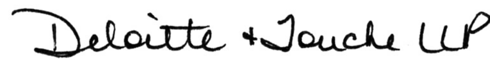
auditors' report to the shareholders of viterra inc.

We have audited the consolidated balance sheets of Viterra Inc. as at October 31, 2010 and 2009 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
January 19, 2011

Deloitte & Touche LLP
Chartered Accountants

management's responsibility for financial statements

The management of Viterra Inc. is responsible for the preparation, integrity and fair presentation of the consolidated financial statements and management's discussion and analysis. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information contained in management's discussion and analysis is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. An internal audit function evaluates the effectiveness of internal controls and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control systems. The Audit Committee is composed of independent directors who are not employees of the Company. The Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Audit Committee meets regularly with management, internal audit and Deloitte & Touche LLP to discuss internal controls, accounting and financial reporting processes, audit plans and financial matters. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Deloitte & Touche LLP is responsible for auditing the consolidated financial statements and expressing their opinion thereon and their report is presented separately. The external auditors have full and free access to, and meet regularly with, management and the Audit Committee.

Mayo M. Schmidt
President and Chief Executive Officer

Rex McLennan
Chief Financial Officer

January 19, 2011

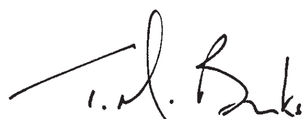
consolidated balance sheets

(in thousands)

As at	October 31, 2010	October 31, 2009
ASSETS		
Current Assets		
Cash	$ 107,428	$ 165,200
Short-term investments	88,204	868,469
Accounts receivable	995,656	1,004,674
Inventories (Note 3)	1,211,887	960,896
Prepaid expenses and deposits	107,638	89,768
Future income taxes (Note 14)	30,067	44,142
	2,540,880	3,133,149
Investments (Note 4)	9,661	9,706
Property, Plant and Equipment (Note 7)	2,491,047	2,411,105
Other Long-Term Assets (Note 8)	123,136	118,025
Intangible Assets (Note 9)	154,915	42,766
Goodwill	772,233	699,974
Future Income Taxes (Note 14)	25,010	8,023
	$ 6,116,882	$ 6,422,748
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	$ 40,839	$ 594
Short-term borrowings (Note 10)	61,677	291,128
Accounts payable and accrued liabilities	1,151,652	1,095,366
Long-term debt due within one year (Note 11)	2,295	18,151
Future income taxes (Note 14)	391	573
	1,256,854	1,405,812
Long-Term Debt (Note 11)	896,834	1,265,435
Other Long-Term Liabilities (Note 12)	51,351	72,471
Future Income Taxes (Note 14)	201,580	170,111
	2,406,619	2,913,829
Shareholders' Equity		
Retained earnings	571,013	425,741
Accumulated other comprehensive income (Note 15)	107,192	54,216
	678,205	479,957
Share capital (Note 16)	3,025,491	3,025,486
Contributed surplus	6,567	3,476
	3,710,263	3,508,919
	$ 6,116,882	$ 6,422,748

Commitments, contingencies and guarantees (Note 23)

On behalf of the Board of Directors



Thomas Birks
Director

Thomas Chambers
Director

consolidated statements of earnings

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009 (restated – Note 2 (r), 26)
Sales and other operating revenues	$ 8,256,280	$ 6,631,666
Cost of sales (excluding amortization see Note 3)	(6,997,713)	(5,792,635)
Gross profit and net revenues from services	1,258,567	839,031
Operating, general and administrative expenses	(740,984)	(515,333)
	517,583	323,698
Amortization	(192,676)	(109,141)
	324,907	214,557
Gain (loss) on disposal of assets (Note 20)	7,778	(10,314)
Integration expenses	(5,449)	(10,191)
Net foreign exchange gain (loss) on acquisition (Note 24)	(159)	24,105
Financing expenses (Note 22)	(138,107)	(61,163)
	188,970	156,994
Provision for corporate income taxes (Note 14)		
Current	(27,722)	(14,144)
Future	(15,976)	(29,723)
Net earnings	$ 145,272	$ 113,127
Basic and diluted earnings per share (Note 17)	$ 0.39	$ 0.45

consolidated statements of comprehensive income

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009
Net earnings	$ 145,272	$ 113,127
Other comprehensive income (loss)		
Reclassification of gain on dedesignated hedged contracts, net of tax of $302 (2009 – $891)	(740)	(2,080)
Unrealized gain (loss) on cash flow hedges, net of tax of $8,186 (2009 – $(2,135))	(20,143)	7,337
Reclassification of loss on cash flow hedges, net of tax of $(7,482) (2009 – $(1,935))	15,371	4,264
Net investment hedges, net of tax of $(68) (2009 – nil)	165	–
Unrealized gain (loss) on available for sale assets, net of tax of nil (2009 – $8)	3	(48)
Unrealized effect of foreign currency translation of foreign operations	58,320	54,509
Other comprehensive income	52,976	63,982
Comprehensive income	$ 198,248	$ 177,109

consolidated statements of shareholders' equity

(in thousands)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	(Note 16)		(Note 15)		
As at October 31, 2008	$ 1,883,336	$ 1,244	$ (9,766)	$ 325,911	$ 2,200,725
Share capital issued	1,142,150	–	–	–	1,142,150
Options exercised	–	(1)	–	–	(1)
Stock-based compensation	–	2,233	–	–	2,233
Other comprehensive income (loss)					
Reclassification of gain on dedesignated hedged contracts, net of tax of $891	–	–	(2,080)	–	(2,080)
Unrealized gain on cash flow hedges, net of tax of $(2,135)	–	–	7,337	–	7,337
Reclassification of loss on cash flow hedges, net of tax of $(1,935)	–	–	4,264	–	4,264
Unrealized loss on available for sale assets, net of tax of $8	–	–	(48)	–	(48)
Unrealized effect of foreign currency translation of foreign operations	–	–	54,509	–	54,509
Future income taxes share issuance costs	–	–	–	5,171	5,171
Share issuance costs	–	–	–	(18,468)	(18,468)
Net earnings for the year	–	–	–	113,127	113,127
As at October 31, 2009	$ 3,025,486	$ 3,476	$ 54,216	$ 425,741	$ 3,508,919
Share capital issued	5	–	–	–	5
Options exercised	–	(2)	–	–	(2)
Stock-based compensation	–	3,093	–	–	3,093
Other comprehensive income (loss)					
Reclassification of gain on dedesignated hedged contracts, net of tax of $302	–	–	(740)	–	(740)
Unrealized loss on cash flow hedges, net of tax of $8,186	–	–	(20,143)	–	(20,143)
Reclassification of loss on cash flow hedges, net of tax of $(7,482)	–	–	15,371	–	15,371
Net investment hedges, net of tax of $(68)	–	–	165	–	165
Unrealized gain on available for sale assets, net of tax of nil	–	–	3	–	3
Unrealized effect of foreign currency translation of foreign operations	–	–	58,320	–	58,320
Net earnings for the year	–	–	–	145,272	145,272
As at October 31, 2010	$ 3,025,491	$ 6,567	$ 107,192	$ 571,013	$ 3,710,263

consolidated statements of cash flow

(in thousands)

For the Year Ended	October 31, 2010	October 31, 2009
Cash From (Used In) Operating Activities		
Net earnings	$ 145,272	$ 113,127
Adjustments for items not involving cash and/or operations		
Amortization	192,676	109,141
Future income tax provision (Note 14)	15,976	29,723
Employee future benefits (Note 21)	(4,939)	(22,875)
Non-cash financing expenses (Note 22)	18,069	6,033
Loss (gain) on disposal of assets (Note 20)	(7,778)	10,314
Net foreign exchange gain (loss) on acquisition (Note 24)	159	(24,105)
Other items	1,814	2,065
Adjustments for items not involving cash and/or operations	215,977	110,296
	361,249	223,423
Changes in non-cash working capital items		
Accounts receivable	6,916	136,654
Inventories	(191,842)	142,810
Accounts payable and accrued liabilities	(8,437)	(69,666)
Prepaid expenses and deposits	(15,742)	24,142
Changes in non-cash working capital	(209,105)	233,940
Cash from operating activities	152,144	457,363
Cash From (Used in) Financing Activities		
Proceeds from long-term debt	409,969	400,925
Repayment of long-term debt	(826,472)	(18,212)
Repayment of short-term borrowings	(241,022)	(23,737)
Repayment of other long-term liabilities, net	(501)	(819)
Increase in share capital (Note 16)	3	450,007
Share issuance costs	–	(18,468)
Debt financing cost	(22,785)	(11,738)
Cash from (used in) financing activities	(680,808)	777,958
Cash From (Used in) Investing Activities		
Property, plant and equipment expenditures	(105,313)	(75,283)
Proceeds on sale of property, plant and equipment	23,164	4,201
Business acquisitions (Note 6)	(288,414)	(814,030)
Business divestitures (Note 6)	30,863	–
Increase in investments	206	–
Net foreign exchange gain (loss) on acquisition (Note 24)	(159)	24,105
Intangible assets expenditures	(16,515)	(9,479)
Cash used in investing activities	(356,168)	(870,486)
Increase (Decrease) in Cash and Cash Equivalents	(884,832)	364,835
Cash and Cash Equivalents, Beginning of Year	1,033,075	669,010
Impact on cash of unrealized effect of foreign currency translation of foreign operations	6,550	(770)
Cash and Cash Equivalents, End of Year	$ 154,793	$ 1,033,075
Cash and cash equivalents consist of:		
Cash	$ 107,428	$ 165,200
Short-term investments	88,204	868,469
Bank indebtedness	(40,839)	(594)
	$ 154,793	$ 1,033,075
Supplemental disclosure of cash paid during the period from operations:		
Interest paid	$ 104,641	$ 58,429
Income taxes paid	$ 4,424	$ 17,637

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notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

1. NATURE OF BUSINESS

Viterra Inc. (the "Company") is a publicly traded, vertically integrated international agri-business. Business operations include four reporting segments: Grain Handling and Marketing, Agri-products, Processing and Corporate. The Company has changed the composition of reportable segments from the prior year. The Processing segment combines Food Processing and Feed Products. Financial Products is now included in the Agri-products segment.

On September 23, 2009, the Company acquired ABB Grain Ltd. ("ABB"), an Australian agri-business. The results of operations of ABB were included in the Company's consolidated financial statements commencing upon acquisition. The subsidiary, including its subsidiaries and its direct parent holding company, is referred to herein as Viterra Australia (Note 6 (b)).

The Grain Handling and Marketing segment includes grain storage facilities, joint venture grain facilities, and processing plants strategically located in the prime agricultural growing regions of North America, Australia and New Zealand. This segment also includes port terminal facilities located in Canada and Australia and merchandising offices in Europe and Asia. Activity in this segment consists of the collection of grain through the Company's primary storage system, shipping to inland or port terminals, cleaning of grain to meet regulatory specifications, and sales to domestic or export markets. Earnings are volume driven. Revenue is also derived through grain handling, blending, storage and other ancillary services, as well as the sale of byproducts.

The Agri-products segment includes an ownership interest in a fertilizer manufacturer, fertilizer distribution and a network of retail locations, and offers financial services such as lending and cash management. Agri-products sales lines include fertilizer, crop protection products, seed and seed treatments, equipment, general merchandise, wool and livestock.

