Sugar makes all the difference

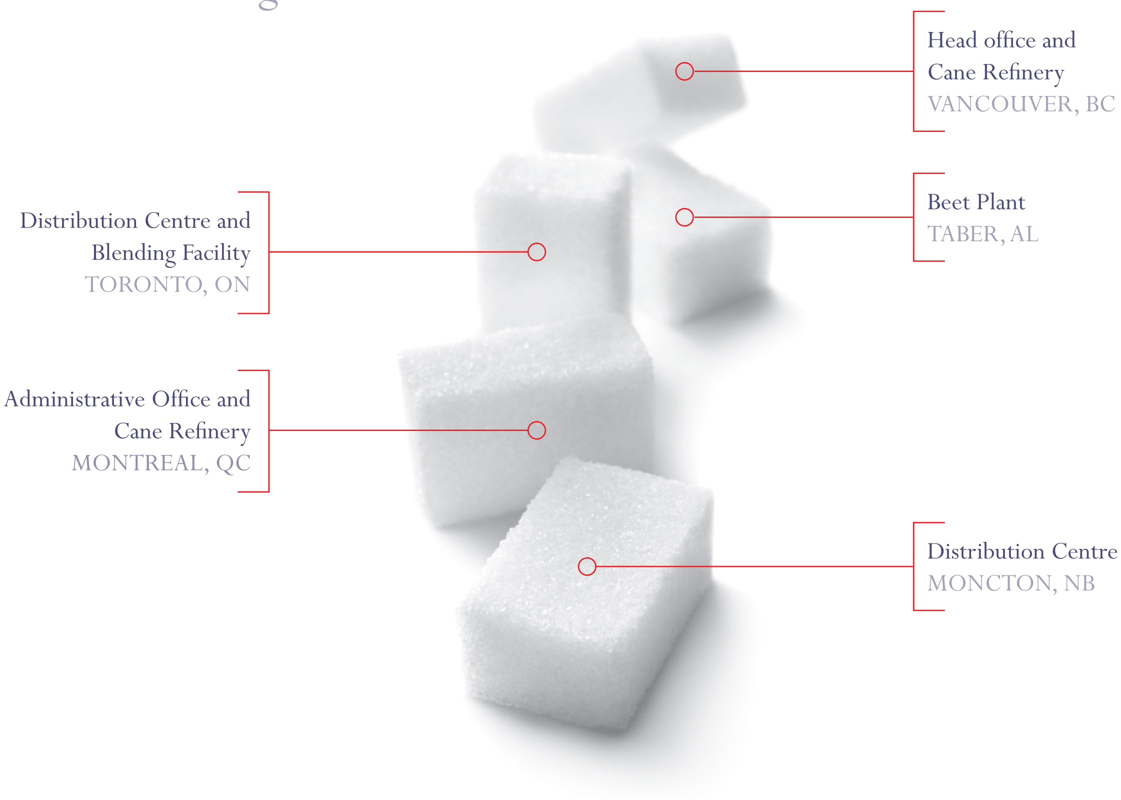
Annual Report 2011

Lantic

Rogers Sugar

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 2011	3,355	3,355	3,355	—	—	7,546	—	—	7,551	—	—	7,552	32,714
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

PER SHARE DISTRIBUTION ($)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2011	- distribution	0.0383	0.0383	0.0383	—	—	—	—	—	—	—	—	—	0.1150
	- dividends	—	—	—	—	—	0.0850	—	—	0.0850	—	—	0.0850	0.2550
Fiscal 2010	- distribution	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.

Message to Shareholders

DEAR FELLOW SHAREHOLDERS,

ON JANUARY 1, 2011, WE COMPLETED THE CONVERSION FROM AN INCOME TRUST TO A CONVENTIONAL CORPORATION, PURSUANT TO A PLAN OF ARRANGEMENT THAT HAD BEEN OVERWHELMINGLY APPROVED BY THE FORMER UNITHOLDERS OF ROGERS SUGAR INCOME FUND (THE "FUND") IN SEPTEMBER 2010. UNITS OF THE FUND WERE EXCHANGED ON A ONE-FOR-ONE BASIS FOR SHARES OF ROGERS SUGAR INC. ("ROGERS" OR THE "COMPANY").

Fiscal 2011 was another year of solid performance for Rogers though results were slightly below the previous year. Adjusted net earnings before income taxes and interest were approximately $54.7 million which is $3.2 million lower than fiscal 2010, due mainly to lower sales volume of approximately 33,100 metric tonnes and to some high premiums paid for raw sugar purchased during the year on a prompt basis. The lower volume was as a result of the lack of special export opportunities experienced in fiscal 2010, when we shipped over 41,000 metric tonnes to the U.S. under the Tier II duty program.

Starting in January 1, 2011, Rogers paid a quarterly dividend of 8.5 cents for shareholders of record at the end of each calendar quarter. Previous to January 1, 2011, the Fund distributed interest income of 3.83 cents per month or 11.5 cents per quarter. For a taxable Canadian shareholder, the current quarterly dividend of 8.5 cents is equivalent to the former interest distribution of 11.5 cents when adjusted for the difference in tax rates. In total $32.7 million was declared as dividends, or interest (for the first three months of the fiscal year under the Fund), to shareholders, which is equivalent to 37 cents per share. Rogers' free cash flow, a measure detailed later in the Management's Discussion & Analysis, totaled $38.0 million leaving $5.3 million available for other working capital use, debt repayment or future distribution. It should be noted that under the current corporate structure, Rogers expensed approximately $7.5 million in current income taxes in fiscal 2011, which was deducted from free cash flow and not available for distribution to shareholders.

The Board of Directors will continue to assess the level of the dividend based on the past performance and outlook for the business and views sustainable returns to shareholders to be a priority in our strategy.

As part of our mandate, the Board of Directors is committed to maintaining good corporate governance practices. As a measure of this commitment, we have documented and adopted specific guidelines to assist in our governance responsibilities. These guidelines are reviewed annually to ensure they meet the test of good governance practices. Rogers' Nominating and Governance Committee, as well as the Audit Committee, are each composed of three directors, 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 Company 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.

Message to Shareholders (continued)

Due to the accounting policies for derivative financial instruments, the Company's operating results may 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 accounting policy does not provide a complete understanding of factors and trends affecting the business of Rogers. We have therefore prepared adjusted gross margin and earnings results to reflect the performance of the Company 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 Shareholders 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 shareholders for their ongoing commitment to Rogers and express our appreciation to 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 Board of Directors,

A. Stuart Belkin
Chairman

November 14, 2011

Report from the Chairman and President of Lantic Inc.

FINANCIAL RESULTS FOR FISCAL 2011 WERE SLIGHTLY LOWER THAN THE PREVIOUS YEAR, HOWEVER-UNDER THE CIRCUMSTANCES WHICH WE WILL DISCUSS BELOW WE VIEW OUR PERFORMANCE AS NEVERTHELESS SATISFACTORY OVERALL.

Adjusted earnings before interest and income taxes ("EBIT") were $54.7 million as compared to $57.9 million in fiscal 2010, a decrease of $3.2 million. There were a number of factors which had a negative impact on EBIT in fiscal 2011 – the lower volume, the purchase of cane raw sugar on a prompt basis which were partially offset by a one-time adjustment to depreciation expense.

Sales volume, at 649,078 tonnes, was approximately 33,100 tonnes lower than last year. The reduction in volume occurred for the most part in our export category. With the exception of our traditional 10,300 tonne U.S. quota and some residual sales from late 2010, the U.S. market did not offer Lantic the same opportunity as in fiscal 2010. Last year, we benefited from an unexpected export market opportunity in the U.S. due to a combination of high refined sugar prices in the U.S. and low raw sugar prices on the world market. This aberration allowed us to sell over 41,000 tonnes to the U.S. under the Tier II duty program in fiscal 2010 while absorbing the U.S. Tier II duty of approximately $360.00 per tonne. The decrease in exports to the U.S. during 2011 was partially mitigated by sales to Mexico which increased to approximately 18,000 tonnes.

The adjusted gross margin rate per tonne was slightly higher than the previous year due to a one-time adjustment to depreciation expense of $2.6 million as a result of a change in the useful life of certain operating capital assets. Without this one-time adjustment, the adjusted gross margin rate was lower by approximately $2.44 per tonne for the year. The main reason for the decrease was the purchase of cane raw sugar on a prompt basis during the year. Under normal circumstances, most raw sugar requirements are contracted in advance under long-term contracts. In fiscal 2011 some of these contracts were ending and raw sugar had to be purchased on a prompt basis. Unfortunately, this occurred when raw sugar availability was very tight. As a result, significant premiums had to be paid on approximately 20% of our raw sugar needs which had a negative impact on adjusted gross margins. This was partially offset by higher margins from beet sugar sales and a more favourable sales mix. As almost all of our raw sugar needs for 2012 have already be contracted for, we do not anticipate requiring much, if any, additional raw sugar on a prompt basis during the upcoming year.

Despite some challenges such as the small beet crop in Taber and volume reductions in Vancouver and Montreal, all three of our production facilities operated well during the year. In fact, several new performance benchmarks were established, including an all time melt rate high in Vancouver and a record low energy usage rate in Montreal. Numerous other daily performance records were set in all three plants.

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. We were satisfied with the ruling to continue the anti-dumping duties against shipments of refined sugar from the United States for the next five years but we were disappointed that the countervailing duties were removed on the shipments of refined sugar from the European Union.

In December 2010, the Canadian Sugar Institute, on behalf of its members, filed an application with the Federal Court of Appeal for a judicial review of the CITT decision to rescind its order against dumped and subsidized refined sugar from the European Union. The CSI's application is continuing unopposed by the CITT and the Government of Canada. A decision is expected over the course of the next several months.

Report from the Chairman and President of Lantic Inc. (continued)

OUTLOOK

Despite continued liquid sugar losses to high fructose corn syrup in 2011, the Canadian domestic market remained basically flat against 2010 volumes. We believe that most users that can convert from sugar to HFCS have now done so and that going forward we would expect the overall domestic market to start showing modest growth.

On September 29, 2011, due to short supply and very high prices for refined sugar in the U.S., the USDA announced an increase in the Tariff Rate Quota for refined sugar, opening October 3, 2011 and closing November 30, 2011. The increase was for a total of 136,000 tonnes of which 25,000 tonnes was allocated to Canada. As our Taber beet plant is the only refinery producing Canadian origin sugar, this quota can only be filled by Lantic. The balance of the quota, 111,000 tonnes, was allocated to a global quota on a first come, first served basis and was filled by October 25, 2011. We were able to ship approximately 10,000 metric tonnes by the closing date of this quota. Additionally, we will attempt to maximize our deliveries from our Taber facility through the November 30th closing date against the Canada specific quota. There is also a belief that this modest quota increase will not be sufficient to cover the current short fall and further quota increases might be possible after April 2012.

Beet planting started on a very wet note but growing conditions improved throughout the summer and the harvest, while not complete at time of writing, has been more than satisfactory thus far. As such we anticipate a good crop from the approximately 34,000 acres planted and now expect to produce in excess of 110,000 tonnes of refined sugar at Taber.

Should the current values for world raw sugar prices persist going forward we would expect a positive impact to our adjusted gross margin on all domestic beet sugar sales for fiscal 2012.

Over half of fiscal 2012'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 our adjusted gross margin rate. In addition, some futures positions for fiscal 2013 to 2014 have also 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 2011. 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. The pension cash contributions were increased following this year's actuarial valuations and may increase in the future, as and when new actuarial valuations are done.

We would like to take this opportunity to thank all employees and management across Canada for their dedication and hard work. Through their commitment we have been able to capitalize on unique but meaningful opportunities over the past several years, exports to the U.S. and Mexico being prime examples. The effort overall is greatly appreciated and together we will continue to maximize each opportunity as presented to benefit our shareholders.

We look forward to the coming year and the opportunity to once again deliver favourable results to the shareholders of Rogers Sugar Inc.

A. Stuart Belkin
Chairman

Edward Makin
President and
Chief Executive Officer

November 14, 2011

Management's Discussion and Analysis

On January 1, 2011, Rogers Sugar Inc. ("Rogers") completed the conversion from an income trust to a corporation pursuant to a plan of arrangement under section 192 of the Canada Business Corporations Act. Pursuant to the plan of arrangement, unitholders exchanged each trust unit of Rogers Sugar Income Fund (the "Fund") on a one-for-one basis for shares of Rogers. Rogers is considered a continuation of the Fund and as such the results for the year ended October 1, 2011 include the financial results of the Fund to December 31, 2010. All references to shares, dividends and shareholders in the Management's Discussion and Analysis ("MD&A") pertain to common shares and common shareholders subsequent to the conversion and units, distributions and unitholders prior to the conversion.

