



SWISS WATER DECAFFEINATED COFFEE INC.
(formerly Ten Peaks Coffee Company Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

For the Nine Months Ended September 30, 2019

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Condensed Consolidated Interim Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

		September 30, 2019	December 31, 2018
Assets			
Note			
Current assets			
Cash and cash equivalents		\$ 5,915	\$ 8,336
Accounts receivable	4	14,120	14,313
Inventories	5	16,597	13,851
Prepaid expenses and other receivables		780	1,272
Derivative assets and hedged firm commitments	6, 21	855	1,497
Total current assets		38,267	39,269
Non-current assets			
Receivables	4	232	235
Property, plant and equipment	7	87,788	46,035
Intangible assets		970	1,167
Deferred tax assets		292	175
Total non-current assets		89,282	47,612
Total assets		\$ 127,549	\$ 86,881
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		\$ 8,996	\$ 6,558
Accrued liabilities		6,255	3,397
Income tax payable		219	783
Construction loan	11	167	-
Other liabilities	9	776	473
Dividend payable	14, 23	566	566
Lease liabilities	10	1,415	-
Derivative liabilities and hedged firm commitments	6, 21	619	2,064
Total current liabilities		19,013	13,841
Non-current liabilities			
Other liabilities	9	292	105
Construction loan	11	17,873	9,400
Convertible debenture	12	12,434	12,082
Lease liabilities	10	23,671	-
Asset retirement obligation		802	802
Deferred tax liabilities		2,500	1,243
Derivative liabilities	6, 12, 21	3,321	3,652
Total non-current liabilities		60,893	27,284
Total liabilities		79,906	41,125
Shareholders' equity			
Share capital	13	\$ 43,591	\$ 43,591
Retained earnings		5,052	4,523
Accumulated other comprehensive loss		(1,299)	(2,512)
Share-based compensation reserve		299	154
Total equity		47,643	45,756
Total liabilities and shareholders' equity		\$ 127,549	\$ 86,881

Commitments (Note 22)

Subsequent events (Note 23)

Approved on behalf of the Board

(signed) "David Rowntree", Director

(signed) "Frank Dennis", Director

– The accompanying notes form an integral part of these condensed consolidated interim financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Condensed Consolidated Interim Statements of Income

(Tabular amounts are in thousands of Canadian dollars, except for per share amounts)

(Unaudited)

For the	Note	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Revenue	15, 19	\$ 23,645	\$ 23,087	\$ 72,207	\$ 66,960
Cost of sales		(18,908)	(18,648)	(59,819)	(55,725)
Gross profit		4,737	4,439	12,388	11,235
Operating expenses					
Administration expenses		(1,484)	(1,504)	(5,118)	(4,468)
Sales and marketing expenses		(954)	(975)	(2,612)	(2,663)
Occupancy expenses		(8)	(33)	(35)	(91)
Total operating expenses		(2,446)	(2,512)	(7,765)	(7,222)
Operating income		2,291	1,927	4,623	4,013
Non-operating or other					
Gain (loss) on risk management activities		(132)	620	1,083	597
(Loss) gain on fair value on embedded option	12	(186)	102	(758)	986
Finance income		108	139	377	387
Finance expense		(698)	(361)	(1,996)	(1,084)
Loss on foreign exchange		(59)	(81)	(235)	(316)
Total non-operating or other		(967)	419	(1,529)	570
Income before tax		1,324	2,346	3,094	4,583
Income tax expense		(440)	(518)	(866)	(971)
Net income		\$ 884	\$ 1,828	\$ 2,228	\$ 3,612
Basic earnings per share	18	\$ 0.10	\$ 0.20	\$ 0.25	\$ 0.40
Diluted earnings per share	18	\$ 0.10	\$ 0.18	\$ 0.25	\$ 0.31

– The accompanying notes form an integral part of these condensed consolidated interim financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Condensed Consolidated Interim Statements of Comprehensive Income and Condensed Consolidated Interim Statements of Changes in Equity

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income

For the

	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Net income	\$ 884	\$ 1,828	\$ 2,228	\$ 3,612
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to income:				
Unrealized gain (loss)				
Derivatives designated as cash flow hedges - currency risk hedges on US\$ future revenue	(857)	791	1,293	(1,243)
Items reclassified to income:				
Realized loss (gain)				
Derivatives designated as cash flow hedges				
- currency risk hedges on US\$ future revenue, recognized in revenue	103	(194)	369	(737)
Other comprehensive income (loss) related to hedging activities	(754)	597	1,662	(1,980)
Tax recovery (expense) on other comprehensive income relating to hedging activities	204	(161)	(449)	535
Cumulative translation adjustment	17	(2)	-	-
Other comprehensive income (loss), net of tax	(533)	434	1,213	(1,445)
Net income and other comprehensive income	\$ 351	\$ 2,262	\$ 3,441	\$ 2,167

