SWISS WATER DECAFFEINATED COFFEE INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

For the Three Months Ended March 31, 2021

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Financial Position as at
(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

	Note		March 31, 2021		December 31, 2020
Assets					
Current assets					
Cash		$	2,117	$	2,749
Accounts receivable	4		16,312		15,422
Inventories	5		19,398		18,660
Prepaid expenses and other receivables			745		830
Derivative assets and hedged firm commitments	6, 17		1,552		1,380
Total current assets			40,124		39,041
Non-current assets					
Receivables	4		181		219
Property, plant and equipment	7		98,781		98,124
Intangible assets			573		640
Deferred tax assets			133		138
Derivative assets	6, 17		1,216		1,071
Total non-current assets			100,884		100,192
Total assets		$	141,008	$	139,233
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable		$	8,472	$	9,367
Accrued liabilities			3,451		2,698
Borrowings	9		1,335		918
Income tax payable			82		35
Other liabilities			528		632
Lease liabilities	8		1,708		1,688
Derivative liabilities and hedged firm commitments	6, 17		278		639
Total current liabilities			15,854		15,977
Non-current liabilities					
Other liabilities			45		108
Borrowings	9		44,098		42,067
Lease liabilities	8		21,287		21,729
Asset retirement obligation			1,417		1,415
Deferred tax liabilities			4,570		4,486
Derivative liabilities	6, 9.2, 17		389		457
Total non-current liabilities			71,806		70,262
Total liabilities			87,660		86,239
Shareholders' equity					
Share capital	10	$	43,992	$	43,710
Retained earnings			8,055		8,151
Accumulated other comprehensive income			1,103		714
Share-based compensation reserve			198		419
Total equity			53,348		52,994
Total liabilities and shareholders' equity		$	141,008	$	139,233

Commitments (Note 18)

Approved on behalf of the Board
(signed) ***"Donald Tringali"***, Director (signed) ***"Frank Dennis"***, Director

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of (Loss) Income

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

	Note	3 months ended March 31, 2021	3 months ended March 31, 2020
Revenue	11,15	$ 25,692	$ 21,817
Cost of sales		(22,140)	(17,611)
Gross profit		3,552	4,206
Operating expenses			
Administration expenses		(1,781)	(1,038)
Sales and marketing expenses		(1,033)	(1,133)
Total operating expenses		(2,814)	(2,171)
Operating income		738	2,035
Non-operating or other			
Loss on risk management activities		(146)	(282)
(Loss) gain on fair value on embedded option	9.2	(33)	1,474
Finance income		115	74
Finance expense		(1,022)	(568)
Gain (loss) on foreign exchange		241	(700)
Total non-operating or other		(845)	(2)
(Loss) Income before tax		(107)	2,033
Income tax recovery (expense)		11	(585)
Net (loss) income		$ (96)	$ 1,448
Basic (loss) earnings per share	14	$ (0.01)	$ 0.16
Diluted (loss) earnings per share	14	$ (0.01)	$ 0.02

Condensed Consolidated Interim Statements of Comprehensive (Loss) 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 (Loss) Income

For the	**3 months ended March 31, 2021**	**3 months ended March 31, 2020**
Net (loss) income	$ (96)	$ 1,448
Other comprehensive income (loss), 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	502	(6,691)
Items reclassified to income:		
Realized loss (gain)		
Derivatives designated as cash flow hedges		
- currency risk hedges on US$ future revenue, recognized in revenue	49	(102)
Other comprehensive income (loss) related to hedging activities	551	(6,793)
Tax (expense) recovery on other comprehensive income relating to hedging activities	(149)	1,834
Cumulative translation adjustment	(13)	6
Other comprehensive income (loss), net of tax	389	(4,953)
Net income (loss) and other comprehensive income (loss)	$ 293	$ (3,505)

