction in progress	Total
	$	$	$	$	$	$	$
Cost or deemed cost							
Balance at September 27, 2014	17,748	58,421	241,630	4,005	312	7,402	329,518
Additions	—	—	701	—	276	11,169	12,146
Transfers	—	2,173	7,954	284	—	(10,411)	—
Disposals	—	—	(733)	—	—	—	(733)
Balance at October 3, 2015	**17,748**	**60,594**	**249,552**	**4,289**	**588**	**8,160**	**340,931**
Additions	**—**	**—**	**600**	**—**	**—**	**13,795**	**14,395**
Transfers	**—**	**2,128**	**11,131**	**2,692**	**—**	**(15,951)**	**—**
Disposals	**—**	**—**	**(1,318)**	**—**	**(148)**	**—**	**(1,466)**
Balance at October 1, 2016	**17,748**	**62,722**	**259,965**	**6,981**	**440**	**6,004**	**353,860**
Depreciation							
Balance at September 27, 2014	—	18,510	130,920	2,770	304	—	152,504
Depreciation for the year	—	1,282	11,033	388	16	—	12,719
Disposals	—	—	(702)	—	—	—	(702)
Balance at October 3, 2015	**—**	**19,792**	**141,251**	**3,158**	**320**	**—**	**164,521**
Depreciation for the year	**—**	**1,338**	**10,400**	**365**	**51**	**—**	**12,154**
Disposals	**—**	**—**	**(1,318)**	**—**	**(128)**	**—**	**(1,446)**
Balance at October 1, 2016	**—**	**21,130**	**150,333**	**3,523**	**243**	**—**	**175,229**
Net carrying amounts							
At October 3, 2015	17,748	40,802	108,301	1,131	268	8,160	176,410
At October 1, 2016	**17,748**	**41,592**	**109,632**	**3,458**	**197**	**6,004**	**178,631**

There were no impairment losses during fiscal 2016 and 2015.

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 15, Revolving credit facility).

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

11. INTANGIBLE ASSETS

	Software	Other	Total
	$	$	$
Cost			
Balance at September 27, 2014	2,997	284	3,281
Additions	—	—	—
Balance at October 3, 2015	**2,997**	**284**	**3,281**
Additions	**371**	**—**	**371**
Balance at October 1, 2016	**3,368**	**284**	**3,652**
Amortization			
Balance at September 27, 2014	1,314	65	1,379
Amortization for the year	171	28	199
Balance at October 3, 2015	**1,485**	**93**	**1,578**
Amortization for the year	**163**	**28**	**191**
Balance at October 1, 2016	**1,648**	**121**	**1,769**
Net carrying amounts			
At October 3, 2015	1,512	191	1,703
At October 1, 2016	**1,720**	**163**	**1,883**

12. OTHER ASSETS

	October 1, 2016	October 3, 2015
	$	$
Deferred financing charges, net	**486**	500
Other	**11**	11
	497	511

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year credit agreement. Borrowings under the revolving credit facility are short-term in nature and can be repaid at any time. Therefore, deferred financing charges are presented separately and not applied against the debt (see Note 15, Revolving credit facility).

During the fiscal year, the Company paid $90 in deferred financing fees to extend the maturity date of the revolving credit facility (see Note 15, Revolving credit facility). These fees, along with the outstanding balance of the previously deferred financing charges, are amortized over the extended life of the revolving credit facility, which now matures on June 28, 2021.

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

13. DEFERRED TAX ASSETS AND LIABILITIES

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

	October 1, 2016	October 3, 2015
	$	$
Assets:		
Employee benefits	**13,977**	11,768
Derivative financial instruments	**2,594**	2,965
Losses carried forward	**—**	1,124
Provisions	**791**	966
Other	**1,060**	1,254
	18,422	18,077
Liabilities:		
Property, plant and equipment	**(27,024)**	(20,922)
Derivative financial instruments	**(4,769)**	(3,394)
Goodwill	**(2,295)**	(2,229)
Deferred financing charges	**(323)**	(340)
Other	**(299)**	(280)
	(34,710)	(27,165)
Net assets (liabilities):		
Property, plant and equipment	**(27,024)**	(20,922)
Employee benefits	**13,977**	11,768
Derivative financial instruments	**(2,175)**	(429)
Losses carried forward	**—**	1,124
Goodwill	**(2,295)**	(2,229)
Provisions	**791**	966
Deferred financing charges	**(323)**	(340)
Other	**761**	974
	(16,288)	(9,088)