The Processing segment in North America includes the manufacturing and marketing of value-added food products associated with oats, canola, wheat and malt barley for domestic and export markets. This segment also includes activities relating to formulating and manufacturing of feed products at feed mills and pre-mix facilities across the western regions of Canada and the United States ("U.S."). At Viterra Australia, the Processing segment includes malting plants positioned across Australia and a feed business in New Zealand.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the volume and mix of crop inputs sold and ultimately, the financial performance of the Company, are highly dependent upon weather conditions throughout the crop production cycle.

The Company's earnings follow the seasonal pattern of grain production in each geographic location. The volume of grain shipments is relatively stable through the quarters, but can be influenced by destination customer demand, customer export programs and producers' marketing decisions. Sales of the Company's agri-products peak during the growing season, supplemented by additional crop nutrient sales in the late fall.

2. ACCOUNTING POLICIES

The Company's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless specifically stated to the contrary. The following accounting policies are considered to be significant:

a) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Amounts affected include, but are not limited to, the fair value of certain assets; recoverability of investments; property, plant and equipment; intangible assets and goodwill; contingent liabilities; income taxes; pension plan obligations; and stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ as confirming events occur and any impact thereof would be recorded in future periods.

b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, its controlled subsidiaries and its proportionate share of the accounts of its joint ventures. The Company's interest in its joint ventures is recognized using the proportionate consolidation method at rates that approximate the Company's ownership interest in the respective joint venture.

The Company operates grain pools on behalf of growers and has legal title over the pool stocks; however, the majority of risks and benefits associated with pools, principally price risk and benefit, together with credit risk, are attributable to growers. As a result pool stocks and other related balances held by the Company on behalf of growers are not recognized in the Company's consolidated financial statements.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

c) REVENUE RECOGNITION

Revenues are recognized when risks and rewards of ownership have transferred to the customer and the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, selling price is fixed or determinable, and collection is reasonably assured.

i. Grain Handling and Marketing

Revenues arise from the sale of grain commodities and related ancillary services such as grain handling, cleaning and storage.

The Company enters into contracts for the sale of grain commodities to customers. Revenues from the sale of goods are recognized upon delivery to the customer, at which time title passes and the Company has no further performance obligations. Transactions in which the Company acts as an agent for the Canadian Wheat Board ("CWB") are recorded on a net basis with only the amount of the CWB tariff included in revenue. Service-related revenues for ancillary services are recognized upon performance of the service.

ii. Agri-products

Revenues are derived from the sale of fertilizer, crop protection products, seed and seed treatments, equipment, general merchandise, wool and livestock. Revenues are recognized when the customer accepts delivery of the product, at which time title transfers and the Company has no further performance obligations. Revenues recorded are net of rebates and net of estimated returns.

Service-related revenues, including financial services, are recognized upon performance of the service.

iii. Processing

Revenues arise from the sale of value-added products associated with oats, canola, wheat and malt barley, as well as the sale of feed products. Revenues are recognized when the customer accepts delivery of the product, at which time title transfers and the Company has no further performance obligations. Revenues recorded are net of estimated returns.

Service-related revenues are recognized upon performance of the service.

d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, short-term investments and bank indebtedness. Bank indebtedness consists primarily of current outstanding cash tickets and cheques. All components are liquid with an original maturity of less than three months. Funds on deposit within joint ventures may not be immediately available to the Company as those funds are held by the joint ventures and not by the Company directly.

e) INVENTORIES

Grain inventories include both hedgeable and non-hedgeable commodities. Grain inventories are valued on the basis of closing market quotations less freight and handling costs. Agri-products inventories are valued at the lower of cost and net realizable value where cost is determined on a first-in, first-out basis. Processing inventories are valued at the lower of cost and net realizable value where cost is determined using the weighted average method.

f) INVESTMENTS

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received.

Investments designated as available for sale are initially recorded at fair value in the consolidated balance sheet and subsequently measured either at cost or fair value (Note 2 (p)) with unrealized gains and losses, net of related income taxes, recorded in other comprehensive income.

Through a co-tenancy arrangement, the Company has an undivided interest, which fluctuates based on usage, in Prince Rupert Grain terminal ("PRG"). The Company's non-controlling interest in PRG is recorded at a nominal amount since the value of the debt exceeds the depreciated value of the terminal. At October 31, 2010, PRG had approximately $288.0 million in loans due to a third party (2009 – $292.0 million). The loans mature in 2015 ($174.0 million) and 2035 ($114.0 million) (2009 – $178.0 million and $114.0 million respectively) and are secured by the terminal without recourse to the co-tenants members.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

g) PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION

Property, plant and equipment are recorded at cost, which includes interest costs incurred on construction of major new facilities prior to the facilities becoming available for operation, less amortization. Construction in progress is not amortized until facilities are substantially complete and ready for their intended operational use. The Company reviews the carrying value of its property, plant and equipment whenever there is a change in circumstance that suggests the carrying value may not be recoverable, and any resulting write-downs are charged to earnings. Amortization is provided for property, plant and equipment over their estimated useful lives using primarily the straight-line method. The rates used are as follows:

Land	0%
Buildings	2 - 10%
Machinery and equipment	7 - 33%
Site and leasehold improvements	3 - 20%

h) CORPORATE INCOME TAXES

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on tax loss carry forwards and temporary differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the tax rates became substantively enacted. A future tax asset would be recognized only to the extent that it is more likely than not to be realized. Income taxes are recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case the tax is recognized in other comprehensive income or equity.

i) DEFERRED FINANCING COSTS

Costs incurred to obtain revolving credit are deferred and amortized on a straight-line basis over the term of the credit agreement. Amortization is a non-cash charge to financing expenses.

Financing costs related to other borrowings, where there is a fixed principal owing, are included in borrowings and amortized using the effective interest rate method.

Financing costs relating to major construction projects up to the date of commenced operations are capitalized and amortized over the expected life of the asset.

j) EMPLOYEE FUTURE BENEFITS

The Company maintains both defined benefit and defined contribution pension plans for employees. The Company also has a closed retirement allowance plan and provides other employee future benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement. The cost of all future benefits is accrued in the year in which the employee services are rendered based on actuarial valuations.

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. 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 amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net 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 expected to receive benefits under the benefit plan.

The Company also contributes to a multi-employer defined benefit pension plan which is accounted for as a defined contribution plan as the Company has insufficient information to apply defined benefit plan accounting.

k) INTANGIBLE ASSETS

Intangible assets are recorded at cost less accumulated amortization and impairment, and are amortized using primarily the straight-line method based on the following estimated useful lives:

Indefinite life trademarks	0 years
Software	3 - 10 years
Customer relationships	10 - 20 years
Licences and trademarks	3 - 13 years
Rail contracts	4 years
Other	1 - 3 years

The Company reviews the carrying value of intangibles whenever there is a change in circumstance and annually for indefinite life intangibles. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

l) GOODWILL

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired. The Company assesses annually whether there has been an impairment in the carrying value of goodwill based on the fair value of the related business operations. Should the carrying amount of the goodwill exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

At year-end a test is completed for each reporting unit unless the following criteria are met by the reporting unit; there has not been a significant change to the assets and liabilities, the most recent fair value determination resulted in an amount that exceeded the carrying value by a substantial margin and, based on analysis, the likelihood of impairment is remote. Goodwill is also tested between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying value.

The recoverability of goodwill is evaluated using a two-step test approach at the reporting unit level. Under the first step, the Company compares the fair value of each reporting unit to its net carrying amount. Under the second step, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill based on the fair value of the assets and liabilities of the reporting unit. The process of determining fair value is subjective and requires management to exercise a significant amount of judgment in determining future growth, discount and tax rates, as well as other factors.

In all reporting units, fair value was determined to exceed carrying value, indicating no impairment of goodwill. The second step, measuring the amount of the impairment, was therefore not required. No goodwill impairment has been recorded as at October 31, 2010.

m) FOREIGN CURRENCY TRANSACTIONS

Self-sustaining operations have been translated into Canadian dollars using the current rate method. Monetary and non-monetary assets and liabilities are translated at the period-end exchange rate while revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are deferred and included in a currency translation account within accumulated other comprehensive income (loss).

Integrated operations have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the period-end exchange rate while non-monetary assets and liabilities, revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Exchange gains and losses arising from the translation of the financial statements are reflected in earnings during the period in which they occur.

For other foreign currency balances of the Company, monetary assets and liabilities are translated into Canadian dollars at the rate in effect at the balance sheet date and non-monetary items are translated at the rate in effect on the transaction date. Exchange gains or losses arising from translations are recognized in earnings in the period in which they occur.

n) STOCK-BASED COMPENSATION PLANS

Deferred share units, performance share units and restricted share units are amortized over their vesting periods and re-measured at each reporting period, until settlement, using the quoted market value. The Company expenses stock options over the vesting period of options granted, based on the fair value method as determined by the Black-Scholes pricing model, and records the offsetting amount to contributed surplus. Upon exercise of the option, amounts recorded in contributed surplus are transferred to share capital.

o) ENVIRONMENTAL COSTS AND ASSET RETIREMENT OBLIGATIONS

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, mitigate or prevent contamination from future operations or relate to legal asset retirement obligations. Costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are expensed. Provisions for estimated costs are recorded when environmental remedial efforts are likely and the costs can be reasonably estimated. In determining the provisions, the Company uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements.

The Company recognizes its obligations to retire certain tangible long-lived assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over its estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying

notes to the consolidated financial statements

(all funds are in thousands of Canadian dollars, unless otherwise noted)

future cash flows through charges to earnings. A gain or loss may be incurred upon settlement of the liability.

p) FINANCIAL INSTRUMENTS

Financial derivative instruments are used by the Company to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Any change in the value of the derivatives is reported in earnings, unless the derivative qualifies for hedge accounting and is used in a designated hedge accounting relationship.

Transaction costs related to financial assets or financial liabilities, other than those held for trading, adjust the carrying amount of the underlying instrument. These costs are then amortized over the instrument's remaining expected life using the effective interest rate method and are included as part of financing expenses. Transaction costs related to financial assets or liabilities classified as held for trading are expensed as incurred.

The Company has selected an accounting policy of recording regular-way purchases and sales of financial assets as at the settlement date. Regular-way purchases and sales of financial assets include contracts whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace where the asset is customarily exchanged. Non-regular-way asset transactions must be recorded as at the trade date. Liabilities must be recorded as at the contractual obligation date.

Fair Value

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash, short-term investments, accounts receivable, bank indebtedness, short-term borrowings and accounts payable and accrued liabilities. Long-term receivables and payables are measured using discounted cash flows. Equity investments classified as available for sale that do not have an active trading market are recorded at cost. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. Fair value of financial assets and financial liabilities, including derivative instruments, takes into account the Company's own credit risk and the credit risk of the counterparty. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

- The fair value of financial instruments initially recognized is equal to the cost plus directly attributable transaction costs.
- Investments that are classified as available for sale with an active trading market have been recorded at their fair value based on closing market quotations and are therefore considered level one.
- When financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. The methods and assumptions used in these limited cases would be assessed for significance and may be disclosed as level three.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile. The methods and assumptions used are considered level two.
- The fair value of bond forward contracts is estimated by discounting net cash flows of the contracts using forward interest rates for Government of Canada bonds of the same remaining maturity. The methods and assumptions used are considered level two.
- The fair value of interest rate swaps is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturity. The methods and assumptions used are considered level two.
- The fair value of commodity forward contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. The adjustments are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or over the counter ("OTC") markets. Observable inputs are generally available for the full term of the contract and therefore the fair value of commodity forward contracts is generally considered level two.