Condensed Consolidated Interim Statements of Changes in Equity

	Note	**Share capital** **Shares**	**Share capital** **Amount**	**Share-based compensation reserve**	**Accumulated other comprehensive income**	**Retained earnings**	**Total equity**
Balance at December 31, 2019		**9,061,210**	**$ 43,591**	**$ 353**	**$ (646)**	**$ 5,202**	**$ 48,500**
Shares issued for restricted share units		17,570	119	(119)	-	-	-
Share-based compensation		-	-	49	-	-	49
Net income and other comprehensive loss		-	-	-	(4,953)	1,448	(3,505)
Balance at March 31, 2020		**9,078,780**	**$ 43,710**	**$ 283**	**$ (5,599)**	**$ 6,650**	**$ 45,044**
					-		
Balance at December 31, 2020		**9,078,780**	**43,710**	**419**	**714**	**8,151**	**52,994**
Shares issued for restricted share units		50,893	282	(282)	-	-	-
Share-based compensation		-	-	61	-	-	61
Net loss and other comprehensive income		-	-	-	389	(96)	293
Balance at March 31, 2021		**9,129,673**	**$ 43,992**	**$ 198**	**$ 1,103**	**$ 8,055**	**$ 53,348**

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

Condensed Consolidated Interim Statements of Cash Flows For the
(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

	Note	3 months ended March 31, 2021	3 months ended March 31, 2020
Operating activities			
Net (loss) income		$ (96)	$ 1,448
Items not affecting cash:			
Depreciation and amortization		1,713	849
Share-based compensation expense (recovery)		230	(576)
Unrealized gain on risk management activities		154	614
Unrealized loss (gain) on fair value adjustment of embedded option		33	(1,474)
Finance income		(115)	(74)
Finance expense		1,022	568
Income tax (recovery) expense		(11)	585
Other		16	34
		2,946	1,974
Change in non-cash working capital relating to operating activities	16	(2,028)	(3,333)
Net cash generated from (used in) operations		**918**	**(1,359)**
Interest received		96	74
Interest paid	16	(772)	(812)
Net cash generated from (used in) operating activities		**242**	**(2,097)**
Investing activities			
Additions to plant and equipment	16	(2,651)	(4,129)
Net cash used in investing activities		**(2,651)**	**(4,129)**
Financing activities			
Dividends paid		-	(566)
Payment of lease liabilities		(423)	(326)
Proceeds from credit facility		2,200	5,300
Net cash generated from financing activities		**1,777**	**4,408**
Decrease in cash and cash equivalents		(632)	(1,818)
Cash and cash equivalents, beginning of the period		2,749	6,739
Cash and cash equivalents, end of the period		$ 2,117	$ 4,921

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

1. NATURE OF BUSINESS

Swiss Water Decaffeinated Coffee Inc., ("Swiss Water" or the "Company"), 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'. The Company's head office is located at 7750 Beedie Way, Delta, British Columbia, V4G 0A5, Canada.

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.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the period ended March 31, 2021 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, 2020.

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, 2020, 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 the United States dollars.

These condensed consolidated interim financial statements for the period ended March 31, 2021 were approved for issuance by the Company's Directors on May 4, 2021. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization.

2.1 New and amended standards

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2021. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- *IAS 1* amendments address the classification of liabilities between current and non-current;
- *IFRS 9/ IAS 39 and IFRS 7* (phase 2) were amended to address issues arising from the implementation of interest rate benchmark reform ("IBOR"), including the replacement of one benchmark with an alternative one. The Company has not currently transitioned its agreements to address IBOR. Currently our Credit Facility (see Note 9.3) would be exposed to the implementation of IBOR but we do not expect the replacement to result in a significant change to our risk management strategy.

2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2022 and the Company does not anticipate a material impact on its financial statements:

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

- *IFRS 9* Amended to address which fees should be included in the 10% test for derecognition of financial liability.
- *IAS 37* Amended to clarify (i) the meaning of "costs to fulfil a contract", and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- *IAS 16* Amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and (iii) require certain related disclosures.

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.

4. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2021 are recorded net of expected credit losses of $0.02 million (2020: nil). The Company monitors lifetime expected credit losses using the simplified approach which is determined based on historic and adjusted relevant forward-looking information. The Company's customers have a negligible default rate and the Company's experience both in frequency and amount of losses are low.