Condensed Consolidated Interim Statements of Changes in Equity

	Note	Share capital		Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Total equity
		Shares	Amount				
Balance at December 31, 2017		9,038,862	\$ 43,496	\$ 140	\$ 1,485	\$ 2,257	\$ 47,378
Shares issued for restricted share units		22,348	95	(95)	-	-	-
Share-based compensation		-	-	73	-	-	73
Dividends	14	-	-	-	-	(1,699)	(1,699)
Net income and other comprehensive income (loss)		-	-	-	(1,445)	3,612	2,167
Balance at September 30, 2018		9,061,210	\$ 43,591	\$ 118	\$ 40	\$ 4,170	\$ 47,919
Balance at December 31, 2018		9,061,210	43,591	154	(2,512)	4,523	45,756
Share-based compensation		-	-	145	-	-	145
Dividends	14	-	-	-	-	(1,699)	(1,699)
Net income and other comprehensive income		-	-	-	1,213	2,228	3,441
Balance at September 30, 2019		9,061,210	\$ 43,591	\$ 299	\$ (1,299)	\$ 5,052	\$ 47,643

– The accompanying notes form an integral part of these condensed consolidated interim financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Condensed Consolidated Interim Statements of Cash Flows

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

For the	3 months ended	3 months ended	9 months ended	9 months ended				
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018			
Operating activities								
Net income	\$	884	\$	1,828	\$	2,228	\$	3,612
Items not affecting cash:								
Depreciation and amortization		914		412		2,893		1,263
Share-based compensation expense		218		94		639		260
Unrealized (gain) loss on risk management activities		196		(336)		(342)		(438)
Unrealized loss (gain) on fair value adjustment of embedded option		186		(102)		758		(986)
Finance income		(108)		(139)		(377)		(387)
Finance expense		696		361		1,994		1,084
Income taxes expense		440		518		866		971
Other		(60)		16		(60)		18
		3,366		2,652		8,599		5,397
Change in non-cash working capital relating to operating activities	20	3,309		1,075		143		(1,865)
Net cash generated from operations		6,675		3,727		8,742		3,532
Interest received		108		126		377		431
Interest paid		(576)		(253)		(1,642)		(772)
Income taxes (paid) refund		113		397		(738)		(57)
Net cash generated from operating activities		6,320		3,997		6,739		3,134
Investing activities								
Proceeds from short-term investments		-		-		-		7,067
Interest paid on investing activities		(229)		-		(476)		-
Additions to plant and equipment		(5,434)		(3,286)		(14,147)		(10,603)
Net cash used in investing activities		(5,663)		(3,286)		(14,623)		(3,536)
Financing activities								
Dividends paid		(566)		(566)		(1,699)		(1,696)
Payment of lease liabilities	10	(706)		-		(1,478)		-
Proceeds from construction loan		1,380		-		8,640		-
Net cash generated from (used in) financing activities		108		(566)		5,463		(1,696)
(Decrease) increase in cash and cash equivalents		765		145		(2,421)		(2,098)
Cash and cash equivalents, beginning of the period		5,150		7,243		8,336		9,486
Cash and cash equivalents, end of the period	\$	5,915	\$	7,388	\$	5,915	\$	7,388

– The accompanying notes form an integral part of these condensed consolidated interim financial statements. –

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

1. NATURE OF BUSINESS

Swiss Water Decaffeinated Coffee Inc., (“Swiss Water” or the “Company”), formerly Ten Peaks Coffee Company Inc., is an entity incorporated under the Canada Business Corporations Act (“CBCA”). The common shares of the Company are listed on the Toronto Stock Exchange under the symbol ‘SWP’, formerly ‘TPK’. The Company’s head office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3, Canada.

On September 28, 2018, Ten Peaks Coffee Company Inc. amalgamated with its 100% owned subsidiary Swiss Water Decaffeinated Coffee Company Inc. As a result of the amalgamation Ten Peaks Coffee Company Inc. remained as the successor entity and concurrently the Company changed its name to Swiss Water Decaffeinated Coffee Inc.

Swiss Water is primarily involved in the decaffeination of green coffee without the use of chemicals by employing the proprietary SWISS WATER® Process. The Company leverages science-based systems and quality controls to produce coffee that is 99.9% caffeine free.

Swiss Water owns all of the interests of Seaforth Supply Chain Solutions Inc. (“Seaforth”), which is incorporated under CBCA and operates in Delta, British Columbia, Canada; Swiss Water Decaffeinated Coffee USA, Inc. (“SWUS”), an entity registered in Washington State, USA, and; Swiss Water Decaffeinated Coffee Europe SARL (“SWEU”), an entity registered in Bordeaux, France.

Seaforth provides a complete range of green coffee handling and storage services, while SWUS and SWEU act as marketing and sales companies and they do not have significant assets.

2. BASIS OF PREPARATION

The Company’s condensed consolidated interim financial statements for the period ended September 30, 2019 have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018, except for those policies disclosed below.

These condensed consolidated interim financial statements are presented in Canadian dollars. Except for per share amounts, all amounts are expressed in thousands of Canadian dollars, unless otherwise stated. References to US\$ are to United States dollars.

These condensed consolidated interim financial statements for the period ended September 30, 2019 were approved for issuance by the Company’s Directors on November 5, 2019. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization except as disclosed in Note 23.