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

13. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in temporary differences during the year and the previous year is as follows:

	Balance October 3, 2015	**Recognized in profit (loss)**	**Recognized in other comprehensive income**	**Balance October 1, 2016**
	$	**$**	**$**	**$**
Property, plant and equipment	**(20,922)**	**(6,102)**	**—**	**(27,024)**
Employee benefits	**11,768**	**216**	**1,993**	**13,977**
Derivative financial instruments	**(429)**	**(1,746)**	**—**	**(2,175)**
Losses carried forward	**1,124**	**(1,124)**	**—**	**—**
Goodwill	**(2,229)**	**(66)**	**—**	**(2,295)**
Provisions	**966**	**(175)**	**—**	**791**
Deferred financing charges	**(340)**	**17**	**—**	**(323)**
Other	**974**	**(213)**	**—**	**761**
	(9,088)	**(9,193)**	**1,993**	**(16,288)**

	Balance September 27, 2014	Recognized in profit (loss)	Recognized in other comprehensive income	Balance October 3, 2015
	$	$	$	$
Property, plant and equipment	(23,019)	2,097	—	(20,922)
Employee benefits	11,335	359	74	11,768
Derivative financial instruments	1,573	(2,002)	—	(429)
Losses carried forward	142	982	—	1,124
Goodwill	(2,184)	(45)	—	(2,229)
Provisions	867	99	—	966
Deferred financing charges	(388)	48	—	(340)
Other	1,083	(109)	—	974
	(10,591)	1,429	74	(9,088)

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

14. GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Company, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than the Company's operating segment.

The Company's cash-generating unit's impairment test was applied to the CGU, being the Company as a whole, based on its fair values less cost to sell ("FVLCTS").

The methodology used to determine the FVLCTS is based on the market capitalization of the Company, determined using the October 1, 2016 closing quoted market price of the Company's shares multiplied by the outstanding shares, adjusted to include a control premium. The quoted market price reflects the price to obtain a non-controlling interest in the Company whereas the FVLCTS reflects what a market participant would pay to obtain control of the Company. Therefore, a control premium has been taken into account which reflects the synergies that a market participant could realize in obtaining control of the Company. The control premium used for calculating the FVLCTS at October 1, 2016 was 20% (October 3, 2015 - 20%).

15. REVOLVING CREDIT FACILITY

On June 28, 2013, the Company entered into a revolving credit facility agreement for $150.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 200 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 credit facility. The following amounts were outstanding as at:

	October 1, 2016	October 3, 2015
	$	$
Outstanding amount on revolving credit facility:		
Current	**—**	7,000
Non-current	**60,000**	70,000
	60,000	77,000

During the fiscal year, the Company exercised its option to extend the revolving credit facility with the same terms and conditions of the credit agreement entered into on June 28, 2013. The maturity date of the revolving credit facility was therefore extended to expire on June 28, 2021. As at October 1, 2016, the balance of $60.0 million is shown as non-current. The comparative figures of October 3, 2015 have been reclassified to reflect the expected non-current portion of the revolving credit facility. As initially reported, $37.0 million shown as current is now reflected at $7.0 million and $40.0 million shown as non-current is now reflected at $70.0 million.

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

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

16. TRADE AND OTHER PAYABLES

	October 1, 2016	October 3, 2015
	$	$
Trade payables	**26,255**	20,452
Other non-trade payables	**3,312**	2,902
Personnel-related liabilities	**9,082**	7,567
Dividends payable to shareholders	**8,447**	8,463
	47,096	39,384

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

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

17. PROVISIONS

	October 1, 2016	October 3, 2015
	$	$
Opening balance	**3,706**	3,336
Additions	**348**	535
Provisions used during the period	**(1,060)**	(165)
Closing balance	**2,994**	3,706
Presented as:		
Current	**1,133**	1,356
Non-current	**1,861**	2,350
	2,994	3,706

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

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

The asset retirement obligations have not been discounted as the provision is expected to be used within the next five years.