5. INVENTORIES

During the three months ended March 31, 2021, the cost of inventories recognized in cost of sales was $20.9 million (2020: $16.7 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

	March 31, 2021	December 31, 2020
Raw materials	$ 8,680	$ 6,436
Finished goods	9,771	10,442
Carbon	406	501
Packaging	224	159
Hedge accounting component	317	1,122
	$ 19,398	$ 18,660

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

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

		March 31, 2021	December 31, 2020
Coffee futures contracts, net	$	891	$ 505
US Dollar forward contracts, current		(149)	(52)
US Dollar forward contracts, long-term		-	-
Derivative financial liability, convertible debenture	Note 9.2	(385)	(352)
	$	357	$ 101

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

		March 31, 2021	December 31, 2020
US Dollar forward contracts, current	$	295	$ (10)
US Dollar forward contracts, long-term		1,213	967
	$	1,508	$ 957

7. PROPERTY, PLANT AND EQUIPMENT

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

		March 31, 2021	December 31, 2020
Property, plant and equipment	$	77,511	$ 76,295
Right-of-use assets		21,270	21,829
	$	98,781	$ 98,124

7.1 Property, plant and equipment

Property, plant and equipment additions during the first three months of 2021 consisted of $2.3 million (2020: $2.5 million). For the three months ended March 31, 2021, this increase was offset by depreciation charges of $1.1 million (2020: $0.4 million), of which $1.0 million was charged to cost of sales and $0.1 million was included in administrative expenses (2020: $0.3 million and $0.1 million).

7.2 Right-of-use assets

For the three months ended March 31, 2021, the total depreciation expense was $0.6 million (2020: $0.4 million), of which $0.5 million (2020: $0.3 million) was charged to cost of sales and $0.1 million (2020: $0.1 million) was included in administrative expenses.

8. LEASE LIABILITIES

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

Lease liabilities interest expense recognized in profit and loss was $0.3 million (2020: $0.3 million). The minimum lease payments recognized in the financing component of the statement of cash flows were $0.7 million and $0.6 million during the periods ended March 31, 2021 and 2020, respectively.

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

9. BORROWINGS

As at and during the three months ended March 31, 2021, the Company was in compliance with all covenants.

			March 31, 2021		December 31, 2020
Construction loan	Note 9.1	$	20,084	$	20,083
Convertible debenture	Note 9.2		13,245		13,102
Credit facility	Note 9.3		12,104		9,800
Borrowings, total		$	45,433	$	42,985
Less current portion					
Construction loan	Note 9.1	$	(1,335)	$	(918)
Borrowings, non-current		$	44,098	$	42,067

9.1 Construction loan

Principal repayments for our construction loan with Business Development Bank of Canada (“BDC”) commence on July 1, 2021 and are repaid in equal monthly installments until the Term Loan maturity date of June 1, 2033.

Finance expense

The construction loan bears interest at 4.95% per annum over twelve years. Interest is based on the outstanding loan balance and is paid monthly. Interest expense and interest paid were $0.25 million during the three months period ended March 31, 2021 (2020: $0.25 million).

Security

The construction 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 construction loan. Seaforth provided a guarantee for the construction loan.

9.2 Convertible Debenture

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture for gross proceeds of $15.0 million. The convertible debenture is due on October 11, 2023. In 2016, the Company paid financing costs of $0.5 million in respect of issuing the convertible debenture.

The Company uses the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability.

Liability component of the convertible debenture

The liability component of the convertible debenture was initially measured at a fair value of $11.2 million, which represents the present value of the contractually determined stream of cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without derivative components, of 12.15% per annum. As at March 31, 2021 the liability component was $13.2 million (2020: $13.1 million).

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

Finance expense

The convertible debenture bears interest at a rate of 6.85% per annum to be paid quarterly in arrears. The 6.85% interest rate is subject to reaching specific covenant thresholds, in excess of these, the interest rate increases to 7.85% per annum. Under the terms of the agreement, Swiss Water had the option to pay interest-in-kind for the first two years. If elected, this option would have increased the principal sum by the interest owing. The Company chose not to elect to pay interest-in-kind.