This MD&A of Rogers' consolidated financial statements for the year ended October 1, 2011 should be read in conjunction with the consolidated financial statements and related notes for the year ended October 1, 2011, 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 also contained in this MD&A.

This report contains certain forward-looking statements which reflect the current expectations of Rogers and Lantic Inc. ("the Company") with respect to future events and performance. Wherever used, the words "may," "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States, beet production forecasts, the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. 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 Rogers and Lantic Inc., 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 14, 2011.

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 October 1, 2011. 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 October 1, 2011 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 October 1, 2011.

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

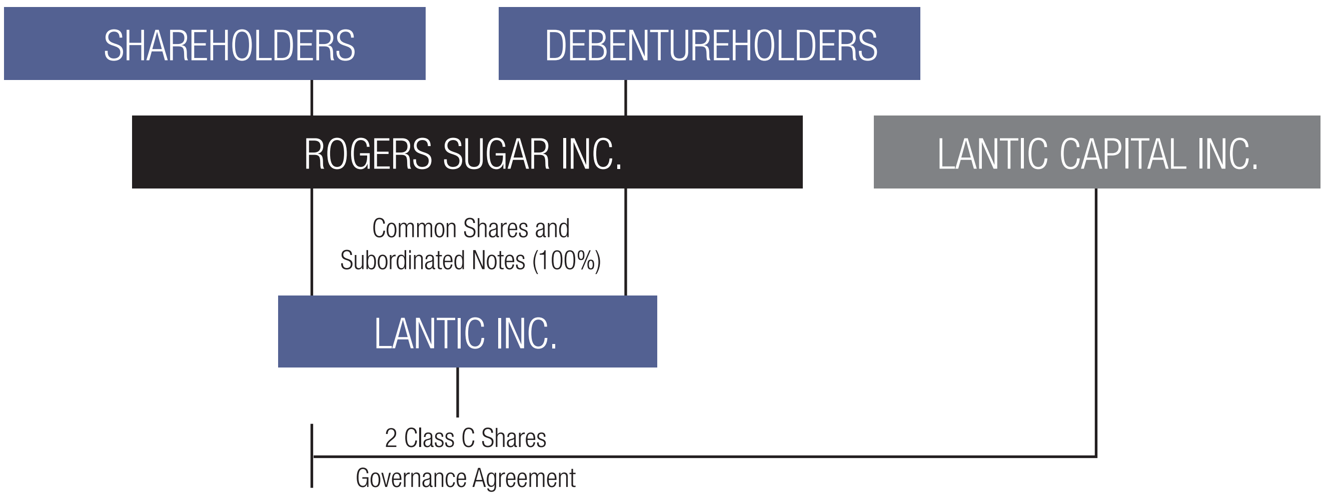
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

On April 3, 2011, the Company implemented the second phase of an ERP system, which included the sales, invoicing and inventory systems. The implementation included both new controls over ICFR and replaced controls previously in place. There were no other changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OVERVIEW

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

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



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

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

Communication with the shareholders on matters relating to the Company 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 Rogers exists and is composed of three directors, all of whom are independent and unrelated.

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 650,000 to 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 leased dry blending 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 certain of their manufacturing operations outside of Canada.

In the consumer segment, a wide variety of products is 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 few years.

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 less competitive versus HFCS suppliers, and as a result, such liquid volume could 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 to the U.S., which was increased to approximately 12,000 metric tonnes for fiscal 2012, from 10,300 metric tonnes. In addition, there is an 8,300 metric tonne U.S. global refined sugar quota, increased from 7,000 metric tonnes in fiscal 2011, which opens and is usually 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. On September 29, 2011, the Secretary of Agriculture of the United States increased the refined quota by 136,078 metric tonnes, of which 25,000 metric tonnes was allocated to Canada and the remaining 111,078 metric tonnes was allocated to the global quota on a first-come, first-served basis. This special quota opened October 3, 2011 and will close at the latest November 30, 2011. The 25,000 metric tonnes additional quota allocated to Canada can only be supplied by the Taber beet factory, the only producer of Canadian origin refined sugar.

In the second half of fiscal 2010, even though no special U.S. refined quotas were opened, the Company was able to sell approximately 41,600 metric tonnes in the U.S., 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.

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 purchased most of its raw sugar from Central and South America for its Montreal and Vancouver cane refineries. All raw cane sugar purchases are hedged on the Intercontinental Exchange ("ICE") #11 world raw sugar contract. This hedging eliminates gains or losses from raw sugar price movements, 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. The crop harvested in the fall of 2011, which will be processed in fiscal 2012, is the last one under the current contract. Negotiations for a new contract will start in December 2011. 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

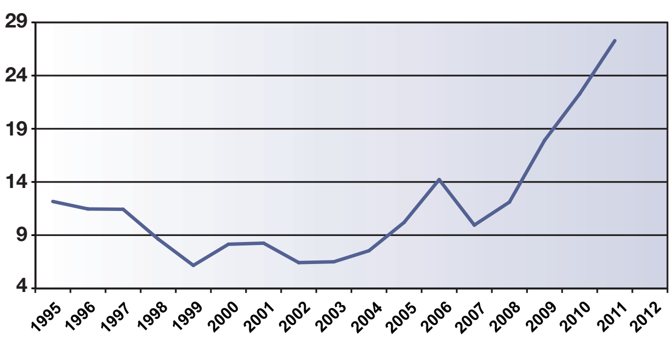
In fiscal 2011, the price of raw sugar fluctuated between U.S. 20.40 cents per pound and U.S. 36.08 cents per pound, and closed at U.S. 26.34 cents per pound at the end of the fiscal year, which was approximately 2.5 cents higher than the closing value at September 30, 2010. Raw sugar prices increased steadily at the beginning of the fiscal year, reaching a high of U.S. 36.08 cents per pound in February 2011. The increase was due mainly to the projected global crop shortfall versus estimated consumption for a third consecutive year. Starting in late March of 2011, raw sugar values declined significantly reaching a low of U.S. 20.40 cents per pound in May of 2011, on the basis of a much larger crop in Thailand than initially projected, a larger increase in India's crop and a forecast average crop in Brazil. Raw sugar prices started to increase again in the summer of 2011, 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 is 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 refined sugar sales made by these plants. Liquid sales to HFCS-substitutable customers are normally priced against competing HFCS prices. A higher price of raw sugar may render the Company uncompetitive on certain of these liquid sales. Also, these sales are historically the lowest margin sales for the Company.

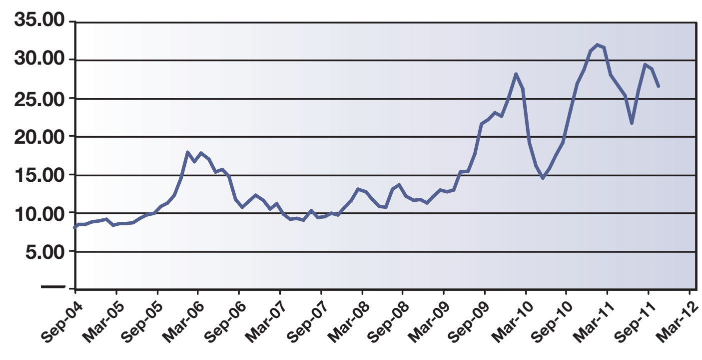
Higher raw sugar prices have the most significant impact on our western operations. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus an incentive on higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from or alternatively, 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 the Company's total volume.

WORLD RAW SUGAR CANE PRICES

Cents per pound - yearly averages
(September 1995 to September 2011)



Cents per pound - monthly averages
(September 2004 to September 2011)



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, except for the Taber labour agreement which terminates in March 2012, after the beet slicing campaign will have been completed, and the Toronto warehouse agreement which terminates in June of 2012.

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 2011, most open positions were purchased on spot values 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.

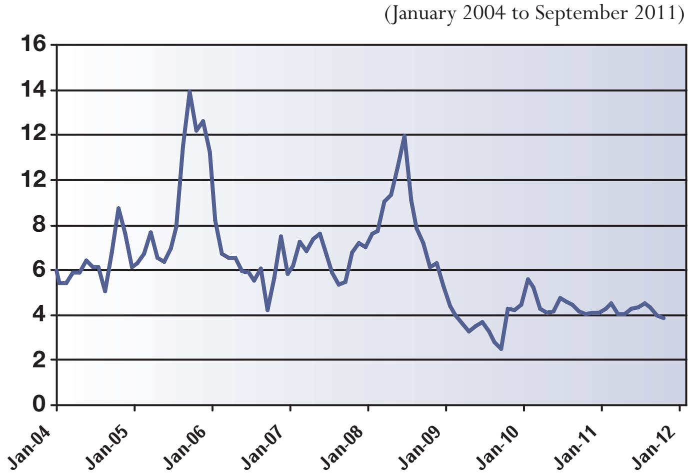
Production reliability is also critical to the success of our operations. Every year, each plant makes considerable investments in preventive maintenance and repairs, thus maintaining their efficient working order and competitiveness.

Lantic invested almost $7.5 million in capital projects for plant reliability, product security, information systems, environmental requirements and cost improvements in fiscal 2011. 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 2011, the Company only invested $0.2 million for an energy saving project, but there are a number of other projects under analysis that may start in fiscal 2012.

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

NATURAL GAS PRICE CONTINUATION CHART

(January 2004 to September 2011)



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, 2011, 1,000 metric tonnes for delivery in January 2012 against the March 2012 terminal. The price as at October 1, 2011 for the March 2012 terminal is 20.00 cents per pound, or US$440.92 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 of 2011 to June of 2012, for delivery of 1,000 metric tonnes of sugar per month, for a total of 12,000 metric tonnes. In August 2011, customer "A" decides to firm the price of the sugar to be delivered in January 2012 (against the March terminal). That day in August, the price of sugar for the March 2012 terminal is 18.00 cents per pound or US$396.83 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 example, 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 of 2012, which had been priced at 18.00 cents per pound or US$396.83 per metric tonne. The Company also purchased 1,000 metric tonnes of sugar, which had been priced at 20.00 cents per pound or US$440.92 per metric tonne. Both of these transactions were hedged against the March 2012 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 18.00 cents per pound (before refining margin), bought from the Seller at 20.00 cents per pound. In effect, the Company, on the physical transaction, would incur a loss of 2.00 cents per pound or US$44.09 per metric tonne for 1,000 metric tonnes, for a total loss of US$44,090.

On the futures side (paper transaction), the Company will liquidate its entire position prior to March 1, 2012. For the above transactions, the Company sold a future position of 1,000 metric tonnes for 20.00 cents per pound and bought a future position of 1,000 metric tonnes for 18.00 cents per pound. On the liquidation date, the March terminal trades at 22.00 cents per pound. Therefore the Company will buy back the 20.00 cents (original sell position) for 22.00 cents, losing 2.00 cents per pound. On the other hand, the Company will sell the original buy position of 18.00 cents for 22.00 cents, making 4.00 cents per pound on this transaction. In total, the Company will make 2.00 cents per pound or U.S. $44.09 per metric tonne for a total, on 1,000 metric tonnes, of US$44,090 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 immediately correct the straddle and record any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its "priced" sugar, and if the Company needs to roll forward the un-drawn quantity to the following terminal period, the Company can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

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.

Beet Sugar

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

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

Natural Gas

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

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 the prior year's average price and therefore lock in year-over-year savings.

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

Variation Margins (Margin Calls)

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

In order to protect itself against the movement of the Canadian dollar 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 Rogers's consolidated results for the 2011, 2010 and 2009 fiscal years. Since the conversion to a corporation on January 1, 2011, the Company's fiscal year ends on the Saturday closest to the end of September. All references to 2011, 2010 and 2009 represent the fiscal years ended October 1, 2011, September 30, 2010 and September 30, 2009. The Company's financial statements were prepared under Canadian GAAP and the Company's functional and reporting currency is Canadian dollars.

