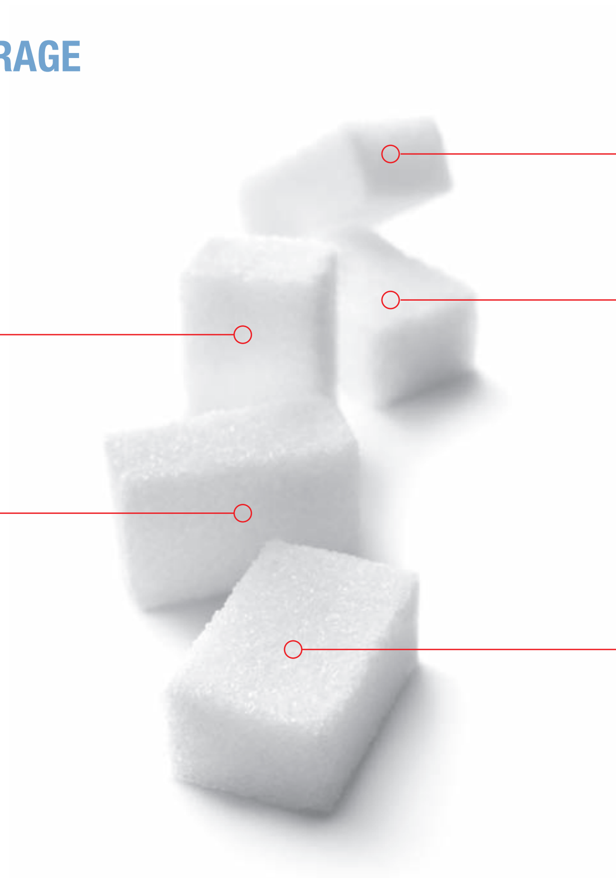
EVERYTHING IS BETTER WITH SUGAR

ROGERS SUGAR INCOME FUND

ANNUAL REPORT 2010

OUR FACILITIES
COAST TO COAST COVERAGE



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TOTAL DISTRIBUTION (thousand of $)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2010	**3,347**	**3,347**	**3,347**	**3,347**	**3,347**	**3,347**	**3,347**	**3,348**	**3,350**	**3,350**	**3,352**	**3,355**	**40,186**
Fiscal 2009	3,355	3,355	3,355	3,355	3,355	3,347	3,347	3,347	3,347	3,347	3,347	3,347	40,206

PER UNIT DISTRIBUTION ($)	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2010	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.0383**	**0.4600**
Fiscal 2009	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.0383	0.4600

Due to rounding, the total $ was forced-in to add to $40,186 for 2010 and $40,206 for 2009.

FISCAL 2010 IS THE LAST YEAR THAT WE WILL REPORT OUR FINANCIAL RESULTS UNDER AN INCOME TRUST STRUCTURE. ON SEPTEMBER 29, 2010, THE FUND'S UNITHOLDERS OVERWHELMINGLY APPROVED THE CONVERSION OF ROGERS SUGAR INCOME FUND (THE "FUND") TO A CONVENTIONAL CORPORATION, TO BE EFFECTIVE ON OR ABOUT JANUARY 1, 2011. THE NEW ENTITY WILL BE CALLED ROGERS SUGAR INC. ("RSI").

MESSAGE TO UNITHOLDERS

Fiscal 2010 proved to be another year of solid performance for the Fund with adjusted distributable cash of $50.5 million being generated. We distributed a total of $40.2 million to Unitholders or 46 cents per unit resulting in a payout ratio of 79.5% for the year, our fourth year in a row with a payout ratio below 80%. In the four-year, period cumulative adjusted distributable cash earned totaled $213.6 million and cumulative distributions paid to Unitholders were $158.2 million resulting in a four year, payout ratio of 74%. The principal use of retained cash was to reduce debt by approximately $45.0 million during the period. This deleveraging was notable during the challenging credit markets that prevailed during the period.

This year, we capitalized on the state of the Canadian convertible debenture markets to accelerate the refinancing of our $50 million second series 6% unsecured convertible debentures which were due in June 2012. On April 8, 2010, we successfully issued a $50 million fourth series unsecured convertible debentures at an interest rate of 5.7% with a materially improved conversion price and an extended maturity of 5 years.

As noted above, the Fund will be converting to a conventional corporation on or about January 1, 2011. Although we regret the Government's decision to change the tax treatment for Canadian Income Trusts, we concluded after a careful review that given their October 2006 announced intention to tax income funds, commencing on January 1, 2011, it would be in the best interest of Unitholders to take advantage of the transition rules while they are available to convert to a taxable Canadian corporation. Unitholders will receive shares of the new corporation, Rogers Sugar Inc., on a one-for-one basis for each trust unit they now own on a tax deferred basis for Canadian federal income tax purposes.

It is hoped that by converting to a corporate form we will maximize and enhance our continuing access to Canadian capital markets, ensuring liquidity and visibility for our Unitholders.

MESSAGE TO UNITHOLDERS (CONTINUED)

We have advised our Unitholders that upon conversion we expect to pay a quarterly dividend in the amount of 8.5 cents per share being an after tax amount that is equivalent to the current distribution which is subject to tax as interest income at the higher applicable rate. As has always been the case, the amount of the dividend paid will continue to be subject to the Board's ongoing periodic review of the business, its operations and outlook.

As part of our mandate, the Fund's trustees are committed to maintaining good corporate governance practices. As a measure of this commitment, we have documented and adopted specific guidelines to assist in our governance responsibilities. These guidelines are reviewed yearly to ensure they meet the test of being good governance practices. The Fund's Nominating and Governance Committee, as well as the Audit Committee, are each composed of three trustees, all of whom are independent and unrelated. Terms of reference for the Board Chair, Audit Committee Chair and Nominating and Governance Chair have also been documented and approved. The Fund has a Code of Business Conduct, which has been distributed to all personnel. We regularly review and update these corporate governance guidelines to reflect the most current best-practices in the industry.

Due to the adoption of new accounting policies for derivative financial instruments, effective October 1, 2006, the Fund's operating results may now have large fluctuations. These fluctuations are due to the mark-to-market of all derivative financial instruments and to embedded derivatives in non-financial instruments at the end of the reporting period. However, this new accounting policy does not provide a complete understanding of factors and trends affecting the business of the Fund. We have therefore prepared adjusted gross margin and earnings results to reflect the performance of the Fund during the reporting period. This adjusted performance is comparable to the earnings reported in previous interim reports. All these non-GAAP adjustments are explained in detail in the Management's Discussion and Analysis, further in this annual report. In this Message to Unitholders and future press releases, we will discuss adjusted gross margins and adjusted earnings before interest and income taxes, which reflect the operating income without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments.

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

On behalf of the Trustees,

A. Stuart Belkin

A. Stuart Belkin
Chairman

November 18, 2010

ON NOVEMBER 1, 2010, THE CANADIAN INTERNATIONAL TRADE TRIBUNAL (THE "CITT") ISSUED ITS DECISION TO CONTINUE THE 1995 RULING AGAINST DUMPED SUGAR FROM THE UNITED STATES, BUT TO CANCEL THE RULING AGAINST DUMPED AND SUBSIDIZED SUGAR FROM THE EUROPEAN UNION.

REPORT FROM THE CHAIRMAN AND PRESIDENT OF LANTIC INC.

We are satisfied with the ruling to continue the anti-dumping against shipments of refined sugar from the United States for the next five years. This will restrict unfair competition from refined sugar imports from the United States. On the other hand, we are greatly disappointed that the countervailing duties were removed on the shipments of refined sugar from the European Union, as it will allow such subsidized sugar to enter Canada at the minimal tariff of approximately $30.86 per metric tonne. We will closely monitor imports of refined sugar from the European Union, and will return to the CITT if, and when the financial impact of these imports becomes significant to the Canadian sugar industry.

Fiscal 2010 financial results, while not quite up to the previous two years, were nevertheless satisfactory given the external conditions that prevailed throughout the year.

Adjusted earnings before interest and income taxes ("EBIT") were $57.9 million as compared to $67.4 million in fiscal 2009, a decrease of $9.5 million. Several factors contributed to this decrease. Fiscal 2009 had 53 weeks of operation, one more than fiscal 2010. In addition, there was no special U.S. refined sugar quota announcement in 2010, while the Company was able to benefit from such openings in fiscal 2009. Lastly, Taber's sugar beet production was severely reduced due to a prolonged frost that occurred in the fall of 2009 during harvest. As a consequence, total sugar output decreased and Taber's per unit cost increased significantly.

Sales volume, at 682,149 metric tonnes, was some 18,400 metric tonnes lower than last year with one less week of operations. Adjusted for that week, sales volume was approximately 5,000 metric tonnes lower than the previous year. Even though no special U.S. refined sugar quotas were opened during the year, Lantic shipped in excess of 41,000 metric tonnes to the U.S., while paying the Tier II duty of US$360.00 per metric tonne. This unexpected sales opportunity resulted from high refined sugar prices in the U.S., due to a tight supply environment in the spring of 2010, combined with a sudden decrease in world raw sugar values during the same period. The spread between the two markets allowed Lantic to pay the U.S. Tier II duty and still generate a contribution to our financial results.

In fiscal 2010, we also resumed shipments of refined sugar to Mexico. During the year, approximately 8,000 metric tonnes were shipped from Taber to Mexico. No such shipments occurred in fiscal 2009.

The adjusted gross margin rate per metric tonne was significantly lower than the previous year due to the payment of the U.S. Tier II duty on non-quota U.S. export sales. In addition, the higher per unit cost of Taber's beet sugar in fiscal 2010 negatively affected gross margins.

During the year, we continued to invest in our refining operations by maintaining our commitment to vigilant maintenance and through planned capital projects. Over $8.0 million was invested in various capital projects, the majority being for the ongoing revitalization of our existing plant and equipment, of which $1.7 million for projects with good investment returns. In fiscal 2010, a new beet pulp press was installed in Taber, while a new heat recovery system is being installed in Montreal. Both these projects will provide substantial energy savings when fully operational in fiscal 2011.

OUTLOOK

The total sweetener market increased slightly in fiscal 2010, and we believe this trend might continue over the next number of years. A number of U.S. food manufacturers have changed their product formulation from HFCS to liquid sucrose during the last 24 months. We believe that in the near future this trend might favourably impact the type of sweetener used by Canadian food processors in their product formulations. Lantic is well positioned with its liquid sugar production capabilities and expertise to meet additional liquid sucrose demand should it materialize.

Currently, U.S. refined sugar prices have been under downward pressure with the arrival of this fall's U.S. beet crop. We anticipate that as the new crop is absorbed, the market may again be subject to tightness, especially if the anticipated new cane refinery capacity in Louisiana is delayed. Circumstances may support a repeat of the benefit the Fund experienced in fiscal 2010 when, as mentioned earlier, the Fund shipped in excess of 41,000 metric tonnes of refined sugar to the U.S. while paying the U.S. Tier II duty.

Following up on the Fund's resumed shipments to Mexico in 2010, we have contracted additional volume for fiscal 2011 of approximately 15,000 metric tonnes. The Fund will continue to investigate this market and other market export opportunities.

The higher world raw sugar prices that currently exist will positively impact the adjusted gross margin of all domestic beet sugar sales, except for HFCS substitutable sales. Taber's beet crop acreage, currently being harvested, is 30,000 acres. If current harvesting conditions continue, we should derive approximately 80,000 to 90,000 tonnes of refined sugar for fiscal 2011. The total output is slightly lower than originally expected due to cooler growing conditions which reduced the yield per acre of the beet crop but is significantly higher than the 64,000 tonnes produced in the last crop cycle.

Over half of fiscal 2011's natural gas requirements have been hedged at average prices comparable to those realized last year. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase adjusted gross margin rate. In addition, some futures positions for fiscal 2012 to 2014 have been taken. These are at prices higher than the current market values, but are at the same or better levels than those achieved in fiscal 2010. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

In the current financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plan liabilities, may impact pension plan expenses in future years. One plan's actuarial valuation was completed in fiscal 2010, while the other three plans' actuarial valuations are required to be completed in fiscal 2011. The pension cash contributions were increased following this year's actuarial valuation and it is anticipated that future cash contribution levels will increase following the other three plans' actuarial valuations.

We would like to take this opportunity to thank all employees and management across Canada for their dedication and hard work. Our employees have been quick to find and react to opportunities to improve our financial results. In the past, we delivered a significant volume of refined sugar to the U.S., when special quotas were opened on a first come, first served basis. We seized the opportunity to sell sugar to the U.S. this year, when the spread between the U.S. refined prices and world raw sugar values allowed the Company to make such sales. In addition, we have developed relationships which allow us to export beet sugar to Mexico when market conditions are favourable. All of these events, which normally have a small window of opportunity, require a quick reaction from all personnel across the Company. Together, we have been able to maximize such opportunities.

We look forward to the coming year and to the opportunity to, once again, deliver favourable results to our Shareholder, Rogers Sugar Income Fund, soon to be Rogers Sugar Inc.

A. Stuart Belkin

A. Stuart Belkin
Chairman

Edward Makin
President and Chief Executive Officer

November 18, 2010

This Management's Discussion and Analysis of the Rogers Sugar Income Fund ("the Fund") consolidated financial statements for the year ended September 30, 2010 should be read in conjunction with the consolidated financial statements and related notes for the year ended September 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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

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

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

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

This Management's Discussion and Analysis is dated November 18, 2010.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with Rule 52-109 respecting certification of disclosure in issuers' annual filings, the Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of the year ended September 30, 2010. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As required by national Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Chief Executive Officer and the Chief Financial Officer have caused to be evaluated under their supervision the effectiveness of such internal controls over financial reporting ("ICFR") as at September 30, 2010 using the framework established in "Internal Control – Integrated Framework (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at September 30, 2010.

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

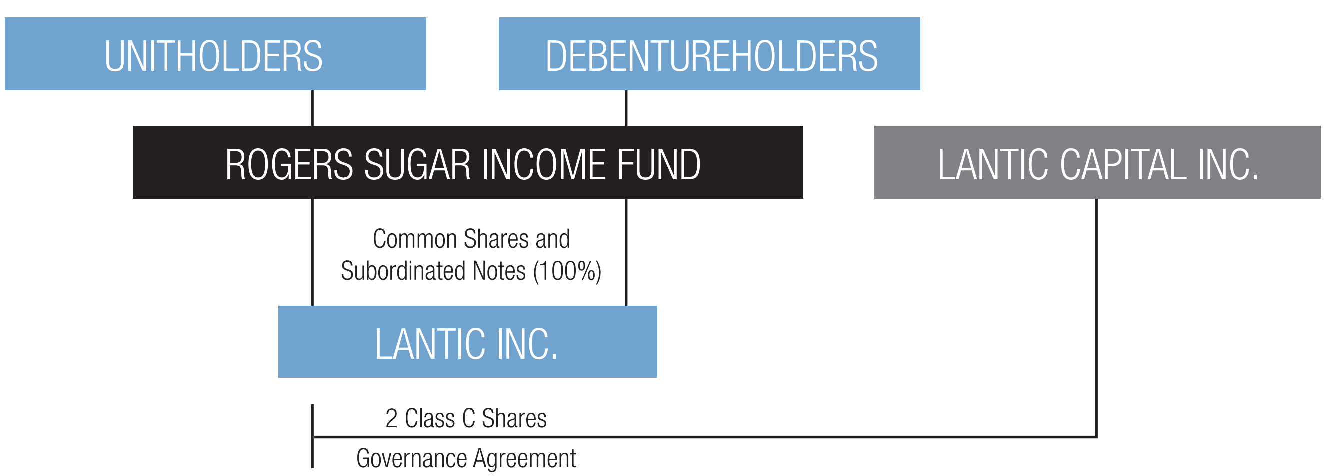
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended on September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

OVERVIEW

The Fund, an open-ended, limited-purpose trust established under the laws of the Province of Ontario, was created in September 1997 to hold all of the common shares and subordinated notes of Rogers Sugar Ltd. ("Rogers"). In fiscal 2002, the Fund acquired Lantic Sugar Limited in exchange for 35.5 million trust units. On June 30, 2008, Rogers and Lantic Sugar Limited amalgamated to form Lantic Inc. ("Lantic").

The following chart illustrates the structural relations between the Unitholders, Debentureholders, the Fund, Lantic Capital Inc., and the Fund's operating company, Lantic.



The Declaration of Trust of the Fund provides that the trustees may, in respect of the assets, activities and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner.

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

The trustees are responsible for, among other things: acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of Lantic; maintaining records and providing reports to the Unitholders; supervising the activities and managing the investments and affairs of the Fund; and effecting payments of distributable cash from the Fund to Unitholders.

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

An Audit Committee of the Fund exists and is composed of three trustees, all of whom are independent and unrelated.

On September 29, 2010, the Unitholders of the Fund approved the conversion of the Fund to a corporate structure by way of a Plan of Arrangement under Section 192 of the Canada Business Corporations Act. The Plan of Arrangement was subsequently approved by the Supreme Court of British Columbia on October 4, 2010. It is expected that the conversion will be effective January 1, 2011, when each trust unit outstanding will be converted, on a one-for-one basis, for shares of Rogers Sugar Inc.