	March 31, 2021	December 31, 2020
Balance, open	$ 13,102	$ 12,560
Interest charged	396	1,569
Interest paid	(253)	(1,027)
Balance, end	$ 13,245	$ 13,102

Conversion

The convertible debenture is convertible into common shares of the Company at a conversion price of $8.25 per common share. The convertible debenture also includes a net share settlement feature that allows Swiss Water, upon conversion, to elect to pay cash equal to the face value of the convertible debenture and to issue common shares equal to the excess value of the underlying equity above the face value of the convertible debenture. If the net share settlement option is elected, it will result in fewer common shares being issued.

Derivative financial liability component embedded in the convertible debenture

Under the residual value method, as at March 31, 2021, the derivative liabilities include the fair value of the derivative liability embedded in the convertible debenture in the amount of $0.4 million (2020: $0.4 million). During the three months ended March 31, 2021, this revaluation resulted in a loss of $0.01 million being recorded in the statement of income (2020: gain of $1.5 million).

	March 31, 2021	December 31, 2020
Balance, open	$ 352	$ 1,680
Change in fair valuation of derivative embedded option	33	(1,328)
Balance, end	$ 385	$ 352

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:

	March 31, 2021	December 31, 2020
Share price	$ 3.11	$ 3.06
Exercise price	$ 8.25	$ 8.25
Option life	2.53 years	2.78 years
Volatility	50%	48%
Risk-free interest rate	0.22%	0.25%
Dividend yield	0.00%	0.00%

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

9.3 Credit Facility

On October 18, 2019, Swiss Water entered into a revolving credit facility agreement ("Credit Facility"), with a Canadian Bank, for borrowings up to the lower of the Borrowing Base (defined below) and $30.0 million.

The amounts drawn on the credit facility are classified in the consolidated statement of financial position as a part of non-current liabilities as the Company is not required to repay any balance outstanding until the maturity date of October 18, 2022, as long as the outstanding balance is not in excess of the Borrowing Base. The maturity date can be extended, subject to lenders' approval. As at March 31, 2021, the Credit Facility is comprised of:

		March 31, 2021		December 31, 2020
Credit Facility	$	12,308	$	10,021
Less unamortized transaction costs		(204)		(221)
	$	12,104	$	9,800

Financing transaction costs in connection with the Credit Facility were deferred and are amortized until the Credit Facility's maturity date.

Security

The Company has pledged substantially all of its assets, except for assets pledged to BDC under the Term Loan (see Note 9.1), as a collateral for the Credit Facility, including a first priority security interest over all inventory, accounts receivable, excess margin and gains on the commodity account, gains in the foreign exchange line of credit and other assets of the Company.

Borrowing base

The Credit Facility's Borrowing Base margins eligible inventories and accounts receivable, commodity hedging account equity margin plus its market-to-market gains, which are netted against any losses in the commodity account and foreign exchange contract facility. Amounts can be drawn in either Canadian or in US$ dollars and can be borrowed, repaid, and re-borrowed to fund operations, capital expansions, letters of credit and for general corporate purposes.

As at March 31, 2021, the Company's borrowing availability was as follows:

		March 31, 2021		December 31, 2020
Gross borrowing base availability	$	16,483	$	15,028
Advances, repayments, fees and interest		(12,308)		(10,021)
Outstanding letters of credit		(300)		(300)
Interests and fees accrued		35		35
	$	3,910	$	4,742

Foreign exchange and commodity futures contract facilities

As part of the Credit Facility, the Company has an US$8.0 million foreign exchange and commodity futures contract facility, which allows the Company to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with the bank with a maximum term of up to 60 months.

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

Foreign exchange facility guarantee

On June 1, 2020, the Company entered into a foreign exchange facility guarantee to cover margin requirements in relation to the foreign exchange facility. On August 4, 2020, the Company's Credit Facility Lender amended the credit agreement to recognize the foreign exchange facility guarantee provided by the third party. The facility guarantees a maximum aggregate liability of up to $6.0 million and it is valid until May 31, 2021. This guarantee provides additional borrowing capacity within the referenced credit facility.