(In thousands, except volume and per share information)	**2011**	2010	2009
Total volume (metric tonnes)	**649,078**	682,149	700,582
Total revenues	**$ 612,614**	$ 606,873	$ 543,320
Gross margin	**96,359**	87,639	92,793
Earnings before interest and provision			
for income taxes ("EBIT")	**67,831**	59,204	58,656
Net earnings	**44,220**	45,214	42,537
Cash flow from operations	**22,515**	83,203	69,791
Total assets	**613,236**	584,805	574,371
Total long-term financial liabilities	**184,899**	190,210	188,943
Net earnings per share:			
Basic	**0.50**	0.52	0.49
Diluted	**0.45**	0.48	0.45
Dividends/cash distribution per share	**0.3700**	0.4600	0.4600

It should be noted that fiscal 2009 had 53 weeks of operations, compared to 52 weeks in fiscal 2011 and 2010. This additional week had a positive impact of approximately 2% on total sales volume, revenues, gross margins and net earnings for fiscal 2009.

The sales volume was lower in fiscal 2011 as the Company did not benefit from any special U.S. quota opening during the year. In fiscal 2010, no special quotas were opened but the high refined prices in the U.S. combined with lower raw sugar values, allowed the Company to sell approximately 41,600 metric tonnes of sugar products under the U.S. Tier II duty provisions.

The decrease in cash flow from operations is due mainly to the high level of inventories at year-end. The increase of almost $40 million in inventories is due to timing of the receipt of raw sugar vessels in Montreal, to the higher values of raw sugar at year-end and to the earlier start of the Taber beet crop harvest in September of this year. In addition there was a negative change of approximately $12.6 million in the fair value of derivative financial instruments.

The increase in total assets is due to the higher level of inventories at the end of the year as explained above.

The decrease in dividends/cash distribution per share is due to the change from an income trust to a corporation on January 1, 2011. Since that date, the Company is subject to federal and provincial income taxes on its income. As a result, the Company declared quarterly dividends of 8.5 cents per share for the last three quarters for a total of 25.5 cents per share while the Fund paid cash distributions of 11.5 cents per units for the first quarter of the year, for total dividends/cash distribution per share of 37 cents for the year.

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 2011 analysis.

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. The Company'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 Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

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

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

Income / (Loss) (In thousands of dollars)	**2011** **$**	2010 $	2009 $
Mark-to-market adjustment	**175**	3,258	(9,777)
Cumulative timing differences	**12,999**	(1,979)	1,022
Total adjustment to cost of sales	**13,174**	1,279	(8,755)

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 2011. As a result, a loss of $8.3 million was recorded due to these price fluctuations compared to a mark-to-market gain of $5.0 million recorded in fiscal 2010. For natural gas, a substantial portion had been hedged in prior years and with the decline in total contracts from the previous year due to use of these contracts in the Company's operations, a gain of $4.1 million was recorded in fiscal 2011 as compared to a loss of $4.3 million in fiscal 2010. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market gain of approximately $4.4 million for the year compared to $2.6 million in fiscal 2010.

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 Company recorded a mark-to-market gain of $0.9 million in fiscal 2011 for the mark-to-market of an interest rate swap under short-term interest expense, as losses from the previous years were reversed from the passage of time of the swap.

Therefore, the total adjustment to net earnings before income taxes for the year was a gain of $14.0 million compared to $1.2 million in fiscal 2010.

Adjusted financial information (non-GAAP reconciliation):

Consolidated Results (In thousands of dollars, except per share information)	**2011** **$**	2010 $	2009 $
Gross margin as per financial statements	**96,359**	87,639	92,793
Adjustment as per above	**(13,174)**	(1,279)	8,755
Adjusted gross margin	**83,185**	86,360	101,548
EBIT as per financial statements	**67,831**	59,204	58,656
Adjustment as per above	**(13,174)**	(1,279)	8,755
Adjusted EBIT	**54,657**	57,925	67,411
Net earnings as per financial statements	**44,220**	45,214	42,537
Adjustment to cost of sales as per above	**(13,174)**	(1,279)	8,755
Adjustment for mark-to-market of interest swap	**(855)**	38	3,412
Future taxes on above adjustments	**3,596**	738	(3,405)
Adjusted net earnings	**33,787**	44,711	51,299
Net earnings per share basic, as per financial statements	**0.50**	0.52	0.49
Adjustment for the above	**(0.12)**	(0.01)	0.10
Adjusted net earnings, per share basic	**0.38**	0.51	0.59

RESULTS OF OPERATIONS

Revenues

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, increased by approximately 0.5% in fiscal 2011 compared to an increase of 0.4% in fiscal 2010. We estimate that per capita sugar consumption remained stable during the year. Total sugar deliveries were slightly lower than the previous year as some food and especially beverage manufacturers switched from sucrose to HFCS as a result of higher raw sugar values during the year.

	2011	2010
Revenues ($000's)	**612,614**	606,873
Volume (MT)	**649,078**	682,149

The increase in revenues in fiscal 2011 is due to the higher raw sugar values during the year, as the cost of raw sugar was on average approximately 6 cents per pound higher (approximately $132.00 per metric tonne) than in fiscal 2010. This was partially offset by a volume decrease of approximately 33,100 metric tonnes.

For the year, total sales volume of 649,078 metric tonnes represented a decrease of 4.8% over the previous year. The total volume decrease of approximately 33,100 metric tonnes is due mainly to lower export volume of approximately 23,800 metric tonnes and lower liquid volume of approximately16,600 metric tonnes, partially offset by higher industrial volume of approximately 5,000 metric tonnes and higher consumer volume of approximately 2,300 metric tonnes.

Export sales volume was lower by approximately 23,800 metric tonnes in fiscal 2011. In fiscal 2010, the Company benefitted from an unexpected export 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. This was partially offset with higher sales volume to Mexico during the year.

The decrease of approximately 16,600 metric tonnes in liquid volume for fiscal 2011 is due mainly to the loss of HFCS substitutable business as a result of higher raw sugar values during the year versus lower HFCS values.

Industrial volume was higher by approximately 5,000 metric tonnes during the year due mainly to timing in deliveries and to some contracts with new customers.

Consumer volume was higher by approximately 2,300 metric tonnes due in large part to the recapture of previously lost business.

Gross Margins

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

	2011	2010
Gross margin ($000's)	**96,359**	87,639
Adjusted gross margin ($000's)	**83,185**	86,360
Gross margin per metric tonne ($)	**148.46**	128.47
Adjusted gross margin per metric tonne ($)	**128.16**	126.60

As previously mentioned, the consolidated gross margin of $96.4 million in fiscal 2011 and of $87.6 million in fiscal 2010 do not reflect the adjusted income of the Company, as it includes a gain of $13.2 million for fiscal 2011 and of $1.3 million for fiscal 2010 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 increase in the adjusted gross margin rate of $1.56 per metric tonne is due mainly to an adjustment, recorded in the fourth quarter for depreciation expense, of approximately $2.6 million, representing approximately $4.00 per metric tonne. This adjustment was the result of a detailed analysis under which the estimated useful lives of certain capital assets were extended. This was a non-cash adjustment. Without this adjustment, adjusted gross margin would have been lower by approximately $2.44 per metric tonne. The decrease in the adjusted gross margin rate in fiscal 2011, is as a result of large premiums paid for some of our raw sugar supply bought during the year. Normally, most raw cane sugar requirements are sourced in advance under long term contracts. In fiscal 2011, some of these long term contracts were ending and therefore some volume had to be sourced on a prompt basis, in a period when raw sugar supply was very tight. As a result, significant premiums were paid on approximately 20% of the raw sugar purchased in fiscal 2011. This was partially offset with higher margins earned on beet sugar sales as a result of higher raw sugar values. In addition, in the fourth quarter of fiscal 2011, the adjusted gross margin rate was approximately $28.30 per metric tonne higher than the comparable quarter of fiscal 2010 due to the lower volume of export sales. In fiscal 2010, large shipments were made to the U.S. under the Tier II duty program, for which a duty of U.S. $360.00 per metric tonne was paid. These export sales reduced substantially the adjusted gross margin rate in the last quarter of fiscal 2010 and therefore reduced the fiscal 2011 year-to-date shortfall in the gross margin rate reported at the end of the third quarter. Also included in margins is a minimal contribution from the blending operation.

During fiscal 2011, the Company was able to put a pre-hedge program in place for fiscal 2012 beet sugar sales for approximately 39,000 metric tonnes at an average price of approximately US 23.00 cents per pound.

Other Expenses

(In thousands of dollars)	**2011** **$**	2010 $
Administration and selling	**20,019**	20,056
Distribution	**7,960**	7,723
Depreciation and amortization	**549**	656
Interest	**11,579**	14,214

Administration costs were comparable to fiscal 2010. Lower legal fees and employee benefits were somewhat offset with reorganization costs of approximately $0.9 million and expenses of approximately $0.3 million for the conversion from an income trust to a corporation.

Distribution expenses in fiscal 2011 were approximately $0.2 million higher than in fiscal 2010 due mainly to the higher transfers of Vancouver cane products to Taber, when compared to fiscal 2010.

The decrease in depreciation expense is due to the change in estimate in the useful lives for certain software assets.

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

The interest expense breakdown is as follows:

(In thousands of dollars)	**2011** **$**	2010 $
Convertible debentures	**7,611**	8,589
Short term interest expense	**3,773**	3,825
Amortization of deferred financing costs	**1,050**	1,762
Mark-to-market of interest rate swap	**(855)**	38
Total	**11,579**	14,214

Interest on convertible debentures was approximately $1.0 million less than in fiscal 2010. This was due in part to the additional interest incurred on the 5.7% fourth series debentures issued in April of 2010, while the funds received were used on June 29, 2010 to redeem in full the 6.0% second series. As a result, approximately $0.6 million interest was paid on both series of convertible debentures for the period of April 8 to June 29, 2010. In addition, the fourth series debentures interest rate is 0.3% lower than the second series that was repaid in June 2010, thus reducing interest cost by approximately $0.2 million per year. Lastly, there was $6.3 million of the third series convertible debentures converted into shares during the year, thus reducing the overall interest expense for convertible debentures.

Short-term interest expense was lower by approximately $0.1 million due mainly to the lower short-term borrowings during the year.

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 in 2008 to protect the Company against interest rate fluctuations on borrowings from the revolving credit agreement. At year-end fiscal 2011, the mark-to-market unrealized gain on the swap was $0.9 million, as a result mainly of passage of time, as there is one less year prior to maturity, as compared to a minimal loss in fiscal 2010.

Taxation

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

(In thousands of dollars)	**2011** **$**	2010 $
Current	**7,804**	(811)
Future	**4,228**	587
Total	**12,032**	(224)

With the conversion from an income trust to a corporation on January 1, 2011, the Company is now subject to the combined federal and provincial income taxes like any conventional corporation. Prior to January 1, 2011, the Fund was subject to taxation on its income for the year, less the portion paid or payable to the Unitholders of the Fund. Consequently, as much as the Fund's income was paid to the Unitholders in the year received, the Fund had no to minimal taxable income.

In fiscal 2011, the Company's current income tax expense of $7.8 million was mainly for the period of January 1, 2011 to October 1, 2011 when the Company was a corporation. In fiscal 2010, the Company's wholly-owned subsidiary, Lantic was able to recover the income taxes paid the previous year, thus the reason for the current income tax recovery of $0.8 million.

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. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs.

Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2011 and 2010:

	QUARTERS							
				2011				2010
(In thousands except for volume and per share information)				**$**				$
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Volume (MT)	**159,697**	**155,500**	**163,001**	**170,880**	156,413	153,103	180,462	192,171
Total revenues	**151,438**	**149,418**	**150,892**	**160,866**	143,456	143,851	156,302	163,264
Gross margin	**39,892**	**11,559**	**11,509**	**33,399**	28,463	(11,396)	17,335	53,237
EBIT (loss)	**33,280**	**4,160**	**4,708**	**25,683**	21,707	(17,638)	10,362	44,773
Net earnings (loss)	**26,019**	**817**	**906**	**16,478**	16,552	(12,136)	7.088	33,710
Gross margin rate per MT	**249.80**	**74.33**	**70.61**	**195.45**	181,97	(74.43)	96.06	277.03
Per share								
Net earnings (loss)								
Basic	**0.30**	**0.01**	**0.01**	**0.19**	0.19	(0.14)	0.08	0.39
Diluted	**0.25**	**0.01**	**0.01**	**0.16**	0.17	(0.14)	0.08	0.32
Non-GAAP Measures								
Adjusted gross margin	**26,418**	**13,880**	**17,509**	**25,378**	26,474	15,573	21,215	23,098
Adjusted EBIT	**19,806**	**6,481**	**10,708**	**17,662**	19,718	9,331	14,242	14,634
Adjusted net earnings	**15,296**	**2,120**	**5,504**	**10,867**	14,876	6,548	11,151	12,136
Adjusted gross margin rate per MT	**165.43**	**89.26**	**107.42**	**148.51**	169.26	101.72	117.56	120.20
Adjusted net earnings per share								
Basic	**0.17**	**0.02**	**0.06**	**0.12**	0.17	0.08	0.13	0.14
Diluted	**0.16**	**0.02**	**0.06**	**0.11**	0.15	0.08	0.12	0.13

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 explained by the increased sales of baked goods during this holiday period of the year. Conversely, 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 lower selling margins due to the payment of the Tier II duty. As a result, adjusted gross margins were lower than the historical levels especially for the fourth quarter, when large export shipments were made.