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

2.1 New and amended standards adopted by the Company

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2019. Of those standards, IFRS 16 *Leases* has a material impact on the Company's condensed interim financial statements.

Adoption of IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees that is similar to the former finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessees recognize a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaces existing leases guidance, including *IAS 17, Leases*, *IFRIC 4: Determining whether an Arrangement contains a Lease*, *SIC-15: Operating Leases – Incentives* and *SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a lessee, the Company can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach. Effective January 1, 2019, the Company applied IFRS 16 using the modified retrospective approach, the simplified transition approach, without restating comparative amounts for the year 2018, prior to the first adoption. The right-of-use assets and liabilities for property and equipment leases are measured on transition as if the new rules had always been applied. The expedients used were: not separating non-lease components, excluding short-term leases, and not re-assessing contracts at inception, but rather just applying IFRS 16 to operating leases as at December 31, 2018. At the time of adoption, as at January 1, 2019, the Company recognized \$19.1 million in new right-of-use assets and lease liabilities for its office, warehouse and equipment leases.

Management judgement and estimates over leases

The preparation of consolidated financial statements requires that the Company's management makes assumptions and estimates on the classification of leases. When assessing the classification of a lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, implicit borrowing rate, the assessment of the likelihood of exercising options, and estimation of the fair value of the lease property at lease inception.

Lease policy applicable from January 1, 2019

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company has determined that contracts for its offices, warehouses, and select equipment contain a lease.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

The Company presents right-of-use assets in Property, plant and equipment and related liabilities in Lease liabilities.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee, and : (iv) the exercise price under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated income statement.

On the statement of cash flows, the Company includes repayments of the principal portion of the lease liabilities under financing activities whereas before the implementation of IFRS 16 they were included in cash flows from operations. The interest portion of the lease continues to be classified within cash flows from operating activities. Lease payments for short-term leases, lease payment for leases of low-value

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(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Lease policy applicable before January 1, 2019

The comparative information for leases is prepared based on the accounting policies that the Company had applied under IAS 17 and IFRIC 4. The office, warehouse and equipment leases were classified as operating leases and were not recognized in the Company's statement of financial position. Prior to the adoption IFRS 16, the Company recognized operating lease expense, in the statement of income, on a straight-line basis over the term of the lease.

Other new and amended standards

The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle: *IFRS 3 Business Combinations*; *IFRS 9: Financial Instruments*: prepayment features with negative compensation; *IFRS 11: Joint arrangement*; *IAS 12: Income taxes*: amendments related to recognition of current and deferred tax related to dividends; *IAS 19: Employee Benefits*: amendments to plan amendment, curtailment or settlement; *IAS 23: Borrowing costs*: amendments related to recognition of borrowing costs eligible for capitalization; *IFRIC 23: Uncertainty over Income Tax Treatments*: clarifies the application of recognition and measurement required per *IAS 12: Income taxes*, where there is uncertainty over income taxes; *IFRS 10: Consolidated Financial Statements* and *IAS 28: Investments in Associates and Joint Ventures*.

3. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the Company may from time to time issue common shares, issue additional debt, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives while continuing to pay quarterly dividends to its shareholders. The dividend policy of Swiss Water is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors including Swiss Water's financial performance, future prospects, and the capital requirements of the business. Quarterly dividends are paid on a level basis in order to smooth out normal seasonal fluctuations that occur over the course of a year.

4. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2019 and December 31, 2018 are recorded net of expected credit losses of nil. Non-current accounts receivable includes a \$0.1 million balance due from a related party.

SWISS WATER DECAFFEINATED COFFEE INC. (formerly Ten Peaks Coffee Company Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

5. INVENTORIES

During the three and nine months ended September 30, 2019, the cost of inventories recognized in cost of sales was \$17.9 million (2018: \$16.7 million) and \$56.3 million (2018: \$50.5 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

	September 30, 2019	December 31, 2018
Raw materials	\$ 8,130	\$ 6,718
Finished goods	7,803	7,252
Carbon	442	360
Packaging	119	109
Hedge accounting component	103	(588)
	\$ 16,597	\$ 13,851

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments, asset (liability), were carried at fair value through profit or loss as follows:

	September 30, 2019	December 31, 2018
Coffee futures contracts, net	\$ 499	\$ 495
US Dollar forward contracts, current	(323)	(193)
US Dollar forward contracts, long-term	(111)	(300)
Derivative financial liability, convertible debenture	(1,668)	(910)
	\$ (1,603)	\$ (908)

The Company's derivative financial instruments, liabilities, were carried at fair value through other comprehensive income as follows:

	September 30, 2019	December 31, 2018
US Dollar forward contracts, current	\$ (291)	\$ (876)
US Dollar forward contracts, long-term	(1,542)	(2,442)
	\$ (1,833)	\$ (3,318)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased right-of-use assets.

	September 30, 2019	December 31, 2018
Property, plant and equipment	\$ 62,779	\$ 46,035
Right-of-use assets	25,009	-
	\$ 87,788	\$ 46,035

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For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

7.1 Property, plant and equipment

For the three months ended September 30, 2019, depreciation expense of \$0.3 million (2018: \$0.3 million) was charged to cost of sales and \$0.02 million (2018: \$0.03 million) was included in administrative expenses.