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

18. FINANCE LEASE OBLIGATIONS

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

The outstanding liabilities are as follows:

	October 1, 2016		October 3, 2015	
	Carrying values	**Fair values**	Carrying values	Fair values
	$	**$**	$	$
Finance lease obligations	**207**	**207**	269	269

The finance lease obligations are payable as follows:

	October 1, 2016			October 3, 2015		
	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	**56**	**11**	**45**	60	14	46
Between one and five years	**177**	**15**	**162**	240	28	212
More than five years	**—**	**—**	**—**	11	—	11
	233	**26**	**207**	311	42	269

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

19. 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, 2016	October 3, 2015
	$	$
Fair value of plan assets:		
Pension benefit plans	**97,033**	126,707
Other benefit plans	**—**	—
	97,033	126,707
Defined benefit obligation:		
Pension benefit plans	**126,972**	150,837
Other benefit plans	**22,994**	21,005
	149,966	171,842
Funded status:		
Pension benefit plans	**(29,939)**	(24,130)
Other benefit plans	**(22,994)**	(21,005)
	(52,933)	(45,135)
Experience adjustment arising on plan liabilities	**(785)**	525
Experience adjustment arising on plan assets	**5,348**	(335)

The Company has determined that, in accordance with the terms and conditions of the defined benefit pension plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary at October 1, 2016 (October 3, 2015 - no decrease in defined benefit asset).

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

19. EMPLOYEE BENEFITS (CONTINUED)

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2015 and the next required valuations will be as of December 31, 2016 and 2018.

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

	October 1, 2016		October 3, 2015	
	%	$	%	$
Equity instruments	**61.8**	**59,966**	43.1	54,611
Government bonds	**35.3**	**34,253**	54.1	68,548
Cash and short-term securities	**2.9**	**2,814**	2.8	3,548
	100.0	**97,033**	100.0	126,707

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 2017 are expected to be approximately $4.3 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) Longevity risk:
A greater improvement in life expectancy than projected in the mortality tables used will increase the value of the defined benefit obligation.

(iv) 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.

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

19. EMPLOYEE BENEFITS (CONTINUED)

Movement in the present value of the defined benefit obligations:

	For the years ended					
	October 1, 2016			October 3, 2015		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	**150,837**	**21,005**	**171,842**	155,272	21,272	176,544
Current service cost	**2,128**	**382**	**2,510**	2,074	373	2,447
Re-measurements of other long-term benefits	**1,809**	**(12)**	**1,797**	—	—	—
(Gain) loss on settlements	**(2,475)**	**—**	**(2,475)**	2,675	—	2,675
Interest cost	**5,032**	**844**	**5,876**	5,715	854	6,569
Employee contributions	**945**	**—**	**945**	921	—	921
Benefit payments from plan	**(41,582)**	**—**	**(41,582)**	(15,553)	—	(15,553)
Benefit payments from employer	**(1,090)**	**(792)**	**(1,882)**	(935)	(739)	(1,674)
Actuarial (gains) losses arising from changes in demographic assumptions	**—**	**(924)**	**(924)**	—	(612)	(612)
Actuarial losses arising from changes in financial assumptions	**12,038**	**2,606**	**14,644**	—	—	—
Actuarial (gains) losses arising from member experience	**(670)**	**(115)**	**(785)**	668	(143)	525
Defined benefit obligation, end of year	**126,972**	**22,994**	**149,966**	150,837	21,005	171,842
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	**126,707**	**—**	**126,707**	132,952	—	132,952
Interest income	**4,141**	**—**	**4,141**	4,786	—	4,786
Return on plan assets (excluding interest income)	**5,348**	**—**	**5,348**	(335)	—	(335)
Employer contributions	**4,110**	**792**	**4,902**	3,504	739	4,243
Employee contributions	**945**	**—**	**945**	921	—	921
Benefit payments from plan	**(41,582)**	**—**	**(41,582)**	(15,553)	—	(15,553)
Benefit payments from employer	**(1,090)**	**(792)**	**(1,882)**	(935)	(739)	(1,674)
Plan expenses	**(406)**	**—**	**(406)**	(666)	—	(666)
(Loss) gain on settlement	**(1,140)**	**—**	**(1,140)**	2,033	—	2,033
Fair value of plan assets, end of year	**97,033**	**—**	**97,033**	126,707	—	126,707