Fourth Quarter Results

Revenues for the quarter were lower than the previous year due to the lower volume of sales. This was partially offset by higher world raw sugar values as compared to the previous year.

Fourth quarter volume decreased by approximately 21,300 metric tonnes compared to the same quarter of fiscal 2010. Export volume was approximately 19,900 metric tonnes lower than the previous year. In fiscal 2010, approximately 20,000 metric tonnes were shipped to the U.S. against the Tier II duty program during the fourth quarter. Both industrial and consumer volumes were also lower in the fourth quarter of fiscal 2011 by approximately 1,900 and 300 metric tonnes, respectively. This was due mainly to timing in deliveries. Liquid volume was higher by approximately 800 metric tonnes during the quarter, due to larger shipments to existing customers.

For the quarter, the adjusted gross margin rate was $148.51 per metric tonne as compared to $120.20 per metric tonne in fiscal 2010. The increase of $28.31 per metric tonne was due mainly to:

- An adjustment of approximately $2.6 million, or approximately $15.20 per metric tonne, was recorded as a reduction to depreciation expense, following a review of all capital assets useful lives. This review resulted in the extension of useful lives of certain capital assets and resulted in an adjustment to depreciation; and
- An unfavourable sales mix in fiscal 2010, as over 10% of total volume shipped during the quarter was against the U.S. Tier II duty program. A duty of U.S. $360.00 per metric tonne was paid on these sales thus reducing substantially the gross margin rate of fiscal 2010's fourth quarter.

Distribution costs were higher by $0.3 million than the previous year's comparable quarter due mainly to higher transfers of products from Vancouver to Taber in fiscal 2011. Administration costs were lower by approximately $0.8 million compared to the same quarter in fiscal 2010 due mainly to lower employee benefit expenses.

Interest expense for the quarter, before a mark-to-market loss of $0.3 million, was $0.2 million lower than the comparable quarter of fiscal 2010, due to lower borrowings.

Liquidity

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

Cash flow from operations was $22.5 million in fiscal 2011, as opposed to $83.2 million in fiscal 2010. In fiscal 2011, cash flow from operations was lower by $60.7 million due mainly to higher inventories of $39.7 million as compared to the previous year as a result of timing in the receipt of raw sugar vessels in Montreal, higher raw sugar values and to an early start of the Taber beet harvest campaign. In addition, the change in fair value of derivative financial instruments had a negative impact of $9.4 million in fiscal 2011 as opposed to a positive impact of $3.2 million in fiscal 2010 representing, a swing of $12.6 million in cash flow.

Capital expenditures in fiscal 2011 were lower than the previous year by approximately $0.4 million, due mainly to lower investment capital expenditures in fiscal 2011 ($0.2 million) as compared to $1.7 million in fiscal 2010. This was partially offset by higher investments in maintenance capital projects.

The cash flow requirements for the year were funded from available cash reserves, as no additional borrowing on the working capital line of credit was required.

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

Free cash flow is as follows:

(In thousands of dollars)	**2011** **$**	2010 $	2009 $
Cash flow from operations	**22,515**	83,203	69,791
Adjustments:			
Changes in non-cash working capital	**27,358**	(20,337)	3,360
Mark-to-market and derivative timing adjustments	**(14,029)**	(1,241)	12,167
Financial instruments non-cash amount	**9,418**	(3,151)	(18,421)
Capital expenditures	**(7,728)**	(8,079)	(6,285)
Investment capital expenditures	**175**	1,713	221
Issue (buy back) of shares	**275**	808	(690)
Deferred financing charges	**—**	(2,365)	—
Free cash flow	**37,984**	50,551	60,143
Declared dividends	**32,714**	40,186	40,206

Free cash flow was $12.5 million lower than the previous year. With the new corporate structure, Rogers is now fully taxable and an amount of $7.8 million for current income taxes was incurred in fiscal 2011 versus an income tax recovery of $0.8 million in fiscal 2010. The remaining shortfall of $3.9 million in free cash flow is due mainly to the higher investment in maintenance capital expenditures of $1.2 million and to the lower profitability at the operating level.

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 free cash flow. 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 financial instruments non-cash amount combined impact of $4.6 million does not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

Capital expenditures, net of investment capital, were higher by approximately $1.2 million in fiscal 2011, due to the completion of numerous maintenance type projects during the year. Every year, the Company targets to invest approximately $7.0 million in maintenance capital expenditures.

Investment capital expenditures were lower in fiscal 2011 as no 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 resulted in the reduction of energy consumption in fiscal 2011. In addition, in fiscal 2010 a new beet pulp press was installed in Taber 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 resulted in fiscal 2011. Free cash flow 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 2011, 70,000 shares were issued under the Share Option Plan for total proceeds of $0.275 million. In fiscal 2010, 200,000 units were issued under the Share Option Plan for a total cash inflow of $0.8 million. During fiscal 2009, the Company repurchased and cancelled a total of 225,100 shares for a total value of $0.7 million under its Normal Course Issuer Bid. The cash used for the buy-back of shares or received from the issuance of shares does not constitute a source of cash that is regularly available and therefore is adjusted for the free cash flow determination.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result deducted from free cash flow. In fiscal 2010, an amount of $2.4 million was paid for the issuance of the fourth series convertible unsecured subordinated debentures in April of 2010.

Contractual obligations:

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

(In thousands of dollars)	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	**23,961**	**7,449**	**9,149**	**5,700**	**1,663**
Interest based on swap agreement	**4,907**	**2,804**	**2,103**	—	—
Capital leases	**226**	**100**	**118**	**8**	—
Operating leases	**4,897**	**1,923**	**2,360**	**614**	—
Purchase obligations	**42,765**	**42,765**	—	—	—
Derivative financial instruments	**68,808**	**48,800**	**14,078**	**5,930**	—
	215,564	**173,841**	**27,808**	**12,252**	**1,663**
(In metric tonnes)					
Purchase obligations	**1,304,000**	**512,000**	**792,000**	—	—

Lantic has a five-year revolving credit facility with a syndicate of Canadian banks for $200.0 million which comes due June 30, 2013. At year-end, 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 $77.9 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 Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

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 swap ends June 30, 2013. 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 year-end and approximately $35.0 million for sugar beets that will be harvested and processed in fiscal 2012.

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 2013.

At year-end, the Company had a net long sugar position of $9.6 million in net contract amounts with a current net contract value of $8.8 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 year-end, the Company had $25.7 million in natural gas derivatives, with a current contract value of $15.1 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 year-end, the Company had a net $34.3 million in foreign currency forward contracts with a current contract value of $35.2 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 the end of fiscal 2011, the Company had commitments to purchase a total of 1,304,000 metric tonnes of raw sugar, of which only 88,000 metric tonnes had been priced, for a total dollar commitment of $64.9 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 $25.3 million in cash was also available.

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

The operating Company has approved for future commitments approximately $3.8 million for completing capital expenditures presently in progress. With this carry-forward, total maintenance and investment capital expenditures for fiscal 2012 should be approximately $10.0 million.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at October 1, 2011, all of the Company's registered defined benefit pension plans were in a deficit position. The total deficit was estimated at approximately $21.5 million. The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2011, pension plan cash contributions increased by approximately $1.5 million to $5.2 million. For more information regarding the Company's employee future benefits, please refer to Note 12 of the consolidated financial statements.

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

OUTSTANDING SECURITIES

A total of 88,842,333 shares were outstanding as at October 1, 2011. During the year, a total of 70,000 shares were exercised under the Share Option Plan. In addition, 1,238,220 shares were issued following the conversion of $6.315 million of the third series 5.9% convertible unsecured subordinated debentures.

As at November 14, 2011, 88,842,333 shares were outstanding.

On April 8, 2010, the Company 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 shares) per share 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 Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of $6.50. Subsequent to April 30, 2015, the fourth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

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 Company 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 share (representing 15,283,333 shares at year-end) at any time prior to maturity. Since 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 $6.315 million was converted into 1,238,220 shares in fiscal 2011, bringing the total conversion to date to $7.055 million for 1,383,316 shares.

In fiscal 2005, the Fund established a Unit Option Plan. On January 1, 2011 all options outstanding under the Unit Option Plan were transferred to a Share Option Plan of the new corporation on a one-for-one basis. The Company reserved and set aside for issuance a total of 850,000 shares to be allocated to key personnel. At September 30, 2005, a total of 350,000 shares had been allocated to two senior executives. These shares were priced at $4.33 per share, 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 shares were allocated on October 24, 2005 to the new President and CEO of Lantic. These shares were priced at $3.61 per share, 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, 100,000 shares were granted to a senior executive. These shares were priced at $4.70 per share representing the average market price for the five business days before the grant of the options. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. In fiscal 2011, a total of 70,000 shares were exercised by the CEO and by one of the senior executives. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited. Further to the departure of a senior executive in fiscal 2011, a total of 80,000 shares, priced at $4.70, were forfeited while a further 150,000 shares priced at $4.33, were forfeited in fiscal 2008 following the departure of another senior executive.

With the conversion of the Fund to a corporation on January 1, 2011, the stated capital of Rogers was reduced by the accumulated deficit as at December 31, 2010, of $276.5 million to $284.1 million. In addition following a Special Resolution passed by Rogers's shareholders at the February 1, 2011 shareholders meeting, the stated capital was reduced by a further $200.0 million, to $84.1 million.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company'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.

There was no impairment in goodwill in fiscal 2011.

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 the defined benefit and medical retirement plans are presented in Note 12 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 valuations are scheduled for December 31, 2011 for two of the four defined benefit pension plans. The actuarial valuations for the two other plans are scheduled for December 31, 2012 and 2013.

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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board (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 begin reporting under IFRS for the quarter ending December 31, 2011 and will 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 completing the detailed assessment and design phase which 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 finalized:

- 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. This was the first of two differences identified with GAAP. The Company has completed the review of its property, plant and equipment and has identified components totaling $19.2 million within certain assets and has reevaluated the useful lives of these components from the property, plant and equipment of which they were part of. As a result, at the transition date, accumulated depreciation will decrease by approximately $2.1 million and equity will increase by the same amount before any income taxes adjustment. The other difference identified between Canadian GAAP and IFRS pertains to certain costs in property, plant and equipment which did not meet the definition of an element of costs under IFRS. At the transition date a net amount of $0.9 million will be written-off against and charged to equity. As a result of the above depreciation expense charged to cost of sales will decrease by approximately $0.5 million annually under the assumption that no major capital asset acquisition is made.
- 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 Company's current accounting policy, all borrowing costs are charged to earnings and included in interest expense. The Company will 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 Company will not 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 Company has determined its group of cash generating units to be used for the purpose of goodwill impairment testing. The Company 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 Company completed its assessment of the impact of IAS 27 and SIC 12 and has determined that Lantic Inc., the wholly-owned subsidiary of Rogers, should be consolidated. As a result, we do not expect any changes as at the date of transition.
- Leases (IAS 17): The Company has entered into various leases which are accounted for as operating leases under Canadian GAAP. The Company has determined that there will be no significant changes in classification of its operating leases to a finance (capital) lease under IFRS.