For the nine months ended September 30, 2019, depreciation expense of \$1.0 million (2018: \$1.0 million) was charged to cost of sales and \$0.1 million (2018: \$0.1 million) was included in administrative expenses. There was no impairment loss recognized for the three and nine month periods ended September 30, 2019 (2018: Nil).

	Machinery and equipment	Leasehold improvements	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at January 1, 2019	\$ 34,025	\$ 5,127	\$ 1,285	\$ 196	\$ 34,329	\$ 74,962
Additions	48	94	-	18	17,707	17,867
Disposals	(19)	(63)	(5)	(20)	-	(107)
Transfers	397	-	12	-	(409)	-
Balance at September 30, 2019	\$ 34,451	\$ 5,158	\$ 1,292	\$ 194	\$ 51,627	\$ 92,722
Accumulated depreciation						
Balance at January 1, 2019	\$ (23,981)	\$ (3,791)	\$ (999)	\$ (156)	\$ -	\$ (28,927)
Depreciation	(777)	(237)	(92)	(9)	-	(1,115)
Disposals	12	62	5	20	-	99
Balance at September 30, 2019	\$ (24,746)	\$ (3,966)	\$ (1,086)	\$ (145)	\$ -	\$ (29,943)
Balance at September 30, 2019	\$ 9,705	\$ 1,192	\$ 206	\$ 49	\$ 51,627	\$ 62,779
	Machinery and equipment	Leasehold improvements	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at January 1, 2018	\$ 33,744	\$ 5,113	\$ 1,204	\$ 189	\$ 10,660	\$ 50,910
Additions	108	22	38	7	23,948	24,123
Disposals	(61)	(8)	(2)	-	-	(71)
Transfers	234	-	45	-	(279)	-
Balance at December 31, 2018	\$ 34,025	\$ 5,127	\$ 1,285	\$ 196	\$ 34,329	\$ 74,962
Accumulated depreciation						
Balance at January 1, 2018	\$ (23,061)	\$ (3,501)	\$ (862)	\$ (145)	\$ -	\$ (27,569)
Depreciation	(981)	(298)	(139)	(11)	-	(1,429)
Disposals	61	8	2	-	-	71
Balance at December 31, 2018	\$ (23,981)	\$ (3,791)	\$ (999)	\$ (156)	\$ -	\$ (28,927)
Balance at December 31, 2018	\$ 10,044	\$ 1,336	\$ 286	\$ 40	\$ 34,329	\$ 46,035

7.2 Right-of-use assets

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2019

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

		Equipment		Property		Total
Cost						
Balance at January 1, 2019	\$	110	\$	19,023	\$	19,133
Additions		-		7,615		7,615
Disposals		-		(971)		(971)
Balance at September 30, 2019	\$	110	\$	25,667	\$	25,777
Accumulated depreciation						
Balance at January 1, 2019	\$	-	\$	-	\$	-
Depreciation		(19)		(1,566)		(1,585)
Disposals		-		817		817
Balance at September 30, 2019	\$	(19)	\$	(749)	\$	(768)
Balance at September 30, 2019	\$	91	\$	24,918	\$	25,009

For the three months ended September 30, 2019, depreciation expense of \$0.4 million (2018: Nil) was charged to cost of sales and \$0.04 million (2018: Nil) was included in administrative expenses.

For the nine months ended September 30, 2019, depreciation expense of \$1.5 million (2018: Nil) was charged to cost of sales and \$0.1 million (2018: Nil) was included in administrative expenses.

There was no impairment loss recognized for the three and nine month periods ended September 30, 2019 (2018: Nil).

8. CREDIT FACILITIES

The Company had no outstanding credit facility debt as at September 30, 2019 or December 31, 2018. As at September 30, 2019, the Company was in compliance with its debt covenants.

9. OTHER LIABILITIES

Other liabilities balances represent the fair value of the deferred share units ("DSUs") and the cash-settled portion of the restricted share units ("RSUs") outstanding as follows:

		September 30, 2019		December 31, 2018
Other liabilities, current	\$	776	\$	473
Other liabilities, non-current		292		105
	\$	1,068	\$	578

10. LEASE LIABILITIES

Lease liabilities

Lease liabilities are as follows:

		September 30, 2019		December 31, 2018
Lease liability, current	\$	1,415	\$	-
Lease liability, non-current		23,671		-
Balance at September 30, 2019	\$	25,086	\$	-

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The Company leases the following offices, warehouses and equipment:

- On August 26, 2016, Swiss Water signed a lease agreement for a build-to-suit production facility. The lease has an initial term of five years and can be renewed at the Company's option in five-year increments up to a total of 30 years. The lease commenced in July 2018. Under the lease, the Company has multiple options to buy-out the lease starting at the end of the second five-year term. The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values.
- Swiss Water leases a sales office in France which expires in October 2027.
- On January 15, 2019, Seaforth entered into an agreement to lease a warehouse facility. The lease commenced on April 1, 2019 and expires in June 2027. The Company has two options to renew the lease for an additional term of five years each.
- Swiss Water leases a facility which houses its decaffeination plant and offices. The lease expires in May 2023. Beyond expiry in 2023, the landlord has to approve any subsequent renewal of the lease.
- Seaforth leases a truck. The lease expires in April 2023.
- Swiss Water Decaffeinated Coffee Company USA, Inc. leases a sales office in Seattle, Washington, which expires in March 2020.
- Seaforth's two warehouse leases expired in June and September 2019. A gain of 0.03 million was recognized upon the termination of these leases.