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- The fair value of foreign exchange forward contracts OTC, natural gas swaps and cross-currency swaps is estimated using observable prices for similar instruments in active markets and is therefore considered level two.
- The fair value of exchange-traded derivatives and securities is based on closing market quotations and is therefore considered level one.

Available for Sale

Financial assets classified as available for sale that are carried at fair value are accounted for with the changes in fair value initially recorded in other comprehensive income until they are assessed to be impaired or disposed of, at which time they flow through earnings.

Held for Trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held for trading. These instruments are accounted for at fair value with the change in the value recognized in cost of sales. Instruments designated as cash flow hedges follow hedge accounting.

Held for Trading – Designated

The Company has elected to designate short-term investments as held for trading. These instruments are accounted for at fair value with the change in the value recognized in sales and other operating revenues.

Loans and Receivables

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Other Financial Liabilities

Other financial liabilities are accounted for at amortized cost using the effective interest rate method and include short-term borrowings, long-term debt, other long-term liabilities and certain liabilities included in accounts payable and accrued liabilities.

q) HEDGING

The Company uses hedge accounting to match the cash flows of some of its processed products to be sold in foreign funds with its foreign currency hedging instruments. Under hedge accounting, the effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized immediately in cost of sales. Upon maturity of the derivative instrument, the effective gains and losses previously recognized in other comprehensive income are recorded in net earnings as a component of cost of sales in the same period the relating hedged sales are recorded in net earnings.

During the year ended October 31, 2010, the Company used hedge accounting for interest rate swaps used to hedge the cash flow on the long-term debt. Hedge accounting treatment resulted in interest expense on the related debt being reflected at hedged rates rather than at variable interest rates. The effective portion of changes in the fair value of the swap was recognized in other comprehensive income while any ineffective portion was recognized immediately in financing expenses. Gains and losses were recognized in financing expenses in the same period as the hedged item was settled.

The Company uses hedge accounting for the foreign exchange swaps, cross-currency swaps and foreign denominated debt used to hedge portions of foreign self-sustaining net investments. The effective portions of the hedges are recognized in other comprehensive income while any ineffective portion is recognized immediately in operating, general and administrative expenses. Gains and losses relating to the effective portions of the hedges will be recognized in net earnings in the same period during which corresponding exchange gains or losses arising from the translation of the financial statements of foreign self-sustaining net investments are recognized in net earnings.

The Company applies hedge accounting for bond forward contracts. The effective portion of changes in the fair value of the bond forward contracts is recognized in other comprehensive income while any ineffective portion is recognized immediately in financing expenses. Gains and losses relating to the effective portion of the hedge will be amortized with interest expense over the term of the debt, once issued. If management were to determine that it was no longer probable that the Company will issue the debt then the hedge relationship will cease to satisfy the conditions for hedge accounting and the full amount deferred in accumulated other comprehensive income would be reclassified to net earnings.

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r) CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Cost of Conversion of Inventories

During the year, the Company changed its classification of costs related to feed processing to more closely align internal and external reporting. The result of the change was a reclassification between cost of sales and operating, general and administrative expenses. This change is considered to be a change in accounting policy and, therefore, was treated retrospectively with restatement of the prior year.

The impact of the change in policy on the current year ended October 31, 2010 was to increase cost of sales and reduce operating, general and administrative expenses by $15.5 million.

The impact of the restatement on the Consolidated Statement of Earnings for fiscal 2009 was to increase cost of sales and reduce operating, general and administrative expenses by $10.9 million.

Inventory and net earnings have not been restated as the impact was insignificant.

s) FUTURE ACCOUNTING CHANGES – INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, the Canadian Institute of Chartered Accountants Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the Accounting Standards Board confirmed the effective due date of the initial adoption of IFRS. The Company's transition date is November 1, 2010 with a conversion date of November 1, 2011. The annual and quarterly financial reporting for the year ending October 31, 2012 will be the first reported under IFRS.

3. INVENTORIES

As at October 31	2010	2009
Grain	$ 724,157	$ 469,196
Agri-products	385,953	381,485
Processing		
Raw materials and supplies	40,393	20,999
Work in progress	14,366	24,955
Finished goods	47,018	64,261
	$ 1,211,887	$ 960,896

Grain cost of sales includes the cost of inventories, net realized and unrealized gains and losses on commodity contracts and exchange-traded derivatives, and freight.

Amortization of $49.0 million for the year ended October 31, 2010 (2009 – $30.2 million) related to the manufacture of inventory that has now been sold is included in amortization expense.

Write-downs related to Agri-products inventory at October 31, 2010 of $0.6 million (2009 – nil) have been included in cost of sales.

4. INVESTMENTS

As at October 31	2010	2009
Investments in significantly influenced companies – equity method	$ 6	$ 63
Available for sale at fair value	28	25
Available for sale at cost	9,627	9,618
	$ 9,661	$ 9,706

5. INTERESTS IN JOINT VENTURES

The following summarizes the Company's proportionate interest in joint ventures before inter-company revenue and expense eliminations:

As at October 31	2010	2009
Cash	$ 15,031	$ 21,500
Other current assets	31,423	49,471
Long-term assets	93,366	119,331
Current liabilities	29,341	23,761
Long-term liabilities	22,665	72,991

For the year ended October 31	2010	2009
Sales and other operating revenues	$ 282,930	$ 280,427
Expenses	279,586	277,970
Net earnings	$ 3,344	$ 2,457
Cash from (used in) operating activities	$ 17,392	$ 6,430
Cash from (used in) financing activities	(15,238)	(65)
Cash from (used in) investing activities	(8,623)	13,043

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6. BUSINESS ACQUISITIONS AND DIVESTITURES

a) FISCAL 2010

	Dakota Growers	21st Century	Other	Total
Net assets acquired at fair value:				
Current assets	$ 63,109	$ 36,773	$ 479	$ 100,361
Property, plant and equipment	94,756	56,564	3,178	154,498
Intangible assets	31,820	6,602	–	38,422
Indefinite life intangible assets	3,178	–	–	3,178
Goodwill	112,390	12,328	2,004	126,722
Other long-term assets	1,644	391	–	2,035
Future income tax liabilities, net	(36,749)	–	–	(36,749)
Current liabilities	(18,928)	(6,273)	(49)	(25,250)
Current portion of long-term debt	(4,510)	(13,883)	–	(18,393)
Long-term debt	(21,739)	(20,614)	–	(42,353)
Total purchase price	224,971	71,888	5,612	302,471
Less: Cash acquired	(12,413)	(1,644)	–	(14,057)
	$ 212,558	$ 70,244	$ 5,612	$ 288,414
Consideration provided:				
Cash (net of cash acquired)	$ 210,405	$ 68,477	$ 5,612	$ 284,494
Transaction costs	2,153	1,767	–	3,920
Cash used in business acquisitions	$ 212,558	$ 70,244	$ 5,612	$ 288,414

i. **Acquisition of Dakota Growers**

On May 5, 2010, the Company acquired all of the issued and outstanding common shares of Dakota Growers Pasta Company, Inc. ("Dakota Growers"), a leading producer and marketer of dry pasta products in North America. The results of the operations are included in the Company's consolidated financial statements commencing upon acquisition.

For purposes of calculating the purchase consideration, the Company used the closing United States dollar ("USD") to Canadian dollar exchange rate on the acquisition date.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed.

Acquisition costs incurred or accrued in the above purchase allocation are comprised mainly of professional fees of $2.1 million.

As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, will be finalized in a subsequent period. The net assets, including goodwill of $112.4 million for accounting purposes, are included in the Processing segment. There will be no goodwill deductible for tax purposes.

Of the $35.0 million of acquired intangible assets, $3.2 million was assigned to registered trademarks that are not subject to amortization. The remaining intangible assets include customer relationships of $24.8 million, licences and trademarks of $2.1 million, and other of $4.9 million.

ii. **Acquisition of 21st Century**

On August 17, 2010, the Company acquired 21C Holdings, L.P. ("21st Century"), a U.S. based processor of oats, wheat and custom-coated grains. The results of the operations are included in the Company's consolidated financial statements commencing upon acquisition.

For purposes of calculating the purchase consideration the Company used the closing USD to Canadian dollar exchange rate on the acquisition date.

The acquisition has been accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of

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the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed.

Acquisition costs incurred or accrued in the above purchase allocation are comprised mainly of professional fees of $1.8 million.

As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, as well as the determination of goodwill deductible for tax purposes, will be finalized in a subsequent period. The net assets, including goodwill of $12.3 million, are included in the Processing segment. Based on the preliminary purchase price allocation, $12.2 million of goodwill is expected to be deductible for tax purposes.

Of the $6.6 million of acquired intangible assets, $6.5 million was assigned to customer relationships and other of $0.1 million.

iii. Other

During the year ended October 31, 2010, the Company purchased certain agri-products retail assets for total consideration of $5.6 million. The net assets, including goodwill of $2.0 million, are included in the Agri-products segment. Goodwill of $1.5 million is expected to be deductible for tax purposes.

iv. Divestitures

During the year ended October 31, 2010, the Company sold two joint venture interests acquired in the ABB acquisition for $30.9 million, which includes $23.4 million of shareholder loan repayments. There was no gain or loss recorded on the disposals. The joint ventures were proportionately consolidated within the Grain Handling and Marketing segment prior to disposal.

b) FISCAL 2009

The following table reconciles the differences between the preliminary purchase price allocations reported in the Company's annual consolidated financial statements for the year ended October 31, 2009 and the final purchase price allocations reflected in these financial statements.

	ABB Original Estimate	Change	ABB Final Allocation	Other	Total
Net assets acquired at fair value:					
Current assets	$ 688,094	$ (11,546)	$ 676,548	$ 19,355	$ 695,903
Property, plant and equipment	1,180,782	(19,726)	1,161,056	71,078	1,232,134
Intangible assets	14,973	72,611	87,584	–	87,584
Goodwill	359,087	(62,538)	296,549	31,717	328,266
Other long-term assets	5,615	(2,834)	2,781	–	2,781
Future income tax assets, net	6,395	22,388	28,783	–	28,783
Current liabilities	(253,287)	1,645	(251,642)	(5,892)	(257,534)
Current portion of long-term debt	(286,168)	–	(286,168)	–	(286,168)
Long-term debt	(293,654)	–	(293,654)	–	(293,654)
Other long-term liabilities	(187)	–	(187)	(12)	(199)
Total purchase price	1,421,650	–	1,421,650	116,246	1,537,896
Less: Cash acquired	(31,724)	–	(31,724)	–	(31,724)
	1,389,926	–	1,389,926	116,246	1,506,172
Less: Common shares (78.3 million issued at an ascribed price of $8.84)	(692,142)	–	(692,142)	–	(692,142)
Cash used in business acquisitions	$ 697,784	$ –	$ 697,784	$ 116,246	$ 814,030

i. ABB Final Purchase Price Allocation

The acquisition of ABB occurred September 23, 2009. The purchase price allocation between the assets and liabilities acquired was finalized in the fourth quarter of 2010. The results of operations are included in the Company's consolidated financial statements commencing upon acquisition.

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For the purposes of calculating the value of the share component of the purchase consideration the Company used the average closing price of Company shares on the Toronto Stock Exchange ("TSX") around the May 19, 2009 announcement of the proposed acquisition of ABB (Note 16 (a)). For purposes of calculating the value of the cash component of the purchase consideration the Company used the closing Australian dollar to Canadian dollar exchange rate on the acquisition date.