- Financial Instruments (IAS 32 and 39): From the transition date of October 1, 2010 to the day before the Fund converted to a corporation on January 1, 2011, the classification of the trust units have been determined to be equity classified, consistent with Canadian GAAP, due to modifications made to the Declaration of Trust on September 29, 2010. However, for that period, the conversion options of the convertible debentures have been determined to be embedded derivatives and the Unit Option Plan has been determined to be liability-classified share-based payment awards. The conversion options and share-based payment awards will become equity-classified on January 1, 2011 when the conversion from an income trust to a corporation occurred. The financial impact, which is a non-cash amount limited to the first quarter of fiscal 2011 (the comparable first quarter results), will be approximately $0.1 million as an increase in liabilities and a reduction of equity on October 1, 2010. Under IFRS the change in fair value of the conversion option of the convertible debentures of $3.8 million will be recognized in finance expenses for the first quarter of fiscal 2011. As at January 1, 2011, an amount of $3.9 million will be reclassified from liabilities to contributed surplus and will remain unchanged until the convertible debentures are redeemed. The impact of the Unit Option Plan is not significant.
- Provisions, Contingent Liabilities and Assets (IAS 37): The accounting under IFRS is consistent with Canadian GAAP except for the concept of constructive obligation for assets retirement. A constructive obligation exists under IFRS when the entity creates the expectations to other parties that due to past practices, the entity will discharge its obligation and therefore incur a cash outflow. Under GAAP no liability was recorded. As a result of this review a total of approximately $4.3 million will be recorded, as a long-term liability and as an increase to property, plant and equipment, at the opening balance sheet date of October 1, 2010. An amortization of approximately $0.7 million for fiscal 2011 will be expensed, leaving a balance at October 1, 2011 of approximately $3.6 million. This adjustment is a non-cash adjustment. The recording of contingent liabilities and contingent assets under Canadian GAAP and IFRS is in our view consistent, and therefore no adjustment will be required.
- Employee Benefits (IAS 19): Under IFRS, vested past service costs under a defined benefit plan are immediately recognized in net earnings. The Company has elected to adopt the "fresh start" exemption allowed under IFRS 1, whereby any unamortized amounts as of the transition date is recognized against equity. The adjustment as at the transition date will be an increase to the employee future benefits liability of approximately $38.5 million. In addition, as permitted under IFRS, the Company is expected to recognize actuarial gains and losses as they occur in other comprehensive income, with no impact on net earnings. The Company is still finalizing the IFRS impact on fiscal 2011 consolidated statement of operations.
- First time adoption of IFRS (IFRS 1): The Company intends to use the business combinations exemption and not restate the accounting of past business acquisitions. The Company 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.
- Income Taxes (IAS 12): The differences that exist between IFRS and Canadian GAAP relate primarily to changes as a result of adopting IFRS accounting policies in areas where such changes impact the timing and amount of temporary differences between accounting and taxation and differences due to tax rates used for income trust in the first quarter of fiscal 2011. The opening balance sheet will be adjusted, as future income tax assets and liabilities will be re-measured upon completion of the IFRS opening balance sheet. In addition. under IFRS, future tax assets and future tax liabilities are classified as long term, whereas under Canadian GAAP future tax assets and future tax liabilities are classified as current or long term. based upon the nature of the underlying assets and liabilities to which they relate.

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 will 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

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

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

The 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 the Company 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.

The Company'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 Sugar Ltd. ("RSL") (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 RSL 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 RSL 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 RSL 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.

RSL's liability for environmental matters under the Kalama sale agreement was terminated as a result of a settlement completed on June 30, 2008.

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 RSL, 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 RSL 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

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

Dependence Upon Lantic

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

Fluctuations in Margins and Foreign Exchange

The Company's profitability is principally affected by 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. The Company, through the U.S. specific quota, normally sells approximately 10,300 metric tonnes (increased to 12,000 metric tonnes in fiscal 2012) of refined sugar per year in the U.S. and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Company's Taber beet plant, and sales to the U.S. under other announced specific quotas 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 the Company'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. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on gross margins. The world raw sugar price can, however, impact the profitability of the Company's beet operations. Sugar derived from beets is purchased at a fixed price, plus 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 U.S. 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 are over 160 million metric tonnes of sugar produced worldwide. Of this, approximately 35 million metric tonnes of raw cane sugar are traded on the world market. The Company, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with 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. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

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

Weather and Other Factors Related to Production

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect the Company's sugar extraction 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

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

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

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. The Company was advised in September of 2011 that the Bureau's investigation had been discontinued and that the Bureau had elected not to initiate proceedings before the Competition Tribunal.

Operating Costs

Lantic uses large quantities of energy, principally natural gas, in its operations. Moreover, the Company'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 the Company's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. 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 ("EU"); 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, in November 2010, removed the anti-dumping and countervailing duties on refined sugar imports from the European Union.

As a result of this decision, on December 1, 2010, the Canadian Sugar Institute ("CSI") filed an application with the Federal Court of Appeal for judicial review of the decision by the CITT to rescind its order against dumped and subsidized refined sugar from the EU. The application requested that the matter be referred back to the CITT to reconsider the evidence, taking into account any instructions of the Court. The CSI also asked the Federal Court to issue a direction to the CITT that, if the EU order is restored, anti-dumping and countervailing duties shall be payable on all EU sugar imported into Canada on or after November 1, 2010, as if the EU order had not been rescinded. On January 12, 2011, the CITT sent a letter to the Court indicating that it will not be intervening in the proceeding. On March 11, 2011, the Court granted the Attorney General of Canada leave to withdraw from the proceeding. The CSI's application is continuing unopposed by the CITT and the Government of Canada. A decision is expected within a few months. There is no assurance that the initial decision from the CITT will be reversed and that anti-dumping and countervailing duties will be reinstated.

In the event we do not achieve success in the above appeal, we will continue to closely monitor imports of refined sugar from the EU 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 EU. However, there is no assurance that the CITT would then reinstate the anti-dumping and countervailing duties against the EU.

The duties are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The price support and trade distorting attributes of the U.S. sugar regime have not materially changed the factors that originally led to the original CITT decision and of its continuation most recently on November 1, 2010. 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 ("FTA") with Costa Rica, which included the phase-out of Canada's $31 per tonne duty on imports of refined sugar to Canada. That duty is now completely phased out and since January 1, 2011, Costa Rica has duty-free access to Canada for refined sugar. 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. 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 CSI in informing government officials and politicians of the threat to Canada's sugar industry of such trade agreements. Of particular concern is the threat of imports from surplus sugar producers such as in South and Central America where there is no commercial export opportunity for Canadian refined sugar.

On August 15, 2011, Canada and Colombia implemented an FTA. Since Colombia is a large surplus sugar producer, this FTA includes a very gradual phase-out of sugar tariffs (17 years), avoiding the immediate negative effects of a duty-free quota on the Canadian sugar industry. The refining of sugar does not confer origin in this FTA so Canadian refiners do not expect to realize any exports to Colombia. FTAs have also been concluded with smaller sugar producing countries in Latin America, including Honduras, Peru and Panama. These agreements include transitional tariff phase-outs or small, reciprocal quotas with phase-out growth. Negotiations with other Central American countries are expected to resume in the future. Other significant FTA negotiations at an early or exploratory stage include India, Ukraine, Turkey and Japan. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry.

The Government of Canada has continued to make the Canada – EU FTA (CETA) negotiations a priority in its international trade agenda. Negotiations are moving quickly and it is the Government's aim to conclude negotiations by 2012. The 9th round of negotiations took place in Ottawa in October 2011. The CSI and the Canadian sugar refiners have continued to emphasize the significant threat of subsidized EU sugar coming to Canada as well as the trade barriers the EU has in place, preventing Canadian exports of refined sugar and of many sugar-containing food products. The CSI and the Canadian sugar refiners are working with Canada's trade negotiators to ensure this trade imbalance is not worsened in the CETA and to seek meaningful gains in exports of Canadian sugar and sugar-containing products, currently prevented by prohibitive tariffs and restrictive EU rules of origin.

The Company 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 with no specific date for conclusion.

Employee Relations

The majority of the Company's operations are unionized.

The Taber collective agreement with respect to the unionized employees of the Taber beet factory expires on March 31, 2012. The Toronto warehouse labour agreement for unionized employees terminates on June 23, 2012. There can be no assurance that new agreements will be reached with the union, or that the terms of such agreements will be similar to the terms of the current agreements.

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 Company is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. 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. The Company also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

Environmental Matters

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

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

Management and Operation of Lantic

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

OUTLOOK

On September 29, 2011, due to tightness in the U.S. market for refined sugar, the Secretary of Agriculture of the United States, announced the opening of a special quota for refined sugar of 136,078 metric tonnes effective October 3, 2011 and closing November 30, 2011. Of that total, an amount of 25,000 metric tonnes was allocated specifically to Canada and the balance of 111,078 metric tonnes was allocated to global suppliers on a first-come, first-served basis. The global quota was filled by October 25, 2011 and is therefore closed to any further shipments. Rogers through its cane refineries was able to enter approximately 10,000 metric tonnes by the closing date. As the sole producer of Canadian origin refined sugar, Rogers is the only Canadian producer to participate in the Canada specific quota of 25,000 metric tonnes. The Company will attempt to maximize shipments from the Taber facility through the November 30th closing date against the Canada specific quota. This special quota to the U.S. will help the Company increase its volume and adjusted gross margins in fiscal 2012.

The total sweetener market increased slightly this past year and we believe this trend will continue over a next number of years. In Canada, we have not yet experienced the recent trend occurring in the U.S. where some food manufacturers changed their product formulations from HFCS to liquid sucrose. Actually the opposite happened in fiscal 2011, as some food and mainly beverage manufacturers switched from liquid sucrose to HFCS due to high raw sugar values. We believe that in Canada this change to HFCS will greatly diminish in the next year as most food manufacturers having the ability to move to HFCS have now already done so.

The November 1, 2010 decision 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 $31.00 per metric tonne. Through the Canadian Sugar Institute, we have appealed that decision and are awaiting the Federal Court decision. In the meantime, we continue to closely monitor imports of refined sugar from European Union countries. In the event, we are unsuccessful in our appeal, 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 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 approximately 34,000 acres and if current harvesting conditions continue, we should derive approximately 110,000 tonnes of beet sugar for fiscal 2012. The harvest and beet slicing campaign started in mid-September. Early indications are favourable as the yield per acre harvested and the extraction rate achieved to date are superior than forecast.

The current beet crop harvested is the last one under the present contract. Negotiations will start in late fall 2011 and we anticipate agreeing to a new multi-year contract with the Alberta Beet Sugar Growers within a few months. The higher price of raw sugar values during the last two years have increased the returns to the Growers and should make sugar beet production attractive against other competing crops.

Over half of fiscal 2012's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2011. Any un-hedged volume should benefit from the current low prices of natural gas and therefore increase the adjusted gross margin rate. In addition, futures positions for fiscal 2013 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 2011. 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. The pension cash contributions were increased following this year's actuarial valuations and may increase in the future as and when new actuarial valuations are done.

Responsibility for Financial Reporting

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

The consolidated financial statements have been prepared by the Administrator in accordance with 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 Inc. presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

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

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

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

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

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

Independent Auditor's Report

To the Shareholders of Rogers Sugar Inc.

We have audited the accompanying consolidated financial statements of Rogers Sugar Inc. (formerly Rogers Sugar Income Fund), which comprise the consolidated balance sheets as at October 1, 2011 and September 30, 2010, the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at October 1, 2011 and September 30, 2010, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP*

Chartered Accountants

November 14, 2011
Montréal, Canada

*CA Auditor permit no 23443

Consolidated Balance Sheets

As at October 1, 2011 and September 30, 2010

(In thousands of dollars)

	2011	2010
	$	$
Assets		
Current assets:		
Cash and cash equivalents	**25,326**	38,781
Accounts receivable (note 4)	**57,848**	58,231
Inventories (note 5)	**91,033**	51,358
Prepaid expenses	**2,204**	1,885
Future income taxes (note 15)	**2,109**	1,030
Derivative financial instruments (note 7)	**2,541**	24
	181,061	151,309
Capital assets (note 6)	**178,057**	182,523
Defined benefit pension plan assets (note 12)	**21,710**	19,672
Derivative financial instruments (note 7)	**189**	1
Intangible assets (note 8)	**1,795**	838
Other assets (note 9)	**472**	510
Goodwill	**229,952**	229,952
	613,236	584,805
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings (note 10)	**70,000**	70,000
Accounts payable and accrued liabilities (note 11)	**59,195**	42,716
Derivative financial instruments (note 7)	**8,144**	8,989
Current capital lease obligations (note 13)	**89**	82
	137,428	121,787
Employee future benefits (note 12)	**30,306**	29,545
Derivative financial instruments (note 7)	**6,475**	12,343
Long-term capital lease obligations (note 13)	**119**	181
Convertible unsecured subordinated debentures (note 14)	**125,150**	130,599
Future income taxes (note 15)	**22,849**	17,542
	322,327	311,997
Shareholders' equity:		
Share capital (note 16)	**90,679**	560,543
Contributed surplus	**204,677**	4,683
Deficit	**(4,447)**	(292,418)
	290,909	272,808
Commitments (note 22)		
Contingencies (note 23)		
	613,236	584,805

See accompanying notes to consolidated financial statements.