Adjustments recognized on the adoption of IFRS 16

On adoption of IFRS 16, the Company recognized \$19.1 million in lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments plus anticipated exercise of renewal options that are at the discretion of the Company, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities at inception was 4.92%.

A reconciliation between the amount of the lease liability recognized as at the date of initial application and operating lease commitments disclosed as at December 31, 2018 is as follows:

		Total
Operating lease commitments as at December 31, 2018	\$	8,451
Effect of discounts using incremental borrowing rates (4.55%-4.95%)		(10,010)
Extension and termination options reasonably certain to be exercised		20,692
Balance at initial application on January 1, 2019	\$	19,133

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Amounts recognized in the statement of net income and statement of cash flows

Lease liabilities interest expense recognized in profit and loss and minimum lease payments recognized in the financing component of statement of cash flows are as follows:

		Total
Balance January 1, 2019	\$	19,133
Additions		7,615
Terminations		(183)
Finance expense		870
Lease cash payments		(2,349)
Balance at September 30, 2019	\$	25,086

Minimum Lease payments

As at September 30, 2019, the minimum payments under leases liabilities are as follows:

		September 30, 2019
No later than 1 year	\$	2,624
Later than 1 year and no later than 5 years		9,201
Later than 5 years		3,480
	\$	15,305

11. CONSTRUCTION LOAN

Business Development Bank (BDC) Loan

During the year ended December 31, 2018, the Company entered into a term loan facility with the Business Development Bank of Canada ("Term Loan") of up to \$20.0 million. The purpose of the Term Loan is to assist in the financing of new equipment for the facility being built in Delta, British Columbia. The Term Loan bears interest at 4.95% per annum over twelve years with monthly principal repayment commencing on September 1, 2020. The Term Loan matures on August 1, 2032. Only interest will be paid on the outstanding balance on a monthly basis prior to September 1, 2020. The Term loan is secured by a general security agreement and a first security interest on all existing equipment and machinery plus new equipment and machinery financed with the Term Loan. Seaforth provided a guarantee for the Term Loan. As of September 30, 2019, the loan amount outstanding was \$18.0 million (2018: \$9.4 million) with interest accrued of \$0.07 million (2018: \$0.06 million).

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12. CONVERTIBLE DEBENTURE

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture for gross proceeds of \$15.0 million. The convertible debenture bears interest at a rate of 6.85% per annum to be paid quarterly in arrears and is due on October 11, 2023.

	September 30, 2019		December 31, 2018	
Balance, open	\$	12,082	\$	11,658
Interest charged		1,121		1,452
Interest paid		(769)		(1,028)
Balance, end	\$	12,434	\$	12,082

The Company uses the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability. Under this method, as at September 30, 2019, the derivative liabilities include the fair value of the derivative liability related to the convertible debenture in the amount of \$1.7 million (2018: \$0.9 million).

During the three and nine months ended September 30, 2019, this revaluation resulted in losses of \$0.2 million and \$0.8 million being recorded in the statement of income (2018: gain of \$0.1 million; gain of \$1.0 million).

	September 30, 2019		December 31, 2018	
Balance, open	\$	910	\$	2,709
Change in fair valuation of derivative embedded option		758		(1,799)
Balance, end	\$	1,668	\$	910

The fair value of the derivative liability was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on management's best estimate. The value varies with different variables of certain subjective assumptions. Inputs into the Black-Scholes Option Pricing Model to determine the fair value of the conversion option were as follows:

	September 30, 2019		December 31, 2018	
Share price	\$	6.51	\$	4.97
Exercise price	\$	8.25	\$	8.25
Option life		4.03 years		4.78 years
Volatility		35%		37%
Risk-free interest rate		1.40%		1.88%
Dividend yield		3.84%		5.03%

13. SHARE CAPITAL

Swiss Water is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders.

As of September 30, 2019, there were 9,061,210 common shares issued and outstanding.

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Restricted share units

On June 19, 2019, Swiss Water shareholders approved an increase in the number of common shares available for issuance under the Restricted Share Unit Plan. The increase is from a maximum of 333,760 shares to a maximum of 815,509 shares.