During the year ended October 31, 2010, adjustments to the preliminary purchase price allocation have resulted in a $62.5 million decrease in goodwill. In addition to the assessment of the fair value increment of the acquired assets, during the year, a review of the estimated useful lives of the property, plant and equipment and intangibles was prepared. As a result of these assessments, depreciation and amortization was increased by $28.7 million in the year.

The amount of goodwill by reportable segment is as follows: Grain Handling and Marketing $172.0 million, Agri-products $24.7 million and Processing $99.8 million. No goodwill is expected to be deductible for tax purposes.

Of the $87.6 million of acquired intangible assets, $66.3 million was assigned to customer relationships, $15.8 million to software and $5.5 million to rail contracts.

ii. Other

On June 25, 2009, the Company purchased certain businesses of Associated Proteins Limited Partnership of Ste. Agathe, Manitoba, Canada for a total consideration of $76.1 million. During the year ended October 31, 2010, an adjustment to the fair market value of current liabilities assumed resulted in a $3.3 million increase in goodwill recorded in the Processing segment. The net assets, including goodwill of $10.8 million are included in the Processing segment.

During the year ended October 31, 2009, the Company purchased agri-products retail locations located in Western Canada. Total consideration of $40.1 million was paid. The net assets, including goodwill of $20.9 million are included in the Agri-products segment.

Earnings derived from the businesses purchased have been included in the Company's consolidated financial statements commencing from the respective acquisition dates.

The acquisitions were accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of purchase.

7. PROPERTY, PLANT AND EQUIPMENT

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Land	$ 143,516	$ –	$ 122,695	$ –
Site and leasehold improvements	97,119	16,091	82,665	10,673
Buildings	758,340	110,626	699,811	84,260
Machinery and equipment	1,869,968	342,221	1,597,262	236,800
Construction in progress	91,042	–	240,405	–
	2,959,985	$ 468,938	2,742,838	$ 331,733
Accumulated amortization	(468,938)		(331,733)	
Net book value	$ 2,491,047		$ 2,411,105	

Amortization of property, plant and equipment for the year ended October 31, 2010 is $170.7 million (2009 – $105.0 million).

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8. OTHER LONG-TERM ASSETS

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Deferred pension assets (Note 21)	$ 106,986	$ –	$ 89,938	$ –
Deferred financing costs	10,651	2,430	23,434	10,914
Long-term receivables	7,986	57	15,610	43
	125,623	$ 2,487	128,982	$ 10,957
Accumulated amortization	(2,487)		(10,957)	
Net book value	$ 123,136		$ 118,025	

Amortization of deferred financing costs of $6.9 million (2009 – $3.6 million) and a write-off of financing fees of $1.5 million due to retirement of debt are included in financing expenses (Note 22).

9. INTANGIBLE ASSETS

As at October 31	2010	Accumulated Amortization 2010	2009	Accumulated Amortization 2009
Indefinite life trademarks	$ 3,163	$ –	$ –	$ –
Software	52,078	(16,800)	34,074	(5,685)
Customer relationships	102,002	(8,411)	–	–
Licences and trademarks	22,788	(8,175)	19,611	(5,234)
Rail contracts	5,896	(1,623)	–	–
Other	5,271	(1,274)	–	–
	191,198	$ (36,283)	53,685	$ (10,919)
Accumulated amortization	(36,283)		(10,919)	
Net book value	$ 154,915		$ 42,766	

Amortization of intangible assets for the year ended October 31, 2010 is $22.0 million (2009 – $4.1 million).

10. SHORT-TERM BORROWINGS

As at October 31	2010	2009
Global credit facility (a)	$ 51,116	$ –
Viterra Australia	–	291,128
Trade facility agreements (b)	10,561	–
	$ 61,677	$ 291,128

a) GLOBAL CREDIT FACILITY

The Company has an unsecured revolving credit facility ("Global Credit Facility") through a syndicate of financial institutions. The Global Credit Facility, which includes sub-tranches of Canadian $800 million and Australian $850 million, was effective May 18, 2010 and expires May 18, 2013. The facility is available in Canadian ("CAD"), Australian dollars ("AUD"), USD and New Zealand dollars ("NZD") at LIBOR plus a margin of 3.0%. The margin is based on the Company's current credit rating. The Company has the right to increase the facility by up to $400 million, subject to sufficient existing and/or new lenders agreeing to provide commitments for such increase. Concurrent with the closing of the Global Credit Facility and repayment of the Company's and Viterra Australia's previous revolving and term credit facilities, all security was released in respect of such previous credit facilities and in respect of the Company's long-term notes that remain outstanding.

At October 31, 2010, drawings were nil on the Canadian tranche and $65.5 million NZD on the Australian tranche. The carrying value approximates fair value as of October 31, 2010.

The Global Credit Facility replaced the Company's $800 million line of credit in Canada and the $1.2 billion AUD operating line in Australia (referred to and included in the table above and in Note 11 as Viterra Australia). In the year ended October 31, 2010, the Company used the facility to repay amounts outstanding under the Canadian term credit facility and Australian revolving and term credit facilities, and to redeem $100 million of senior unsecured notes (referred to and included in Note 11 as the Credit facility, Viterra Australia and the Series 2006-1 Notes respectively).

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b) TRADE FACILITY AGREEMENTS

In addition, certain subsidiaries and joint ventures have entered into trade facility agreements with financial institutions to facilitate financing of international trade in agricultural commodities. These trade facilities are available to subsidiaries and joint ventures on an uncommitted basis and any drawings are secured by inventory and the proceeds from inventory. The carrying value approximates fair value as of October 31, 2010.

11. LONG-TERM DEBT

As at October 31	2010	2009
Viterra Inc.		
Credit facility (a)	$ –	$ 312,000
Series 2010-1 Notes (USD) (b)	408,080	–
Series 2009-1 Notes (b)	300,000	300,000
Series 2007-1 Notes (b)	200,000	200,000
Series 2006-1 Notes (a)	–	100,000
Members' term loans (c)	1,114	2,449
	$ 909,194	$ 914,449
Subsidiaries' and proportionate share of joint ventures' debt		
Credit facility (a)	$ –	$ 77,897
Viterra Australia (a) and other (d)	5,669	309,389
	$ 5,669	$ 387,286
Sub-total	914,863	1,301,735
Less unamortized debt costs	15,734	18,149
Total long-term debt	$ 899,129	$ 1,283,586
Less portion due within one year:		
Credit facility (a)	$ –	$ 13,000
Members' term loans (c)	497	1,210
Viterra Australia (a) and other (d)	1,798	3,941
Long-term debt due within one year	2,295	18,151
Long-term debt due in excess of one year	$ 896,834	$ 1,265,435

a) GLOBAL CREDIT FACILITY

Refer to Note 10 for information regarding the Global Credit Facility and its impact on the Credit facility, the Series 2006-1 Notes and Viterra Australia.

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b) SENIOR UNSECURED NOTES

Terms [1]		Series 2010-1	Series 2009-1	Series 2007-1
Issue date		August 4, 2010	July 7, 2009	August 1, 2007
Principal amount		$400,000 USD	$300,000	$200,000
Interest rate		5.95%	8.5%	8.5%
Maturity date		August 1, 2020	July 7, 2014	August 1, 2017
Fair Value – October 31, 2010		$395,304 USD	$330,750	$222,000
Fair Value – October 31, 2009		n/a	$318,780	$213,240
Effective interest rate		6.19%	9.05%	8.85%
Redemption price [2]				
Optional redemption, prior to		**August 1, 2020**	**July 7, 2012**	**August 1, 2012**
With net proceeds of public equity offering [3]		n/a	108.5%	108.5%
With all other proceeds		See footnote [4]	See footnote [5]	See footnote [5]
Optional redemption, on or after		**n/a**	**July 7, 2012**	**August 1, 2012**
	2012	n/a	102.125%	104.25%
	2013	n/a	100.0%	103.1875%
	2014	n/a	–	102.125%
	2015	n/a	–	101.0625%
	2016	n/a	–	100.0%

[1] The Senior Unsecured Notes, Global Credit Facility and Member Term Loans are unsecured and rank *pari passu* with each other.

[2] Expressed as percentage of principal amount at maturity.

[3] For Series 2007-1 and Series 2009-1 redemption limited to no more than 35% of aggregate principal amount of each series. For Series 2010-1 there is no restriction on aggregate principal amount that can be redeemed by the Company.

[4] The Series 2010-1 Notes may be redeemed prior to maturity at the Company's option in whole or in part at any time at a redemption price equal to the greater of 100% of the principal amount to be redeemed or a "make-whole" redemption price, in either case, plus accrued and unpaid interest.

[5] For Series 2007-1 and 2009-1, when redeeming notes without proceeds received from one or more public equity offerings, the redemption price is 100% of principal amount thereof plus Applicable Redemption Premium as defined in the corresponding Supplemental Trust Indenture Agreement between the Company and BNY Trust Company.

On August 6, 2010, the Company filed a short form base shelf prospectus allowing the Company to offer, from time to time, over a 25-month period up to $500 million in senior unsecured notes in Canada.

c) MEMBERS' TERM LOANS

Members' term loans are unsecured and consist of one-year to seven-year loans with non-institutional investors and employees. Interest is payable semi-annually at interest rates that vary from 2.0% to 8.0% (2009 – 1.7% to 8.0%) and a weighted average interest rate of 4.5% (2009 – 4.8%) based on the face value of the debt instrument.

As of July 6, 2009, the Company ceased accepting new term loans or renewals. Loans will be paid out at maturity including principal and accrued interest or may be withdrawn prior to maturity without penalty. Interest will continue to be paid semi-annually until the loan is redeemed or matures.

The fair value of the members' term loans at October 31, 2010 was approximately $1.1 million (2009 – $2.6 million).

d) SUBSIDIARIES' AND PROPORTIONATE SHARE OF JOINT VENTURES' BORROWINGS

Subsidiaries' and the proportionate share of joint ventures' borrowings bear interest at fixed and variable rates. The weighted average interest rate of subsidiaries' and the proportionate share of joint ventures' borrowings is 5.5% (2009 – 6.5%) based on the face value of the debt instrument. The debt matures in 2011 to 2023.

The fair value at October 31, 2010 of subsidiaries' and the proportionate share of joint ventures' total borrowings was approximately $5.7 million (2009 – $3.1 million CAD, $18.3 million USD, $463.2 million AUD and $130.1 million NZD).

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e) SCHEDULED REPAYMENTS OF LONG-TERM DEBT

The following summarizes the aggregate amount of scheduled repayments of long-term debt in each of the next five years and thereafter:

For the Years Ending October 31	Viterra Inc.	Subsidiaries and Proportionate Share of Joint Ventures	Total
2011	$ 497	$ 1,798	$ 2,295
2012	429	779	1,208
2013	178	640	818
2014	300,010	486	300,496
2015	–	279	279
Subsequent years	608,080	1,687	609,767
	$ 909,194	$ 5,669	$ 914,863

12. OTHER LONG-TERM LIABILITIES

As at October 31	2010	2009
Cash flow hedges (Note 24 (b))	$ –	$ 13,014
Stock-based compensation plans (Note 18)	8,246	10,223
Non-financial instruments:		
Other employee future benefits (Note 21)	14,044	13,883
Asset retirement obligations (a)	16,030	13,771
Contributions in aid of construction (b)	6,502	7,003
Pension (Note 21)	3,347	3,415
Grain handling agreements	2,000	3,254
Other	1,182	7,908
	$ 51,351	$ 72,471

a) ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent the best estimate by management of the legal obligations it would incur during the reclamation process relating to closed facilities and current leases. Reclamation involves the demolition of facilities and the reclamation of land. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

At October 31, 2010, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately $38.6 million (2009 – $19.2 million), which is expected to be settled over the 2011 through 2022 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4.0% to 8.0%. At October 31, 2010, the aggregate carrying amounts including the short-term portions of the asset retirement obligations was $26.4 million (2009 – $17.5 million); this increase is a result of liabilities of $10.0 million incurred in the year for site restoration and reclamation costs relating to closed facilities and current leases as well as accretion expense of $0.5 million, partially offset by expenditures of $1.6 million.