Approved by the Directors:

M. Dallas H. Ross Director

Dean Bergmame Director

Consolidated Statements of Operations and Comprehensive Income

Years ended October 1, 2011 and September 30, 2010

(In thousands of dollars, except amounts per share)

	2011	2010
	$	$
Revenues	**612,614**	606,873
Cost of sales	**516,255**	519,234
Gross margin	**96,359**	87,639
Expenses:		
Administration and selling	**20,019**	20,056
Distribution	**7,960**	7,723
Depreciation and amortization (note 20)	**549**	656
	28,528	28,435
Earnings before interest and provision for income taxes	**67,831**	59,204
Interest expense (note 17)	**11,579**	14,214
Earnings before provision for income taxes	**56,252**	44,990
Provision for (recovery of) income taxes (note 15):		
Current	**7,804**	(811)
Future	**4,228**	587
	12,032	(224)
Net earnings and other comprehensive income	**44,220**	45,214
Net earnings per share (note 18):		
Basic	**0.50**	0.52
Diluted	**0.45**	0.48

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended October 1, 2011 and September 30, 2010

(In thousands of dollars)

	Number of shares $	Share capital $	Contributed surplus $	Deficit $	Total $
Balance as at September 30, 2009	87,327,887	559,662	4,712	(297,446)	266,928
Distributions	—	—	—	(40,186)	(40,186)
Stock-based compensation (note 19)	200,000	848	(29)	—	819
Conversion of convertible debentures into trust units (note 14)	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**
Elimination of deficit at January 1, 2011	**—**	**—**	**(276,465)**	**276,465**	**—**
Reduction of stated capital (note 16)	**—**	**(476,465)**	**476,465**	**—**	**—**
Dividends	**—**	**—**	**—**	**(32,714)**	**(32,714)**
Stock-based compensation (note 19)	**70,000**	**286**	**(6)**	**—**	**280**
Conversion of convertible debentures into shares (note 14)	**1,238,220**	**6,315**	**—**	**—**	**6,315**
Net earnings	**—**	**—**	**—**	**44,220**	**44,220**
Balance as at October 1, 2011	**88,842,333**	**90,679**	**204,677**	**(4,447)**	**290,909**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended October 1, 2011 and September 30, 2010

(In thousands of dollars)

	2011 $	2010 $
Cash flows from operating activities:		
Net earnings	**44,220**	45,214
Adjustments for:		
Depreciation and amortization (note 20)	**11,158**	13,382
Changes in fair value of derivative financial instruments	**(9,418)**	3,151
Amortization of deferred financing charges (note 17)	**1,050**	1,762
Future income taxes	**4,228**	587
Employee future benefits	**(1,277)**	(1,269)
Other	**(146)**	28
Stock-based compensation expense (note 19)	**5**	11
Loss on disposal of capital assets	**53**	—
	49,873	62,866
Changes in non-cash operating working capital:		
Accounts receivable	**383**	(8,594)
Inventories	**(39,675)**	23,778
Prepaid expenses	**(319)**	448
Accounts payable and accrued liabilities	**12,253**	4,705
	(27,358)	20,337
	22,515	83,203
Cash flows (used in) from financing activities:		
Dividends	**(28,517)**	(40,186)
Issuance of shares under stock option plan	**275**	808
Issuance of convertible unsecured subordinated debentures	**—**	50,000
Redemption of convertible unsecured subordinated debentures	**—**	(49,967)
Deferred financing charges	**—**	(2,365)
	(28,242)	(41,710)
Cash flows used in investing activities:		
Additions to capital assets, net of proceeds on disposal	**(6,633)**	(8,016)
Additions to intangible assets	**(1,095)**	(63)
	(7,728)	(8,079)
Net change in cash and cash equivalents	**(13,455)**	33,414
Cash and cash equivalents, beginning of year	**38,781**	5,367
Cash and cash equivalents, end of year	**25,326**	38,781
Supplemental disclosure:		
Interest paid on debt	**12,077**	11,649
Income taxes (received) paid, net	**(885)**	1,261
Capital assets included in accounts payable and accrued liabilities	**590**	795

See accompanying notes to consolidated financial statements.

On January 1, 2011 Rogers Sugar Inc. ("Rogers" or the "Company"), completed the conversion from an income trust to a corporation pursuant to a Plan of Arrangement (the "Arrangement") under section 192 of the Canada Business Corporations Act. Pursuant to the Arrangement, unitholders exchanged each trust unit of Rogers Sugar Income Fund (the "Fund") for a common share of Rogers on a one-for-one basis.

The consolidated financial statements follow the continuity of interest basis of accounting whereby the Company is considered a continuation of the Fund because there was no change in ownership of the Fund upon conversion. As a result for the year ended October 1, 2011 the consolidated statements of operations and comprehensive income, consolidated statements of shareholders' equity and consolidated statements of cash flows include the Fund's results of operations for the period up to and including December 31, 2010 and the Company's results of operations thereafter. All references to shares, dividends and shareholders in the consolidated financial statements and notes pertain to common shares and common shareholders subsequent to the conversion and units, distributions and unitholders prior to conversion.

1. Basis of presentation:

Since the conversion to a corporation on January 1, 2011, the Company's fiscal year ends on the Saturday closest to the end of September. All references to 2011 and 2010 represent the fiscal years ended October 1, 2011 and September 30, 2010, respectively. Certain comparative figures have been reclassified to conform to the 2011 financial statements presentation.

2. Significant accounting policies:

(a) Consolidation of variable interest entity:

The Company's consolidated financial statements include the accounts of Lantic Inc. ("Lantic"), the variable interest entity ("VIE").

Notwithstanding the fact that Lantic Capital Inc. can designate five of Lantic's seven directors, the Company, 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 Company is considered the primary beneficiary and must consolidate the VIE.

(b) Income taxes:

With the conversion of the Fund to a corporation on January 1, 2011, the Company is now subject to the combined federal and provincial income taxes like any other corporation.

The Company follows 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 included in income. Future tax assets and liabilities are measured using the 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.

(c) Cash and cash equivalents:

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

(d) Inventories:

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

2. Significant accounting policies (continued):

(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 useful lives:

Asset	
Buildings and improvements	20 to 60 year
Plant and equipment	10 to 40 years
Furniture and fixtures	5 to 10 years

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.

(f) Intangible assets:

Intangible assets that are recognized by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of the intangible assets. Amortization of intangible assets not in service begins when they are ready for their intended use.

The estimated useful lives for software are between 5 and 15 years.

(g) Impairment of long-lived assets:

Capital assets and intangible 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 is 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.

(h) 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 Company's measurement date is the year end date.

(i) Stock-based compensation:

The Company has a Share Option Plan, which is described in note 19. Share options are measured at fair value at the grant date. Compensation expense is recognized over the vesting period, net of estimated forfeitures. Any consideration paid by employees on exercise of share options is credited to share capital.

2. Significant accounting policies (continued):

(j) Employee future benefits:

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

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

The Company 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 the 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 plans is between 3 and 18 years.

(k) 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.

(l) 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.

2. Significant accounting policies (continued):

(m) 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 Company does not carry any loans receivable, and its accounts receivable are measured at amortized cost, which approximates cost. The Company'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. Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability.

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 Company 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 Company'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 Company 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 Company enters into during the regular course of business. In addition, the Company 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.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

2. Significant accounting policies (continued):

(m) 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 Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

(n) 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 and the disclosure of contingent 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 and intangible assets, future income taxes assets and liabilities 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 :

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 Company will begin reporting under IFRS for the quarter ending December 31, 2011 and will prepare an opening balance sheet and provide information that conforms to IFRS for comparative periods presented.

4. Accounts receivable:

	2011	2010
	$	$
Trade	**55,476**	53,397
Income taxes receivable	**—**	1,513
Initial margin deposits with commodity brokers	**2,372**	3,321
	57,848	58,231

(Amounts are expressed in thousands of dollars unless otherwise noted.)

4. Accounts receivable (continued):

The Company 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.
- Bad debt write-offs to total revenue have been less than 0.06% for each of the last five years (averaging less than $100 per year). Write-offs for fiscal 2011 were $383 ($156 for fiscal 2010). The allowance for doubtful accounts as at October 1, 2011 was $300 ($300 as at September 30, 2010), 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.
- Less than 1% of trade receivables are outstanding for more than 90 days, while over 86% is current (less than 30 days) as at October 1, 2011 and which is comparable to fiscal 2010.

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:

	2011	2010
	$	$
Raw sugar	**39,989**	19,526
Work in process	**8,325**	4,438
Refined sugar	**29,023**	14,166
Sugar inventories	**77,337**	38,130
Packaging and operating supplies	**4,417**	4,209
Spare parts and other	**9,279**	9,019
	91,033	51,358

All inventory balances are recorded at cost at year-end for fiscal 2011 and 2010.

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

(Amounts are expressed in thousands of dollars unless otherwise noted.)

6. Capital assets:

			2011	2010
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
	$	$	$	$
Land	**17,748**	**—**	**17,748**	17,748
Buildings and improvements	**56,302**	**14,610**	**41,692**	42,365
Plant and equipment	**217,512**	**103,248**	**114,264**	115,155
Furniture and fixtures	**3,232**	**1,892**	**1,340**	813
Capital leases	**312**	**114**	**198**	263
Construction in progress	**2,815**	**—**	**2,815**	6,179
	297,921	**119,864**	**178,057**	182,523

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

As at October 1, 2011 financial derivatives outstanding and their mark-to-market impact on the consolidated statement of operations were as follows:

	Financial instrument					
	Assets		**Liabilities**			
	Short-term	**Long-term**	**Short-term**	**Long-term**	**Cost of sales gain (loss)**	**Interest income**
Mark-to-market	**$**	**$**	**$**	**$**	**$**	**$**
Sugar contracts	**104**	**—**	**—**	**29**	**(8,338)**	**—**
Natural gas contracts	**—**	**—**	**6,318**	**4,284**	**4,100**	**—**
Foreign exchange forward contracts	**822**	**70**	**—**	**—**	**2,042**	**—**
Embedded derivatives	**1,615**	**119**	**—**	**—**	**2,371**	**—**
Interest rate swap	**—**	**—**	**1,826**	**2,162**	**—**	**855**
Total as at October 1, 2011	**2,541**	**189**	**8,144**	**6,475**	**175**	**855**

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7 Financial instruments (continued):

Derivative financial instruments (continued):

As at September 30, 2010 financial derivatives outstanding and their mark-to-market impact on the consolidated statement of operations were as follows:

	Financial instrument					
	Assets		Liabilities			
Mark-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)

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 Company's or counterparty's credit, as appropriate.

The Company 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 Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

(a) Raw sugar:

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

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Derivative financial instruments (continued):

(a) Raw sugar (continued):

The Company's raw sugar futures and options contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar at year-end for 2011 and 2010 are as follows:

			2011			2010
	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	**65,808**	**66,818**	**1,010**	38,487	47,097	8,610
6 - 12 months	**62,500**	**64,603**	**2,103**	41,366	47,537	6,171
12 - 24 months	**4,801**	**5,159**	**358**	6,306	6,478	172
Over 24 months	**270**	**275**	**5**	—	—	—
	133,379	**136,855**	**3,476**	86,159	101,112	14,953
Sales:						
0 - 6 months	**(38,363)**	**(41,580)**	**(3,217)**	(23,682)	(26,795)	(3,113)
6 -12 months	**(85,057)**	**(86,001)**	**(944)**	(35,701)	(40,282)	(4,581)
12 - 24 months	**(826)**	**(845)**	**(19)**	(1,634)	(1,480)	154
Over 24 months	—	—	—	—	—	—
	(124,246)	**(128,426)**	**(4,180)**	(61,017)	(68,557)	(7,540)
Net position	**9,133**	**8,429**	**(704)**	25,142	32,555	7,413
F/X rate at end of period			**1.0478**			1.0274
Net value (CA$)			**(738)**			7,616
Less margin call payment (receipts) at year-end			**798**			(7,591)
Net assets futures contracts			**60**			25
Option			**15**			—
Net assets (CA$)			**75**			25

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.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Derivative financial instruments (continued):

(a) Raw sugar (continued):

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

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

(b) Natural gas:

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

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

The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas as at year-end for 2011 and 2010 are as follows:

		2011				2010
	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	**11,887**	**5,858**	**(6,029)**	11,741	6,425	(5,316)
1 to 2 years	**7,323**	**4,062**	**(3,261)**	14,665	8,936	(5,729)
2 to 3 years	**5,303**	**4,475**	**(828)**	8,217	5,457	(2,760)
3 years and over	**—**	**—**	**—**	5,302	4,798	(504)
	24,513	**14,395**	**(10,118)**	39,925	25,616	(14,309)
F/X rate at end of period			**1.0478**			1.0274
Net liabilities (CA$)			**(10,602)**			(14,701)

(c) Foreign exchange contracts:

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase 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 U.S. dollars at a future date, and may be settled in cash.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

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 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.