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

19. EMPLOYEE BENEFITS (CONTINUED)

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

	October 1, 2016		October 3, 2015	
	Pension benefits plans	**Other benefits plans**	Pension benefits plans	Other benefits plans
Active plan participants	**44.8**	**46.8**	32.6	44.1
Retired plan members	**15.1**	**53.2**	60.5	55.9
Deferred plan participants	**36.3**	**—**	2.4	—
Other	**3.8**	**—**	4.5	—
	100.0	**100.0**	100.0	100.0

In 2016, the Company recorded an expense of $1.8 million for contracted future plan amendments to one of the pension benefit plans.

In fiscal 2014, a decision was made to terminate the defined benefit portion of the Lantic Inc. Pension Plan for Salaried Employees in B.C. and Alberta (the "Salaried Plan"), for which years of service had been frozen since 2008. In fiscal 2016, the Company completed the termination of the Salaried Plan, with the settlement and transfer of the defined benefit pension liabilities to an insurance company. The settlement process resulted in the reversal of a non-cash accrual of $1.2 million against administration and selling expenses, pertaining to the deficit outstanding as at October 3, 2015. In fiscal 2015, a non-cash expense of $0.8 million was recorded, resulting in a year-over-year positive variation of $2.0 million.

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

	For the years ended					
	October 1, 2016			October 3, 2015		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Pension costs recognized in net earnings:						
Current service cost	**2,128**	**382**	**2,510**	2,074	373	2,447
Expenses related to the pension benefits plans	**406**	**—**	**406**	666	—	666
Interest cost	**891**	**844**	**1,735**	829	854	1,683
Interest on current service costs	**—**	**—**	**—**	100	—	100
(Gain) loss on settlements	**(1,335)**	**—**	**(1,335)**	642	—	642
Re-measurements of other long term benefits	**1,809**	**(12)**	**1,797**	—	(37)	(37)
Pension expense	**3,899**	**1,214**	**5,113**	4,311	1,190	5,501
Recognized in:						
Cost of sales	**3,790**	**785**	**4,575**	3,294	764	4,058
Administration and selling expenses	**109**	**429**	**538**	1,017	426	1,443
	3,899	**1,214**	**5,113**	4,311	1,190	5,501

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

19. EMPLOYEE BENEFITS (CONTINUED)

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

	For the years ended					
	October 1, 2016			October 3, 2015		
	Pension benefits plans	**Other benefits plans**	**Total**	Pension benefits plans	Other benefits plans	Total
	$	**$**	**$**	$	$	$
Cumulative amount in income at the beginning of the year	**8,228**	**(2,090)**	**6,138**	7,226	(1,372)	5,854
Recognized during the year	**6,020**	**1,567**	**7,587**	1,002	(718)	284
Cumulative amount in income at the end of the year	**14,248**	**(523)**	**13,725**	8,228	(2,090)	6,138
Recognized during the year, net of tax	**4,439**	**1,155**	**5,594**	741	(531)	210

Principal actuarial assumptions used were as follows:

	For the years ended			
	October 1, 2016		October 3, 2015	
	Pension benefits plans	**Other benefits plans**	Pension benefits plans	Other benefits plans
	%	**%**	%	%
Company's defined benefit obligation:				
Discount rate	**3.35**	**3.35**	4.20	4.20
Rate of compensation increase	**3.00**	**3.00**	3.50	3.50
Net benefit plan expense:				
Discount rate	**4.20**	**4.20**	4.20	4.20
Rate of compensation increase	**3.50**	**3.50**	3.50	3.50

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

19. 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, 2016	October 3, 2015
Longevity at age 65 for current pensioners:		
Males	**21.6**	21.6
Females	**24.1**	24.0
Longevity at age 65 for members aged 45:		
Males	**22.7**	22.7
Females	**25.0**	25.0

The assumed health care cost trend rate as at October 1, 2016 was 5.54% (October 3, 2015 - 5.68%), decreasing uniformly to 4.44% in 2034 (October 3, 2015 - 4.45% in 2034) and remaining at that level thereafter.