The Company has a joint venture interest in a fertilizer manufacturer that has certain obligations with respect to plant decommissioning and land reclamation upon cessation of operations. The Company has not recorded an asset retirement obligation for these obligations at October 31, 2010 because it does not currently believe there is a reasonable basis for estimating a date or range of dates of cessation of operations. In reaching this conclusion, the Company considered the historical performance of the facility and has taken into account factors such as planned maintenance, asset replacements and upgrades of plant and equipment, which if conducted as in the past, can extend the physical life of the facility indefinitely. The Company also considered the possibility of changes in technology, risk of obsolescence, and availability of raw materials in arriving at its conclusion.

b) CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction represents payments received from producers pursuant to grain storage licence agreements.

13. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business measured at exchange amounts which are comparable to commercial rates and terms. Related parties include investees Prince Rupert Grain and The Puratone Corporation, as well as grain pools operated by the Company (Note 2(b)).

Total sales to related parties were $15.6 million (2009 – $15.4 million) and total purchases from related parties were $61.5 million (2009 – $7.2 million). As at October 31, 2010, accounts receivable from related parties totaled $20.8 million (2009 – $24.0 million) and accounts payable to related parties totaled $14.8 million (2009 – $5.7 million).

14. CORPORATE INCOME TAXES

a) The provision for corporate income taxes consists of:

For the year ended October 31	2010	2009
Current		
Canada	$ 17,565	$ 13,721
International	10,157	423
	$ 27,722	$ 14,144
Future		
Canada	$ 4,526	$ 37,821
International	11,450	(8,098)
	15,976	29,723
	$ 43,698	$ 43,867

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b) The variation between the provision calculated at the statutory income tax rate and the Company's provision is explained as follows:

For the year ended October 31	2010	2009
Earnings before corporate income taxes	$ 188,970	$ 156,994
Combined Canadian statutory rate	29.03%	29.97%
Pre-tax accounting income at combined Canadian statutory income tax rate	54,858	47,051
Effect of foreign income tax rates differing from Canadian income tax rates	(611)	(683)
Change in effective tax rate on future income taxes	(1,105)	(1,651)
Permanent differences	4,392	561
Change in estimate of tax accruals	490	344
Non-taxable portion of capital gain	(729)	(293)
Non-recoverable withholding taxes	2,848	453
Reversal of valuation allowance	(6,504)	–
Future tax asset not recognized	3,944	172
Deductions available for tax in excess of accounting	(11,965)	(1,066)
Non-taxable income	(1,925)	(851)
Other	5	(170)
	$ 43,698	$ 43,867

c) Income taxes allocated to future years are comprised of the following:

As at October 31	2010	2009
Future income tax assets:		
Losses available for carry forward	$ 36,129	$ 18,183
Refinancing and restructuring costs not currently deducted for tax	14,773	21,908
Accrued expenses not currently deductible for tax	43,388	63,234
Undepreciated capital cost in excess of net book value	2,453	–
Research and development costs not currently deducted for tax	–	1,915
Reclamation costs not currently deducted for tax	4,362	4,652
Other	151	4,832
	101,256	114,724
Valuation allowance [1]	–	(6,504)
Total future income tax assets	$ 101,256	$ 108,220

[1] The valuation allowance represents management's best estimate of the allowance necessary to reduce the future income tax assets recognized related to losses available for carry forward to an amount that the Company considers is more likely than not to be realized. The full valuation allowance related to those losses carried forward was reversed in the current year.

As at October 31	2010	2009
Future income tax liabilities:		
Net book value in excess of undepreciated capital cost	$ 195,841	$ 183,228
Deferred pension assets	27,048	22,566
Income not currently taxable	23,452	17,951
Research and development costs not deducted for accounting	238	–
Other	1,571	2,994
Total future income tax liabilities	$ 248,150	$ 226,739
Net future income tax liability	$ (146,894)	$ (118,519)
Classified in the consolidated financial statements as:		
Current future income tax assets	$ 30,067	$ 44,142
Long-term future income tax assets	25,010	8,023
Current future income tax liabilities	(391)	(573)
Long-term future income tax liabilities	(201,580)	(170,111)
	$ (146,894)	$ (118,519)

No future tax asset has been recognized for the temporary difference related to goodwill and intangibles arising from the acquisition of ABB, an Australian agri-business. This temporary difference of $138.0 million is not expected to be deductible for tax purposes.

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d) As at October 31, 2010, the Company has consolidated non-capital loss carry forwards for income tax purposes of $131.7 million. No future tax benefit has been recognized for $8.9 million of these losses. The expiry dates associated with the losses available for carry forward are:

2013	$ 1,098
2014	23,912
2016	1,248
2017	7,429
2029	195
2030	58
No expiry	97,797
	$ 131,737

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at October 31	2010	2009
Cash flow hedges (Note 24 (b))	$ (5,108)	$ 404
Net investment hedges (Note 24 (b))	165	–
Unrealized losses on available for sale assets	(3)	(6)
Unrealized effect of foreign currency translation of foreign operations	112,138	53,818
	$ 107,192	$ 54,216

16. SHARE CAPITAL

a) COMMON VOTING SHARES

Authorized
Unlimited Common Voting Shares

	Common Voting Shares	
	Number [1]	Amount
Balance, October 31, 2008	237,049,213	$ 1,883,336
Share issuance for cash	56,250,650	450,007
Adjustment to share capital from contributed surplus for options exercised	–	1
Issued upon acquisition of ABB (Note 6)	78,296,645	692,142
Balance, October 31, 2009	371,596,508	$ 3,025,486
Share issuance for cash	425	3
Adjustment to share capital from contributed surplus for options exercised	–	2
Balance, October 31, 2010	371,596,933	$ 3,025,491

[1] Number of shares not shown in thousands.

b) SHARE ISSUANCE

On May 13, 2009, the Company completed the offering of 56.3 million common shares, through a bought deal subscription receipt offering by way of a private placement to exempt purchasers, at a price of $8.00 per common share.

The Company raised gross proceeds from the offering of $450 million. The proceeds were raised to provide a portion of the funding for the acquisition of ABB. Shares were held in escrow until the closing of the acquisition of ABB. Underwriters' fees and other costs associated with the offering were approximately $18 million. In accordance with the capital nature of this transaction, the associated costs are reflected as a charge to shareholders' equity and reflected in the retained earnings of the Company.

notes to the consolidated financial statements

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17. EARNINGS PER SHARE

For the year ended October 31	2010	2009
Net earnings	$ 145,272	$ 113,127
Denominator for basic earnings per share amounts:		
Weighted average number of shares outstanding [1]	371,597	251,426
Basic earnings per share	$ 0.39	$ 0.45
Denominator for diluted earnings per share amounts:		
Weighted average number of shares outstanding [1]	371,597	251,426
Dilutive effect of stock options [1]	6	11
Weighted average number of shares outstanding, assuming dilution [1]	371,603	251,437
Diluted earnings per share	$ 0.39	$ 0.45

[1] Number of shares in thousands.

18. STOCK-BASED COMPENSATION PLANS

The Company operates three active stock-based compensation plans: a Deferred Share Unit Plan ("DSU") for independent directors and a Restricted Share Unit Plan ("RSU") and a Performance Share Unit Plan ("PSU") for designated participants. In addition, the Company's Management Stock Option Plan was reactivated in fiscal 2008 and an Employee Share Purchase Plan began on July 1, 2008.

a) DEFERRED SHARE UNITS

A minimum of 40% of a director's annual retainer and meeting fees will be put into the DSU Plan until he or she acquires three times his or her annual compensation in common shares or DSUs, or a combination of both, of the Company. Each year, directors have the option to elect to receive a larger portion of all of their annual retainer and any additional fees in the form of DSUs. In addition, a director's annual equity retainer is paid in DSUs. As well, participants in the RSU and PSU plans have the option to convert RSU and PSU units into DSUs 60 days prior to vesting. A DSU is a notional unit that reflects the market value of a single common share of the Company. Each DSU fully vests upon award. The DSUs will be redeemed for cash, or for common shares of the Company purchased on the open market, at the holder's option upon leaving the Board or ceasing employment. The redemption amount will be based upon the weighted average of the closing prices of the common shares of the Company on the TSX for the last 20 trading days prior to the redemption date, multiplied by the number of DSUs held. The total DSUs granted were 193,522 during the year ended October 31, 2010 (2009 – 190,494). During fiscal 2010, 30,075 RSUs/PSUs were converted to DSUs by participants (2009 – 7,450). The Company recorded compensation costs related to outstanding DSUs of $1.3 million for the year ended October 31, 2010 (2009 – $3.0 million).

b) RESTRICTED SHARE UNITS

Under the Company's RSU Plan, each designated participant receives an annual grant of RSUs as part of his or her compensation. Each RSU represents one notional common share that entitles the participant to a payment of one common share of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. RSUs vest at the end of a three-year period. Holders of RSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2010, 218,533 RSUs were granted (2009 – 176,800). The Company recorded compensation costs related to outstanding RSUs of $1.5 million for the year ended October 31, 2010 (2009 – $1.2 million).

c) PERFORMANCE SHARE UNITS

Under the Company's PSU Plan, the Company provides each designated participant an annual grant of PSUs as part of his or her compensation. The performance objectives under the plan are designed to further align the interest of the designated participant with those of shareholders by linking the vesting of awards to certain metrics over the three-year performance period. The number of PSUs that ultimately vest will vary based on attaining targets for the metrics at the end of the three-year period. Based on performance, each PSU represents one notional common share that entitles the participant to a payment of common shares of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. PSUs vest at the end of a three-year period. The final value of the PSUs will be based on the value of the Company's stock at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on attaining the target metrics and whether the participant remains employed by the

notes to the consolidated financial statements

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Company at the end of the three-year vesting period. Holders of PSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2010, 486,273 PSUs were granted to the designated participants (2009 – 483,577). The Company recorded compensation costs related to outstanding PSUs of $3.3 million for the year ended October 31, 2010 (2009 – $4.3 million).

d) MANAGEMENT STOCK OPTION PLAN

The maximum number of common shares that may be issued under options issued pursuant to the Stock Option Plan is approximately 10.2 million common shares (2009 – 10.2 million). Once the 2.6 million common shares (2009 – 1.7 million) that can potentially be issued under currently granted and contingently granted options are deducted, approximately 7.6 million common shares (2009 – 8.5 million) have been reserved for subsequent option grants.

The expense related to stock options is recognized over the vesting period based on the fair value of options determined by the Black-Scholes option pricing model with the following weighted average assumptions: risk-free rate 2.5%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 38%, and a weighted average expected option life of 4.7 years. The Company's stock-based compensation expense for the year ended October 31, 2010 was $3.1 million (2009 – $2.2 million).