The structure shown above will remain and the current trustees will become directors of the new successor entity, Rogers Sugar Inc.

Production Facilities

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

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

Lantic has also operated a blending operation in Toronto since October 2007. The total capacity of this dry blending leased site is approximately 30,000 metric tonnes per year.

Our Products

All Lantic operations supply high quality white sugar as well as value-added specialty products. We are also committed to responding to the evolving needs of our customers through innovative packaging and delivery scheduling, as well as by addressing specific production requirements.

Sales are focused in three specific segments: industrial, consumer, and liquid products. Between 2002 and 2004, the industrial segment in Eastern Canada grew at a faster pace than in previous years, as additional manufacturers introduced sugar-containing products for the export market. The market then declined slightly as some industrial users consolidated some of their manufacturing operations outside of Canada.

In the consumer segment, a wide variety of products are offered under the Lantic and Rogers brand names. The goal is to continue to improve the Company's competitive position in the sale of value-added products through the introduction of new packaging and retail products. This segment has remained fairly stable during the last two years. Previously, it had been in decline for several years as consumers began using more ready-to-eat products.

Part of our production is sold to liquid industrial users. Some liquid users can substitute liquid sucrose with high fructose corn syrup ("HFCS"). These accounts have historically been our lowest margin accounts due to the lower prices of HFCS. If world raw sugar prices are attractive, our western operations can better compete in this business due to the freight cost advantage, as no HFCS suppliers are located in Western Canada. On the other hand, higher raw sugar prices will make Lantic's operations non-competitive versus HFCS suppliers, and as a result, such liquid volume might decrease significantly.

Lantic's Taber plant is the only beet sugar factory in Canada, and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in a Canadian-specific quota of approximately 10,000 metric tonnes for shipments to the United States. In addition, there is a 7,000 metric tonne U.S. global refined sugar quota which opens and usually gets filled on a first come, first served pro-rata basis every year on October 1. These sales are made at a higher price than comparable sales in Canada, due to the sugar support program in place in the United States. In the second half of fiscal 2010, even though no special U.S. refined quotas were opened, the Company was able to sell over 40,000 metric tonnes in the United States, while paying the Tier II duty of approximately U.S. $360.00 per metric tonne, and still generate a contribution to our financial results.This unexpected sales opportunity came as a result of continued high refined sugar prices in the United States, due to a tight supply environment, combined with lower raw world sugar values in the spring of 2010. In fiscal 2009, the Company benefited from the opening of special refined sugar quotas in the United States, for the period of October to December 31, 2008.

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

Our Supply

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

The Company has an agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply of sugar beets to the Taber beet plant. In March 2009, a new three-year agreement was signed with the Growers starting with the crop harvested in the fall of 2009 and processed in 2010. Any shortfall in beet sugar production as a result of related crop problems is replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery.

The contract with the Growers stipulates a fixed price for all sugar derived from the beets processed in addition to a scale incentive as the price of raw sugar increases. As a consequence of this formula, the Company is exposed to fluctuations in the #11 world raw sugar price for approximately 60,000 metric tonnes of beet sugar sold in the Prairie market.

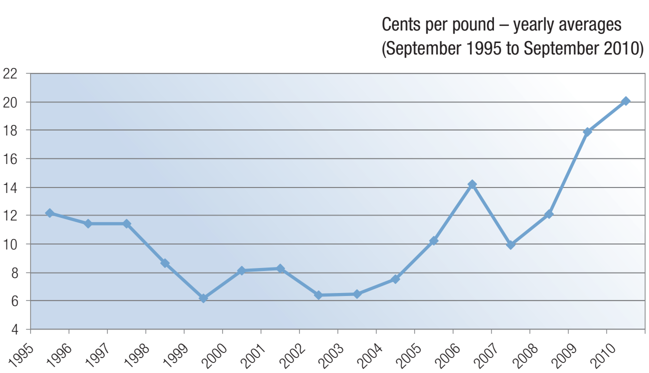
Pricing

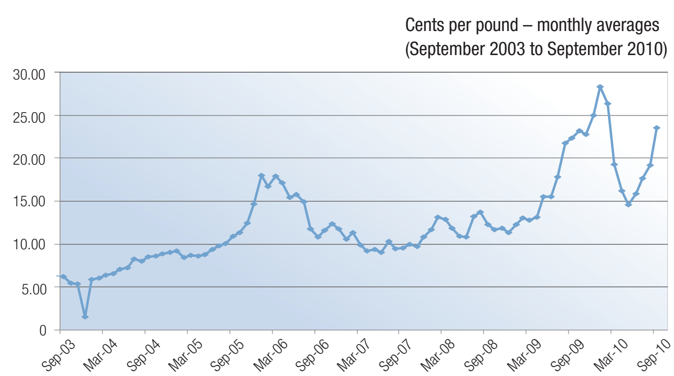
In fiscal 2010, the price of raw sugar fluctuated between U.S. 13.67 cents per pound and U.S. 30.40 cents per pound, and closed at U.S. 23.48 cents per pound at the end of the year, which was comparable to the closing value at September 30, 2009. Raw sugar prices increased steadily at the beginning of the fiscal year, reaching a high of U.S. 30.40 cents per pound in February 2010. The increase was due mainly to the projected crop shortfall in India. Starting in late February, raw sugar values declined drastically reaching a low of U.S. 13.67 cents per pound in May 2010, on the basis of a projected large crop in Brazil and of a smaller shortfall in India's crop than previously forecast. Raw sugar prices started to increase again in the summer of 2010, when the Brazilian crop was projected to be smaller than originally expected.

The price of sugar deliveries from the Montreal and Vancouver raw cane facilities are directly linked to the price of the #11 world raw sugar market on the ICE. All sugar transactions are hedged, thus eliminating the impact of the volatility in world raw sugar prices. This applies to any sales made by these plants, except for certain liquid sales to HFCS-substitutable customers. These sales are normally priced against competing HFCS prices, and a higher price for raw sugar renders the Company uncompetitive on certain of these liquid sales. Also, these sales are historically the lowest margin sales for the Company.

Higher raw sugar prices have the most significant impact on our western operations. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus an incentive on higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from or absorbs some of the results associated with fluctuations in world raw sugar prices for all volume not sold as exports to the U.S. and Mexico or for HFCS liquid substitutable business. Based on a normal crop size, this could represent between 50,000 and 60,000 metric tonnes per year, or about 10% of Lantic's total volume.

WORLD CLASS RAW SUGAR CANE PRICES / NEARBY FUTURES MONTHS – N.Y. # 11





Operations

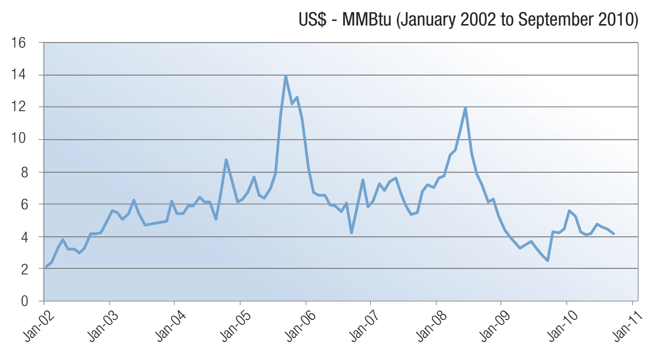
Employees are key to our success and employee safety is continuously at the forefront of our priorities. For our refinery operations, labour remains the largest cost item. All labour agreements are in place for next year.

Energy is our second largest operating expense, as we use large amounts of natural gas in our refineries. We have a hedging strategy in place with futures contracts to mitigate the effects of sudden rises in the price of natural gas. In fiscal 2010, more natural gas was purchased on spot values than in the previous year due to the lower value of the commodity. We will continue to hedge positions forward when future values are more closely aligned with current natural gas spot values. Even with this forward hedging policy, Lantic remains exposed to year-to-year trends in natural gas prices. In Montreal, we have the ability to switch to low sulphur oil when natural gas prices are higher than the comparable price of low-sulphur oil.

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

Lantic invested almost $8.1 million in capital projects for plant reliability, product security, information systems, environmental requirements and cost improvements in fiscal 2010. In addition, over the course of any given fiscal year, the Company will normally undertake capital investment projects. These investment projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings to be realized when such projects are completed. In fiscal 2010, the Company invested a total of $1.7 million for a new beet pulp press in Taber and for a new heat recovery system in Montreal. Both projects will reduce our natural gas consumption when they become fully operational in fiscal 2011.

NATURAL GAS PRICE CONTINUATION CHART



USE OF FINANCIAL DERIVATIVES FOR HEDGING

Sugar

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

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

For the purchasing of raw sugar, the Company enters into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced. As an example, a vessel to be shipped in January would be priced against the next terminal, being March of that year (each terminal expires on the last day of the previous month). Therefore, the Seller has the ability to price throughout the duration of the contract any volume to be shipped against a specific terminal. When the Seller wants to price a certain quantity he must immediately secure a futures position for Lantic on the ICE (selling a future in this case) for the same volume and price. The futures contract value taken will become the price the Company will pay the Seller for the raw sugar upon delivery. As an example, the Seller may want to price on October 1, 2010, 1,000 metric tonnes for delivery in January 2011 against the March 2011 terminal. The price as at October 1, 2010 for the March 2011 terminal is 15.00 cents per pound, or US$330.69 per metric tonne. This is called "firming" the price of raw sugar. A vessel of 40,000 metric tonnes may have been priced on many different dates, but for each transaction, Lantic would have sold a futures position for the same price and volume on the ICE.

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

As an example, customer "A" negotiates a contract with Lantic from July 2010 to June 2011, for delivery of 1,000 metric tonnes of sugar per month, for a total of 12,000 metric tonnes. In August 2010, customer "A" decides to firm the price of the sugar to be delivered in January 2011 (against the March terminal). That day in August, the price of sugar for March 2011 terminal is 14.00 cents per pound or US$308.64 per metric tonne. As customer "A" prices this sugar with the Lantic trading desk, Lantic will, at the same time, buy a futures position for the same volume and price on the futures market (ICE) to hedge Lantic and protect the Company from any fluctuations in the sugar market.

From the above examples, we will now demonstrate how the Company protects itself against fluctuations in the market. The Company sold 1,000 metric tonnes to customer "A" for January 2011, which had been priced at 14.00 cents per pound or US$308.64 per metric tonne. The Company also purchased 1,000 metric tonnes of sugar, which had been priced at 15.00 cents per pound or US$330.69 per metric tonne. Both of these transactions were hedged against the March 2011 terminal. Upon receipt and delivery of the sugar, these transactions would be recorded at their cost.

On the physical transaction, the Company sold 1,000 metric tonnes of sugar at 14.00 cents per pound (before refining margin), which we had bought from the Seller at 15.00 cents per pound. In effect, the Company, on the physical transaction, would incur a loss of 1.00 cent per pound or US$22.05 per metric tonne for 1,000 metric tonnes, for a total loss of US$22,050.

On the futures side (paper transaction), the Company will liquidate its entire position prior to March 1, 2011. For the above transactions, the Company sold a future position of 1,000 metric tonnes for 15.00 cents per pound and bought a future position of 1,000 metric tonnes for 14.00 cents per pound. On the liquidation date, the March terminal trades at 16.00 cents per pound. Therefore the Company will buy back the 15.00 cents (original sell position) for 16.00 cents, losing 1.00 cent per pound. On the other hand, the Company will sell the original buy position of 14.00 cents for 16.00 cents, making 2.00 cents per pound on this transaction. In total, the Company will make 1.00 cent per pound or U.S. $22.05 per metric tonne for a total, on 1,000 metric tonnes, of US$22,050 on the liquidation of the futures transaction. The loss incurred on the physical transaction is therefore totally offset by the gain earned on the liquidation of the futures position, due to the hedging of the transaction.

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

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

In fiscal 2008, the Board of Directors authorized the Company to have a trading book to trade outright sugar futures, options, spreads and white-raw differentials to a limit of 25,000 metric tonnes. It was also agreed that a report on all activities would be reviewed quarterly at each Board meeting and that all trading book activities would be discontinued if trading losses of $250,000 were accumulated. Any mark-to-market gains or losses on any open positions of the trading book at year end, as well as gains or losses on any liquidated positions of the trading book are recognized in the Company's adjusted earnings. For the year, the Company recorded a gain of $0.6 million on the trading book, as compared to $0.5 million for fiscal 2009.

Beet Sugar

As noted, the Company purchases sugar beets from the Growers under a fixed price formula plus a scale incentive when raw sugar values exceed a certain price level. Except for sales to the U.S. under the export quota, to HFCS-substitutable accounts, and for other export opportunities, all other sales are made under the same formula as cane sugar, following the world raw sugar price. This represents approximately 50,000 to 60,000 metric tonnes per year, based on the normal size of the beet crop.

In fiscal 2006, the Board of Directors authorized the Company to hedge forward up to 80% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow the Company to benefit from a sudden rise in the raw sugar market. Any gains earned (if a sales contract is entered at a lower raw value) or losses incurred (if a sales contract is entered at a higher raw value) when those positions are unwound, are recognized in distributable cash in the period when that quantity of beet sugar is delivered. This is referred to as the Taber pre-hedge.

Natural Gas

In 2001, the Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

On average, the Company will purchase approximately 3.0 million gigajoules of natural gas per year to be used in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 80% of its estimated usage over the next 24 months, and lower percentages of its estimated usage on a longer term basis. The Company will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of last year's average price and therefore lock in year-over-year savings.

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

Variation Margins (Margin Calls)

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

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

Foreign Exchange

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

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

Accounting Measurement

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

SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of the Fund's consolidated results for the years ended September 30, 2010, 2009 and 2008. The Fund's financial statements were prepared under Canadian GAAP and the Fund's functional and reporting currency is Canadian dollars.

(In thousands, except volume and per trust unit information)	**2010** **$**	2009 $	2008 (restated) $
Total volume (metric tonnes)	**682,149**	700,582	693,130
Total revenues	**606,873**	543,320	463,108
Gross margin	**87,639**	92,793	95,050
Earnings before interest and provision for income taxes ("EBIT")	**59,204**	58,656	63,185
Net earnings	**45,214**	42,537	48,134
Standardized distributable cash	**75,124**	63,506	15,748
Total assets	**584,805**	574,371	579,040
Total long-term financial liabilities	**190,210**	188,943	178,748
Net earnings per trust unit:			
Basic	**0.52**	0.49	0.55
Diluted	**0.48**	0.45	0.50
Cash distribution per trust unit	**0.4600**	0.4600	0.4567

It should be noted that fiscal 2009 had 53 weeks of operations, compared to 52 weeks in fiscal 2010 and 2008. This additional week had a positive impact of approximately 2% on total sales volume, revenues, gross margins and net earnings for fiscal 2009.

Effective October 1, 2008, the Company implemented the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories. This new standard provides guidance on the determination of costs to inventories which includes the allocation of additional factory overhead and the allocation of depreciation of factory buildings and equipment to inventory and cost of sales. As a result, gross margin in fiscal 2008 was reduced by $12.1 million, due mainly to a reallocation of depreciation and amortization of $12.5 million and deferral of cost to inventories of $0.4 million. The impact on net earnings was an increase of $0.3 million and of $0.01 on basic earnings per trust unit.

The increase in total assets is due to a strong cash position at year end. The increase in standardized distributable cash is explained under the "Liquidity" section.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the fair value of the Company is more than its respective carrying value. There was no impairment in the fiscal 2010 analysis.

In the normal course of business, the Fund uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Fund's operating company sells refined sugar to some clients in U.S. dollars. These sales contracts are viewed as having an embedded derivative if the functional currency of the customer is not U.S. dollars, the embedded derivative being the source currency of the transaction, U.S. dollars. Derivative financial instruments and embedded derivatives are marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated statement of operations with a corresponding offsetting amount charged to the balance sheet.

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

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

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

Income / (Loss) (In thousands)	**2010**	2009	2008
	$	$	$
Mark-to-market adjustment	**3,258**	(9,777)	(2,041)
Cumulative timing differences	**(1,979)**	1,022	1,225
Total adjustment to cost of sales	**1,279**	(8,755)	(816)

As explained under "Use of Financial Derivatives for Hedging," gains or losses on these instruments are only recognized by the Company when sugar contracts are delivered to the end user or when natural gas has been used in the operations.

There were significant variations in the world sugar values in fiscal 2010. As a result, a gain of $5.0 million was recorded due to these price fluctuations compared to the mark-to-market gain of $5.8 million recorded in fiscal 2009. For natural gas, a substantial portion had been hedged in prior years and with the continued decline in natural gas values, a loss of $4.3 million was recorded in fiscal 2010 as compared to a loss of $10.9 million in fiscal 2009. Foreign exchange forward contracts and embedded derivatives on which foreign exchange movements have an impact had a combined mark-to-market gain of $2.6 million for the year, as compared to a mark-to-market loss of $4.6 million in fiscal 2009.

The above mark-to-market adjustments are further adjusted by an accumulated timing impact in the recognition of liquidation gains or losses on sugar futures contracts, on natural gas contracts and on foreign exchange forwards, to arrive at the total adjustment to cost of sales.

In addition, the Fund recorded a minimal mark-to-market loss in fiscal 2010 (loss of $3.4 million for fiscal 2009) for the mark-to-market of an interest rate swap under short-term interest expense, as a result of limited movement in interest rates from fiscal 2009.