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas at year-end for 2011 and 2010 are as follows:

				2011
	Original contract value	**Original contract value**	**Current contract value**	**Fair value**
	(US$)	**(CA$)**	**(CA$)**	**(CA$)**
Purchases				
U.S. dollars:				
Less than 1 year	**106,631**	**106,655**	**111,877**	**5,222**
1 to 2 years	**3,525**	**3,574**	**3,710**	**136**
	110,156	**110,229**	**115,587**	**5,358**
Sales U.S. dollars:				
Less than 1 year	**(75,056)**	**(74,335)**	**(78,735)**	**(4,400)**
1 to 2 years	**(1,587)**	**(1,602)**	**(1,668)**	**(66)**
	(76,643)	**(75,937)**	**(80,403)**	**(4,466)**
	33,513	**34,292**	**35,184**	**892**

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Derivative financial instruments (continued):

(c) Foreign exchange contracts (continued):

				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 to 2 years	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 to 2 years	(8,316)	(8,726)	(8,606)	120
	(86,939)	(90,481)	(89,041)	1,440
	20,025	21,710	20,560	(1,150)

(d) Interest rate swap agreement:

In order to fix the interest rate on a substantial portion of the expected drawdown of the credit facility, the Company, 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 Company 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 October 1, 2011, the fair value of the swap was a liability of $4.0 million, approximately $0.8 million lower than September 30, 2010, as one more year of the swap elapsed during the year.

Risks:

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end for 2011 and 2010.

(a) Credit risk:

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

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

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(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 Company'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 Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see note 7c) - Foreign exchange contracts).

The Company had the following exposure at year-end:

	2011 US$	2010 US$
U.S. financial instruments measured at amortized cost, except for cash:		
Cash	**5,475**	8,798
Accounts receivable including initial margin deposits	**10,508**	15,121
Accounts payable and accrued liabilities	**(3,031)**	(2,534)
	12,952	21,385
Financial instruments held-for-trading:		
Raw sugar futures sales contracts	**124,246**	61,017
Raw sugar futures purchases contracts	**(133,379)**	(86,159)
Natural gas contracts	**(24,513)**	(39,925)
Variation margins received on futures contracts	**704**	(7,388)
	(32,942)	(72,455)
Total exposure from above	**(19,990)**	(51,070)
Forward exchange contracts	**33,513**	20,025
Gross exposure	**13,523**	(31,045)

As at year-end in 2011, the U.S./Can. exchange rate was $1.0478 (2010 - $1.0274).

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(b) Foreign exchange risk (continued):

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of $0.5 million, (2010 - increase of $1.1 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

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 year end but were committed during the fiscal year, and will be accounted for as the physical transactions occur.

	2011 US$	2010 US$
Gross exposure as per above	**13,523**	(31,045)
Sugar purchases priced not received	**(61,920)**	(58,911)
Taber sales, including beet pulp	**1,031**	1,698
Committed future sales in U.S. dollars	**78,530**	82,444
Ocean freight	**(2,753)**	(5,432)
Net exposure	**(28,411)**	(11,246)

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would increase net earnings by $1.0 million in 2011 (increase of $0.4 million in 2010) 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.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(c) Interest rate risk:

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

The Company has short-term cash borrowings as at October 1, 2011 of $70.0 million, the same as at September 30, 2010. The Company 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 Company 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 October 1, 2011, 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 2011 and 2010. If interest rates would have been 50 basis points lower, net earnings would have been less than $0.1 million higher for both fiscal 2011 and 2010.

(d) Liquidity risk:

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

The following are the contractual maturities of financial liabilities at:

October 1, 2011:

	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	**59,195**	**59,195**	**59,195**	**—**	**—**	**—**
Capital lease obligations	**208**	**226**	**50**	**50**	**76**	**50**
	129,403	**129,421**	**129,245**	**50**	**76**	**50**
Derivative financial instruments:						
Raw sugar contracts (net) (i)	**(75)**	**8,832**	**26,444**	**(22,420)**	**4,520**	**288**
Natural gas contracts (i)	**10,602**	**25,684**	**6,186**	**6,270**	**7,673**	**5,555**
Forwardexchange contracts (net) (i)	**(892)**	**34,292**	**25,105**	**7,215**	**1,885**	**87**
Interest on swap agreement	**3,988**	**4,907**	**1,402**	**1,402**	**2,103**	**—**
	13,623	**73,715**	**59,137**	**(7,533)**	**16,181**	**5,930**
	143,026	**203,136**	**188,382**	**(7,483)**	**16,257**	**5,980**

(i) Based on notional amounts as presented above.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(d) Liquidity risk (continued):

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 aspresented above.

The convertible debt liability of $127.9 million has been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

A 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 Company'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 Company.

As at October 1, 2011, the Company has an unused available line of credit of $130.0 million and a cash balance of $25.3 million.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

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 Company:

(i) Sugar:

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. 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 Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contracts position against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

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

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

(ii) Natural gas:

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas 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 October 1, 2011, the Company 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	**252,339**	**542.35**	**136,855**	**343.400**	**4.192**	**14,395**
Sales	**(201,129)**	**532.44**	**(107,090)**	—	—	—
Beet pre-hedge	**(39,322)**	**542.60**	**(21,336)**	—	—	—
Option	**n/a**	**n/a**	**15**	—	—	—
	11,888	**n/a**	**8,444**	**343.400**	**4.192**	**14,395**
F/X rate at end of period			**1.0478**			**1.0478**
Net value CA$			**8,848**			**15,083**

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(e) Commodity price risk (continued):

As at September 30, 2010, the Company 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	541.603	4.730	25,616
Sales	(115,374)	442.84	(51,092)	—	—	—
Beet pre-hedge	(35,562)	491.14	(17,466)	—	—	—
	64,571	n/a	32,555	541.603	4.730	25,616
F/X rate at end of period			1.0274			1.0274
Net value CA$			33,447			26,318

If on October 1, 2011, 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 $0.6 million (calculated only on the point-in-time exposure on October 1, 2011) (2010 - increase of $3.2 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 $1.4 million (2010 - decrease of $7.4 million for 7 cent decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. For the beet pre-hedge, if, on October 1, 2011, the price of raw sugar would increase by 3 cents per pound, net earnings would decrease by approximately $2.0 million (2010 - decrease of $1.7 million for 3 cent increase). A decrease in raw sugar value of 7 cents per pound would increase net earnings by approximately $4.6 million (2010 - increase of $4.1 million for 7 cent decrease).

If, on October 1, 2011, the natural gas market price would increase by $1.00, and all other variables remain constant, net earnings would decrease by $2.5 million (2010 - decrease of $3.9 million). If the natural gas value would decrease by $1.00, and all other variables remain constant, net earnings would increase by $2.5 million (2010 - increase of $3.9 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.

7. Financial instruments (continued):

Risks (continued):

(e) Commodity price risk (continued):

Fair values of financial instruments:

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of 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 at year-end, and shows a level within the fair values hierarchy in which they have been classified.

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.

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.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

7. Financial instruments (continued):

Risks (continued):

(e) Commodity price risk (continued):

Fair values of financial instruments (continued):

The following describes the fair value determinations of financial instruments (continued):

			2011		2010
	Fair values hierarchy level	**Carrying values $**	**Fair values $**	Carrying values $	Fair values $
Financial assets:					
Available for sale					
Cash and cash equivalents	**Level 1**	**25,326**	**25,326**	38,781	38,781
Held for trading					
Derivatives	**(See below)**	**2,730**	**2,730**	25	25
Loans and receivables					
Accounts receivable	**n/a**	**57,848**	**57,848**	58,231	58,231
Total financial assets		**85,904**	**85,904**	97,037	97,037
Financial liabilities:					
Held for trading					
Derivatives	**(See below)**	**14,619**	**14,619**	21,332	21,332
Other financial liabilities					
Short-term borrowings	**n/a**	**70,000**	**70,000**	70,000	70,000
Accounts payable and accrued liabilities	**n/a**	**59,195**	**59,195**	42,716	42,716
Capital lease obligations	**n/a**	**208**	**226**	263	301
Convertible unsecured subordinated debentures	**n/a**	**125,150**	**129,769**	130,599	138,600
Total financial liabilities		**269,172**	**273,809**	264,910	272,949

			2011		2010
	Fair values hiearchy level	**Financial assets $**	**Financial liabilities $**	Financial assets $	Financial liabilities $
Sugar contracts	**Level 1**	**104**	**29**	25	—
Natural gas contracts	**Level 2**	**—**	**10,602**	—	14,701
Foreign exchange forward contracts	**Level 2**	**892**	**—**	—	1,150
Embedded derivatives	**Level 2**	**1,734**	**—**	—	637
Interest rate swap	**Level 2**	**—**	**3,988**	—	4,844
Total as at year end		**2,730**	**14,619**	25	21,332

(Amounts are expressed in thousands of dollars unless otherwise noted.)

8. Intangible assets:

			2011	2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Software assets	**2,552**	**757**	**1,795**	838
	2,552	**757**	**1,795**	838

A reclassification from capital assets to intangibles assets of $1,795 (2010 - $838) was made, representing the net book value of software not directly attributed to the operations of capital assets.

9. Other assets:

	2011	2010
	$	$
Deferred financing charges, net	**322**	506
Other	**150**	4
	472	510

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 10). These fees are amortized over five years, the term of the Credit Agreement.

10. Bank overdraft and revolving credit facility:

The Company 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 Company, 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 October 1, 2011, the same as at September 30, 2010. The effective interest rate on short-term borrowings was 3.90% (3.86% in 2010).

11. Accounts payable and accrued liabilities:

	2011	2010
	$	$
Accounts payables and accrued liabilities	**44,466**	39,361
Income taxes payable	**7,177**	—
Dividends payable to shareholders	**7,552**	3,355
	59,195	42,716

(Amounts are expressed in thousands of dollars unless otherwise noted.)

12. Employee future benefits:

The Company 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 Company's accrued benefit obligations for 2011 and 2010 are as follows:

	2011		2010	
	Pension benefit plans %	**Other benefit plans %**	Pension benefit plans %	Other benefit plans %
Accrued benefit obligations:				
Discount rate	**5.00**	**5.00**	5.25	5.25
Rate of compensation increase	**3.50**	**3.50**	3.50	3.50
Benefit costs:				
Discount rate	**5.25**	**5.25**	6.25	6.25
Rate of compensation increase	**3.50**	**3.50**	3.50	3.50
Expected long-term rate of return on plan assets	**7.00**	**n/a**	7.00	n/a

The assumed health care cost trend rate as at October 1, 2011 was 6.4% (2010 - 7.2%), decreasing uniformly to 4.8% in 2031 (2010 - 4.9% in 2025) and remaining at that level thereafter.

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

	2011		2010	
	Pension benefit plans %	**Other benefit plans %**	Pension benefit plans %	Other benefit plans %
Current service cost (employer portion)	**2,034**	**405**	1,440	325
Interest cost	**6,438**	**1,085**	6,631	1,265
Actual return on plan assets	**1,260**	**—**	(6,743)	—
Actuarial loss (gain) on accrued benefit obligations	**4,502**	**(1,957)**	14,299	(196)
Curtailment gain	—		—	(345)
Plan amendments	**1,318**	**—**	—	—
Costs arising in the period	**15,552**	**(467)**	15,627	1,049
Differences between costs arising in the period and costs recognized in the period in respect of:				
Return on plan assets	**(8,026)**	**—**	242	—
Actuarial (gain) loss	**(2,271)**	**1,993**	(13,195)	313
Plan amendments	**(1,136)**	**—**	121	—
Net periodic pension cost recognized	**4,119**	**1,526**	2,795	1,362

(Amounts are expressed in thousands of dollars unless otherwise noted.)