	Number of Options [1]	Weighted Average Grant-Date Fair Value	Weighted Average Exercise Price	Number of Options Exercisable [1]	Weighted Average Exercise Price
Outstanding October 31, 2008	706,246		$ 18.55	71,834	$ 74.99
Options granted	957,594	$ 3.09	$ 9.02		
Forfeited	(2,370)		$ 51.25		
Expired	(3,630)		$ 168.00		
Exercised	(650)		$ 5.90		
Outstanding October 31, 2009	1,657,190		$ 12.67	384,391	$ 19.59
Options granted	1,066,914	$ 3.50	$ 9.97		
Forfeited	(58,215)		$ 10.51		
Expired	(29,930)		$ 108.45		
Exercised	(425)		$ 5.90		
Outstanding October 31, 2010	2,635,534		$ 10.53	1,639,314	$ 11.05

[1] Number of options not shown in thousands.

The following table summarizes the options outstanding and exercisable as at October 31, 2010:

Range of Exercise Price	Number of Options Outstanding [1]	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable [1]	Weighted Average Exercise Price
<$6.00	5,888	2.72	$ 5.90	5,888	$ 5.90
$6.01-$12.00	1,967,381	5.65	$ 9.52	971,161	$ 9.35
$12.01-$18.00	634,412	5.21	$ 12.12	634,412	$ 12.12
$18.01-$51.00	27,853	0.66	$ 46.81	27,853	$ 46.81
	2,635,534	5.48	$ 10.53	1,639,314	$ 11.05

[1] Number of options not shown in thousands.

e) EMPLOYEE SHARE PURCHASE PLAN

The Employee Share Purchase Plan became effective July 1, 2008. Under the plan, employees have the option to purchase shares of the Company. The Company matches 50% of the plan participants' contributions and is responsible for all costs associated with the purchase of the shares. The funds are used to purchase common shares on the open market. The compensation costs of $3.6 million for the year ended October 31, 2010 are included in operating, general and administrative expenses (2009 – $3.2 million).

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19. SEGMENTED INFORMATION

A description of the types of products and services from which the segments derive their revenue is included in the Nature of Business (Note 1). The segments' accounting policies are consistent with those described in Accounting Policies (Note 2). The Company accounts for inter-segment sales at current market prices under normal trade terms.

For the year ended October 31	2010	2009
Sales and other operating revenues		
Grain Handling and Marketing	$ 5,651,399	$ 4,176,840
Agri-products	1,796,537	1,649,917
Processing	1,296,171	942,561
	$ 8,744,107	$ 6,769,318
Less: Inter-segment sales	487,827	137,652
	$ 8,256,280	$ 6,631,666
Inter-segment sales		
Grain Handling and Marketing	$ 482,164	$ 131,175
Processing	5,663	6,477
	$ 487,827	$ 137,652
Gross profit and net revenues from services		
Grain Handling and Marketing	$ 724,127	$ 437,741
Agri-products	350,102	294,200
Processing	184,338	107,090
	$ 1,258,567	$ 839,031
Operating, general and administrative expenses		
Grain Handling and Marketing	$ (338,022)	$ (189,819)
Agri-products	(196,280)	(161,945)
Processing	(80,082)	(70,541)
Corporate	(126,600)	(93,028)
	$ (740,984)	$ (515,333)
EBITDA[1]		
Grain Handling and Marketing	$ 386,105	$ 247,922
Agri-products	153,822	132,255
Processing	104,256	36,549
Corporate	(126,600)	(93,028)
	$ 517,583	$ 323,698

[1] EBITDA – Earnings before financing expenses, taxes, amortization, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition.

Amortization		
Grain Handling and Marketing	$ (98,680)	$ (46,084)
Agri-products	(46,314)	(42,434)
Processing	(41,592)	(19,339)
Corporate	(6,090)	(1,284)
	$ (192,676)	$ (109,141)

For the year ended October 31	2010	2009
EBIT[2]		
Grain Handling and Marketing	$ 287,425	$ 201,838
Agri-products	107,508	89,821
Processing	62,664	17,210
Corporate	(132,690)	(94,312)
	$ 324,907	$ 214,557

[2] EBIT – Earnings before financing expenses, taxes, gain (loss) on disposal of assets, integration expenses, and net foreign exchange gain (loss) on acquisition.

Capital expenditures		
Grain Handling and Marketing	$ 44,063	$ 50,600
Agri-products	24,055	22,347
Processing	42,286	9,387
Corporate	10,699	2,428
	$ 121,103	$ 84,762

As at October 31	2010	2009
Assets		
Grain Handling and Marketing	$ 3,398,872	$ 2,904,566
Agri-products	1,155,853	1,184,988
Processing	1,210,287	808,495
Corporate	351,870	1,524,699
	$ 6,116,882	$ 6,422,748
Goodwill[3]		
Grain Handling and Marketing	$ 219,879	$ 35,045
Agri-products	299,717	270,958
Processing	252,637	18,322
Viterra Australia[3]	n/a	375,649
	$ 772,233	$ 699,974

[3] The preliminary purchase price allocation was finalized in the year ended October 31, 2010 including the identification and valuation of intangible assets and the allocation of goodwill to segments (Note 6).

Intangible Assets[3]		
Grain Handling and Marketing	$ 77,886	$ 10,783
Agri-products	12,924	16,492
Processing	43,086	3,219
Corporate	21,019	12,272
	$ 154,915	$ 42,766

Geographic segment reporting:

	Revenues		Assets	
	2010	2009	2010	2009
Canada	$ 2,749,476	$ 3,078,670	$ 3,073,199	$ 3,735,939
Australia	1,080,369	308,683	2,280,588	2,250,322
United States	1,300,420	1,349,237	525,563	251,150
Asia	2,172,259	1,476,766	138,701	104,284
New Zealand	399,850	33,865	63,013	76,541
Other	553,906	384,445	35,818	4,512
Total	$ 8,256,280	$ 6,631,666	$ 6,116,882	$ 6,422,748

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20. GAIN ON DISPOSAL OF ASSETS

On August 23, 2010, the Company sold one of its North American grain facilities for proceeds of $18.2 million. A gain on disposal of assets of $6.8 million was recorded. The remaining gain on sale of assets of $1.0 million relates to various insignificant disposals made throughout the fiscal year.

21. EMPLOYEE FUTURE BENEFITS

a) DEFINED BENEFIT PLANS AND FUTURE BENEFITS

The Company has the following defined benefit plans, which are generally based on years of service: Hourly Employees' Retirement Plan ("Hourly"), Out of Scope Defined Benefit Pension Plan ("OSDB"), Supplementary Executive Retirement Plan ("SERP"), Grain Services Union Plan ("GSU"), Thunder Bay Hourly Pension Plan ("TB Hourly"), Manitoba Pool Elevators Plan ("MPE"), and Combined Agricore United Pension Plan ("Combined"). The Company is on a contribution holiday for the Hourly, OSDB and MPE plans due to income tax regulations relating to surpluses in these pension plans. These plans have bridged benefits that allow for early retirement. The SERP is unfunded and the employer makes contributions as the retirement benefits are paid. All of the plans are closed benefit plans, except for Hourly. For one of the defined benefit plans, pension benefits may increase annually based on the performance of the fund.

The Company's retirement allowance benefit is a closed benefit plan. Certain groups of the Company's employees are eligible for a retiring allowance if, as of February 1, 2000, the employee had 15 or more years of service. Those employees currently qualifying for this plan will receive a lump-sum payment upon retirement based on a formula comprising years of service and salary in effect at retirement. The Company also provides other post-employment benefits, largely in respect of extended health and dental plans and life insurance, to eligible employees upon retirement.

Defined benefit plans with accrued benefit obligations in excess of plan assets have an aggregate accrued benefit obligation of $378.4 million (2009 – $347.5 million) and an aggregate fair value of plan assets of $345.4 million (2009 – $323.4 million).

Total consolidated Company cash payments for employee future benefits for the year ended October 31, 2010 were $12.1 million (2009 – $16.1 million), consisting of cash contributed to its funded pension plans and cash payments directly to beneficiaries for other future benefits.

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The consolidated information presented for 2010 in the table below is based on actuarial valuation results ranging from October 31, 2005 to December 31, 2009. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on September 30, 2010 with extrapolations as required to October 31, 2010. Comparative figures are valued at market value at October 31, 2009. The effective dates of the next required actuarial valuations range from October 31, 2010 to December 31, 2011.

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Plan Assets				
Fair value, beginning of period	$ 559,994	$ 529,004	$ –	$ –
Actual return on plan assets	59,198	66,406	–	–
Employer contributions	11,403	15,145	723	959
Employees' contributions	298	292	–	–
Benefits paid	(44,207)	(50,054)	(723)	(959)
Settlement	–	(799)	–	–
Fair value, end of period	586,686	559,994	–	–
Accrued Benefit Obligation				
Balance, beginning of period	530,373	477,491	12,095	10,931
Current service cost	1,555	1,198	292	280
Interest cost	30,641	32,876	715	771
Benefits paid	(44,207)	(50,054)	(723)	(959)
Actuarial loss	54,184	70,289	972	1,072
Settlement	–	(735)	–	–
Curtailment	–	(692)	–	–
Balance, end of period	572,546	530,373	13,351	12,095
Funded status – plan surplus (deficit)	14,140	29,621	(13,351)	(12,095)
Unamortized transitional asset	(98)	(172)	–	–
Unamortized net actuarial (gain) loss	112,021	88,373	(693)	(1,788)
Accrued benefit asset (liability)	126,063	117,822	(14,044)	(13,883)
Valuation allowance	(22,424)	(31,299)	–	–
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 103,639	$ 86,523	$ (14,044)	$ (13,883)

The consolidated accrued benefit asset (liability), net of valuation allowance, is reflected in these statements as follows:

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Other long-term assets (Note 8)	$ 106,986	$ 89,938	$ –	$ –
Other long-term liabilities (Note 12)	(3,347)	(3,415)	(14,044)	(13,883)
Consolidated accrued benefit asset (liability), net of valuation allowance	$ 103,639	$ 86,523	$ (14,044)	$ (13,883)

The percentage of plan assets by major category is:

	Pension Benefit Plans	
As at October 31	2010	2009
Canadian Equities	32%	28%
Global Equities	28%	30%
Bonds	32%	35%
Other	8%	7%
	100%	100%

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The significant weighted average actuarial assumptions are as follows:

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2010	2009	2010	2009
Discount rate (Accrued Benefit Obligation)	5.0%	6.0%	5.0%	6.0%
Discount rate (expense)	6.0%	7.3%	6.0%	7.3%
Expected long-term rate of return on plan assets	6.0%	5.9%	–	–
Rate of compensation increase	3.6%	3.7%	3.6%	3.8%
Average remaining service period – years	3-24	4-24	3-13	3-13
Assumed health care cost trend rates*	n/a	n/a	4-9%	5-10%

* The health care cost trend rate varies depending on the employee group being valued and will decline by 1.0% per year to an ultimate increase rate of 3.0%.