Therefore, the total adjustment to net earnings before income taxes and distributable cash for the year was a gain of $1.2 million, as compared to a loss of $12.2 million in fiscal 2009.

Adjusted financial information (non-GAAP reconciliation):

Consolidated Results

(In thousands, except per trust unit information)	**2010** **$**	2009 $	2008 (restated) $
Gross margin as per financial statements	**87,639**	92,793	95,050
Adjustment as per above	**(1,279)**	8,755	816
Adjusted gross margin	**86,360**	101,548	95,866
EBIT as per financial statements	**59,204**	58,656	63,185
Adjustment as per above	**(1,279)**	8,755	816
Adjusted EBIT	**57,925**	67,411	64,001
Net earnings as per financial statements	**45,214**	42,537	48,134
Adjustment to cost of sales as per above	**(1,279)**	8,755	816
Adjustment for mark-to-market of interest swap	**38**	3,412	1,394
Future taxes on above adjustments	**738**	(3,405)	(563)
Adjusted net earnings	**44,711**	51,299	49,781
Net earnings, per trust unit basic, as per financial statements	**0.52**	0.49	0.55
Adjustment for the above	**(0.01)**	0.10	0.02
Adjusted net earnings, per trust unit basic	**0.51**	0.59	0.57

RESULTS OF OPERATIONS

Revenues

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, had an increase of approximately 0.4% in fiscal 2010 as compared to a decrease of 3.0% in fiscal 2009. We estimate that per capita sugar consumption remained stable during the year.

	2010	2009
Revenues ($000's)	**606,873**	543,320
Volume (metric tonnes)	**682,149**	700,582

The increase in revenues in fiscal 2010 is due mainly to the higher level of raw sugar values during the year, as the cost of raw sugar for all cane sales being generated for the Vancouver and Montreal plants is passed on to Lantic's customers.

For the year, total sales volume of 682,149 metric tonnes represented a decrease of 2.6% over the previous year. When adjusted for the additional operating week in fiscal 2009, the year-over-year decrease would only be approximately 0.6%. The total volume decrease of approximately 18,400 metric tonnes is due mainly to lower liquid volume of approximately 25,600 metric tonnes, lower industrial volume of 6,200 metric tonnes, and lower consumer volume of 3,100 metric tonnes, partially offset by higher export volume of approximately 16,500 metric tonnes.

Export sales volume was up by 16,500 metric tonnes in fiscal 2010, even though no special U.S. quota was opened in fiscal 2010. This sale increase resulted from an unexpected market opportunity. High refined sugar prices in the U.S., due to a tight supply environment, combined with a sudden decline of world raw sugar values in the spring of 2010, created this export sale opportunity. As a result, the Company was able to sell and ship approximately 41,600 metric tonnes to the U.S. Even though the Company incurred Tier II duty costs of approximately $360.00 per metric tonne, the sale still generated a contribution to our financial results. In addition, approximately 8,000 metric tonnes were shipped to Mexico in fiscal 2010, while no shipments were made last year. In fiscal 2009 special U.S. quotas were opened during the first quarter of the fiscal year and Lantic was able to enter and sell approximately 34,000 metric tonnes against the Canada Specific and Global quotas. The decrease of 6,200 metric tonnes in industrial volume for fiscal 2010 is due to the additional week of operations in fiscal 2009, which would represent approximately 7,500 metric tonnes.

Liquid volume was lower by 25,600 metric tonnes during the year due to the loss of a HFCS-substitutable account as a result of the higher price of world raw sugar.

Consumer volume was lower by approximately 3,100 metric tonnes due in large part to the additional week of operation in fiscal 2009, and to competitive activity in the marketplace.

Gross Margins

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

	2010 **$**	2009 $
Gross margin (000's)	**87,639**	92,793
Adjusted gross margin (000's)	**86,360**	101,548
Gross margin per metric tonne	**128.47**	132.45
Adjusted gross margin per metric tonne	**126.60**	144.95

As previously mentioned, the consolidated gross margin of $87.6 million in fiscal 2010 and of $92.8 million in fiscal 2009 does not reflect the adjusted income of the Fund, as it includes a gain of $1.3 million for fiscal 2010 and a loss of $8.8 million for fiscal 2009 due to the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of the derivative instruments. We will therefore comment on adjusted gross margin results. The decrease in adjusted gross margin rate of $18.35 per metric tonne is due mainly to lower margins on export volume to the U.S. for which Tier II duty of U.S. $360.00 per metric tonne was paid on 41,600 metric tonnes of export volume and to Taber's higher per unit cost.

Taber had poor operational results in fiscal 2010 due to a severe frost that occurred during harvesting. Harvesting had to be halted permanently, leaving approximately 30% of the sugar beets in the field. A large portion of the beets harvested, after the prolonged frost, were in poor condition and difficult to process. The plant's daily throughput was greatly diminished and Taber's per unit cost was increased significantly, hence the negative impact on gross margins.

Also included in margins is a minimal contribution from the blending operation, as well as trading book gains of $0.6 million versus $0.5 million in fiscal 2009.

During fiscal 2010, the Company was able to put a pre-hedge program in place for fiscal 2011 beet sugar sales for approximately 35,000 metric tonnes at an average price of approximately US 20.00 cents per pound.

Other Expenses

(In thousands)	**2010** **$**	2009 $
Administration and selling	**20,056**	20,044
Distribution	**7,723**	13,572
Depreciation and amortization	**656**	521
Interest	**14,214**	16,740

Administration costs were comparable to the previous year. Additional legal fees incurred in regards to the Canadian International Trade Tribunal hearings were offset by lower post retirement expenses and lower capital taxes.

Distribution expenses in fiscal 2010 were $5.8 million lower than in fiscal 2009 due mainly to the lower transfer of Vancouver cane products to Taber, when compared to fiscal 2009, and to the additional shipments of products in the U.S. following the opening of the special U.S. quotas in fiscal 2009. In fiscal 2010, shipments to the U.S. were done mainly on an FOB basis.

There were no significant changes in depreciation expense for the year.

Interest expense consisted of interest paid to the banks, as well as the Fund's interest expense on the convertible unsecured subordinated debentures, and a mark-to-market loss on the interest swap agreement.

The interest expense breakdown is as follows:

(In thousands)	**2010** **$**	2009 $
Convertible debentures	**8,589**	7,971
Short term interest expense	**3,825**	4,289
Amortization of deferred financing costs	**1,762**	1,068
Mark-to-market of interest rate swap	**38**	3,412
	14,214	16,740

Interest on convertible debentures was $0.6 million higher in fiscal 2010, due to the additional interest incurred on the 5.7% fourth series debentures issued in April 2010, while the funds received were used on June 29, 2010 to redeem in full the 6.0% second series. As a result, interest was paid on both series of convertible debentures for the period of April 8 to June 29, 2010.

Short term interest expense was lower by $0.5 million due mainly to the use of funds from the fourth series debentures for the period of April 8 to June 28, 2010, which reduced bank borrowings for the corresponding period.

Amortization of deferred financing cost was higher by $0.7 million in fiscal 2010 due to the write-off of the second series convertible debentures' unamortized deferred financial costs, following the repayment of the debenture two years prior to its maturity.

A five-year interest rate swap of $70.0 million was taken, effective July 7, 2008, to protect the Company against interest rate fluctuations on borrowings from the revolving credit agreement. At year end, the mark-to-market unrealized loss on the swap was minimal as compared to a loss of $3.4 million in fiscal 2009. This loss will not be realized unless the swap is terminated.

Taxation

The (recovery of) provision for income tax is as follows:

(In thousands)	**2010** **$**	2009 $
Current	**(811)**	964
Future	**587**	(1,585)
Total	**(224)**	(621)

The Fund is a taxable trust under the *Income Tax Act* (Canada) and is subject to taxation on its income for the year, less the portion paid or payable to the Unitholders. Consequently, the objective of the Fund is to pay all income to the Unitholders in the year the income is received, and as such the Fund should have no taxable income.

In fiscal 2009, the Company's wholly-owned subsidiary, Lantic, paid approximately $0.9 million in income taxes, as all tax shields available for the year were fully used during the year. In fiscal 2010, due to its lower taxable income, the Company was able to recover the income taxes paid last year.

Future income taxes reflect temporary differences, which result primarily from the difference between capital cost allowance claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments.

Amounts paid or payable by the Fund in a calendar year are taxable in the hands of the Unitholders as interest income.

On October 31, 2006, Canada's Minister of Finance made an announcement concerning the imposition of a distribution tax on distributions from publicly-traded income trusts. This legislation was enacted in June 2007, and a distribution tax on distributions made from income trusts will be imposed starting in calendar 2011. On September 29, 2010, the Fund's Unitholders approved a Plan of Arrangement for the conversion of the Fund to a conventional corporation. The conversion is planned for January 1, 2011. As a result, the Fund's successor entity will thus be subject to the combined federal and provincial income taxes like any conventional corporation. The distributions then paid will be treated as a dividend in the hands of the Shareholders of Rogers Sugar Inc., the successor of the Fund.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Fund for each of the three-month periods ended December 31, March 31, June 30 and September 30, for each of fiscal 2010 and 2009:

(In thousands except for volume and per trust unit information)

	QUARTERS							
				2010				2009
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Volume (metric tonnes)	**156,413**	**153,103**	**180,462**	**192,171**	185,732	159,700	167,612	187,538
Total revenues	**$ 143,456**	**$ 143,851**	**$ 156,302**	**$ 163,264**	$ 138,397	$ 121,849	$ 128,478	$ 154,596
Gross margin	**28,463**	**(11,396)**	**17,335**	**53,237**	14,669	9,329	28,236	40,559
EBIT (loss)	**21,707**	**(17,638)**	**10,362**	**44,773**	5,891	(116)	20,447	32,434
Net earnings	**16,552**	**(12,136)**	**7,088**	**33,710**	854	727	16,952	24,004
Gross margin rate per MT	**$ 181.97**	**$ (74.43)**	**$ 96.06**	**$ 277.03**	$ 78.98	$ 58.42	$ 168.46	$ 216.27
Per trust unit								
Net earnings								
Basic	**$ 0.19**	**$ (0.14)**	**$ 0.08**	**$ 0.39**	$ 0.01	$ 0.01	$ 0.19	$ 0.27
Diluted	**$ 0.17**	**$ (0.14)**	**$ 0.08**	**$ 0.32**	$ 0.01	$ 0.01	$ 0.17	$ 0.23
Non-GAAP Measures								
Adjusted gross margin	**26,474**	**15,573**	**21,215**	**23,098**	28,035	15,985	24,320	33,208
Adjusted EBIT	**19,718**	**9,331**	**14,242**	**14,634**	19,257	6,540	16,531	25,083
Adjusted net earnings	**14,876**	**6,548**	**11,151**	**12,136**	14,351	5,732	12,578	18,638
Adjusted gross margin rate per MT	**$ 169.26**	**$ 101.72**	**$ 117.56**	**$ 120.20**	$ 150.94	$ 100.09	$ 145.10	$ 177.07
Adjusted net earnings per trust unit								
Basic	**$ 0.17**	**$ 0.08**	**$ 0.13**	**$ 0.14**	$ 0.16	$ 0.07	$ 0.14	$ 0.21
Diluted	**$ 0.15**	**$ 0.08**	**$ 0.12**	**$ 0.13**	$ 0.15	$ 0.07	$ 0.13	$ 0.18

Historically, the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable mix of products sold. This is due to the increased sales of baked goods during this period of the year. At the same time, the second quarter (January to March) is historically the lowest volume quarter, resulting in lower revenues, adjusted gross margins and adjusted net earnings. In fiscal 2010, the third and fourth quarters benefitted from U.S. export sales, but at low selling margins due to the payment of the Tier II duty. As a result, adjusted gross margins were much lower than the historical levels for those two quarters.

Fourth Quarter Results

Revenues for the quarter were higher than the previous year due to the higher value of the #11 world raw sugar market as compared to the previous year.

Fourth quarter volume increased by 4,600 metric tonnes from the comparable quarter in fiscal 2009 even with one less week of operation in fiscal 2010. This additional week represented approximately 13,000 metric tonnes of volume in fiscal 2009. If quarterly results were adjusted for the additional week of fiscal 2009, the fourth quarter volume would have been approximately 17,600 metric tonnes higher. The major reason for the increase is export volume which was 19,100 metric tonnes higher than the previous year. This increase resulted from sales made to the U.S., while absorbing the Tier II duty of $360.00 per metric tonne. Approximately 20,000 metric tonnes were shipped against Tier II duty in the fourth quarter. Both industrial and consumer volume was lower in the fourth quarter of fiscal 2010 by 2,300 and 1,600 metric tonnes, respectively. This was due to the additional week of operation in the fiscal 2009 fourth quarter, which would have represented approximately 7,800 and 2,200 metric tonnes, respectively. The net increase in industrial volume is due mainly to timing in shipments.

Liquid volume was lower by 10,500 metric tonnes due to the loss of HFCS-substitutable volume during the year as a result of the higher level of raw sugar values.

For the quarter, the adjusted gross margin rate was $120.20 as compared to $177.07 in fiscal 2009. The decrease of $56.87 was due mainly to:

- Sales mix with U.S. volume against Tier II duty representing over 10% of total volume shipped;
- Lower margin on U.S. shipments as Tier II duty of U.S. $360.00 per metric tonne was paid; and
- A higher per unit cost of Taber beet sugar as a result of poor quality of beets harvested following a severe frost which impaired the plant's performance.

Distribution costs were lower by $0.5 million than the previous year's comparable quarter due mainly to the high transfer of products from Vancouver to Taber in fiscal 2009. Administration costs were higher by approximately $0.8 million compared to the same quarter in fiscal 2009 due mainly to timing in expenses.

Total interest expense decreased by $0.3 million due to lower borrowings on the working capital line of credit and to interest rates that were lower on the fourth series convertible debentures than they were on the redeemed second series.

Liquidity

The distributable cash generated by the operating company, Lantic, is paid to the Fund by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by the Fund, after having taken a reasonable reserve for capital expenditures and working capital. The cash received by the Fund is used to pay distributions to its Unitholders.

The *Canadian Securities Administrators* ("CSA") issued National Policy 41-201 to address the disclosure of distributable cash. This was also supported by an Interpretive Release issued in July 2007 by the *Canadian Institute of Chartered Accountants* ("CICA"). This Interpretive Release is to provide a transparent measure of cash available for distribution to Unitholders that would be comparable between entities and consistent over time. This will now be labeled as Standardized Distributable Cash.

Standardized Distributable Cash is defined as the GAAP measure of cash from operating activities after adjusting for capital expenditures, restrictions on distributions arising from compliance with financial covenants, restrictive at the time of reporting, and minority interests.

Standardized Distributable Cash is as follows:

(In thousands)	**2010**	2009	2008	2007	2006
	$	$	$	$	$
Cash flow from operating activities	**83,203**	69,791	23,372	88,607	30,833
Capital expenditures	**(8,079)**	(6,285)	(7,624)	(6,945)	(9,004)
Standardized distributable cash	**75,124**	63,506	15,748	81,662	21,829

There were no restrictions on distributions arising from the compliance of financial covenants for the five fiscal years shown above.

Cash flow from operations was $83.2 million in fiscal 2010, as opposed to $69.8 million in fiscal 2009. In fiscal 2010, cash flow from operations was higher by $13.4 million due mainly to lower inventories as compared to the previous year as a result of timing in the receipt of raw sugar vessels in Montreal and Vancouver partially offset by an increase in receivables of $8.6 million due to increased sales volume to the U.S. in the last quarter of the fiscal year.

Capital expenditures in fiscal 2010 were higher than the previous year, due mainly to higher investment capital expenditures of $1.7 million in fiscal 2010 as compared to $0.2 million in fiscal 2009 and to the timing in project expenditures when compared to fiscal 2009.

Standardized Distributable Cash does not constitute available cash for distribution due mainly to timing factors in the movement of non-cash working capital items, to mark-to-market derivative timing adjustments, to non-cash financial instruments and to other financing items.

In order to provide additional information that the Fund's administrators believe is appropriate for the determination of levels of cash distribution, the Interpretive Release also allows a measure that includes additional items beyond those included in Standardized Distributable Cash. These additional measures may affect the Fund's distributions and therefore form a basis for the actual amount of cash available for distribution. All of these additional measures are separately identified and explained in Adjusted Distributable Cash.

Adjusted Distributable Cash is as follows:

(In thousands)	**2010** **$**	2009 $	2008 $	2007 $	2006 $
Standardized distributable cash as per above	**75,124**	63,506	15,748	81,662	21,829
Adjustments:					
Changes in non-cash working capital	**(20,337)**	3,360	31,756	(24,669)	29,062
Mark-to-market and derivative timing adjustment	**(1,241)**	12,167	2,210	776	(6,367)
Financial instruments non-cash amount	**(3,151)**	(18,421)	1,725	(1,460)	—
Investment capital expenditures	**1,713**	221	597	929	2,839
Net issuance (buy back) of trust units	**808**	(690)	(806)	(4,665)	41
Interest expense on equity portion of convertible unsecured debentures	—	—	—	—	(2,983)
Deferred financing charges	**(2,365)**	—	(921)	—	(3,902)
Adjusted distributable cash	**50,551**	60,143	50,309	52,573	40,519
Declared distributions	**40,186**	40,206	40,082	37,728	35,869

Adjusted distributable cash was $9.6 million lower than in fiscal 2009 due mainly to a lower adjusted EBIT of $9.5 million.