10. 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 March 31, 2021, there were 9,129,673 common shares issued and outstanding.

Restricted share units

On the reporting date, the Company values the RSUs using the volume based weighted average share price ("VWAP"). VWAP is based on the Canadian dollar trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding that relevant date, calculated by dividing the total value by the total volume of common shares traded, according to the RSU Plan.

The movement in RSUs was as follows:

	Number of RSUs	Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2020	**224,836**	**$ 7.07**	**1.40**	
RSUs granted	121,140	$ 2.95	2.15	No
RSUs issued for dividends	2,098	$ 6.70	0.67	No
RSUs cash-settled	(23,654)	$ 6.28	-	No
RSUs exercised	(17,570)	$ 6.28	-	No
Balance at December 31, 2020	**306,850**	**$ 2.88**	**1.26**	
Balance at January 1, 2021	**306,850**	**$ 2.88**	**1.26**	
RSUs cash-settled	(45,792)	$ 3.51	-	No
RSUs exercised	(50,893)	$ 5.56	-	No
RSUs forfeited	(11,679)	$ 3.70	-	No
Balance at March 31, 2021	**198,486**	**$ 3.14**	**1.46**	

Deferred share units

On the reporting date, the Company values the DSUs using FMV. The FMV of DSUs is defined in the DSU Plan as the weighted average closing price of Swiss Water shares for the five business days immediately preceding the relevant date.

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

The movement in DSUs was as follows:

	Number of DSUs		Weighted average share price	Performance based
Balance at January 1, 2020	**126,267**	**$**	**6.92**	
DSUs issued	55,340	$	3.19	No
DSUs redeemed	(10,289)	$	2.99	No
Balance at December 31, 2020	**171,318**	**$**	**3.06**	
Balance at January 1, 2021	**171,318**	**$**	**3.06**	
DSUs issued	21,012	$	3.19	No
DSUs redeemed	(49,742)	$	3.43	No
Balance at March 31, 2021	**142,588**	**$**	**3.10**	

11. REVENUE

Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 15. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results:

		3 months ended March 31, 2021		3 months ended March 31, 2020
Decaffeinated coffee sales	$	22,379	$	18,874
Decaffeination services		1,426		1,255
Distribution		1,887		1,688
	$	25,692	$	21,817

Contract balances

As at March 31, 2021 the accounts receivable balance of $16.3 million (December 31, 2020: $15.4 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.

12. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

		3 months ended March 31, 2021		3 months ended March 31, 2020
Short-term benefits	$	2,920	$	2,679
Long-term benefits		230		(578)
Post-employment benefits		311		303
	$	3,461	$	2,404

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

13. 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 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 is as follows:

	3 months ended March 31, 2021	3 months ended March 31, 2020
Short-term benefits	$ 659	$ 540
Long-term benefits	189	(552)
Post-employment benefits	70	65
	$ 918	$ 53

Trading transactions

During the three months ended March 31, 2021 and 2020, the Company entered into the following transactions with a company that is related to a director:

	3 months ended March 31, 2021	3 months ended March 31, 2020
Sales	$ 196	$ 69
Purchases of raw materials	$ 194	$ 1,260

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:

	March 31, 2021	December 31, 2020
Accounts receivable	$ 40	$ 40
Accounts payable	$ 195	$ 279

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.

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

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

		3 months ended March 31, 2021		3 months ended March 31, 2020
Basic (loss) earnings per share				
Net (loss) income attributable to shareholders	$	(96)	$	1,448
Weighted average number of shares		9,099,703		9,068,354
Basic (loss) earnings per share	**$**	**(0.01)**	**$**	**0.16**
Diluted (loss) earnings per share				
Net (loss) income attributable to shareholders	$	(96)	$	1,448
Effect of diluted securities: RSUs		-		(63)
Interest on convertible debenture		-		280
Gain on fair value adjustment of embedded option		-		(1,474)
Net (loss) income after effect of diluted securities	$	(96)	$	191
Weighted average number of shares - basic		9,099,703		9,068,354
Effect of diluted securities: RSUs		-		226,611
Effect of diluted securities: convertible debenture		-		1,818,182
Weighted average number of shares - diluted		9,099,703		11,113,147
Diluted (loss) earnings per share	**$**	**(0.01)**	**$**	**0.02**