The movement in RSUs for the nine months ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	Number of RSUs	Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2018	100,783	\$ 6.58	1.15	
RSUs granted	91,000	\$ 6.35	2.15	No
RSUs issued for dividends	4,891	\$ 6.08	1.75	No
RSUs cash-settled	(28,304)	\$ 7.04	-	
RSUs exercised	(22,348)	\$ 7.04	-	
RSUs forfeited	(23,288)	\$ 6.25	-	No
Balance at December 31, 2018	122,734	\$ 5.01	1.83	
Balance at January 1, 2019	122,734	\$ 5.01	1.83	
RSUs granted	98,000	\$ 6.74	2.40	No
RSUs issued for dividends	5,941	\$ 5.95	1.51	No
RSUs forfeited	(4,040)	\$ 6.32	-	No
Balance at September 30, 2019	222,635	\$ 6.48	1.65	

Deferred share units

The movement in DSUs for the nine months ended September 30, 2019, and the year ended December 31, 2018, is as follows:

	Number of DSUs	Weighted average share price	Performance based
Balance at January 1, 2018	70,574	\$ 6.60	
DSUs issued	24,665	\$ 6.23	No
Balance at December 31, 2018	95,239	\$ 4.97	
Balance at January 1, 2019	95,239	\$ 4.97	
DSUs issued	24,020	\$ 5.66	No
Balance at September 30, 2019	119,259	\$ 6.51	

14. DIVIDENDS

For the nine months ended September 30, 2019, the Company declared quarterly eligible dividends to shareholders totaling \$1.7 million (2018: \$1.7 million) of which, the third quarterly dividend in the amount of \$0.6 million, or \$0.0625 per share, was paid on October 15, 2019.

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15. REVENUE

Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 19. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results for the three and nine months ended September 30, 2019:

	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Decaffeinated coffee sales	\$ 20,164	\$ 19,716	\$ 61,592	\$ 58,869
Decaffeination services	1,684	1,755	5,082	3,842
Distribution	1,797	1,616	5,533	4,249
	\$ 23,645	\$ 23,087	\$ 72,207	\$ 66,960

Contract balances

As at September 30, 2019 the accounts receivable balance of \$14.1 million (2018: \$14.3 million) consists of amounts due from customer contracts and reflects the Company's right to a consideration that is unconditional. The Company did not have other contract assets or liabilities from contracts with customers.

16. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Short-term benefits	\$ 2,221	\$ 2,290	\$ 7,066	\$ 6,353
Long-term benefits	213	96	627	270
Post-employment benefits	197	155	630	558
	\$ 2,631	\$ 2,541	\$ 8,323	\$ 7,181

Short-term benefits comprise salaries, accrued bonuses, benefits and director fees. Long-term benefits comprise share-based compensation under the RSU Plan and the DSU Plan.

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions.

17. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel and a company related to a director. Details of transactions between the Company and related parties (other than its subsidiaries identified in the Nature of Business note) are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Compensation of Key Management Personnel

The remuneration of directors and key management personnel for the three and nine month periods ended September 30, 2019 is as follows:

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	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
Short-term benefits	\$	526	\$	389	\$	1,728	\$	1,119
Long-term benefits		179		81		540		235
Post-employment benefits		25		12		65		55
	\$	730	\$	482	\$	2,333	\$	1,409

Trading transactions

During the three and nine month periods ended September 30, 2019, the Company entered into the following transactions with a company that is related to a director:

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
Sales	\$	320	\$	116	\$	587	\$	302
Purchases of raw material	\$	1,235	\$	377	\$	2,910	\$	4,115

As at the balance sheet date, the Company had the following balances receivable from and payable to a company that is related to a director:

	September 30, 2019		December 31, 2018	
Accounts receivable	\$	59	\$	5
Accounts payable	\$	260	\$	310

These transactions were in the normal course of operations and were measured at the fair value of the consideration or receivable, which was established and agreed to by both parties.

18. BASIC AND DILUTED EARNINGS PER SHARE ("EPS")

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2019		September 30, 2018		September 30, 2019		September 30, 2018	
Basic earnings per share								
Net income attributable to shareholders	\$	884	\$	1,828	\$	2,228	\$	3,612
Weighted average number of shares		9,061,210		9,061,210		9,061,210		9,057,117
Basic earnings per share	\$	0.10	\$	0.20	\$	0.25	\$	0.40
Diluted earnings per share								
Net income attributable to shareholders	\$	884	\$	1,828	\$	2,228	\$	3,612
Interest on convertible debenture		-		268		-		792
(Gain) on fair value adjustment of embedded option		-		(102)		-		(986)
Net income after effect of diluted securities	\$	884	\$	1,994	\$	2,228	\$	3,418
Weighted average number of shares - basic		9,061,210		9,061,210		9,061,210		9,057,117
Effect of diluted securities: convertible debenture		-		1,818,182		-		1,818,182
Weighted average number of shares - diluted		9,061,210		10,879,392		9,061,210		10,875,299
Diluted earnings per share	\$	0.10	\$	0.18	\$	0.25	\$	0.31

The following potential common shares are anti-dilutive in one or more periods and are therefore excluded from the weighted average number of common shares outstanding for the purposes of calculating the diluted earnings per share for such periods:

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	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Weighted average number of RSUs granted	171,711	1,208	152,771	94,059
Convertible debenture	1,818,182	-	1,818,182	-

19. SEGMENT REPORTING

The Company's sales are primarily generated by the decaffeination of green coffee segment and in three geographic areas: Canada, the United States and other international markets. The Company's revenue from external customers and its non-current assets (not including deferred tax assets), by location, are detailed below.