The following table outlines the key assumptions for the year ended October 1, 2016 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

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

	For the year ended October 1, 2016		
	Pension benefits plans	**Other benefits plans**	**Total**
	$	**$**	**$**
(Decrease) increase in Company's defined benefit obligation:			
Discount rate			
Impact of increase of 1%	**(16,346)**	**(2,968)**	**(19,314)**
Impact of decrease of 1%	**21,708**	**3,737**	**25,445**
Rate of compensation increase			
Impact of increase in of 0.5%	**1,912**	**5**	**1,917**
Impact of decrease in of 0.5%	**(1,136)**	**(5)**	**(1,141)**
Mortality			
99% of expected rate	**296**	**93**	**389**

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	**3,347**	**(2,711)**

As at October 1, 2016, the weighted average duration of the defined benefit obligation amounts to 14.9 years (October 3, 2015 - 15.1 years).

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

20. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures, all recorded as non-current liabilities, are as follows:

	October 1, 2016	October 3, 2015
	$	$
Current		
Fourth series (i)	**50,000**	—
Total face value	**50,000**	—
Less deferred financing fees	**(195)**	—
Carrying value – current	**49,805**	—
Non-Current		
Fourth series (i)	**—**	50,000
Fifth series (ii)	**60,000**	60,000
Total face value	**60,000**	110,000
Less deferred financing fees	**(856)**	(1,773)
Less equity component (ii)	**(1,188)**	(1,188)
Accretion expense on equity component	**758**	583
Carrying value – non-current	**58,714**	107,622
Total carrying value	**108,519**	107,622

(i) Fourth series:

On April 8, 2010, the Company issued 50,000 fourth series, 5.70% convertible unsecured subordinated debentures ("Fourth series debentures"), maturing on April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010 for gross proceeds of $50.0 million. The debentures may be converted at the option of the holder at a conversion price of $6.50 per share (representing 7,692,308 common shares) at any time prior to maturity, and cannot be redeemed prior to April 30, 2013.

On or after April 30, 2013 and prior to April 30, 2015, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

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

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Company has not allocated any of the Fourth series debentures into an equity component, as the calculation of the equity component is not significant using an appropriate interest rate that would have been applicable to the issuance of similar debt without the conversion features at the time the debentures were issued.

20. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(i) Fourth series (continued):

The Company incurred issuance costs of $2.4 million, which are netted against the convertible debenture liability.

As at October 1, 2016, the Fourth series debentures were presented in current liabilities as it matures on April 30, 2017.

The fair value of the Fourth 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, 2016 was approximately $50.9 million (October 3, 2015 - $50.1 million).

(ii) Fifth series:

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

On or after December 31, 2014 and prior to December 31, 2016, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the common shares, for 20 consecutive trading days, is at least 125% of the conversion price of $7.20. Subsequent to December 31, 2016, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon. The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

The Company allocated $1.2 million of the Fifth series debentures into an equity component. During the year, the Company recorded $175 (October 3, 2015 - $165) in finance costs for the accretion of the Fifth series debentures.

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

The fair value of the Fifth 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, 2016 was approximately $62.4 million (October 3, 2015 - $60.6 million).

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

21. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("2015 NCIB"). Under the 2015 NCIB, the Company may purchase up to 500,000 common shares. The 2015 NCIB commenced on December 1, 2015 and may continue to November 30, 2016. During the fiscal year, the Company purchased under this 2015 NCIB 97,800 common shares having a book value of $139 for a total cash consideration of $397. The excess of the purchase price over the book value of the shares in the amount of $258 was charged to deficit. All shares purchased were cancelled.

In November 2014, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("2014 NCIB"). Under the 2014 NCIB, the Company may purchase up to 1,000,000 common shares. The 2014 NCIB commenced on November 27, 2014 and continued up to November 26, 2015. During fiscal year 2015, the Company purchased 30,100 common shares, having a book value of $43 for a total cash consideration of $122. During fiscal 2016, the Company purchased under this 2014 NCIB 80,800 common shares having a book value of $115 for a total cash consideration of $330. The excess of the purchase price over the book value of the shares in the amount of $79 and $215 was charged to deficit in fiscal 2015 and 2016, respectively. All shares purchased were cancelled.