Changes in non-cash operating working capital represent year-over-year movement in current assets such as accounts receivable and inventories, and current liabilities such as accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts are due to timing issues and therefore do not constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facility of $200.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available cash for distribution.

The mark-to-market income statement and balance sheet combined impact of $4.4 million do not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to distributable cash.

Investment capital expenditures were higher in fiscal 2010 as two large projects were undertaken during the year. In fiscal 2010, the Company spent $0.6 million on a new heat recovery system in Montreal which will allow for the reduction of energy consumption when the project is completed and operational in fiscal 2011. In Taber, after the success achieved with the 2006 beet pulp press project, a new beet pulp press was installed and commissioned before the start of the slicing campaign in September 2010 at a cost of $1.1 million. Again, substantial savings in energy consumption are anticipated. Lantic spent $0.6 million in fiscal 2008 and $0.9 million in fiscal 2007 on smaller investment capital projects. In fiscal 2006, Lantic completed its ion exchange process project to replace the bone char decolourization process. This project was completed in May 2006 at a total cost of $5.2 million, spent over fiscal 2006 and 2005. Taber also completed an investment project in fiscal 2006, consisting of a new beet pulp press. Distributable cash is not reduced by investment capital expenditures, as these projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings that are realized once the projects are completed.

In fiscal 2010, 200,000 units were issued for a total cash inflow of $0.8 million, as two executives exercised some options under the Unit Option Plan. During fiscal 2009, the Fund repurchased and cancelled a total of 225,100 units for a total value of $0.7 million under its Normal Course Issuer Bid as compared to a purchase of 374,900 units for a total value of $1.6 million in fiscal 2008, and of 1,205,600 units for a total value of $4.7 million in fiscal 2007. Also during fiscal 2008, 200,000 units were issued, for a total cash inflow of $0.8 million as two executives exercised some options under the Unit Option Plan. The cash used for the buy-back of trust units or received from the issuance of trust units does not constitute a source of cash that is available for distribution, and therefore is adjusted from Standardized Distributable Cash.

A portion of the interest expense of the Fund's 9.5% initial series convertible debentures, which was fully repaid on March 7, 2006, was credited to equity on the balance sheet. As the interest payments were made, they drew down the value of the debt and increased the value of the equity. This cash was therefore not available for distribution, and is adjusted from Standardized Distributable Cash in previous years.

Deferred financial charges of $2.4 million relate to cash fees paid for the issuance of the fourth series convertible unsecured subordinated debentures in April 2010. Deferred financial charges of $0.9 million in fiscal 2008 relate to the bank debt refinancing done in June 2008. The deferred financing charge of $3.9 million in fiscal 2006 relates to cash fees paid for debt refinancing. This cash is therefore not available for distribution, and is adjusted from Standardized Distributable Cash.

Excess Cash Flow and Net Income on Distributions Paid

The following table presents excess cash flows from operating activities and net income on distributions paid for the last three years ended September 30:

(In thousands)	**2010** **$**	2009 $	2008 $
Cash flow from operating activities	**83,203**	69,791	23,372
Net earnings	**45,214**	42,537	48,134
Distributions paid	**40,186**	40,206	40,082
Excess (shortfall) of cash flows from operating activities over cash distributions paid	**43,017**	29,585	(16,710)
Excess of net earnings over cash distributions paid	**5,028**	2,331	8,052

Cash flow from operating activities includes year-over-year movement in current assets such as inventories and accounts receivable and current liabilities such as accounts payable. In large part, movements in these accounts are due to timing and therefore do not constitute available cash for distribution. Cash distributions are raised after the Board of Trustees has carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, operating cash performance of the plants, and future sustainability of distribution increases.

Contractual Obligations

The following table identifies the outstanding contractual obligations of the Fund and its operating company as at September 30, 2010, and the effects such obligations are expected to have on liquidity and cash flow over the next few years:

(In thousands)	**Total** $	Less than 1 year $	1 to 3 years $	4 to 5 years $	After 5 years $
Short-term borrowing	**70,000**	70,000	—	—	—
Interest on convertible debentures	**32,434**	7,821	14,400	5,700	4,513
Interest based on swap agreement	**7,711**	2,804	4,907	—	—
Capital leases	**301**	100	161	40	—
Operating leases	**3,162**	1,045	1,582	535	—
Purchase obligations	**37,525**	37,525	—	—	—
Derivative financial instruments	**96,176**	62,648	28,081	5,447	—
	247,309	181,943	49,131	11,722	4,513
(In metric tonnes)					
Purchase obligations	**711,000**	579,000	132,000	—	—

Since July 2008, Lantic has had a five-year revolving credit facility with a syndicate of Canadian banks for $200.0 million. As at September 30, 2010, a total of $70.0 million had been borrowed under short-term bankers' acceptances under that facility. These short-term borrowings will be rolled under the available credit facility.

The third and fourth series convertible unsecured subordinated debentures, in the amount of $84.3 and $50.0 million respectively, maturing in June 2013 and April 2017, have been excluded from the above table due to the holders' conversion option and the Fund's option to satisfy the obligations at redemption or maturity in trust units. Interest has been included in the above table to the date of maturity.

The Company entered into a five-year swap agreement at a rate of 4.005% for $70.0 million with a syndicate of Canadian banks. The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the above table.

Capital and operating lease obligations relate mainly to the leasing of moveable equipment.

Purchase obligations represent all open purchase orders as at September 30, 2010, and approximately $30.0 million for sugar beets that will be harvested and processed in fiscal 2011.

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

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

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

The Company has hedged all of its exposure to raw sugar price risk movement through October 2012.

At September 30, 2010, the Company had a net long sugar position of $25.8 million in net contract amounts with a current net contract value of $33.4 million. This is offset by a larger volume of sugar priced with customers than purchases priced from suppliers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At September 30, 2010, the Company had $41.0 million in natural gas derivatives, with a current contract value of $26.3 million.

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

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

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

At September 30, 2010, the Company had a net $21.7 million in foreign currency forward contracts with a current contract value of $20.6 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on ICE #11 world raw sugar. At September 30, 2010, the operating company had commitments to purchase a total of 711,000 metric tonnes of raw sugar, of which only 110,000 metric tonnes had been priced, for a total dollar commitment of $60.2 million.

The Company has no other off-balance sheet arrangements, except for unfunded pension benefit plans.

CAPITAL RESOURCES

Lantic has $200.0 million as an authorized line of credit available to finance its operations. This line of credit expires in June 2013. At year-end, $70.0 million had been drawn from the working capital facility and $38.8 million in cash was also available.

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

The operating company has approved for future commitments approximately $2.4 million for completing capital expenditures presently in progress. With this carry-forward, total maintenance and investment capital expenditures for fiscal 2011 should be approximately $10.0 million.

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

OUTSTANDING SECURITIES

A total of 87,534,113 units were outstanding as at September 30, 2010. During the year, a total of 200,000 units were exercised under the Unit Option Plan. In addition, 6,226 units were issued following the conversion of $33,000 of the second series 6% convertible unsecured subordinated debentures. As at November 18, 2010, 87,534,113 units were outstanding.

On April 8, 2010, the Fund issued $50.0 million of fourth series 5.7% convertible unsecured subordinated debentures, maturing April 30, 2017, with interest payable semi-annually in arrears on April 30 and October 31 of each year, starting October 31, 2010. The fourth series debentures may be converted at the option of the holder at a conversion price of $6.50 (representing 7,692,308 trust units) per trust unit at any time prior to maturity, and cannot be redeemed prior to April 30, 2013. On or after April 30, 2013, and prior to April 30, 2015, the fourth series debentures may be redeemed by the Fund only if the weighted average trading price of the trust unit, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the fourth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On June 29, 2010, the net proceeds from the issuance of the fourth series debentures, combined with funds from working capital, were used to redeem the 6% second series convertible debentures.

On March 6, 2006, the Fund issued $85.0 million of third series 5.9% convertible unsecured subordinated debentures, maturing June 29, 2013, with interest payable semi-annually in arrears on June 29 and December 29 of each year, starting June 29, 2006. The third series debentures may be converted at the option of the holder at a conversion price of $5.10 per trust unit (representing 16,521,569 trust units) at any time prior to maturity, and cannot be redeemed prior to June 29, 2009. On or after June 29, 2009 and prior to June 29, 2011, the third series debentures may be redeemed by the Fund only if the weighted average trading price of the trust unit, for 20 consecutive trading days, is at least 125% of the conversion price of $5.10. Subsequent to June 29, 2011, the third series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest. A total of $740,000 was converted into 145,096 units in fiscal 2008.

In fiscal 2005, the Fund established a Unit Option Plan. The Fund reserved and set aside for issuance a total of 850,000 units to be allocated to key personnel. At September 30, 2005, a total of 350,000 units had been allocated to two senior executives. These units were priced at $4.33 per unit, representing the average market price for the five business days before the granting of the options to the two senior executives. A further 400,000 units were allocated on October 24, 2005 to the new President and CEO of Lantic. These units were priced at $3.61 per unit, representing the average market price for the five business days before the granting of the options to the President and CEO. On December 17, 2009, the remaining 100,000 trust units were granted to a senior executive. These units were priced at $4.70 per unit representing the average market price for the five business days before the grant of the options. These units are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. In fiscal 2010, a total of 200,000 units were exercised by the CEO and by one of the senior executives. Upon termination, resignation, retirement, death or long-term disability, all units granted under the Unit Option Plan not vested are forfeited. Further to the departure of a senior executive in fiscal 2008, a total of 150,000 units, priced at $4.33, were forfeited.

CRITICAL ACCOUNTING ESTIMATES

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

Goodwill Valuation

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

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

In conducting this test, the Fund reduced goodwill by $95.0 million on September 30, 2005. There has been no impairment in goodwill in the last five fiscal years.

Future Income Taxes

We regularly assess the likelihood that our future tax assets will be realized from recoverable income taxes or recovered from future taxable income, and we record a valuation allowance to reduce our future income tax assets to the amount that we believe to be more likely than not realizable.

Defined Benefit Pension Plans and Employees' Future Benefits

The plan obligations and related assets of defined benefit and medical retirement plans are presented in Note 11 to the consolidated financial statements. Plan assets, equity and debt investments are valued using market quotations. Plan obligations and annual pension expenses are determined by independent actuaries and are based in part on a number of assumptions we provide. Key assumptions in measuring the plan obligations include the discount rate, the rate of salary increases, the long-term health care trend rate, mortality rates and the estimated future return on plan assets.

The next actuarial valuation for three of the pension plans is scheduled for December 31, 2010, and December 31, 2012 for the other pension plan. As such, the current cash contributions for pension plans will change when the actuarial valuations are completed.

In the current volatile financial environment, return on plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing plan liabilities, may significantly increase pension plan expenses in future years. In fiscal 2010, pension plan expense increased by approximately $1.0 million, to $2.8 million.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Financial Instruments - Disclosure

In June 2009, the *Canadian Accounting Standards Board* (the "AcSB") of the Canadian Institute of Chartered Accountants (the "CICA") issued amendments to CICA Handbook Section 3862, *Financial Instruments – Disclosures*, in order to align with International Financial Reporting Standards ("IFRS") IFRS 7, *Financial Instruments – Disclosures*. This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments. The amendments apply to annual financial statements relating to fiscal years ended after September 30, 2009. Financial instruments recognized at fair value on the balance sheet must be classified in fair value hierarchy levels as follows:

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

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

Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The amended section relates to disclosure only and did not impact the financial results of the Company. This was implemented at September 30, 2010.

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to adopt IFRS for interim and annual reporting purposes, for fiscal years beginning on or after January 1, 2011. The Company will be required to begin reporting under IFRS for the quarter ending December 31, 2011 and will be required to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

The Company began planning the transition from current Canadian GAAP to IFRS by establishing a project plan and a project team. The project team is led by senior finance executives who provide overall project governance, management and support. The project team reports quarterly to the Audit Committee the progress made on the project, and discusses key findings and future accounting requirements.

The project plan consists of three phases: the initial assessment, detailed assessment and design, and implementation. The Company has completed the initial assessment phase, which included the completion of a high level review of the major differences between current Canadian GAAP and IFRS. The initial assessment also included training sessions for project team members and discussions with the Company's external auditors.

The Company is now engaged in the detailed assessment and design phase. The detailed assessment and design phase involves completing a comprehensive analysis of the impact of the IFRS differences identified in the initial assessment phase. The design of solutions to resolve these IFRS differences is progressing according to plan. The following are some of the significant differences between Canadian GAAP and IFRS that have been identified to date and which are currently being evaluated:

- Property, Plant and Equipment (International Accounting Standard ("IAS") 16): Under IFRS, components of capital assets with different useful lives must be identified to calculate depreciation. The Fund is currently in the process of examining the componentization of our capital assets which will have an impact on depreciation under IFRS.

- Borrowing costs (IAS 23): Under IFRS, borrowing Costs incurred during the period in which a qualifying capital asset is being constructed must be capitalized as part of the cost of the asset. Under the Fund's current accounting policy, all borrowing costs are charged to earnings and included in interest expense. The Fund expect to use an optional exemption in order to capitalize borrowing costs only for assets for which the commencement date for capitalization is on or after the transition date. Accordingly, the Fund does not expect to record an opening IFRS balance sheet adjustment for borrowing costs incurred prior to the transition date.

- Impairment of Assets (IAS 36): Under IFRS, assets need to be grouped in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a single-step approach. The Fund has determined its group of cash generating units to be used for the purpose of goodwill impairment testing. The Fund has determined that there was no goodwill impairment as at the date of transition to IFRS.

- Consolidation (IAS 27) and Special Purpose Entities (Standing Interpretations Committee ("SIC") 12): The Variable Interest Entity ("VIE") model of consolidation does not exist under IFRS. The Fund must assess whether Lantic Inc. can be consolidated under the Control model of IAS 27 and SIC 12. Upon transition to IFRS, the Fund may have to use the equity method of accounting for its wholly-owned subsidiary, Lantic, instead of the consolidation method.

- Leases (IAS 17): The Fund has entered into various leases which are accounted for as operating leases under Canadian GAAP. The Fund is in the process of assessing whether or not this classification will change to a finance (capital) lease under IFRS.

- Employee Benefits (IAS 19): Under IFRS, vested past service costs under a defined benefit plan are immediately recognized in net earnings. As of the transition date, the Fund is expected to record the balance of all vested past service costs against retained earnings. In addition, as permitted under IFRS, the Fund is expected to recognize actuarial gains and losses as they occur in other comprehensive income, with no impact on net earnings.

- First Time Adoption of IFRS (IFRS 1): The Fund intends to use the business combinations exemption and not restate the accounting of past business acquisitions. The Fund does not intend to apply the exemption to use fair value as deemed cost, rather it intends to keep property, plant and equipment at their original costs.

The transition plan remains on-track and the Company believes it is well positioned to transition to IFRS in accordance with the timelines mandated by the AcSB. The work completed to date suggests that there should be minimal impact on the Company's business processes, IT systems, disclosure controls and procedures, and internal controls over financial reporting. However, these preliminary conclusions may change as the Company continues to progress through its transition plan and considers any new IFRS developments leading up to the Company's changeover date.

The Company will continue to execute the transition in accordance with its plan, and also continue to monitor standards development as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

ENVIRONMENT

Lantic's policy is to meet all applicable government requirements with respect to environmental matters. Management believes that the Company is in compliance in all material respects with environmental laws and regulations.

Lantic's Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

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

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

Lantic's currently inactive subsidiary, Chatterton Petrochemical Corporation ("Chatterton") previously managed the production and sale of specialty chemicals in Canada. Kalama Chemical, Inc. ("Kalama"), a former subsidiary of Rogers (which is one of Lantic's predecessors) previously managed the production and sale of specialty chemicals in the United States. Chatterton ceased operations in June 1992 and Chatterton's property was transferred to Lantic Real Property Limited Partnership ("Lantic Realco") in 1998. Kalama was sold in May 1994.

On October 8, 1997, OMI Lantic Holdings and BAI Lantic Holdings (collectively "Lantic Holdings Companies") and Lantic Realco provided a joint and several indemnity in favour of Rogers against any claim imposing liability under environmental law resulting from the presence, discharge, release or threatened release of any hazardous substance at three Kalama properties, at four U.S. "superfund" sites involving Kalama, or at a British Columbia property formerly owned by Chatterton, and any claims relating to environmental matters arising under the Kalama sale agreement. In arrangements entered into in fiscal 2000, Lantic Realco agreed that, prior to the completion of the cleanup of the Chatterton property and the termination or defeasance of the obligations of Rogers with respect to environmental matters under the Kalama sale agreement, (i) it would not use its assets except for specified purposes, including remediation of the properties related to Kalama and Chatterton, and (ii) upon the sale of the Chatterton property, it would deposit $11.3 million in a trust fund to be used solely to satisfy Lantic Realco's obligations to pay amounts to Rogers under the indemnity. After the said cleanup and termination or defeasance, Lantic Realco may reduce the said trust to $4.0 million to be held for the same purposes unless released by the Lantic Board of Directors. The completion of the cleanup of the Chatterton property has not occurred.