Revenue

	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Canada	\$ 7,590	\$ 7,833	\$ 24,466	\$ 22,950
United States	11,958	12,068	35,023	35,013
International and other	4,097	3,186	12,718	8,997
	\$ 23,645	\$ 23,087	\$ 72,207	\$ 66,960

Non-Current Assets (excluding deferred tax assets)

	September 30, 2019	December 31, 2018
Canada	\$ 88,667	\$ 47,334
United States	108	103
Europe	215	-
	\$ 88,990	\$ 47,437

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Accounts receivable	\$ 1,601	\$ 1,146	\$ 207	\$ (1,047)
Inventories	647	2,354	1,609	1,961
Other assets and liabilities	162	67	493	28
Prepaid expenses and other receivables	129	(81)	492	25
Accounts payable and accrued liabilities	391	(1,970)	(2,078)	(1,585)
Derivative assets and liabilities at fair value through profit and loss	379	(441)	(580)	(1,247)
	\$ 3,309	\$ 1,075	\$ 143	\$ (1,865)

As at September 30, 2019, \$3.7 million (December 2018: Nil) in additions to inventories were accrued in accounts payable and accrued liabilities. These are non-cash working capital items that did not require the use of cash or cash equivalents.

As at September 30, 2019, \$6.9 million (December 2018: \$3.7 million) in additions to construction in progress were accrued in accounts payable and accrued liabilities. These are operating and investing transactions which did not require the use of the Company's cash or cash equivalents.

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During the nine month period ended September 30, 2019, no additions to construction in progress (September 2018: \$3.6 million of additions) was funded with a construction loan that was due to the landlord. These are investing and financing transactions which did not require the use of the Company's cash or cash equivalents.

During the nine month period ended September 30, 2019, the Company capitalized \$0.5 million (September 2018: nil) of interest payments on construction loan in construction in progress.

Lease payments for a short-term lease not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and interest portion within operating activities.

21. FINANCIAL RISK MANAGEMENT

The Company's risk management program focuses on the unpredictability of commodity prices and foreign exchange rates and seeks to minimize potential adverse effects on the Company's financial performance and cash flows. The Company uses derivative financial instruments to hedge these risk exposures. In addition, the Company monitors other financial risks on a regular basis.

Risk management is carried out under policies approved by the Board of Directors. The Company's exposure to and management of financial risks is discussed in more detail below.

21.1 Commodity price risk

Commodity price risk is the risk that the fair value of inventory will fluctuate as a result of changes in commodity prices. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the Intercontinental Exchange in order to offset its inventory position and fix the input cost of green coffee. As at September 30, 2019, the Company had futures contracts to buy 1.9 million lbs of green coffee with a notional value of US\$1.9 million, and contracts to sell 4.3 million lbs of green coffee with a notional value of US\$4.3 million. The furthest contract matures in September 2020 (December 31, 2018: buy 4.5 million lbs of green coffee with a notional value of US\$4.7 million, and contracts to sell 4.7 million lbs of green coffee with a notional value of US\$4.7 million).

The following tables provide a summary of commodity hedges designated as hedging instruments:

Carrying amount of hedging instruments	September 30, 2019		December 31, 2018	
Fair value hedge	Commodity price risk Coffee futures		Commodity price risk Coffee futures	
Nominal amount of hedging instruments (in US\$'000)	\$	2,304	\$	10
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	500	\$	495
Derivative Liabilities		-		-
Changes in fair value used for calculating hedge ineffectiveness		-		-

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Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	September 30, 2019	December 31, 2018
Fair value hedge	Purchase commitments and coffee inventory	Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)	2,404	245
Line items in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	\$ 368	\$ 614
Liabilities	-	791
Changes in fair value used for calculating hedge ineffectiveness	-	-

21.2 Foreign currency risk

The Company realizes a significant portion of its sales in US\$, and purchases green coffee in US\$ which is, in some cases, sold to customers in Canadian dollars. The Company enters into forward foreign currency contracts to manage its exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to the Company's future net cash flows in US\$ from sales. In addition, the Company enters into forward contracts to buy US\$ for coffee that it resells in Canadian dollars.

As at September 30, 2019, the Company had forward currency contracts to buy US\$5.3 million and sell US\$57.4 million (December 31, 2018: buy US\$6.6 million and sell US\$65.0 million) from October 2019 through to September 2023 at various Canadian exchange rates ranging from \$1.2147 to \$1.3505.

The following tables provide a summary of amounts related to foreign currency forward contracts designated as hedging instruments. Not included in tables below are fair value changes for swap contracts, as these are not designated hedge instruments.

Currency risk hedges on US\$ purchases

As at September 30, 2019, the Company designated as hedging instruments US\$5.3 million in forward contracts to buy US dollars, which relate to coffee purchases (2018: US\$6.6 million).