As of October 1, 2016, a total of 93,850,160 common shares (October 3, 2015 - 94,028,760) were outstanding.

The Company declared a quarterly dividend of $0.09 per share for the fiscal year 2016 and 2015. The following dividends were declared by the Company:

	For the years ended	
	October 1, 2016	October 3, 2015
	$	$
Dividends	**33,796**	33,856

Contributed surplus:
The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 22, Share-based compensation).

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

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

The Company typically invests in its operations between $8.0 million and $12.0 million yearly in capital expenditures. Occasionally, such as in fiscal 2016, the Company will invest additional capital expenditures on an ad hoc basis. Management believes that these investments, combined with approximately $25.0 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.

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

21. CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

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

The Company has a $150.0 million revolving credit facility. The Company estimates to use between $50.0 million and $90.0 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 in order not to have restrictions on interest payments from Lantic to the Company. At year-end, the operating company's debt ratio was below 1.10:1 for fiscal 2016 and 2015.

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

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

22. SHARE-BASED COMPENSATION

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (October 3, 2015 – 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

During fiscal 2016, 70,000 share options were forfeited at a price of $5.61 per common share following the retirement of an executive.

During fiscal 2015, a total of 850,000 options were granted at a price of $4.59 per common share to an executive. In addition, 30,000 common shares were issued pursuant to the exercise of share options under the Share Option Plan for a total cash proceeds of $108, which was recorded to share capital as well as an ascribed value from contributed surplus of $5.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting increase to contributed surplus. An expense of $34 was incurred for the year ended October 1, 2016 (October 3, 2015 – $24).

The following table summarizes information about the Share Option Plan as of October 1, 2016:

Exercise price per option	Outstanding number of options at October 3, 2015	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 1, 2016	Weighted average remaining life (in years)	Number of options exercisable
$4.59	**850,000**	**—**	**—**	**—**	**850,000**	**8.65**	**170,000**
$5.61	**226,500**	**—**	**—**	**(70,000)**	**156,500**	**5.45**	**124,500**

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

22. SHARE-BASED COMPENSATION (CONTINUED)

The following table summarizes information about the Share Option Plan as of October 3, 2015:

Exercise price per option	Outstanding number of options at September 27, 2014	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at October 3, 2015	Weighted average remaining life (in years)	Number of options exercisable
$3.61	30,000	—	30,000	—	—	—	—
$4.59	—	850,000	—	—	850,000	9.65	—
$5.61	226,500	—	—	—	226,500	6.45	134,500

As at October 1, 2016 and October 3, 2015, all of the options outstanding are held by key management personnel (see Note 28, Key management personnel).

The grant date fair value was measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in fiscal 2015 are the following:

Total fair value of options at grant date	$ 82
Share price at grant date	$ 4.62
Exercise price	$ 4.59
Expected volatility (weighted average volatility)	13.774% to 15.380%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	7.8%
Weighted average risk-free interest rate (based on government bonds)	0.911% to 1.223%

23. OPERATING LEASES

The Company has financial commitments for minimum lease payments under operating leases for various mobile equipment and the premises of the blending operations in Toronto. Non-cancellable operating lease rentals are payable as follows:

	October 1, 2016	Octobre 3, 2015
	$	$
Less than 1 year	**1,282**	1,211
Between 1 and 5 years	**2,134**	2,312
More than 5 years	**231**	255
	3,647	3,778

For the year ended October 1, 2016, an amount of $2.2 million was recognized as an expense in net earnings with respect to operating leases (October 3, 2015 - $2.4 million).

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

24. COMMITMENTS

As at October 1, 2016, the Company had commitments to purchase a total of 1,238,000 (October 3, 2015 – 1,632,000) metric tonnes of raw cane sugar, of which 144,000 (October 3, 2015 – 269,600) metric tonnes had been priced, for a total dollar commitment of $83.8 million (October 3, 2015 - $104.7 million). In addition, the Company has a commitment of approximately $40.1 million (October 3, 2015 - $27.2 million) for sugar beets to be harvested and processed in fiscal 2017.

During the year ended October 1, 2016, the Company entered into capital commitments to complete its capital projects for a total value of $7.8 million (October 3, 2015 - $9.1 million).

25. CONTINGENCIES

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations.