Rogers' liability for environmental matters under the Kalama sale agreement was terminated as a result of a settlement completed on June 30, 2008. The settlement involved Rogers, the purchaser under the 1994 Kalama sale agreement, Goodrich Corporation ("Goodrich"), Lantic Realco and certain related parties. As part of this settlement, a trust fund established in 1994 in connection with the sale of Kalama was disbursed to Goodrich as reimbursement for incurred and estimated future cleanup costs at the Kalama properties. Also, Goodrich indemnified Rogers for any liability under environmental law relating to the three Kalama properties and the U.S. "superfund" sites involving Kalama. The indemnity from Goodrich applies until February 28, 2011.

Management continues to monitor estimates of the cost to clean up the Chatterton property. Under a settlement reached with a former owner of the Chatterton property, the former owner released its claim to recover the 50% of cleanup costs it had paid, and paid $1.5 million in escrow to be available to Lantic Realco upon the conclusion of the cleanup of the Chatterton property. In that settlement, the former owner was released by Rogers, Chatterton, the Lantic Holdings Companies, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

The Lantic Holdings Companies also obtained for Rogers in 1997 a $50.0 million insurance policy to cover 90% of the cleanup costs in excess of the cleanup cost estimated in 1997 for each of the three Kalama properties, the four Kalama "superfund" sites and the Chatterton property. The insurance policy continues to apply for the Chatterton property. No claim has been made for the Chatterton property, as cleanup costs for this site have not exceeded the cleanup cost estimated at the time the insurance was acquired.

With the environmental indemnity from Lantic Realco and recourse to the other funding sources referenced above, Lantic's management believes Lantic has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties.

RISK FACTORS

Lantic's business and operations are substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, its ability to market sugar competitively, operating costs and government programs and regulations.

Dependence Upon Lantic

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

Fluctuations in Margins and Foreign Exchange

Lantic's profitability is principally affected by the margins on domestic refined sugar. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Lantic, through the United States specific quota, normally sells approximately 10,000 metric tonnes of refined sugar per year in the United States and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by Lantic's Taber beet plant, and sales to the U.S. under specific quotas or under extraordinary circumstances like the one that occurred in the spring of 2010, most sales are in Canada and have little exposure to foreign exchange movements.

Fluctuations in Raw Sugar Prices

Raw sugar prices are not a major determinant of the profitability of Lantic's cane sugar operations, as the price at which sugar is both purchased and sold is related to the world raw sugar price and all transactions are hedged. The world raw sugar price can, however, impact the profitability of Lantic's beet operations. Sugar derived from beets is purchased at a fixed price, plus a scale incentive when sugar prices rise over a certain level, and the selling price of refined sugar rises or falls, for any volume not sold under the United States specific quota, as beet thick juice or as HFCS-substitutable products, in relation to the world raw sugar prices.

A relatively high world raw sugar price will also reduce the competitive position of liquid sugar in Canada as compared to HFCS that could result in the loss of HFCS-substitutable business for Lantic.

Security of Raw Sugar Supply

There is over 160 million metric tonnes of sugar produced worldwide. Of this, approximately 35 million metric tonnes of raw cane sugar is traded on the world market. The Fund, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than the Fund's yearly requirements, concentration of supply in certain countries like Brazil, combined with the increase in cane refining operations in emerging countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers.

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

Weather and Other Factors Related to Production

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

Competition

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

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

In 2007, the Canadian Competition Bureau (the "Bureau") launched an investigation under the civil reviewable matters provisions of the *Competition Act* (Canada) into certain retail selling practices in the Canadian domestic refined sugar industry. Lantic was advised in July 2009 that the Bureau's investigation is ongoing and that the Commissioner intended to seek changes to the domestic refined sugar industry's trade practices. While Lantic does not believe that its current marketing practices in the retail segment provide grounds for a remedial order of the Competition Tribunal under the *Competition Act,* Lantic is continuing discussions with the Bureau and is considering amending some of its contracting practices in a manner that may address the Bureau's apparent concerns. At this time, it remains unclear whether, or to what extent, the Bureau will challenge Lantic's practices before the Competition Tribunal and, if successfully challenged, whether any changes to Lantic's current marketing practices that may be required would result in volume and/or gross margin loss in the future.

Operating Costs

Lantic uses large quantities of energy, principally natural gas, in its operations. Moreover, Lantic's beet plant in Taber, Alberta uses larger quantities of energy in its operations than the cane facilities in Vancouver and Montreal, principally as a result of the need to heat the cossettes (slices of sugar beets) to evaporate water from juices containing sugar, and to dry the wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. Lantic hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas.

Government Regulations and Foreign Trade Policies

In July 1995, Revenue Canada made a preliminary determination that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea, into Canada, and that subsidized refined sugar was being imported into Canada from the United States and European Union countries.

The Canadian International Trade Tribunal ("CITT") reviewed the case and ruled that: (a) sugar was being dumped from the United States, Denmark, Germany, the United Kingdom and the Netherlands; (b) sugar was being subsidized from the European Union; and (c) the actions were threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of duties by Revenue Canada. Under Canadian laws, these duties must be reviewed every five years. On November 3, 2000, on November 2, 2005, and on November 1, 2010, the CITT continued for a further five years the anti-dumping duties imposed on imports of refined sugar from the United States but on November 1, 2010, removed the anti-dumping and countervailing duties on refined sugar imports from the European Union.

We are disappointed that the above duties were removed on the shipments of refined sugar from the European Union countries, as it will now allow subsidized sugar from the European Union to enter into Canada at the minimal tariff of approximately $30.00 per metric tonne.

We will closely monitor imports of refined sugar from the European Union and we will return to the CITT when the financial impact of such imports becomes material within the meaning of Canada's trade remedy laws. At that time, we will seek to reinstate the anti-dumping and countervailing duties against the European Union. There is no assurance that the CITT would then reinstate the countervailing duties against the European Union.

The duties are important to Lantic and to the Canadian sugar refinery industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. Although some changes have occurred in the United States sugar program, the price support and trade distortion attributes of this sugar regime has not materially changed the factors that originally led to the CITT decision. There is no assurance that in 2015 these duties will be continued for a further five years.

In April 2001, the Canadian government signed a bilateral free trade agreement with Costa Rica, which includes the phase-out of the present 8% (approximately $31 per tonne) duty on imports of refined sugar to Canada. Since 2003, Costa Rica has had increasing duty-free access to Canada, which will be completely duty-free by January 1, 2011. This access continues to pose a potential threat to Lantic and the other major Canadian refiner which did not receive meaningful access to the Costa Rican market and will be left with no protection against such imports. Given the impacts of this agreement and strong objection of Canada's sugar industry, the Government of Canada continues to take the specific concerns of the industry into account to ensure that this agreement does not serve as a model for future negotiations.

In 2008, as part of its new "Global Commerce Strategy," the Canadian government announced a strengthened focus on regional and bilateral trade negotiations, including the expansion of Canada's bilateral trade network with countries in South and Central America. Lantic has been actively supporting the work of the Canadian Sugar Institute in informing government officials and politicians of the threat to Canada's sugar industry of such trade agreements, particularly with surplus sugar producers in Colombia and Central America.

On June 29, 2010, the Canada/Colombia Free Trade Agreement ("FTA") received Royal Assent in Canada, but approval has yet to be concluded in Colombia, which is expected to be approved and implemented over the next few months. This FTA will result in the reciprocal long-term (17 years) phase-out of sugar tariffs in the two countries, avoiding the immediate negative effects of duty-free quotas. On August 1, 2009, an FTA agreement with Peru came into force, but the sugar provisions of the agreement will only begin in the sixth year of the agreement. At that time, the FTA provides for a duty free quota of 3,000 metric tonnes growing over 5 years to its maximum of 4,564 tonnes. In May 2010, the Canada-Panama FTA was signed and is now debated in the House of Commons. The sugar provisions in this FTA would provide for a 15-year tariff phase-out with a 5-year grace period before any tariff cuts begin. The negotiations between Canada and Central America are continuing but no agreement has yet been reached. All of these agreements involve significant input from the Canadian Sugar Institute, to ensure the long-term stability of the Canadian sugar refining industry.

Formal negotiations towards a Comprehensive Economic Partnership Agreement ("CEPA") with the European Union were launched in May 2009. Both Canada and the EU are seeking to keep this agreement as broad as possible. Agriculture negotiations will prove to be very complex given sensitive issues on both sides. Given EU domestic and export subsidies on refined sugar and the threat this poses to the Canadian sugar industry, the Canadian Sugar Institute has strongly advocated against any negotiations of Canada's refined sugar tariff. In September 2010, Canada and India released a Canada-India joint study group report that recommended that negotiations be initiated towards a substantive and ambitious CEPA.

Lantic continues to remain concerned that the inclusion of refined sugar in the various regional and bilateral negotiations may result in substantial new duty-free imports from these countries while not providing any offsetting export market opportunities. The only real potential for significant, long-term export gains is through a global agreement through the World Trade Organization (WTO). The WTO Doha round negotiations have been on hold since July 2008 and are expected to continue in 2012.

Employee Relations

The majority of Lantic's operations are unionized.

There is no collective agreement expiring during the next fiscal year. Strikes or lock-outs in future years could restrict the ability of Lantic to service its customers in the affected regions, consequently affecting the Company's revenues.

Food Safety and Consumer Health

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

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

Environmental Matters

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

Income Tax Matters

The income of the Fund must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of cash distributions. There can be no assurance that taxation authorities will accept the tax positions adopted by the Fund or its subsidiaries, including their determinations of the amounts of federal and provincial income and capital taxes and the reasonableness of inter-company transfer prices, which could materially adversely affect cash distributions.

Income fund structures generally involve a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash distributions available. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the debt owed by Lantic to the Fund.

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of trust units. It is assumed that the Fund currently qualifies as a "mutual fund trust" under the Tax Act. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations could be materially and adversely different in certain respects.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada (within the meaning of the Tax Act) unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. The Declaration of Trust contains mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-residents of Canada.

On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act providing that a trust will lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-residents of Canada or partnerships that are not "Canadian partnerships" (as defined in the Tax Act) is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of units of the Fund were held by non-residents of Canada and non-Canadian partnerships, the Fund may thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement certain measures proposed in the September 16, 2004 draft amendments. However, such Notice did not include the above-mentioned proposal concerning mutual fund trusts maintained primarily for the benefit of non-residents of Canada. In addition, the Minister of Finance (Canada) announced on December 6, 2004 as well as in the 2005 federal budget proposals that further discussions would be pursued with the private sector in this respect.

Following the new tax proposals announced on October 31, 2006 concerning the taxation of income trusts and other flow-through entities (the "SIFT Rules"), the Fund will be subject to trust level taxation as of January 1, 2011 at a rate comparable to the combined federal and provincial corporate tax rate on certain types of income. In addition, the taxable distributions received by Unitholders will be treated as dividends from a taxable Canadian corporation. Rules were also put into place to facilitate the conversion of existing income trusts into corporations on a tax deferred basis.

As a result, the Board of Trustees proposed to the Unitholders a conversion of the Fund to a corporate structure by way of a Plan of Arrangement under the *Canada Business Corporations Act*. The Unitholders approved the Plan of Arrangement at a Special meeting of Unitholders on September 29, 2010, which was later approved by the Supreme Court of British Columbia on October 4, 2010.

The Fund anticipates filing the Article of Arrangement that gives effect to the Plan of Arrangement on or about January 1, 2011. As a result, from January 1, 2011, dividends received by Shareholders will be treated as dividends from a taxable Canadian corporation.

Nature of Trust Units

Securities such as trust units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The trust units do not represent a direct investment in Lantic's business, and should not be viewed by investors as shares in Lantic. As holders of trust units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation, including, for example, the right to bring "oppression" or "derivative" actions. Each trust unit represents a fractional interest in the Fund. The price per trust unit is expected to be a function of anticipated distributable income.

Management and Operation of Lantic

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

OUTLOOK

The decision, on November 1, 2010, of the CITT to remove the anti-dumping and countervailing duties on refined sugar shipments from the European Union countries was disappointing, as it allows subsidized sugar from the European Union to enter Canada at the minimal tariff of approximately $30.00 per metric tonne. We will closely monitor imports of refined sugar from the European Union countries, and we will return to the CITT if and when the financial impact of such imports becomes material within the meaning of Canada's trade remedy laws.

The total sweetener market increased slightly in fiscal 2010, and we believe this trend might continue over the next number of years. A number of U.S. food manufacturers have changed their product formulation from HFCS to liquid sucrose in the last few years. We believe that in the future this trend might favourably impact the type of sweetener used by Canadian food processors in their product formulation. Lantic is well positioned with its liquid sugar capabilities to meet additional liquid sucrose demand should it materialize.

Currently, U.S. refined sugar prices have decreased with the arrival of this fall's U.S. beet crop. We anticipate that as the beet crop sells out, the market may again be subject to tightness later in the year, especially if the new cane refinery capacity in Louisiana is delayed. Circumstances may support a repeat of the benefit the Fund experienced in fiscal 2010 when, as mentioned earlier, over 41,000 metric tonnes of refined sugar was shipped to the U.S., while absorbing the U.S. Tier II duty, and generate a contribution to our financial results.

In fiscal 2010, the Fund resumed shipments to Mexico and was able to contract additional volume for fiscal 2011 of approximately 15,000 metric tonnes. The Fund will continue to investigate this and other export opportunities.

The higher world raw sugar price that currently exists will positively impact the adjusted gross margin of all domestic beet sugar sales, except for HFCS substitutable sales. Taber's beet crop acreage, currently being harvested, is 30,000 acres and if current harvesting conditions continue, we should derive approximately 80,000 to 90,000 tonnes of beet sugar for fiscal 2011. The total output is slightly lower than originally expected due mainly to cooler growing conditions which reduced the yield per acre of the beet crop, but will be significantly higher than the 64,000 metric tonnes produced in fiscal 2010.

Over half of fiscal 2011's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2010. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase adjusted gross margin rate. In addition, futures positions for fiscal 2012 to 2014 have been taken. Some of these positions are at prices higher than the current market values, but are at the same or better levels than what was achieved in fiscal 2010. We will continue to monitor natural gas market dynamics with the objective of minimizing natural gas costs.

In the current financial environment, return on pension plan assets may vary from historical plan performance. This, combined with the discount rate used in assessing the plan liabilities, may impact pension plan expenses in future years. One plan's actuarial valuation was completed in fiscal 2010, while the other three plans' actuarial valuations are required to be completed in fiscal 2011. The pension cash contributions were increased following this year's actuarial valuation and it is anticipated that future cash contribution levels will increase following the other three plans' actuarial valuations.

RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by the Administrator in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, the Administrator has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. The Administrator has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The Administrator has prepared the financial information of Rogers Sugar Income Fund presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Fund.

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

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

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

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

Edward Makin,
President and Chief Executive Officer
Lantic Inc., Administrator

Daniel L. Lafrance,
Senior Vice-President Finance and
Procurement, Chief Financial Officer
and Secretary
Lantic Inc., Administrator

November 18, 2010

AUDITOR'S REPORT TO THE UNITHOLDERS

We have audited the consolidated balance sheets of Rogers Sugar Income Fund as at September 30, 2010 and 2009 and the consolidated statements of operations and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP*

Chartered Accountants

Montréal, Canada
November 3, 2010

* Chartered Accountants auditor permit no. 19655

CONSOLIDATED BALANCE SHEETS

September 30, 2010 and 2009
(In thousands)

	2010	2009
	$	$
Assets		
Current assets:		
Cash and cash equivalents	**38,781**	5,367
Accounts receivable (note 4)	**58,231**	49,637
Inventories (note 5)	**51,358**	75,136
Prepaid expenses	**1,885**	2,333
Future income taxes (note 14)	**1,030**	3,570
Derivative financial instruments (note 7)	**24**	1,302
	151,309	137,345
Capital assets (note 6)	**183,361**	188,344
Defined benefit pension plan assets (note 11)	**19,672**	17,931
Derivative financial instruments (note 7)	**1**	77
Other assets (note 8)	**510**	722
Goodwill	**229,952**	229,952
	584,805	574,371
Liabilities and Unitholders' Equity		
Current liabilities:		
Short-term borrowings (note 9)	**70,000**	70,000
Accounts payable and accrued liabilities (note 10)	**42,716**	37,953
Derivative financial instruments (note 7)	**8,989**	10,547
Current capital lease obligation (note 12)	**82**	—
	121,787	118,500
Employee future benefits (note 11)	**29,545**	29,073
Derivative financial instruments (note 7)	**12,343**	8,988
Long-term capital lease obligation (note 12)	**181**	—
Convertible unsecured subordinated debentures (note 13)	**130,599**	131,387
Future income taxes (note 14)	**17,542**	19,495
	311,997	307,443
Unitholders' equity:		
Trust units (note 15)	**560,543**	559,662
Contributed surplus	**4,683**	4,712
Deficit	**(292,418)**	(297,446)
	272,808	266,928
Commitments (note 22)		
Contingencies (note 23)		
	584,805	574,371

See accompanying notes to consolidated financial statements.