A one percentage-point change in assumed health care cost trend rates would have the following effects for 2010:

	Increase	Decrease
Interest cost	$ 23	$ (21)
Accrued benefit obligation	$ 333	$ (299)

Net benefit (income) expense is comprised of:

	Pension Benefit Plans		Other Future Benefits	
	2010	2009	2010	2009
Costs arising in the period:				
Current service cost, net of employees' contributions	$ 1,257	$ 906	$ 292	$ 280
Interest cost	30,641	32,876	715	771
Actual return on plan assets	(59,198)	(66,406)	–	–
Actuarial loss	54,184	70,289	972	1,072
Settlement loss	–	44	–	–
Valuation allowance provided against accrued benefit asset	(8,875)	(24,576)	–	–
Costs arising in the period	18,009	13,133	1,979	2,123
Difference between expected and actual return on plan assets for the year	26,677	33,387	–	–
Difference between actuarial loss recognized and actuarial loss on accrued benefit obligation for period	(50,434)	(70,003)	(1,095)	(1,376)
Amortization of the transitional obligation	(75)	(139)	–	–
Net benefit (income) expense	$ (5,823)	$ (23,622)	$ 884	$ 747

b) DEFINED CONTRIBUTION PLANS

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans including multi-employer plans. The Company's total consolidated defined contribution plan expense for the year ended October 31, 2010 is $19.4 million (2009 – $12.0 million).

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22. FINANCING EXPENSES

For the year ended October 31	2010	2009
Interest expense on:		
Long-term debt	$ 79,603	$ 55,007
Short-term debt	33,320	11,003
Interest income	(7,629)	(7,948)
CWB carrying charge recovery	(1,693)	(2,932)
Cash interest, net[1] (Note 25)	103,601	55,130
Interest accretion	2,744	2,413
Amortization of deferred financing costs	6,882	3,620
Refinancing costs	24,880	–
	$ 138,107	$ 61,163

[1] Cash interest, net – net financing expenses excluding refinancing costs and non-cash financing expenses.

Refinancing costs were incurred on retirement of debt (Note 10 and 11) and include settlement of interest rate swaps, write-off of financing fees previously capitalized and an early redemption premium.

23. COMMITMENTS, CONTINGENCIES AND GUARANTEES

a) COMMITMENTS

The Company, including its subsidiaries and its proportionate share of joint ventures, has commitments in excess of one year at October 31, 2010. The following table illustrates the initial or remaining minimum contractual terms:

For the Years Ending October 31	Operating Leases[1]	Finance Leases[1]	Agri-products Contractual Obligations[2]	Processing Contractual Obligations[3]
2011	$ 36,452	$ 1,173	$ 46,156	$ 9,692
2012	29,482	138	2,093	–
2013	21,054	–	1,796	–
2014	13,913	–	1,676	–
2015	4,924	–	982	–
Thereafter	25,003	–	–	–
	$ 130,828	$ 1,311	$ 52,703	$ 9,692

[1] Operating and financing leases relate primarily to rail cars, motor vehicles, buildings and equipment.

[2] The Agri-products segment has contractual obligations relating primarily to various seed growers for the production of seed and forage crops.

[3] The Processing segment has contractual obligations relating to a joint venture to build and operate a canola crushing facility in the Province of Guangxi, South China.

b) LETTERS OF CREDIT AND BID BONDS

At October 31, 2010, the Company had outstanding letters of credit and similar instruments of $15.9 million related to operating an agri-business (October 31, 2009 – $5.1 million). The terms range in duration and expire at various dates through to August 31, 2015. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. At October 31, 2010, the Company had outstanding bid bonds and similar instruments of $5.7 million related to trade facility agreements discussed further in Note 10 (b).

c) INDEMNIFICATION OF ACCOUNTS RECEIVABLE – VITERRA FINANCIAL™

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for 50% of future losses to a maximum of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2010, outstanding credit was $520.0 million (2009 – $528.1 million),

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and the Company's obligation of $9.1 million for past and future losses is current with the bank in accordance with the Agency Agreement.

The Company also has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to Processing customers to purchase feeder cattle, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at October 31, 2010, outstanding credit was $36.1 million (2009 – $35.8 million), and the Company's obligation of $0.6 million for past and future losses is current with the bank in accordance with the Agency Agreement.

d) GUARANTEES

The Company's subsidiary, Viterra Australia, has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Viterra Australia and each of these controlled entities has guaranteed to pay any debts of any of the companies' party to the Deed in the event their debts can't be paid as and when they fall due. The consolidated net assets of the entities party to the Deed of Cross Guarantee is $1.4 billion. This Deed replaces the previous Deed entered into by Viterra Australia which was in place upon the acquisition of the entity. The consolidated net assets of the entities to the previous Deed of Cross Guarantee was $889.0 million as at October 31, 2009.

The Company is contingently liable under several guarantees given to third-party lenders who have provided certain financing facilities to its wholly owned foreign subsidiaries. As at October 31, 2010, the maximum amounts of the guarantees are $110.0 million CAD, $70.0 million USD, $2.5 million AUD and Japanese Yen ("JPY") 2.0 billion or approximately $209.3 million CAD in aggregate. As at October 31, 2010, liabilities recorded that have been guaranteed would include subsidiary trade facility borrowings of $10.6 million (2009 – nil) included in short-term borrowings (Note 10).

The Company is contingently liable under several guarantees given to third-party lenders who have provided long-term financing to certain independent hog producers. As at October 31, 2010, the current outstanding balance of these guarantees is $2.2 million (2009 – $2.5 million). These guarantees diminish as the underlying loans are repaid and expire in 2014.

Viterra Australia is a self-insurer in South Australia for workers' compensation liability and is subject to a bank guarantee for $1.2 million AUD (2009 – $1.6 million AUD).

The Company is contingently liable to a finance company for a portion of losses incurred related to potential producer delinquencies associated with equipment leases and credit provided for the purchase of fertilizer bins. Given historically low delinquent rates in conjunction with collateral values of assets, the Company has accrued no obligation.

e) DIRECTOR AND OFFICER INDEMNIFICATION

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers as well as those of certain affiliated companies.

f) OTHER INDEMNIFICATION PROVISIONS

From time to time, the Company enters into agreements in the normal course of operations and in connection with business or asset acquisitions or dispositions. By their nature, these agreements may provide for indemnification of counterparties. The varying nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could incur. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

g) OTHER CONTINGENCIES

As at October 31, 2010, there are claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

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24. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING

a) FAIR VALUE

The following table presents the fair value of the Company's financial instruments and non-financial derivatives where fair value is recognized in the balance sheet. The table also identifies the financial instrument category and the level per the fair value hierarchy.

As at October 31	2010			2009	
	Fair Value	Level	Financial Instruments Category	Fair Value	Level
Financial assets:					
Cash	$ 107,428	1	HFT	$ 165,200	1
Short-term investments	88,204	1	HFT-D	868,469	1
Exchange-traded derivatives	23,014	1	HFT	58,331	1
Commodity forward contracts	152,660	2	HFT	89,571	2
Foreign exchange forward contracts (OTC)	69,861	2	HFT	19,266	2
Interest rate swaps	–		HFT	470	2
Available for sale at fair value	28	1	AFS	25	1
Financial liabilities:					
Bank indebtedness	40,839	1	HFT	594	1
Exchange-traded derivatives	60,503	1	HFT	35,993	1
Commodity forward contracts	107,343	2	HFT	61,708	2
Foreign exchange forward contracts (OTC)	15,675	2	HFT	2,835	2
Cross-currency swaps	8,067	2	HFT	–	
Interest rate swaps	–		HFT	20,102	2
Bond forward contracts	19,964	2	HFT	–	
Natural gas swaps	1,418	2	HFT	588	2

Financial instruments category/guide:
HFT Held for trading
HFT-D Held for trading – designated
AFS Available for sale

The aggregate carrying value of financial instruments classified as loans and receivables is $758.0 million (2009 – $855.0 million). The aggregate carrying value of financial instruments classified as other financial liabilities is $1.9 billion (2009 – $2.6 billion).

b) FINANCIAL RISKS AND RISK MANAGEMENT

The Company faces certain financial risks such as commodity price, foreign exchange, interest rate, credit and liquidity risk that can impact its financial performance. The Company is exposed to changes in commodity prices, foreign exchange rates and interest rates. The Company utilizes a number of financial instruments to manage these exposures. The Company mitigates risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management and the Board.

i. Commodity Price Risk

The Company's diverse range of services is spread across the agri-business supply chain. As a result, the Company is exposed to agricultural and other related commodity price movements within the market as part of its normal operations. The Company uses exchange-traded futures and options contracts as well as OTC contracts to minimize the effects of changes in the prices of hedgeable agricultural commodities on its agri-business inventories and agricultural commodities forward cash purchase and sales contracts. Derivative contracts are valued at the quoted market prices. The Company manages the risk associated with inventory and open contracts on a combined basis.

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During the year ended October 31, 2010, management has reviewed their risk assessment of commodity price risk and has implemented a Value at Risk ("VaR") method in order to standardize the risk assessment globally. All market risk associated with commodity price movement is measured using the VaR method. The VaR calculation quantifies potential changes in the value of commodity positions as a result of potential market price movements from all sources of market risk, whether as a consequence of asset ownership, customer sales, hedging or position taking.

There is currently no uniform industry methodology for estimating VaR. The VaR calculation estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The use of VaR has limitations because it is based on historical correlations and volatilities in commodity prices and assumes that future price movements will follow a statistical distribution. The five-day VaR number used by the group reflects the 95% probability that the gain or loss in a five-day period will not exceed the reported VaR based on the previous pricing period. Although losses are not expected to exceed the statistically estimated VaR on 95% of occasions, losses on the other 5% of occasions could be substantially greater than the estimated VaR. The VaR at the balance sheet date is not representative of the risk throughout the period as the period-end exposure does not reflect the exposure during the period. In practice, as markets move, the Company actively manages its risk and adjusts hedging strategies as appropriate.

The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. The Company has established policies that limit the amount of agricultural commodity positions permissible, which are a combination of quantity and VaR limits. VaR levels are reported daily and compared with approved limits. Limits are regularly reviewed to ensure consistency with risk management objectives, market developments and business activities.

As at	October 31, 2010
Historical VaR (95%, five-day):	
Agricultural commodity price VaR	$ 16,333

ii. Foreign Exchange Risk

The Company undertakes certain transactions denominated in foreign currencies and, as a result is exposed to foreign exchange risk. The Company is exposed to foreign exchange risk on commodity contracts which are denominated in foreign currencies and on its investment in foreign subsidiaries. The Company uses derivative financial instruments, such as foreign currency forward contracts, cross-currency swaps, futures contracts and options to limit exposures to changes in foreign currency exchange rates with respect to its recorded foreign currency denominated assets and liabilities as well as anticipated transactions.

The Company uses hedge accounting to match the cash flow of some of its processed products to be sold in foreign funds with its foreign dollar currency hedging instruments. Maturity dates for the foreign exchange forward contracts on anticipated transactions extend for approximately 24 months. As at October 31, 2010, the portion of the forward contracts considered to be ineffective is insignificant. The estimated amount reported in other comprehensive income that is expected to be reclassified to net earnings during the next 12 months is an after tax gain of $2.2 million.

During the year ended October 31, 2010, the Company entered into a $300 million foreign exchange swap arrangement in order to limit exposure to a change in the AUD on a portion of its net investment in Viterra Australia. The derivative was used to mitigate the risk of economic loss arising from changes in the value of the AUD compared to the CAD. As at October 31, 2010, the Company has terminated the designation of hedge accounting and the derivative has been settled. The realized gain of $5.6 million after tax is included in net investment hedges accumulated other comprehensive income at October 31, 2010. In addition, during the year ended October 31, 2010, the Company entered into a $200 million cross-currency swap arrangement in order to limit exposure to a change in the AUD on a portion of its net investment in Viterra Australia. The derivative is used to mitigate the risk or economic loss arising from changes in the value of the AUD compared to the CAD. As at October 31, 2010, the portion of the cross-currency swap considered to be ineffective is nil. The estimated amount reported in other comprehensive income that is expected to be reported in net earnings relating to these net investment hedges during the next 12 months is nil.