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:

	3 months ended March 31, 2021	3 months ended March 31, 2020
Weighted average number of RSUs granted	253,270	-
Convertible debenture	1,818,182	-

15. 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 March 31, 2021		3 months ended March 31, 2020
Canada	$	8,563	$	7,382
United States		10,848		10,224
International and other		6,281		4,211
	$	25,692	$	21,817

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

Non-Current Assets (excluding deferred tax assets)

	March 31, 2021	December 31, 2020
Canada	$ 100,424	$ 99,651
United States	149	207
Europe	178	196
	$ 100,751	$ 100,054

16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended March 31, 2021	3 months ended March 31, 2020
Accounts receivable	$ (895)	$ 1,959
Inventories	(1,544)	(3,464)
Other assets and liabilities	(298)	(796)
Prepaid expenses and other receivables	84	210
Accounts payable and accrued liabilities	203	(444)
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss	422	(798)
	$ (2,028)	$ (3,333)

For the period ended March 31, 2021 $2.1 million (2020: $5.4 million) in addition to construction in progress was accrued in accounts payable and accrued liabilities. These are operating and investing transactions that did not require the use of the Company's cash.

In Q1 2020, interest paid included $0.25 million of interest on the construction loan and $0.2 million of interest on lease liabilities which were capitalized during the construction phase of the new facility. No interest was capitalized in the current quarter of 2021. Also, during Q1 2020 the Company capitalized $0.2 million of depreciation related to right-of-use assets. No depreciation was capitalized in the current quarter of 2021.

During the three months period ended March 31, 2021, cash paid to settle RSUs was $0.2 million (2020: $0.1 million).

17. 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.

Risks related to COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. As a result of measures taken by governments to curb the spread of COVID-19, many countries have entered into an economic recession since the second quarter of 2020. Swiss Water was deemed an essential service and continued to operate largely uninterrupted despite the pandemic with appropriate protocols in place to protect the safety and health of employees. During the early stages of the pandemic, we experienced strong short term volume pull from customers that service the retail grocery trade as consumers loaded their pantries in anticipation of quarantines and supply disruptions, or simply consumed their coffee at home. Also, the demand for coffee shifted between customer types. This pandemic may continue to impact the demand for our products and services in the near term as well as impact the supply chain. It may also impact expected credit losses on our amounts due from customers and whether the entity continues to meet the criteria for hedge accounting. For example, if a hedged forecast transaction is no longer highly probable to occur, hedge accounting is discontinued.

17.1 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 three months period ended March 31, 2021, revenues from three major customers of $8.7 million (2020: $6.9 million) represented 34% (2020: 31%) of total revenues for the period. Three customers represented 64% of total accounts receivable as at March 31, 2021 (December 31, 2020: 58%).

The Company had 4% of its accounts receivable past due but not impaired as at March 31, 2021 (December 31, 2020: 11%). Of the past due accounts receivable, 90% are 1-30 days past due (December 31, 2020: 92%), while 10% are over 31 days past due (December 31, 2020: 8%).

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

17.2 Commodity price risk

Commodity price risk is the risk that the fair value of inventory or future cash flows 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 March 31 2021, the Company had futures contracts to buy 2.5 million lbs of green coffee with a notional value of US $3.0 million, and contracts to sell 6.9 million lbs of green coffee with a notional value of US$8.2 million. The furthest contract matures in December 2021. (December 31, 2020: buy 2.5 million lbs of green coffee with a notional value of US$3.0 million, and contracts to sell 6.6 million lbs of green coffee with a notional value of US$7.9 million).