Approved by the Trustees:

November 18, 2010 M. Dallas H. Ross Trustee Dean Bergmame Trustee

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years ended September 30, 2010 and 2009
(In thousands, except amounts per trust unit)

	2010 **$**	2009 $
Revenues	**606,873**	543,320
Cost of sales	**519,234**	450,527
Gross margin	**87,639**	92,793
Expenses:		
Administration and selling	**20,056**	20,044
Distribution	**7,723**	13,572
Depreciation and amortization (note 20)	**656**	521
	28,435	34,137
Earnings before interest and provision for income taxes	**59,204**	58,656
Interest expense (note 17)	**14,214**	16,740
Earnings before provision for income taxes	**44,990**	41,916
(Recovery of) provision for income taxes (note 14):		
Current	**(811)**	964
Future	**587**	(1,585)
	(224)	(621)
Net earnings and other comprehensive income	**45,214**	42,537
Net earnings per trust unit (note 18):		
Basic	**0.52**	0.49
Diluted	**0.48**	0.45

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Years ended September 30, 2010 and 2009
(In thousands)

	Number of trust units $	Trust units $	Contributed surplus $	Deficit $	Total $
Balance as at September 30, 2008	87,552,987	561,105	3,950	(299,777)	265,278
Distributions (note 16)	—	—	—	(40,206)	(40,206)
Stock-based compensation (note 19)	—	—	9	—	9
Unit repurchase program (note 15)	(225,100)	(1,443)	753	—	(690)
Net earnings	—	—	—	42,537	42,537
Balance as at September 30, 2009	**87,327,887**	**559,662**	**4,712**	**(297,446)**	**266,928**
Distributions (note 16)	**—**	**—**	**—**	**(40,186)**	**(40,186)**
Stock-based compensation (note 19)	**200,000**	**848**	**(29)**	**—**	**819**
Conversion of convertible debentures into trust units (note 13)	**6,226**	**33**	**—**	**—**	**33**
Net earnings	**—**	**—**	**—**	**45,214**	**45,214**
Balance as at September 30, 2010	**87,534,113**	**560,543**	**4,683**	**(292,418)**	**272,808**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2010 and 2009
(In thousands)

	2010 $	2009 $
Cash flows from operating activities:		
Net earnings	**45,214**	42,537
Adjustments for:		
Depreciation and amortization (note 20)	**13,382**	13,468
Changes in fair value of derivative financial instruments	**3,151**	18,421
Amortization of deferred financing charges (note 17)	**1,762**	1,068
Future income taxes	**587**	(1,585)
Employee future benefits	**(1,269)**	(904)
Other	**28**	345
Stock-based compensation expense (note 19)	**11**	9
Gain on disposal of capital assets	**—**	(208)
	62,866	73,151
Changes in non-cash operating working capital:		
Accounts receivable	**(8,594)**	5,146
Inventories	**23,778**	(4,487)
Prepaid expenses	**448**	(259)
Accounts payable and accrued liabilities	**4,705**	(3,760)
	20,337	(3,360)
	83,203	69,791
Cash flows (used in) from financing activities:		
Short-term repayment	**—**	(23,000)
Distributions to Unitholders	**(40,186)**	(40,206)
Issuance of trust units under stock option plan	**808**	—
Repurchase of trust units	**—**	(690)
Issuance of convertible unsecured subordinated debentures	**50,000**	—
Redemption of convertible unsecured subordinated debentures	**(49,967)**	—
Deferred financing charges	**(2,365)**	—
	(41,710)	(63,896)
Cash flows used in investing activities:		
Additions to capital assets, net of proceeds on disposal	**(8,079)**	(6,285)
Net change in cash and cash equivalents	**33,414**	(390)
Cash and cash equivalents, beginning of year	**5,367**	5,757
Cash and cash equivalents, end of year	**38,781**	5,367
Supplemental disclosure:		
Interest paid on debt	**11,649**	11,604
Income taxes paid, net of receipts	**1,261**	1,119
Capital assets included in accounts payable and accrued liabilities	**795**	475

See accompanying notes to consolidated financial statements.

Years ended September 30, 2010 and 2009
(Amounts are expressed in thousands of dollars unless otherwise noted.)

Rogers Sugar Income Fund (the "Fund") is an open-ended, limited purpose trust created under the laws of Ontario by a declaration of trust made as of September 15, 1997 as amended and restated on February 3, 2005 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

On September 29, 2010, the Unitholders of the Fund approved the conversion of the Fund to a corporate structure by way of a Plan of Arrangement under Section 192 of the Canada Business Corporations Act. The Plan of Arrangement was subsequently approved by the Supreme Court of British-Columbia on October 4, 2010. It is expected that the conversion will be effective January 1, 2011, when each trust unit will be converted, on a one-for-one basis, for shares of Rogers Sugar Inc.

1. Change in accounting policies:

In June 2009, the Canadian Accounting Standards Board (the "AcSB") of the Canadian Institute of Chartered Accountants (the "CICA") issued amendments to CICA Handbook Section 3862, *Financial Instruments - Disclosures,* in order to align with International Financial Reporting Standards IFRS 7, *Financial Instruments - Disclosures.* This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments. The amendments apply to annual financial statements relating to fiscal years ended after September 30, 2009. Financial instruments recognized at fair value on the balance sheet must be classified in fair value hierarchy levels as follows:

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

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

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

The amended section relates to disclosure only and did not impact the financial results of the Fund. The required information was provided in Note 7.

2. Significant accounting policies:

a) Consolidation of variable interest entity:

The Fund's consolidated financial statements include the accounts of Lantic Inc. ("Lantic"), the variable interest entity ("VIE"). Lantic was formed on June 30, 2008 from the amalgamation of the previous wholly-owned subsidiaries, Lantic Sugar Limited and Rogers Sugar Ltd.

Notwithstanding the fact that Lantic Capital Inc. can designate five of Lantic's seven directors, the Fund, as owner of all the common shares and subordinated debts of the VIE, receives all of the VIE's expected residual returns and would absorb all of its potential losses. As a result, the Fund is considered the primary beneficiary and must consolidate the VIE.

2. Significant accounting policies (continued):

b) Income taxes:

The Fund is a unit trust for income tax purposes. As such, the Fund is currently only taxable on any taxable income not allocated to the Unitholders. As substantially all taxable income will be allocated to the Unitholders, no provision for income taxes on current earnings of the Fund has been made in these financial statements. Income tax liability relating to distributions from the Fund is the obligation of the Unitholders.

Due to changes to tax legislation (see note 14), the Fund is recording future income taxes on temporary differences expected to reverse beginning in 2011, because the Fund as a publicly traded income trust will be subject to trust level taxation as of January 1, 2011. The Fund announced, further to a vote of approval from its Unitholders in September 2010, that, effective January 1, 2011, it would be converted into a conventional corporation under the name of Rogers Sugar Inc. and will then be subject to the combined corporate federal and provincial tax rates.

Any provision for income taxes relates to Lantic and the Fund which follow the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using the Fund's enacted or substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Beginning January 1, 2011, future tax assets and liabilities will be measured at corporate tax rates.

c) Cash and cash equivalents:

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

d) Inventories:

Inventories are valued at the lower of cost and net realizable value. Inventories are costed on a FIFO basis.

e) Capital assets:

Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and improvements	2.5%
Plant and equipment	5%
Furniture and fixtures	20%

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as they are incurred.

2. Significant accounting policies (continued):

e) Capital assets (continued):

Capital assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. The amount of the impairment loss recognized is measured as the amount by which the carrying value of an asset exceeds its fair value, with fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the asset.

f) Goodwill:

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of comparing the carrying amount of the reporting unit to its fair value, which is calculated using its market capitalization and discounted cash flows. When the fair value exceeds the carrying amount, goodwill is considered not to be impaired. The Fund's measurement date is September 30.

g) Stock-based compensation:

The Fund has a Unit Option Plan, which is described in note 19. Unit options are measured at fair value. Compensation expense is recognized over the vesting period, net of estimated forfeitures. Any consideration paid by employees on exercise of unit options is credited to trust units.

h) Employee future benefits:

The Fund has defined benefit pension plans covering some of its employees. The benefits are based on years of service and the employee's compensation. The Fund also sponsors defined benefit life insurance, disability plans and medical benefits, for substantially all retirees and employees.

The Fund accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Fund has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- Actuarial gains (losses) arise from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation.

The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans is between 3 and 18 years.

2. Significant accounting policies (continued):

i) Foreign currency translation:

Foreign currency transactions are translated using the temporal method. Gains or losses resulting from these translations are recorded in net earnings of the period. Foreign denominated monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Foreign denominated non-monetary assets and liabilities are translated at the rate prevailing at the transaction date. Revenues and expenses are translated at the rate in effect on the dates they occur.

j) Revenue recognition:

Revenue is recognized at the time sugar products are shipped to customers, at which time all risks and rewards of ownership are transferred to the customers. Provision is made for expected sales returns and allowances at the time of shipment, and all such returns and allowances are recorded against revenue.

k) Financial instruments:

All financial instruments are classified into one of the following four categories: available-for-sale financial assets, loans and receivables, other financial liabilities and held-for-trading. Initial measurement of financial instruments is at fair value and subsequent measurement and recognition in changes in value of financial instruments depend on their classification. Available-for-sale financial assets are measured at fair value at each reporting period and unrealized gains or losses arising from changes in fair value are recorded in other comprehensive income until such time as the asset or liability is removed from the balance sheet. The Fund does not carry any loans receivable, and its accounts receivable are measured at amortized cost, which approximates cost. The Fund's accounts payable and accrued liabilities have been classified as other financial liabilities and are, therefore, measured at amortized cost. Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in net earnings.

The balance sheet contains derivative financial instruments and certain embedded derivatives, which have been classified as held-for-trading.

i) Cash and cash equivalents:

The Fund classifies its cash as held-for-trading and cash equivalents as available-for-sale assets and values them at fair value. Cash and cash equivalents include cash on hand and bank balances and bank overdraft when the latter forms an integral part of the Fund's cash management. Due to the nature of the elements in cash equivalents, there was no comprehensive income for the year.

ii) Derivative financial instruments and embedded derivatives:

The Fund classifies derivative financial instruments which have not been designated as hedges for accounting purposes and embedded derivatives as held-for-trading, and values them at fair value each period with changes recorded in cost of sales. The derivative financial instruments consist of sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and natural gas futures and swaps ("natural gas contracts"), and the embedded derivatives relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, all of which the Fund's operating company enters into during the regular course of business. In addition, the Fund entered into an interest rate swap agreement to protect itself against interest rate fluctuations, which is recorded at fair value each reporting period with changes recorded in interest expense.

2. Significant accounting policies (continued):

k) Financial instruments (continued):

iii) Comprehensive income:

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles ("GAAP"), are recognized in comprehensive income, but excluded from net income.

iv) Financing charges:

Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized to interest expense using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

v) Trade date:

The Fund recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

l) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the valuation of goodwill, the rates for depreciation and amortization of capital assets, the provision for income taxes and the assumptions used for the employee future benefit obligations. Actual results could differ from those estimates.

3. Future changes in accounting policies:

International Financial Reporting Standards ("IFRS"):

In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes, for fiscal years beginning on or after January 1, 2011. The Fund will be required to begin reporting under IFRS for the quarter ending December 31, 2011 and to prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

4. Accounts receivable:

	2010	2009
	$	$
Trade	**53,397**	48,531
Income taxes receivable	**1,513**	—
Initial margin deposits with commodity brokers	**3,321**	1,106
	58,231	49,637

The Fund grants credit to its customers in the ordinary course of business.

Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.

- Excluding a special write-off of $950 in fiscal 2006, which occurred for one account that declared bankruptcy, and for which the Fund is suing due to alleged fraudulent action by this third party, bad debt write-offs to total revenue have been less than 0.03% for each of the last five years (averaging less than $100 per year). Write-offs for fiscal 2010 were $156 ($28 for fiscal 2009). The allowance for doubtful accounts as at September 30, 2010 was $300 ($298 as at September 30, 2009), consistent with the previous year due mainly to the continued higher value of raw sugar, which increases the underlying value of accounts receivable. All bad debt write-offs are charged to administration and selling expenses.

- A percentage slightly below 1% of trade receivables is outstanding for more than 90 days, while over 86% is current (less than 30 days) as at September 30, 2010 and which is in line with the results of fiscal 2009.

Through General Security Agreements with its lenders, the accounts receivable have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

5. Inventories:

	2010 $	2009 $
Raw sugar	**19,526**	43,591
Work in process	**4,438**	4,527
Refined sugar	**14,166**	15,693
Sugar inventories	**38,130**	63,811
Packaging and operating supplies	**4,209**	3,853
Spare parts and other	**9,019**	7,472
	51,358	75,136

All inventory balances are recorded at cost as at September 30, 2010 and 2009.

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

6. Capital assets:

			2010	2009
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Land	**17,748**	**—**	**17,748**	17,748
Buildings and improvements	**55,165**	**13,014**	**42,151**	43,393
Plant and equipment	**213,060**	**98,382**	**114,678**	121,179
Furniture and fixtures	**9,648**	**7,306**	**2,342**	2,683
Capital leases	**282**	**19**	**263**	—
Construction in progress	**6,179**	**—**	**6,179**	3,341
	302,082	**118,721**	**183,361**	188,344

7. Financial instruments:

Derivative financial instruments:

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives, are noted below.

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

As at September 30, 2010:

	Assets		**Financial instrument Liabilities**			
Market-to-market	**Short-term $**	**Long-term $**	**Short-term $**	**Long-term $**	**Cost of sales gain (loss) $**	**Interest expense $**
Sugar contracts	**24**	**1**	**—**	**—**	**5,016**	**—**
Natural gas contracts	**—**	**—**	**5,462**	**9,239**	**(4,307)**	**—**
Foreign exchange forward contracts	**—**	**—**	**1,143**	**7**	**1,999**	**—**
Embedded derivatives	**—**	**—**	**597**	**40**	**550**	**—**
Interest rate swap	**—**	**—**	**1,787**	**3,057**	**—**	**(38)**
Total as at September 30, 2010	**24**	**1**	**8,989**	**12,343**	**3,258**	**(38)**

As at September 30, 2009:

	Assets		Financial instrument Liabilities			
Market-to-market	Short-term $	Long-term $	Short-term $	Long-term $	Cost of sales gain (loss) $	Interest expense $
Sugar contracts	1,302	77	—	—	5,778	—
Natural gas contracts	—	—	4,335	6,060	(10,933)	—
Foreign exchange forward contracts	—	—	2,758	390	(3,653)	—
Embedded derivatives	—	—	1,141	45	(969)	—
Interest rate swap	—	—	2,313	2,493	—	(3,412)
Total as at September 30, 2009	1,302	77	10,547	8,988	(9,777)	(3,412)

7. Financial instruments (continued):

Derivative financial instruments (continued):

Each type of derivative instrument marking-to-market gain or loss represents the total mark-to-market value at the end of the year, less the mark-to-market value at the end of the previous year.

For sugar contracts, the amounts noted above are netted with the variation margins paid or received to/from the broker at the end of the reporting period. The fair value of the sugar contracts and natural gas contracts has been determined using published quoted values for these commodities, while the fair value of foreign exchange forward contracts has been determined using rates published by the financial institution which is counterparty to these contracts.

The fair value of the interest rate swap has been determined by using rates published on financial capital markets. The fair value of natural gas contracts, foreign exchange forward contracts and interest rate swap includes a credit risk adjustment for the Fund's or counterparty's credit, as appropriate.

The Fund uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In July 2008, a five-year interest rate swap contract was entered into to fix a portion of the Fund's exposure to floating interest rate debt on its short-term borrowings. The Fund's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

a) Raw sugar:

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

The Fund's raw sugar futures and options contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at September 30, 2010 and 2009 are as follows:

			2010			2009
	Original futures contracts value	**Current contract value**	**Fair value**	Original futures contracts value	Current contract value	Fair value
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases:						
0 - 6 months	**38,487**	**47,097**	**8,610**	36,474	44,248	7,774
6 - 12 months	**41,366**	**47,537**	**6,171**	34,060	40,985	6,925
12 - 24 months	**6,306**	**6,478**	**172**	1,629	1,853	224
Over 24 months	**—**	**—**	**—**	72	75	3
	86,159	**101,112**	**14,953**	72,235	87,161	14,926

7. Financial instruments (continued):

Derivative financial instruments (continued):

a) Raw sugar (continued):

	2010			2009		
	Original futures contracts value	**Current contract value**	**Fair value**	Original futures contracts value	Current contract value	Fair value
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Sales:						
0 - 6 months	**(23,682)**	**(26,795)**	**(3,113)**	(34,063)	(37,708)	(3,645)
6 -12 months	**(35,701)**	**(40,282)**	**(4,581)**	(33,959)	(43,240)	(9,281)
12 - 24 months	**(1,634)**	**(1,480)**	**154**	(116)	(102)	14
Over 24 months	**—**	**—**	**—**	—	—	—
	(61,017)	**(68,557)**	**(7,540)**	(68,138)	(81,050)	(12,912)
Net position	**25,142**	**32,555**	**7,413**	4,097	6,111	2,014
F/X rate at end of period			**1.0274**			1.0737
Net value (CA$)			**7,616**			2,162
Less margin call receipts at year-end			**(7,591)**			(1,521)
Net assets futures contracts			**25**			641
Options			**—**			738
Net assets (CA$)			**25**			1,379

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

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings.

Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account.

7. Financial instruments (continued):

Derivative financial instruments (continued):

a) Raw sugar (continued):

Due to the above, the Fund does not anticipate a credit risk from the raw sugar futures derivative instruments.

b) Natural gas:

The Fund uses natural gas contracts to help manage its costs of natural gas.

The Fund monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance.

The Fund's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas as at September 30, 2010 and 2009 are as follows:

			2010			2009
	Original futures contracts value	**Current contract value**	**Fair value**	Original futures contracts value	Current contract value	Fair value
	(US$)	**(US$)**	**(US$)**	(US$)	(US$)	(US$)
Purchases:						
1 year	**11,741**	**6,425**	**(5,316)**	15,089	11,051	(4,038)
1 to 2 years	**14,665**	**8,936**	**(5,729)**	13,885	11,643	(2,242)
2 to 3 years	**8,217**	**5,457**	**(2,760)**	14,418	12,167	(2,251)
3 years and over	**5,302**	**4,798**	**(504)**	9,102	7,951	(1,151)
	39,925	**25,616**	**(14,309)**	52,494	42,812	(9,682)
F/X rate at end of period			**1.0274**			1.0737
Net liabilities (CA$)			**(14,701)**			(10,395)

c) Foreign exchange contracts:

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

7. Financial instruments (continued):

Derivative financial instruments (continued):

c) Foreign exchange contracts (continued):

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

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

The Fund's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas, as at September 30, 2010 and 2009, are as follows:

				2010
	Original contract value	Original contract value	Current contract value	Fair value
	(US$)	(CA$)	(CA$)	(CA$)
Purchases U.S. dollars:				
Less than 1 year	99,189	104,027	101,564	(2,463)
1 year or more	7,775	8,164	8,037	(127)
	106,964	112,191	109,601	(2,590)
Sales U.S. dollars:				
Less than 1 year	(78,623)	(81,755)	(80,435)	1,320
1 year or more	(8,316)	(8,726)	(8,606)	120
	(86,939)	(90,481)	(89,041)	1,440
	20,025	21,710	20,560	(1,150)

7. Financial instruments (continued):

Derivative financial instruments (continued):

c) Foreign exchange contracts (continued):

				2009
	Original contract value	Original contract value	Current contract value	Fair value
	(US$)	(CA$)	(CA$)	(CA$)
Purchases U.S. dollars:				
Less than 1 year	169,218	187,335	182,227	(5,108)
1 year or more	4,769	5,527	5,142	(385)
	173,987	192,862	187,369	(5,493)
Sales U.S. dollars:				
Less than 1 year	(157,337)	(172,230)	(169,880)	2,350
1 year or more	(2,373)	(2,545)	(2,550)	(5)
	(159,710)	(174,775)	(172,430)	2,345
	14,277	18,087	14,939	(3,148)

d) Interest rate swap agreement:

In order to fix the interest rate on a substantial portion of the expected drawdown of the new credit facility negotiated on June 30, 2008, the Fund, on July 7, 2008, entered into a five-year interest swap agreement in the amount of $70.0 million, at a base rate of 4.005%. The swap agreement terminates on June 30, 2013. The counterparties to this swap arrangement are major Canadian financial institutions. The Fund does not anticipate any material adverse effect on its financial position resulting from its involvement in this type of swap arrangement, nor does it anticipate non-performance by the counterparties. As at September 30, 2010, the fair value of the swap was a liability of $4.8 million, the same as at September 30, 2009, as forward long-term interest rates were stable during the year.

7. Financial instruments (continued):

Risks:

The Fund, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at September 30, 2010 and 2009.

a) Credit risk:

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

The Fund believes it has limited credit risk other than those explained in note 4 - Accounts receivable and note 7 - Financial instruments.

b) Foreign exchange risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate.

The Fund's cash flow exposure to foreign currency is due mainly to the following:

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

The Fund mitigates its exposure to foreign currency by entering into forward exchange contracts (see note (c) - Foreign exchange contracts).

7. Financial instruments (continued):

Risks (continued):

b) Foreign exchange risk (continued):

The Fund had the following exposure as at September 30:

	2010	2009
	US$	US$
U.S. financial instruments measured at amortized cost, except for cash:		
Cash	**8,798**	1,425
Accounts receivable including initial margin deposits	**15,121**	9,190
Accounts payable and accrued liabilities	**(2,534)**	(2,797)
	21,385	7,818
Financial instruments held-for-trading:		
Raw sugar futures sales contracts	**61,017**	68,138
Raw sugar futures purchases contracts	**(86,159)**	(72,235)
Natural gas contracts	**(39,925)**	(52,494)
Variation margins received on futures contracts	**(7,388)**	(1,416)
	(72,455)	(58,007)
Total exposure from above	**(51,070)**	(50,189)
Forward exchange contracts	**20,025**	14,277
Gross exposure	**(31,045)**	(35,912)

As at September 30, 2010, the U.S./Can. exchange rate was $1.0274 (2009 - $1.0737).

Based on the above gross exposure as at September 30, 2010, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of $1.1 million, (2009 - increase of $1.3 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

7. Financial instruments (continued):

Risks (continued):

b) Foreign exchange risk (continued):

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the balance sheet as at September 30 but were committed during the fiscal year, and will be accounted for as the physical transactions occur.

	2010	2009
	US$	US$
Gross exposure as per above	**(31,045)**	(35,912)
Sugar purchases priced not received	**(58,911)**	(56,527)
Taber sales, including beet pulp	**1,698**	1,961
Committed future sales in U.S. dollars	**82,444**	54,637
Ocean freight	**(5,432)**	(1,317)
Net exposure	**(11,246)**	(37,158)

The net exposure is due mainly to the Fund's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would increase net earnings by $0.4 million in 2010 (increase of $1.3 million in 2009) while a decrease of 5 cents would have an equal but opposite effect on net earnings.

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

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

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

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

c) Interest rate risk:

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

7. Financial instruments (continued):

Risks (continued):

c) Interest rate risk (continued):

The Fund has short-term cash borrowings as at September 30, 2010 of $70.0 million, the same as at September 30, 2009. The Fund normally enters into a 90-day Bankers' Acceptance for $70.0 million of the borrowings, and will borrow either under prime rate loans or shorter term Bankers' Acceptances for any other borrowings. To mitigate the risk in future cash flows due to interest rate fluctuations, the Fund entered into a 5-year swap agreement effective July 7, 2008 for $70.0 million at a rate of 4.005%. All other borrowings over and above the $70.0 million are therefore exposed to interest rate fluctuations.

For the year ended September 30, 2010, if interest rates had been 50 basis points higher considering all borrowings not covered by the interest swap agreement, net earnings would have been less than $0.1 million lower for both fiscal 2010 and 2009. If interest rates would have been 50 basis points lower, net earnings would have been less than $0.1 million higher for both fiscal 2010 and 2009.

d) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due.

The following are the contractual maturities of financial liabilities at:

September 30, 2010:

	Carrying amount $	Contractual cash flows $	0 to 6 months $	6 to 12 months $	12 to 24 months $	After 24 months $
Non-derivative financial liabilities:						
Short-term borrowings	**70,000**	**70,000**	**70,000**	**—**	**—**	**—**
Accounts payable and accrued liabilities	**42,716**	**42,716**	**42,716**	**—**	**—**	**—**
Capital lease obligations	**263**	**301**	**50**	**50**	**95**	**106**
	112,979	**113,017**	**112,766**	**50**	**95**	**106**
Derivative financial instruments:						
Raw sugar contracts (net) [i]	**(25)**	**33,447**	**20,858**	**7,454**	**5,135**	**—**
Natural gas contracts [i]	**14,701**	**41,019**	**6,811**	**5,253**	**15,066**	**13,889**
Forward exchange contracts (net) [i]	**1,150**	**21,710**	**13,439**	**8,833**	**115**	**(677)**
Interest on swap agreement	**4,844**	**7,711**	**1,402**	**1,402**	**2,804**	**2,103**
	20,670	**103,887**	**42,510**	**22,942**	**23,120**	**15,315**
	133,649	**216,904**	**155,276**	**22,992**	**23,215**	**15,421**

[i] Based on notional amounts as presented above.

7. Financial instruments (continued):

Risks (continued):

d) Liquidity risk (continued):

September 30, 2009:

	Carrying amount $	Contractual cash flows $	0 to 6 months $	6 to 12 months $	12 to 24 months $	After 24 months $
Non-derivative financial liabilities:						
Short-term borrowings	70,000	70,000	70,000	—	—	—
Accounts payable and accrued liabilities	37,953	37,953	37,953	—	—	—
	107,953	107,953	107,953	—	—	—
Derivative financial instruments:						
Raw sugar contracts (net) [i]	(1,379)	6,561	7,022	(2,421)	1,880	80
Natural gas contracts [i]	10,395	56,363	8,770	7,432	14,908	25,253
Forward exchange contracts (net) [i]	3,148	18,087	(3,689)	18,794	3,271	(289)
Interest on swap agreement	4,806	10,515	1,402	1,402	2,804	4,907
	16,970	91,526	13,505	25,207	22,863	29,951
	124,923	199,479	121,458	25,207	22,863	29,951

[i] Based on notional amounts as presented above.

The convertible debt liability of $134.3 million has been excluded from the above due to the Fund's option to satisfy the obligations at redemption or maturity in trust units.

A new 5-year Credit Agreement providing $200.0 million of available working capital was negotiated in June 2008 to replace the then existing short-term credit agreements and long-term debt agreements. Borrowings under this Credit Agreement are made under Bankers' Acceptances or prime rate loans.

It is the Fund's intention to keep a debt level, through short-term borrowings, of at least $70.0 million, as reflected by the $70.0 million 5-year interest rate swap agreement that was entered into on July 7, 2008. All other non-derivative financial liabilities are expected to be financed through the collection of accounts receivable and cash flow generated from operations.

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

As at September 30, 2010, the Fund has an unused available line of credit of $130.0 million and a cash balance of $38.8 million.

7. Financial instruments (continued):

Risks (continued):

e) Commodity price risk:

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

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

i) Sugar:

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

Beginning in fiscal 2006, for the Fund's beet operation, the Board approved an economic pre-hedge, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

Beginning in fiscal 2008, the Board also approved a trading book to a maximum of 25,000 metric tonnes of sugar derivative contracts. The Board reviews on a quarterly basis the results and outstanding positions of the trading book.

7. Financial instruments (continued):

Risks (continued):

e) Commodity price risk (continued):

ii) Natural gas:

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

As at September 30, 2010, the Fund had the following commodity contracts:

	Raw sugar contracts			**Natural gas contracts**		
	Volume M.T.	**Current average value (US$)**	**Current contract value (US$)**	**Contracts (10,000 MM BTU)**	**Current average value (US$)**	**Current contract value (US$)**
Purchases	**215,507**	**469.19**	**101,113**	**754.603**	**3.395**	**25,616**
Sales	**(115,374)**	**442.84**	**(51,092)**	**—**	**—**	**—**
Beet pre-hedge	**(35,562)**	**491.14**	**(17,466)**	**—**	**—**	**—**
	64,571	**504.17**	**32,555**	**754.603**	**3.395**	**25,616**
F/X rate at end of period			**1.0274**			**1.0274**
Net value CA$			**33,447**			**26,318**

As at September 30, 2009, the Fund had the following commodity contracts:

	Raw sugar contracts			Natural gas contracts		
	Volume M.T.	Current average value (US$)	Current contract value (US$)	Contracts (10,000 MM BTU)	Current average value (US$)	Current contract value (US$)
Purchases	164,744	529.07	87,161	756.906	5.656	42,812
Sales	(142,088)	511.34	(72,655)	—	—	—
Beet pre-hedge	(15,240)	550.86	(8,395)	—	—	—
Option	n/a	n/a	688	—	—	—
	7,416	n/a	6,799	756.906	5.656	42,812
F/X rate at end of period			1.0737			1.0737
Net value CA$			7,300			45,967

7. Financial instruments (continued):

Risks (continued):

e) Commodity price risk (continued):

ii) Natural gas (continued):

If, on September 30, 2010, the raw sugar value would increase by 3 cents per pound (being approximately US$66.00 per metric tonne), and all other variables remain constant, the impact on net earnings would be an increase of approximately $3.2 million (calculated only on the point-in-time exposure on September 30, 2010) (2009 - increase of $0.4 million for 3 cent increase). If the raw sugar value would decrease by 7 cents per pound (being approximately US$154.00 per metric tonne), and all other variables remain constant, the impact on net earnings would be a decrease of approximately $7.4 million (2009 - decrease of $0.9 million for 7 cent decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Fund has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on September 30, 2010, the price of raw sugar would increase by 3 cents per pound, net earnings would decrease by approximately $1.7 million (2009 - decrease of $0.8 million for 3 cent increase). A decrease in raw sugar value of 7 cents per pound would increase net earnings by approximately $4.1 million (2009 - increase of $1.8 million for 7 cent decrease).

If, on September 30, 2010, the natural gas market price would increase by $1.00, and all other variables remain constant, net earnings would decrease by $5.6 million (2009 - decrease of $5.7 million). If the natural gas value would decrease by $1.00, and all other variables remain constant, net earnings would increase by $5.6 million (2009 - increase of $5.7 million).

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

Fair values of financial instruments:

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

The following tables provide a comparison of carrying and fair values for each classification of financial instruments as at September 30, 2010, and an analysis of financial instruments carried at fair value, by valuation level. The different levels have been defined as follows:

- Fair Value Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair Value Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Fair Value Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following describes the fair value determinations of financial instruments:

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

Accounts receivable, accounts payable and accrued liabilities and short-term borrowings: The carrying amount approximates fair value due to the short-term maturity of these instruments.

7. Financial instruments (continued):

Fair values of financial instruments (continued):

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

The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments.

The following table summarizes the Fund's financial instruments as at September 30, 2010 and 2009, and shows the level within the fair values hierarchy in which they have been classified:

			2010		2009
	Fair values hierarchy level $	**Carrying values $**	**Fair values $**	Carrying values $	Fair values $
Financial assets:					
Available for sale					
Cash and cash equivalents	**Level 1**	**38,781**	**38,781**	5,367	5,367
Held for trading					
Derivatives	**(See below)**	**25**	**25**	1,379	1,379
Loans and receivables					
Accounts receivable	**n/a**	**58,231**	**58,231**	49,637	49,637
Total financial assets		**97,037**	**97,037**	56,383	56,383
Financial liabilities:					
Held for trading					
Derivatives	**(See below)**	**21,332**	**21,332**	19,535	19,535
Other financial liabilities					
Short-term borrowings	**n/a**	**70,000**	**70,000**	70,000	70,000
Accounts payable and accrued liabilities	**n/a**	**42,716**	**42,716**	37,953	37,953
Capital lease obligation	**n/a**	**263**	**301**	—	—
Convertible unsecured subordinated debentures	**n/a**	**130,599**	**138,600**	131,387	135,600
Total financial liabilities		**264,910**	**272,949**	258,875	263,088

7. Financial instruments (continued):

Fair values of financial instruments (continued):

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

			2010		2009
	Fair values hierarchy level $	**Carrying values $**	**Fair values $**	Carrying values $	Fair values $
Sugar contracts	**Level 1**	**25**	**—**	1,379	—
Natural gas contracts	**Level 2**	**—**	**14,701**	—	10,395
Foreign exchange forward contracts	**Level 2**	**—**	**1,150**	—	3,148
Embedded derivatives	**Level 2**	**—**	**637**	—	1,186
Interest rate swap	**Level 2**	**—**	**4,844**	—	4,806
Total as at September 30		**25**	**21,332**	1,379	19,535

8. Other assets:

	2010 $	2009 $
Deferred financing charges	**506**	691
Other	**4**	31
	510	722

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year Credit Agreement. As all borrowings are short-term borrowings from the revolving credit facility, deferred financing charges are presented separately and not applied against debt (see note 9). These fees are amortized over five years, the term of the Credit Agreement.

9. Bank overdraft and revolving credit facility:

Since June 30, 2008, the Fund has a revolving credit facility of $200.0 million from which it can borrow at prime rate, Libor rate or under Bankers' Acceptances, plus 0 to 162.5 basis points based on achieving certain financial ratios. Certain assets of the Fund, including trade receivables, inventories and capital assets have been pledged as security for the credit facility. The credit facility expires on June 30, 2013. The outstanding amount was $70.0 million as at September 30, 2010, the same as at September 30, 2009. The effective interest rate on short-term borrowings was 3.86% (3.96% in 2009).

10. Accounts payable and accrued liabilities:

	2010 **$**	2009 $
Accounts payable and accrued liabilities	**39,361**	33,697
Income taxes payable	**—**	908
Distribution payable to Unitholders	**3,355**	3,348
	42,716	37,953

11. Employee future benefits:

The Fund sponsors defined pension plans for its employees, as well as health care benefits, medical plans and life insurance coverage.