12. Employee future benefits (continued):

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

	2011		2010	
	Pension benefit plans $	**Other benefit plans $**	Pension benefit plans $	Other benefit plans $
Accrued benefit obligations:				
Balance at beginning of year	**125,795**	**20,699**	111,188	20,435
Current service cost	**1,184**	**404**	710	325
Interest cost	**6,438**	**1,085**	6,631	1,265
Benefits paid	**(7,966)**	**(769)**	(7,833)	(785)
Employee contributions	**838**	**—**	800	—
Actuarial loss (gain)	**4,502**	**(1,957)**	14,299	(196)
Plan amendments	**1,318**	**—**	—	—
Decrease in benefit obligations due to curtailment	**—**	**—**	—	(345)
Balance at end of year	**132,109**	**19,462**	125,795	20,699
Plan assets:				
Fair value at beginning of year	**98,157**	**—**	94,686	—
Actual return on plan assets	**(1,260)**	**—**	6,743	—
Employer contributions	**6,152**	**769**	4,647	785
Employee contributions	**838**	**—**	800	—
Actual plan expense	**(1,013)**	**—**	(886)	—
Benefits paid	**(7,966)**	**(769)**	(7,833)	(785)
Balance at end of year	**94,908**	**—**	98,157	—
Funded status - plan deficit	**(37,201)**	**(19,462)**	(27,638)	(20,699)
Unamortized net actuarial losses	**44,683**	**804**	34,223	2,797
Unamortized past service costs	**2,580**	**—**	1,444	—
Accrued benefit asset (liability)	**10,062**	**(18,658)**	8,029	(17,902)
Reclassification of accrued benefit liability related to supplemental executive retirement pension plan	**11,648**	**(11,648)**	11,643	(11,643)
Total as per balance sheet	**21,710**	**(30,306)**	19,672	(29,545)

(Amounts are expressed in thousands of dollars unless otherwise noted.)

12. Employee future benefits (continued):

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2009 and 2010, and the next required valuations will be as of December 31, 2012 and 2013.

Total cash payments:

Total cash payments for employee future benefits for 2011, consisting of cash contributed by the Company to its funded pension plan and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $6,921 (2010 - $5,432).

As of the year-end measurement date of, plan assets consist of:

	2011	2010
	Percentage of plan assets	
Asset category	**%**	%
Equity securities	**55.0**	57.0
Debt securities	**43.0**	41.0
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	**268**	**(203)**
Accrued benefit obligations	**2,506**	**(2,050)**

13. Obligations under capital lease

The Company has capital leases for moveable equipment, which substantially transfers all the usage benefits of such equipment to the Company. These leases have interest rates varying from 5.0% to 8.625%.

	2011	2010
	$	$
Capital lease obligations	**226**	301
Less interest portion	**18**	38
	208	263
Less current portion	**89**	82
Long term obligations	**119**	181

(Amounts are expressed in thousands of dollars unless otherwise noted.)

13. Obligations under capital lease (continued)

Future minimum lease payments for obligations under capital lease are as follows:

	$
2012	**100**
2013	**76**
2014	**42**
2015	**8**
2016 and thereafter	**—**

Interest expense for fiscal 2011 related to capital leases was $20 ($5 for 2010).

14. Convertible unsecured subordinated debentures:

	2011	2010
	$	$
Third series [(i)]	**77,945**	84,260
Fourth series [(ii)]	**50,000**	50,000
	127,945	134,260
Less related financing charges	**2,795**	3,661
	125,150	130,599

(i) Third series:

On March 6, 2006, the Company 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 share at any time prior to maturity, and cannot be redeemed prior to June 29, 2009. In fiscal 2011, a total of $6.315 million was converted into 1,238,220 shares. A total of $7.055 million has been converted into 1,383,316 shares since the issue of the Third series debentures.

Prior to June 29, 2011, the debentures were redeemable by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, was 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 Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon. The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the convertible debentures by 95% of the weighted average trading price of the shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date for redemption or the maturity date, as the case may be.

14. Convertible unsecured subordinated debentures (continued):

(i) Third series (continued):

The Company 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 October 1, 2011 was approximately \$79.5 million (2010 - \$88.1 million) based on market quotes.

(ii) Fourth series:

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

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

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

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

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

The fair value of the Fourth series debentures as at October 1, 2011 was approximately \$50.3 million (2010 - \$50.5 million) based on market quotes.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

15. 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:

	2011	2010
	$	$
Earnings before provision for income taxes	**56,252**	44,990
Adjustments:		
Income directly taxed into the hands of the unitholders	**(10,066)**	(40,186)
Other	**(1,782)**	(6,192)
	44,404	(1,388)
Expected rate	**27%**	29%
Expected expense	**11,989**	(403)
Adjustments:		
Tax rate adjustment	**173**	296
Other differences	**(130)**	(117)
	43	179
Provision for (recovery of) income taxes	**12,032**	(224)

Prior to the conversion from an income trust to a corporation on January 1, 2011, the Company had reviewed 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 was 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 related to financing charges paid on the issue of the Third and Fourth series debentures, which are being amortized for accounting purposes until the debts' maturity dates of June 2013 and April 2017, respectively. In addition, the Company considered the difference between the accounting and tax basis of the Company's investments in its operating company ("outside basis difference").

(Amounts are expressed in thousands of dollars unless otherwise noted.)

15. Income taxes (continued):

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

	2011	2010
	$	$
Current:		
Derivative financial instruments	**1,819**	914
Other	**290**	116
	2,109	1,030
Long term:		
Capital assets	**(23,898)**	(23,244)
Employee future benefits	**1,740**	2,530
Derivative financial instruments	**1,517**	3,138
Deferred financing charges	**(343)**	(440)
Losses carried forward	**—**	2,063
Other	**(1,865)**	(1,589)
	(22,849)	(17,542)

No valuation allowance was recorded for the current and long-term future income tax assets.

16. Share capital:

On January 1, 2011 the Company converted from an income trust to a conventional corporation. The authorized capital of the Company consists of: (i) an unlimited number of voting common shares entitling its holders to receive, subject to the rights of the holders of preferred shares and any other class of shares ranking prior to the common shares, (a) non-cumulative dividends of the corporation and (b) the remaining property of the corporation upon its dissolution or winding-up; and (ii) a number of preferred shares issuable in series, at all times limited to fifty percent (50%) of the common shares outstanding at the relevant time, provided that no such preferred shares shall be used to block any takeover.

On January 1, 2011 the Board of Directors approved the reduction of the share capital without payment or reduction of its stated capital, by its deficit at January 1, 2011. As a result, the deficit of $276,465 was reduced to nil and the same amount was first applied against contributed surplus and subsequently against stated capital reducing the stated capital to $284,078. In addition, further to a Special Resolution approved at the shareholders' meeting of February 1, 2011, the Company reduced the stated capital by $200,000 to $84,078 and the contributed surplus was increased by the same amount of $200,000.

During the year, a total of 70,000 shares were issued for the exercise of options by executives under the Share Option Plan (see note 19). In addition, during the year $6.315 million of the Third series debentures were converted by holders of the securities for a total of 1,238,220 shares. This conversion is a non-cash transaction and therefore not reflected in the consolidated statement of cash flows.

As at October 1, 2011, an aggregate of 88,842,333 (September 30, 2010 - 87,534,113) shares of the Company were issued and outstanding. There were no preferred shares issued and outstanding.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

16. Share capital (continued):

Capital management:

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations.
- To have stability in the dividends paid to shareholders.
- To have appropriate cash reserves on hand to protect the level of dividends made to shareholders.
- 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 shares or convertible debentures when trading values do not reflect fair values.

The Company typically invests in its operations between $7.0 and $10.0 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 Board of Directors aim to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be raised after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a $200.0 million revolving credit facility The Company estimates to use between $70.0 and $110.0 million of its revolving credit facility to finance its normal operations during the year.

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 3.5:1, in order to have no restrictions on interest payment from Lantic to the Company. At year end, the operating company's ratio was below 1.50:1 for both fiscal 2011 and 2010.

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

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

17. Interest expense:

	2011	2010
	$	$
Interest on convertible unsecured subordinated debentures	**7,611**	8,589
Short-term interest expense	**2,918**	3,863
Amortization of deferred financing charges	**1,050**	1,762
	11,579	14,214

Included in short-term interest for fiscal 2011 is an unrealized gain of $855 ($38 unrealized loss for 2010) for the mark-to-market of the interest swap.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

18. Earnings per share:

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

	2011	2010
	$	$
Basic earnings per share:		
Net earnings	44,220	45,214
Weighted average number of shares outstanding	88,291,122	87,363,848
Basic earnings per share	0.50	0.52
Diluted earnings per share:		
Net earnings	44,220	45,214
Plus impact of convertible unsecured subordinated debentures	6,103	10,167
	50,323	55,381
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	88,291,122	87,363,848
Plus impact of convertible unsecured subordinated debentures	23,303,533	27,280,049
	111,594,655	114,643,897
Diluted earnings per share	0.45	0.48

19. Stock-based compensation plan:

On January 1, 2011 all options outstanding under the former unit option plan of the Fund were transferred to a share option plan ("Share Option Plan") on a one-for-one basis. The Company has reserved and set aside for issuance an aggregate of 850,000 shares at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

In fiscal 2011, a total of 70,000 shares were exercised under the Share Option Plan for total cash proceeds of $275, (200,000 shares issued in 2010 for cash proceeds of $808) which was recorded to share capital as well as an ascribed value from contributed surplus of $11 (2010 - $40). In addition, following the termination of an executive a total of 80,000 share options were forfeited. Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of $5 was incurred in fiscal 2011 (expense of $11 in fiscal 2010).

(Amounts are expressed in thousands of dollars unless otherwise noted.)

19. Stock-based compensation plan (continued):

The following table summarizes information about the Share Option Plan as of October 1, 2011:

Exercise price per option	Outstanding number of options at September 30, 2010	Options exercised during the year	Options forfeited during the year	Outstanding number of options at October 1, 2011	Weighted average remaining life	Number of options exercisable
$ 3.61	**200,000**	**50,000**	**—**	**150,000**	**4.17**	**150,000**
4.70	**100,000**	**20,000**	**80,000**	**—**	**—**	**—**

20. Depreciation and amortization:

Depreciation and amortization are recorded as follows:

	2011	2010
	$	$
Cost of sales	**10,609**	12,726
Administration	**549**	656
	11,158	13,382

Effective as of October 1, 2010, the Company completed an assessment of the useful lives of all classes of capital assets. The estimated useful lives of buildings were revised from 40 years to between 20 and 60 years while the useful lives of equipment were revised from 20 years to between 10 and 40 years. This change in accounting estimate was applied prospectively. The impact of the change for the year ended October 1, 2011 was a decrease of $2.6 million in depreciation expense.

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 Rogers, Rogers is entitled to vote the Class B shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable preferred shares, these amounts have been offset and, therefore, are not presented on the consolidated balance sheets.

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.

(Amounts are expressed in thousands of dollars unless otherwise noted.)

22. Commitments:

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

	$
2012	**1,923**
2013	**1,662**
2014	**698**
2015	**314**
2016 and thereafter	**300**

As at October 1, 2011, the Company had commitments to purchase a total of 1,304,000 (September 30, 2010 - 711,000) metric tonnes of raw cane sugar, of which 88,000 (September 30, 2010 - 110,000) metric tonnes had been priced, for a total dollar commitment of $64.9 million (2010 - $60.2 million). In addition, the operating company has a commitment of approximately $35.0 million (2010 - $30.0 million) for sugar beets to be harvested and processed in fiscal 2012.

23. Contingencies:

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

The Company in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at October 1, 2011 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:

	2011	2010
	$	$
Canada	**580,092**	560,708
United States and others	**32,522**	46,165
	612,614	606,873

Rogers Sugar Inc. Information

DIRECTORS:

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

Dean Bergmame, (2)(3)
Consultant

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

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

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

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

LEGAL COUNSEL:

Davies, Ward, Phillips & Vineberg
Montréal, Québec

TRADING SYMBOL:

RSI

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange

ANNUAL MEETING:

The annual meeting of Shareholders to be held at 1:30 PM (Pacific Time) February 9, 2012 at the
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Lantic Inc. Corporate Information - Management

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Senior Vice-President
Human Resources

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

Robert Copeland,
Vice-President Operations

Michael Walton,
Vice-President of Sales and Marketing

Manon Lacroix,
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Consultant

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

Donald G. Jewell,
Managing Partner
RIO Industrial

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

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

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Montréal, Québec

(1) Rogers Sugar Inc. Nominees
(2) Audit Committee Members

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