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

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

Carrying amount of hedging instruments		**March 31, 2021**		**December 31, 2020**
Fair value hedge		Commodity price risk Coffee futures		Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US$'000)	$	5,210	$	4,935
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	891	$	515
Derivative Liabilities		-		10
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		**March 31, 2021**		**December 31, 2020**
Fair value hedge		Purchase commitments and coffee inventory		Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)		4,403		4,019
Line items in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	$	345	$	1,288
Liabilities		17		190
Changes in fair value used for calculating hedge ineffectiveness		-		-

17.3 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 March 31, 2021, the Company had forward currency contracts to buy US$6.8 million and sell US$47.8 million (December 31, 2020: buy US$5.6 million and sell US$51.0 million) from April 2021 through to February 2025 at various Canadian exchange rates ranging from $1.2147 to $1.3626.

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

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

Currency risk hedges on US$ purchases

As at March 31, 2021, the Company designated as hedging instruments US$6.8 million in forward contracts to buy US dollars, which relate to coffee purchases (2020: US$5.6 million).

Carrying amount of hedging instruments		**March 31, 2021**		**December 31, 2020**
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$	6,842	$	5,646
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	3	$	-
Derivative Liabilities		214		263
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		**March 31, 2021**		**December 31, 2020**
Fair value hedge		Firm purchase commitments & inventories		Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$	6,842	$	5,646
Line item in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	$	227	$	323
Changes in fair value used for calculating hedge ineffectiveness		-		-

Currency risk on hedge on US$ sales

As at March 31, 2021, the Company designated as hedging instruments US$35.9 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue, (2020: US$38.7 million).

Carrying amount of hedging instruments		**March 31, 2021**		**December 31, 2020**
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$	35,929	$	38,709
Line items in the statement of financial position where hedging instrument is located				
Derivative Assets	$	1,558	$	1,226
Derivative Liabilities		50		269
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	**March 31, 2021**	**December 31, 2020**
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	$ 35,929	$ 38,709
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	1,508	957

17.4 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 interest rate risk related to its credit facilities, a 1% increase in the Canadian prime rate loan, holding all other variables constant, would result in a $0.12 million decrease to the income before taxes. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

17.5 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**			
	March 31, 2021	**2021**	**2022 to 2023**	**2024 to 2025**	**Thereafter**
Accounts payable	$ 8,472	$ 8,472	$ -	$ -	$ -
Other liabilities	573	528	45	-	-
Lease liabilities	22,995	2,807	4,522	2,504	1,608
Credit Facility	12,308	-	12,308	-	-
Construction loan and interest	20,084	1,336	3,333	3,333	12,082
Convertible debenture	13,245	-	15,000	-	-
Total	$ 77,677	$ 13,143	$ 35,208	$ 5,837	$ 13,690

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

17.6 Fair value of financial instruments

Financial instruments that are measured at fair value are categorized as follows. During the period ended March 31, 2021, there were no transfers between level 1 and 2 instruments.

	March 31, 2021	Level 1	Level 2	Level 3
Financial assets				
Cash	$ 2,117	$ 2,117	$ -	$ -
Derivative assets	2,513	891	1,622	-
	$ 4,630	$ 3,008	$ 1,622	$ -
Financial liabilities				
Derivative liabilities	$ 650	$ -	$ 650	$ -
Credit facility	12,308	-	12,308	-
Construction loan	20,084	-	20,084	-
Other liabilities	573	-	573	-
	$ 33,615	$ -	$ 33,615	$ -

	December 31, 2020	Level 1	Level 2	Level 3
Financial assets				
Cash	$ 2,749	$ 2,749	$ -	$ -
Derivative assets	1,962	514	1,448	-
	$ 4,711	$ 3,263	$ 1,448	$ -
Financial liabilities				
Derivative liabilities	$ 906	$ 10	$ 896	$ -
Credit facility	10,021	-	10,021	-
Construction loan	20,083	-	20,083	-
Other liabilities	740	-	740	-
	$ 31,750	$ 10	$ 31,740	$ -

18. 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 March 31, 2021, these contracts related to the purchase of green coffee in the amount of $61 million (December 31, 2020: $44.2 million), and natural gas purchase commitments in the amount of $0.2 million (December 31, 2020: $0.2 million), and capital purchases commitments of $10.8 million (December 31, 2020: $8.2 million). $71.3 million of these contracts will become payable within twelve months from March 31, 2021.