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During the year ended October 31, 2010, the Company issued $400 million USD Senior Notes (Note 11). The principal of the foreign denominated debt has been designated a hedge in order to limit exposure to a change in the USD on a portion of the Company's net investment in its U.S. operations. As at October 31, 2010, the portion of the hedge considered to be ineffective is nil. The estimated amount reported in other comprehensive income that is expected to be reported in net earnings during the next 12 months is nil.

Except as noted above, the foreign currency forward contracts, futures contracts and options used by the Company are marked-to-market and unrealized gains and losses are recognized in net earnings in the period in which they occur.

During the year ended October 31, 2010, the Company entered into a series of derivative contracts in connection with its offer to acquire Dakota Growers (Note 6). The Company had entered into option arrangements in order to limit exposure to a change in the USD on $240 million USD. These derivatives were used to mitigate the risk of economic loss arising from changes in the value of the USD compared to the CAD. The arrangements were ineligible for hedge accounting and have resulted in a net realized loss of $0.9 million as at October 31, 2010 that is included in net foreign exchange gain (loss) on acquisition in the Consolidated Statement of Earnings.

The following table details the Company's sensitivity on the net carrying value of financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured as at the balance sheet date, had currencies moved as illustrated, with all other variables held constant.

	Carrying Value	Impact On Earnings, After Tax	Impact On Other Comprehensive Income, After Tax
10% increase			
CAD/USD	$ 12,473	$ 146	$ 699
CAD/Euro	718	51	–
CAD/GBP	223	16	–
CAD/AUD	(287)	(20)	–
AUD/USD	44,037	(3,214)	(2,254)
AUD/Euro	2,189	(332)	(52)
AUD/JPY	17,714	(62)	(189)
AUD/NZD	99,047	(5,522)	(6,329)
AUD/Singapore dollars	1,290	(182)	–
10% decrease			
CAD/USD	12,473	(146)	(699)
CAD/Euro	718	(51)	–
CAD/GBP	223	(16)	–
CAD/AUD	(287)	20	–
AUD/USD	44,037	3,930	2,757
AUD/Euro	2,189	406	64
AUD/JPY	17,714	76	231
AUD/NZD	99,047	6,750	7,735
AUD/Singapore dollars	1,290	222	–

The above sensitivity analysis for foreign currency risk does not take translation risk into account. Translation exposures arise from financial and non-financial items held by foreign entities determined to be self-sustaining operations. Sensitivity on net investments in self-sustaining foreign operations is therefore not included in the analysis. The sensitivity at the balance sheet date is not representative of the sensitivity throughout the year as the balance sheet date exposure does not reflect the exposure during the year.

A foreign exchange loss of $3.8 million is included in operating, general and administrative expenses for the year ended October 31, 2010 (2009 – $1.0 million gain).

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iii. Interest Rate Risk

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations. The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has used interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio. During the year ended October 31, 2010, the Company terminated the designation of hedge accounting and the derivatives have been settled. Due to the change in financing facilities (Note 10), the full balance reported in other comprehensive income was reclassified to net earnings as a component of financing expenses during the year. The impact is an after tax expense of approximately $10.2 million.

Based on the October 31, 2010 borrowing, the Company is exposed to interest rate risk on short-term variable rate borrowings. A 25 basis point change in short-term variable rates based on the Company's current credit ratings and the current borrowings would not have a significant impact on the after tax earnings.

During the year, the Company entered into derivative contracts in connection with its plans to issue additional debt (Note 11 (a)). The Company has entered into bond forward contracts in order to protect against the risk of economic loss arising from changes in the interest rates. The impact of a 25 basis point change in interest rates on after tax other comprehensive income is approximately $3.1 million. As at the balance sheet date, there would be no impact on after tax earnings. The Company estimates that an insignificant amount will be amortized to net income in the next 12 months.

Cash and cash equivalents at October 31, 2010 had a weighted average interest rate of 2.6% (2009 – 0.4%).

iv. Credit Risk

The Company is exposed to credit risk in respect of its trade receivables. Credit approval policies and procedures are in place to guide internal credit specialists in granting credit to new customers as well as in continuing to extend credit to existing customers. The Company manages this credit risk through monitoring of credit balances, ongoing credit reviews of all significant contracts and analysis of payment and loss history. Customers that fail to meet specified credit requirements may transact with the Company on a prepayment basis or provide another form of credit support, such as letters of credit, approved by the Company.

The absence of significant financial concentration of trade receivables, except as noted below for receivables from the CWB, limits the Company's exposure to credit risk. Credit risk exposure for the Agri-products and Processing segments are also partially limited through an arrangement with a Canadian Schedule I chartered bank which provides for limited recourse to the Company for credit losses on producer accounts receivable under Viterra Financial ™.

The Company is also exposed to credit risk in the event of non-performance of its counterparties on its derivative contracts. However, in the case of OTC derivative contracts, the Company only contracts with pre-authorized counterparties where agreements are in place and the Company monitors the credit ratings of its counterparties on an ongoing basis. Exchange-traded contracts used to hedge future revenues in the Company's grain business are not subject to any significant credit risk as the changes in contract positions are settled daily through a recognized exchange.

All bad debt write-offs are charged to operating, general and administrative expenses. The year-to-date changes in the allowances for losses against accounts receivable are as follows:

For the year ended October 31	2010	2009
Beginning balance	$ 8,081	$ 11,942
Provision for losses	5,862	(40)
Write-offs, net of recoveries	(4,036)	(3,821)
Ending balance	$ 9,907	$ 8,081

The Company has historically experienced minimal credit losses and, as a result, it considers the credit quality of the trade receivables at October 31, 2010 that are not past due to be high. The distribution of trade accounts receivable by credit quality as at the balance sheet is shown in the following table:

As at October 31	2010	2009
Not past due	$ 422,440	$ 515,215
Past due:		
Past due ≤ 60 days	9,995	62,065
Past due ≥ 61 days and ≤ 90 days	2,626	4,384
Past due ≥ 91 days	36,888	15,710
Allowances for losses	(9,907)	(8,081)
	$ 462,042	$ 589,293

Included in trade accounts receivable is $77.7 million (2009 – $223.0 million) due from the CWB which represents a significant concentration of credit risk.

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The Company's maximum credit exposure at the balance sheet date consists primarily of the carrying amounts of non-derivative financial assets such as cash, short-term investments, accounts receivable and long-term receivables as well as the fair value of commodity contracts, exchange-traded derivatives and other non-trade assets included in accounts receivable. Short-term investments are held with Schedule I (Canada) and A-rated (Australia) banks, and have maturities of less than three months.

v. Liquidity Risk

The Company's liquidity risk refers to its ability to settle or meet its obligations as they fall due and is managed as part of the risk strategy. Liquidity adequacy is continually monitored, taking into consideration estimated future cash flows including the amount and timing of cash generated from operations, working capital requirements, planned capital expenditure programs, debt servicing requirement, planned dividend policy and business acquisitions. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. See Notes 10 and 11 for further information on credit facilities in place. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

The following table approximates the Company's remaining contractual maturity for its financial liabilities and matching financial assets as well as matching cash flows in designated hedge relationships as at the balance sheet date. The table below details the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Contractual Cash Flows	Within 1 Year	1 to 2 Years	2 to 3 Years	Thereafter
Financial Assets:					
Exchange-traded derivatives	$ 23,014	$ 22,040	$ 974	$ –	$ –
Commodity forward contracts	157,748	131,283	26,465	–	–
Foreign exchange forward contracts (OTC)	71,913	63,959	7,641	313	–
Financial Liabilities:					
Bank indebtedness	$ (40,839)	$ (40,839)	$ –	$ –	$ –
Short-term borrowings	(61,677)	(61,677)	–	–	–
Exchange-traded derivatives	(60,504)	(57,102)	(3,402)	–	–
Commodity forward contracts	(112,430)	(90,601)	(21,829)	–	–
Foreign exchange forward contracts (OTC)	(17,722)	(15,591)	(2,118)	(13)	–
Cross-currency swaps	(8,896)	(8,896)	–	–	–
Bond forwards	(19,964)	(19,964)	–	–	–
Natural gas swaps	(1,418)	(1,418)	–	–	–
Other current liabilities	(938,681)	(938,681)	–	–	–
Long-term debt, including current portion	(1,377,401)	(68,266)	(67,488)	(67,488)	(1,174,159)
Classified as other long-term liabilities	(8,246)	(500)	(915)	(2,612)	(4,219)

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25. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to strive for a long-term manageable level of debt to total capital together with maintaining an acceptable ratio of EBITDA to cash interest. Due to the seasonal nature of the Company's short-term borrowing requirements, the Company's objective is to manage the level of debt to total capital between 30% to 40% and to maintain a rolling 12-month EBITDA that is at least five times the level of cash interest paid.

Debt to total capital is defined as total interest bearing debt divided by total interest bearing debt plus the book value of total shareholders' equity. Interest bearing debt is the aggregate of short-term borrowings, long-term debt due within one year and long-term debt.

As at October 31	2010	2009
Short-term borrowings	$ 61,677	$ 291,128
Long-term debt due within one year	$ 2,295	$ 18,151
Long-term debt	896,834	1,265,435
Total long-term debt	$ 899,129	$ 1,283,586
Total interest bearing debt	$ 960,806	$ 1,574,714
Shareholders' equity	$ 3,710,263	$ 3,508,919
Total capital	$ 4,671,069	$ 5,083,633
Debt to total capital:		
As at the balance sheet date	21:79	31:69
Four quarter average	25:75	29:71

EBITDA to cash interest is defined as earnings before financing expenses, taxes, amortization, gain (loss) on disposal of assets, integration expenses and net foreign exchange gain (loss) on acquisition divided by cash interest. Cash interest is net financing expenses excluding refinancing costs less non-cash financing expenses. The ratio is calculated on a rolling 12-month basis.

For the year ended October 31	2010	2009
EBITDA (Note 19)	$ 517,583	$ 323,698
Cash interest, net (Note 22)	103,601	55,130
EBITDA to cash interest:	5.0	5.9

The Company's objectives, evaluation measures and definitions have changed. Bank indebtedness is no longer included in the definition or calculation of debt to total capital. Bank indebtedness consists primarily of current outstanding cash tickets and cheques that are not interest bearing. Management uses EBITDA to cash interest to assess interest coverage and the Company's ability to service its interest bearing debt.

The Company monitors its capital structure and makes adjustments according to market conditions and seasonal requirements in an effort to meet its objectives. The Company may manage its capital structure by issuing new shares, obtaining additional financing, issuing unsecured notes, refinancing existing debt, repaying current debt, or by paying dividends.

The Company has a covenant to maintain a debt to capitalization rate as prescribed by the financial institutions for a portion of the long-term financing. During the year, the Company is in compliance with external covenants relating to the management of capital.

26. COMPARATIVE AMOUNTS

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

27. SUBSEQUENT EVENT

On December 1, 2010, the Board of Directors authorized the Company to make a dividend distribution of $0.05 per share. Total dividends of approximately $18.6 million will be paid on February 10, 2011 to shareholders of record on January 20, 2011.