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at October 1, 2016 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.

26. EARNINGS PER SHARE

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

	For the years ended	
	October 1, 2016	Octobre 3, 2015
	$	$
Basic earnings per share:		
Net earnings	**65,579**	24,033
Weighted average number of shares outstanding	**93,885,631**	94,045,436
Basic earnings per share	**0.70**	0.26
Diluted earnings per share:		
Net earnings	**65,579**	24,033
Plus impact of convertible unsecured subordinated debentures and share options	**5,327**	—
	70,906	24,033
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	**93,885,631**	94,045,436
Plus impact of convertible unsecured subordinated debentures and share options	**16,086,769**	—
	109,972,400	94,045,436
Diluted earnings per share	**0.64**	0.26

As at October 3, 2015, the Fourth and Fifth series debentures were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

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

27. SUPPLEMENTARY CASH FLOW INFORMATION

	October 1, 2016	October 3, 2015	September 27, 2014
	$	$	$
Non-cash transactions:			
Additions of property, plant and equipment included in trade and other payables	**135**	579	709
Investment tax credit included in income taxes payable	**220**	—	—

28. KEY MANAGEMENT PERSONNEL

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

	For the years ended	
	October 1, 2016	October 3, 2015
	$	$
Salaries and short-term benefits	**2,577**	2,669
Attendance fees for members of the Board of Directors	**458**	521
Post-employment benefits	**138**	207
Share-based compensation (note 22)	**34**	24
	3,207	3,421

29. PERSONNEL EXPENSES

	For the years ended	
	October 1, 2016	October 3, 2015
	$	$
Wages, salaries and employee benefits	**67,063**	65,150
Expenses related to defined benefit plans (note 19)	**5,113**	5,501
Expenses related to defined contributions plans	**4,288**	4,172
Share-based compensation (note 22)	**34**	24
	76,498	74,847

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

29. PERSONNEL EXPENSES (CONTINUED)

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

	For the years ended October 1, 2016	October 3, 2015
	$	$
Cost of sales	**63,506**	60,045
Administration and selling expenses	**11,186**	13,082
Distribution expenses	**1,271**	1,246
	75,963	74,373
Property, plant and equipment	**535**	474
	76,498	74,847

30. RELATED PARTIES

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

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

31. SEGMENTED INFORMATION

The Company has one operating segment and therefore one reportable segment.

Revenues were derived from customers in the following geographic areas:

	For the years ended October 1, 2016	October 3, 2015
	$	$
Canada	**534,630**	516,046
United States and other	**29,781**	25,499
	564,411	541,545

ROGERS SUGAR INC.

CORPORATE INFORMATION

DIRECTORS

A. Stuart Belkin,
Chairman and CEO
Belkorp Industries Inc.

Dean Bergmame, (2) (3)
Director

Michel P. Desbiens, (1) (2) (3)
Director

William S. Maslechko, (3)
Partner
Burnet, Duckworth & Palmer LLP

M. Dallas H. Ross, (1) (2)
Partner
Kinetic Capital Limited Partnership

(1) Nominees to Board of Directors of Lantic Inc.
(2) Audit Committee Members
(3) Nominating and Governance Committee Members

LEGAL COUNSEL

Davies, Ward, Phillips & Vineberg
Montreal, Quebec

TRADING SYMBOL

RSI

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

ANNUAL MEETING

The annual meeting of Shareholders
to be held at 1:00 PM (Pacific Time)
February 1, 2017 at the
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LANTIC INC.

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Director

Michael Heskin, (2)
Vice-President Finance and CFO
Belkorp Industries Inc.

Donald G. Jewell,
Managing Partner
RIO Industrial

Daniel Lafrance,
Director

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

M. Dallas H. Ross, (1) (2)
Partner
Kinetic Capital Limited Partnership

(1) Rogers Sugar Inc. Nominees

(2) Audit Committee Members

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President and Chief Executive Officer

Robert Copeland,
Vice-President Operations

Diana R. Discepola,
Director of Finance

Jean-François Khalil,
Corporate Director
Human Resources

Manon Lacroix,
Vice-President Finance
and Secretary

Michael Walton,
Vice-President
Sales, Marketing and Supply Chain

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Printed in Canada

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