Carrying amount of hedging instruments	September 30, 2019	December 31, 2018
Fair value hedge	Foreign currency purchase forwards	Foreign currency purchase forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 5,264	\$ 6,593
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ -	\$ 385
Derivative Liabilities	91	-
Changes in fair value used for calculating hedge ineffectiveness	-	-

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Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	September 30, 2019	December 31, 2018
Fair value hedge	Firm purchase commitments & inventories	Firm purchase commitments & inventories
Nominal amount of hedged item (in US\$'000)	\$ 5,264	\$ 6,593
Line item in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	86	-
Liabilities	-	404
Changes in fair value used for calculating hedge ineffectiveness	-	-

Currency risk on hedge on US\$ future revenue:

As at September 30, 2019, the Company designated as hedging instruments US\$39.6 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue, (2018: US\$47.1 million).

Carrying amount of hedging instruments	September 30, 2019	December 31, 2018
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 39,595	\$ 47,111
Line items in the statement of financial position where hedging instrument is located		
Derivative Assets	-	4
Derivative Liabilities	1,833	3,322
Changes in fair value used for calculating hedge ineffectiveness	-	-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	September 30, 2019	December 31, 2018
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US\$'000)	39,595	47,111
Line items in the statement of financial position where hedged item is located	Accumulated other comprehensive income	Accumulated other comprehensive income
Assets	n/a	n/a
Liabilities	n/a	n/a
Changes in fair value used for calculating hedge ineffectiveness	-	-
Cashflow hedge reserve	(1,833)	(3,496)

21.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as all cash equivalents and short-term investments are made in fixed rate instruments. The Company does have some interest rate risk related to its credit facilities; however, the obligations are small enough that any exposure is not material at this time. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

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21.4 Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable and derivative financial instruments.

The Company does not have significant credit risk related to cash and cash equivalents as amounts are held with major financial institutions.

The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. For the nine month period ended September 30, 2019, revenues from three major customers of \$23.2 million (2018: \$23.3 million) represented 32% (2018: 35%) of total revenues for the period. These same three customers represented 34% of total accounts receivable as at September 30, 2019 (December 31, 2018: 43%).

The Company had 13% of its accounts receivable past due but not impaired as at September 30, 2019 (December 31, 2018: 19%). Of the past due accounts receivable, 88% are 1-30 days past due (December 31, 2018: 91%), while 12% are over 31 days past due (December 31, 2018: 9%).

The Company manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions.

21.5 Liquidity risk

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its existing bank indebtedness and additional borrowing capacity. The Company has maintained compliance with its banking covenants and remains able to satisfy its liabilities as they become due. Non-derivative financial liabilities are as follows:

	Carrying Amount		Contractual Cash Flows			
		September 30, 2019	2019	2020 to 2021	2022 to 2023	Thereafter
Accounts payable	\$	8,996	\$ 8,996	\$ -	\$ -	-
Other liabilities		1,068	776	292	-	-
Lease liabilities		25,086	647	5,412	5,384	24,652
Construction loan		18,040	167	4,000	4,000	9,873
Convertible debenture		12,434	-	-	15,000	-
Total	\$	65,624	\$ 10,586	\$ 9,704	\$ 24,384	\$ 34,525

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21.6 Fair value of financial instruments

Financial instruments that are measured at fair value are categorized as follows. During the period ended September 30, 2019, there were no transfers between level 1 and 2 instruments.

	September 30, 2019		Level 1	Level 2	Level 3
Financial assets					
Cash, cash equivalents	\$	5,915	\$ 5,915	\$ -	\$ -
Derivative assets		504	499	5	-
	\$	6,419	\$ 6,414	\$ 5	\$ -
Financial liabilities					
Derivative liabilities	\$	3,940	\$ -	\$ 3,940	\$ -
Other liabilities		1,068	-	1,068	-
	\$	5,008	\$ -	\$ 5,008	\$ -
	December 31, 2018		Level 1	Level 2	Level 3
Financial assets					
Cash, cash equivalents	\$	8,336	\$ 8,336	\$ -	\$ -
Derivative assets		883	495	388	-
	\$	9,219	\$ 8,831	\$ 388	\$ -
Financial liabilities					
Derivative liabilities	\$	5,109	\$ -	\$ 5,109	\$ -
Other liabilities		578	-	578	-
	\$	5,687	\$ -	\$ 5,687	\$ -

22. COMMITMENTS

In addition to lease liabilities, the Company has the following commitments:

The Company has provided a standby letter of credit in the amount of \$0.3 million as security to the landlord.

The Company has, in the normal course of business, entered into various contracts. As at September 30, 2019, these contracts related to the purchase of green coffee in the amount of \$38.1 million (December 31, 2018: \$37.6 million), and natural gas purchase commitments in the amount of \$0.5 million (December 31, 2018: \$0.1 million). \$38.3 million of these contracts will become payable within twelve months from September 30, 2019.

23. SUBSEQUENT EVENTS

On October 15, 2019, the Company paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on September 30, 2019.

On October 15, 2019, BDC extended repayment terms of the principal balance on the Term Loan. The monthly repayment of the principal balance will commence on July 1, 2021 instead of September 1, 2020.

On October 18, 2019 the Company entered into a credit facility agreement ("Credit Facility"), with a Canadian Bank, of up to \$30.0 million. This Credit Facility replaced two former credit facilities: the \$14.5 million revolving operating line of credit and the \$1.5 million swing operating line of credit that were held with the same financial institution.