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations for the years ended September 30, 2010 and 2009 are as follows:

		2010		2009
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Accrued benefit obligations as of September 30:				
Discount rate	**5.25%**	**5.25%**	6.25%	6.25%
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%
Benefit costs for years ended September 30:				
Discount rate	**6.25%**	**6.25%**	6.50%	6.50%
Rate of compensation increase	**3.50%**	**3.50%**	3.50%	3.50%
Expected long-term rate of return on plan assets	**7.40%**	**n/a**	7.00%	n/a

11. Employee future benefits (continued):

The assumed health care cost trend rate as at September 30, 2010 was 7.2% (2009 - 7.7%), decreasing uniformly to 4.9% in 2025 and remaining at that level thereafter.

The Fund's net benefit plan expense is as follows:

		2010		2009
	Pension benefit plans $	**Other benefit plans $**	Pension benefit plans $	Other benefit plans $
Current service cost (employer portion)	**1,440**	**325**	729	287
Interest cost	**6,631**	**1,265**	6,646	1,218
Actual return on plan assets	**(6,743)**	**—**	(4,943)	—
Actuarial loss (gain) on accrued benefit obligations	**14,299**	**(196)**	3,075	284
Curtailment gain	**—**	**(345)**	—	—
Costs arising in the period	**15,627**	**1,049**	5,507	1,789
Differences between costs arising in the period and costs recognized in the period in respect of:				
Return on plan assets	**242**	**—**	(1,449)	—
Actuarial (gain) loss	**(13,195)**	**313**	(2,303)	(260)
Plan amendments	**121**	**—**	121	—
Net periodic pension cost recognized	**2,795**	**1,362**	1,876	1,529

In 2010, the Fund changed its presentation to show its expected rate of return on plan assets on a gross basis such that plan administrative costs are included in the employer's current service cost. In 2009, the rate of return was presented on a net basis. As such, had the presentation for 2009 been on a gross basis, the current service cost expense would have been increased by $0.7 million with an equal but opposite effect on the actual return on plan assets. The total net periodic pension cost recognized would have remained unchanged at $1,876. In addition, the expected long-term rate of return on plan assets would have shown 7.75% instead of 7.0%.

11. Employee future benefits (continued):

Information about the Fund's defined benefit plans is as follows:

	2010		2009	
	Pension benefit plans $	**Other benefit plans $**	Pension benefit plans $	Other benefit plans $
Accrued benefit obligations:				
Balance at beginning of year	**111,188**	**20,435**	107,413	19,365
Current service cost	**710**	**325**	729	287
Interest cost	**6,631**	**1,265**	6,646	1,218
Benefits paid	**(7,833)**	**(785)**	(7,345)	(719)
Employee contributions	**800**	**—**	670	—
Actuarial loss (gain)	**14,299**	**(196)**	3,075	284
Decrease in benefit obligations due to curtailment	**—**	**(345)**	—	—
Balance at end of year	**125,795**	**20,699**	111,188	20,435
Plan assets:				
Fair value at beginning of year	**94,686**	**—**	92,828	—
Actual return on plan assets	**6,743**	**—**	4,943	—
Employer contributions	**4,647**	**785**	3,590	719
Employee contributions	**800**	**—**	670	—
Actual plan expense	**(886)**	**—**	—	—
Benefits paid	**(7,833)**	**(785)**	(7,345)	(719)
Balance at end of year	**98,157**	**—**	94,686	—
Funded status - plan deficit	**(27,638)**	**(20,699)**	(16,502)	(20,435)
Unamortized net actuarial losses	**34,223**	**2,797**	21,114	3,116
Unamortized past service costs	**1,444**	**—**	1,565	—
Accrued benefit asset (liability)	**8,029**	**(17,902)**	6,177	(17,319)
Reclassification of accrued benefit liability related to supplemental executive retirement pension plan	**11,643**	**(11,643)**	11,754	(11,754)
Total as per balance sheet	**19,672**	**(29,545)**	17,931	(29,073)

11. Employee future benefits (continued):

The Fund measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2007 and 2009, and the next required valuations will be as of December 31, 2010 and 2012.

Total cash payments:

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Fund to its funded pension plan and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $5,432 (2009 - $4,309).

As of the measurement date of September 30 of each year, plan assets consist of:

Asset category	**2010**	2009
	Percentage of plan assets	
Equity securities	**57.0%**	56.0%
Debt securities	**41.0%**	42.0%
Cash and short-term securities	**2.0%**	2.0%
	100.0%	100.0%

Sensitivity analysis:

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

	Increase $	**Decrease $**
Total current service and interest costs	**236**	**(186)**
Accrued benefit obligations	**2,890**	**(2,222)**

12. Obligations under capital lease

In fiscal 2010, the Fund entered into capital leases for moveable equipment, which substantially transfers all the usage benefits of this moveable equipment to the Fund. These leases have interest rates varying from 5.0% to 8.625%. Future minimum lease payments for obligations under capital lease are as follows:

	2010 **$**	2009 $
2011	**100**	—
2012	**95**	—
2013	**66**	—
2014	**33**	—
2015 and thereafter	**7**	—
	301	—
Less interest portion	**38**	—
	263	—
Less current portion	**82**	—
	181	—

Interest expense for fiscal 2010 is $5 related to capital leases.

13. Convertible unsecured subordinated debentures:

	2010 **$**	2009 $
Third series [i)]	**84,260**	84,260
Fourth series [ii)]	**50,000**	—
Second series [iii)]	**—**	50,000
	134,260	134,260
Less related financing charges	**3,661**	2,873
	130,599	131,387

13. Convertible unsecured subordinated debentures (continued):

i) Third series:

On March 6, 2006, the Fund issued $85.0 million of third series, 5.9% convertible unsecured subordinated debentures ("Third series debentures"), maturing June 29, 2013, with interest payable semi-annually in arrears on June 29 and December 29 of each year, starting June 29, 2006. The debentures may be converted at the option of the holder at a conversion price of $5.10 per trust unit at any time prior to maturity, and cannot be redeemed prior to June 29, 2009. In fiscal 2008, a total of $0.74 million was converted into 145,096 trust units.

Prior to June 29, 2011, the debentures may be redeemed by the Fund only if the weighted average trading price of the trust unit, for 20 consecutive trading days, is at least 125% of the conversion price of $5.10. Subsequent to June 29, 2011, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

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

The Fund did not allocate any of the Third series debentures into an equity component, as the calculation of the equity component was not significant using an appropriate interest rate that would have been applicable to the issuance of similar debt, without the conversion features at the time the debentures were issued.

The fair value of the Third series debentures as at September 30, 2010 was approximately $88.1 million (2009 - $85.1 million) based on market quotes.

ii) Fourth series:

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

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

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

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

13. Convertible unsecured subordinated debentures (continued):

i) Fourth series (continued):

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

The Fund incurred issuance costs of $2,365, which are netted against the convertible debt liability.

The fair value of the Fourth series debentures as at September 30, 2010 was approximately $50.5 million, based on market quotes.

iii) Second series:

On June 29, 2010, the net proceeds from the issuance of the Fourth series debentures, combined with funds from working capital, were used to redeem the Second series 6.0% convertible unsecured subordinated debentures. The total redemption of principal was $49,967 as an amount of $33 was converted to trust units by holders of the convertible debentures prior to its redemption.

14. Income taxes:

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

	2010	2009
	$	$
Earnings before provision for income taxes	**44,990**	41,916
Adjustments:		
Income directly taxed into the hands of the Unitholders (note 15)	**(40,186)**	(40,206)
Other	**(6,192)**	(406)
	(1,388)	1,304
Expected rate	**29%**	31%
Expected expense	**(403)**	404
Adjustments:		
Tax rate adjustment	**296**	(896)
Other differences	**(117)**	(129)
	179	(1,025)
Recovery of income taxes	**(224)**	(621)

14. Income taxes (continued):

On June 22, 2007, the Senate passed the Federal Government's budget implementation bill, which included the taxation of income trusts starting in 2011. As such, the Fund had to review all temporary differences that were previously not recorded as future income tax assets or liabilities at the trust level. Recognition of these future income tax assets or liabilities is recorded only for temporary differences expected to reverse after the date on which the taxation changes take effect, being January 2011.

The only such temporary difference relates to financing charges paid on the issue of the Third and Fourth series convertible unsecured subordinated debentures, which are being amortized for accounting purposes until the debts' maturity dates of June 2013 and April 2017, respectively. In addition, the Fund considered the difference between the accounting and tax basis of the Fund's investments in its operating company ("outside basis difference"). Management concluded that any difference that currently exists is not expected to reverse in the foreseeable future and, therefore, no future income tax asset or liability has been recorded.

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

	2010	2009
	$	$
Current:		
Derivative financial instruments	**914**	2,338
Other	**116**	1,232
	1,030	3,570
Long term:		
Capital assets	**(23,244)**	(22,605)
Employee future benefits	**2,530**	2,948
Derivative financial instruments	**3,138**	2,448
Deferred financing charges	**(440)**	(497)
Losses carried forward	**2,063**	—
Other	**(1,589)**	(1,789)
	(17,542)	(19,495)

No valuation allowance was recorded for the current and long-term future income tax assets. Losses carried forward originated in fiscal 2010 and are expected to be used prior to their expiry.

15. Trust units:

Each trust unit represents an equal undivided beneficial interest in the net assets of the Fund. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund and to one vote for each trust unit held at all meetings of Unitholders. Unitholders are not subject to future cash calls or assessments.

During the year, a total of 200,000 trust units were issued for the exercise of options by executives under the Unit Option Plan (see note 19). In addition, during the year $33 of the Second series convertible unsecured debentures were converted by holders of the securities for a total of 6,226 trust units. This conversion is a non-cash transaction and therefore not reflected in the statement of cash flows.

During the course of the 2009 fiscal year, the Fund purchased and cancelled, under its Normal Course Issuer Bid, a total of 225,100 units at an average price of $3.064 per trust unit. The capital amount of the trust unit was debited at the average value of the units at the start of the year, resulting in a year-to-date reduction of $1.4 million to the capital value of the trust units and a year-to-date increase to contributed surplus of $0.8 million, being the difference between the amount paid and the book value of the units.

As at September 30, 2010, an aggregate of 87,534,113 (2009 - 87,327,887) trust units of the Fund were issued and outstanding.

Capital management:

The Fund's objectives when managing capital are:

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

The Fund typically invests in its operations between $6.0 and $9.0 million yearly in capital expenditures. Management believes that these investments, combined with approximately $25.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Trustees of the Fund aim to ensure proper cash reserves are in place to maintain the current distribution level. The Fund's amended and restated Declaration of Trust provides that the Fund shall have the right but not the obligation to declare its net distributable cash after having taken proper cash reserves. Distributions to Unitholders will only be raised after the Trustees have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

In fiscal 2008, a new 5-year $200.0 million revolving credit agreement was negotiated. All previous debts outstanding were fully repaid from cash available, and funds from this new credit facility will allow the Fund to better use available cash. The Fund estimates to use between $70.0 and $110.0 million of its new revolving credit facility to finance its normal operations during the year.

In fiscal 2010, the Fund issued Fourth series debentures in the amount of $50.0 million. Funds were used to redeem in full the Second series debentures. In the process, the Fund was able to reduce the interest rate on issued debentures by 0.3% per year, and extend the maturity date by almost 5 years.

15. Trust units (continued):

Capital management (continued):

The Fund monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 3.5:1, in order to have no restrictions on cash distributions from the operating company to the Fund. At September 30, the operating company's ratio was below 1.50:1 for both fiscal 2010 and 2009.

Having satisfied the above factors, if cash is available, it will be used to repurchase the Fund's units when the Board of Trustees considers that the then current trading range does not reflect the fair trading value of the Fund's units. As such the Fund has a Normal Course Issuer Bid in place.

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

16. Distributions to Unitholders:

For the year ended September 30, 2010, the Fund declared distributions to Unitholders of $40,186 or $0.46 per unit (2009 - $40,206 or $0.46 per unit).

The distributions were all interest income for income tax purposes.

The Fund's amended and restated Declaration of Trust provides that the Fund has the right but not the obligation to distribute an amount equal to the net income of the Fund, determined in accordance with the *Income Tax Act,* for such taxation year.

17. Interest expense:

	2010	2009
	$	$
Interest on convertible unsecured subordinated debentures	**8,589**	7,971
Short-term interest expense	**3,863**	7,701
Amortization of deferred financing charges	**1,762**	1,068
	14,214	16,740

Included in short-term interest for fiscal 2010 is an unrealized loss of $38 ($3.4 million unrealized loss as at September 30, 2009) for the mark-to-market of the interest swap.

18. Earnings per trust unit:

Reconciliation between basic and diluted earnings per trust unit is as follows:

	2010 **$**	2009 $
Basic earnings per trust unit:		
Net income	**45,214**	42,537
Weighted average number of trust units outstanding	**87,363,848**	87,425,836
Basic earnings per trust unit	**0.52**	0.49
Diluted earnings per trust unit:		
Net income	**45,214**	42,537
Plus impact of convertible unsecured subordinated debentures	**10,167**	8,855
	55,381	51,392
Weighted average number of trust units outstanding:		
Basic weighted average number of trust units outstanding	**87,363,848**	87,425,836
Plus impact of convertible unsecured subordinated debentures	**27,280,049**	25,955,531
	114,643,897	113,381,367
Diluted earnings per trust unit	**0.48**	0.45

19. Stock-based compensation plan:

On July 1, 2005, the Fund established a unit option plan ("Unit Option Plan"). Following the creation of the Unit Option Plan, the Fund has reserved and set aside for issuance an aggregate of 850,000 unit options at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned units per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all unit options granted under the Unit Option Plan not vested shall be forfeited.

On December 23, 2009, 100,000 trust unit options were granted at a price of $4.70 per trust unit, representing the average market price for the five business days before the granting of the options.

In fiscal 2010, a total of 200,000 trust units were exercised under the Unit Option Plan for total cash proceeds of $808, which was recorded to Trust Units as well as an ascribed value from contributed surplus of $40. Compensation expense is amortized over the vesting period of the corresponding optioned units and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of $11 was incurred in fiscal 2010 (expense of $9 in fiscal 2009).

19. Stock-based compensation plan (continued):

The following table summarizes information about the Unit Option Plan as of September 30, 2010:

Exercise price per option $	Outstanding number of options at September 30, 2009	Options granted during the year	Options exercised during the year	Outstanding number of options at September 30, 2010	Weighted average remaining life	Number of options exercisable
3.61	**280,000**	**—**	**80,000**	**200,000**	**5.17**	**120,000**
4.33	**120,000**	**—**	**120,000**	**—**	**—**	**—**
4.70	**—**	**100,000**	**—**	**100,000**	**9.06**	**—**

On September 29, 2010, the Fund's Unitholders approved the adoption of a stock option plan ("Stock Option Plan") for Rogers Sugar Inc., the successor corporation to the Fund as at January 1, 2011, to replace the current Unit Option Plan. As a result, any options outstanding under the Unit Option Plan will be transferred, under the same terms and conditions, to a new Stock Option Plan, effective January 1, 2011.

20. Depreciation and amortization:

Depreciation and amortization are recorded as follows:

	2010 **$**	2009 $
Cost of sales	**12,726**	12,947
Administration	**656**	521
	13,382	13,468

21. Related party transactions:

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

21. Related party transactions (continued):

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

22. Commitments:

The future annual minimum rental payments under existing operating leases are as follows:

	$
2011	**1,045**
2012	**854**
2013	**728**
2014	**341**
2015 and thereafter	**194**

As at September 30, 2010, the operating company had commitments to purchase a total of 711,000 (2009 - 903,000) metric tonnes of raw cane sugar, of which 110,000 (2009 - 95,700) metric tonnes had been priced, for a total dollar commitment of $60.2 million (2009 - $60.7 million). In addition, the operating company had a commitment of approximately $30.0 million (2009 - $32.0 million) for sugar beets to be harvested and processed in fiscal 2011.

23. Contingencies:

The Fund is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations. In addition, certain inactive subsidiaries and former subsidiaries are or could be named party to certain claims in respect of environmental matters for which the Fund has obtained an environmental indemnification for matters existing as at October 8, 1997, and insurance to cover costs incurred for these environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Fund's financial condition.

The Fund and its subsidiary, in the normal course of business, become involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at September 30, 2010 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

24. Segmented information:

Revenues were derived from customers in the following geographic areas:

	2010 $	2009 $
Canada	**560,708**	505,249
United States and others	**46,165**	38,071
	606,873	543,320

25. Comparative figures:

Certain of the 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

FUND INFORMATION

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Belkorp Industries Inc.

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Michel P. Desbiens, (1)(2)(3)
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William S. Maslechko, (3)
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M. Dallas H. Ross, (1)(2)
Partner
Kinetic Capital Limited Partnership

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

LEGAL COUNSEL:

Davies, Ward, Phillips & Vineberg
Montréal, Québec

TRADING SYMBOL:

RSI.UN

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange

ANNUAL MEETING:

The annual meeting of Unitholders to be held at 1:30 PM (Mountain Time) February 1, 2011 at the Calgary **Marriott Hotel**
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Daniel L. Lafrance,
Senior Vice-President Finance and Procurement, Chief Financial Officer and Secretary

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(2) Audit Committee Members

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