## CONDENSED CONSOLIDATED BALANCE SHEETS

*(thousands of Canadian dollars)*
*(unaudited)*

| As at | **January 31, 2012** | January 31, 2011 | October 31, 2011 | November 1, 2010 (note 19) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | **122,735** | 150,306 | 106,296 | 66,589 |
| Short-term investments | **17,905** | 138,461 | 191,764 | 88,204 |
| Accounts receivable (note 10) | **1,125,279** | 965,523 | 1,123,258 | 738,603 |
| Derivative assets (note 17) | **154,884** | 286,681 | 154,481 | 217,282 |
| Inventories (note 11) | **1,882,105** | 1,905,267 | 1,568,410 | 1,211,887 |
| Prepaid expenses and deposits | **194,447** | 205,156 | 107,871 | 107,374 |
| Assets held for sale (note 7) | **137,574** | - | - | - |
| | **3,634,929** | 3,651,394 | 3,252,080 | 2,429,939 |
| **Property, plant and equipment** (note 12) | **2,558,475** | 2,508,350 | 2,561,836 | 2,518,709 |
| **Other assets** | **44,283** | 47,486 | 48,990 | 50,490 |
| **Long-term derivative assets** (note 17) | **7,847** | 5,753 | 21,297 | 35,393 |
| **Intangible assets** | **153,703** | 151,131 | 155,515 | 154,915 |
| **Goodwill** | **791,316** | 767,799 | 772,527 | 772,233 |
| **Deferred tax assets** | **4,838** | 1 | 1,551 | 16,730 |
| | **7,195,391** | 7,131,914 | 6,813,796 | 5,978,409 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| **Current liabilities** | | | | |
| Short-term borrowings and long-term debt due within one year (note 13) | **431,456** | 779,020 | 127,544 | 63,972 |
| Accounts payable and accrued liabilities (note 14) | **1,280,528** | 1,199,426 | 1,298,680 | 900,538 |
| Derivative liabilities (note 17) | **132,161** | 258,348 | 134,928 | 193,572 |
| Decommissioning and other provisions | **23,722** | 18,440 | 22,720 | 16,431 |
| Liabilities held for sale (note 7) | **35,443** | - | - | - |
| | **1,903,310** | 2,255,234 | 1,583,872 | 1,174,513 |
| **Long-term debt** | **1,088,384** | 889,269 | 1,085,680 | 896,834 |
| **Decommissioning and other provisions** | **48,390** | 47,624 | 48,430 | 47,005 |
| **Other liabilities** | **82,299** | 66,371 | 85,491 | 64,663 |
| **Long-term derivative liabilities** (note 17) | **1,948** | 5,188 | 7,022 | 27,362 |
| **Deferred tax liabilities** | **129,644** | 182,899 | 136,626 | 163,385 |
| | **3,253,975** | 3,446,585 | 2,947,121 | 2,373,762 |
| **Shareholders' equity** | | | | |
| Share capital | **3,026,711** | 3,026,080 | 3,026,711 | 3,025,491 |
| Equity settled employee benefits reserve | **9,927** | 8,862 | 9,550 | 8,099 |
| Retained earnings | **787,334** | 658,269 | 737,521 | 576,168 |
| Accumulated other comprehensive income (loss) | **117,444** | (7,882) | 92,893 | (5,111) |
| | **3,941,416** | 3,685,329 | 3,866,675 | 3,604,647 |
| | **7,195,391** | 7,131,914 | 6,813,796 | 5,978,409 |

See accompanying notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

*(thousands of Canadian dollars, expect per share amounts)*
*(unaudited)*

| Three months ended January 31, | **2012** | 2011 |
|---|---|---|
| **CONTINUING OPERATIONS** | | |
| Revenues | **3,562,971** | 2,329,869 |
| Cost of sales | **3,177,691** | 1,940,470 |
| Gross profit | **385,280** | 389,399 |
| Operating, general and administrative expenses | **247,543** | 225,613 |
| Gain on disposal of assets | **(3,195)** | (859) |
| Finance costs (note 8) | **28,604** | 30,347 |
| Earnings before tax | **112,328** | 134,298 |
| Income tax expense | **27,200** | 33,231 |
| Net earnings from continuing operations | **85,128** | 101,067 |
| **DISCONTINUED OPERATIONS** | | |
| Net loss from discontinued operations (note 6) | **(7,438)** | (386) |
| **NET EARNINGS** | **77,690** | 100,681 |
| **Earnings (loss) per share** (note 9) | | |
| Basic and diluted earnings per share from continuing operations | **0.23** | 0.27 |
| Basic and diluted loss per share from discontinued operations | **(0.02)** | 0.00 |
| Basic and diluted earnings per share | **0.21** | 0.27 |

See accompanying notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(thousands of Canadian dollars)*
*(unaudited)*

| | | | | Accumulated Other Comprehensive Income (Loss) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Common Shares, millions [a] | Share Capital | Equity Settled Employee Benefits Reserve | Foreign Currency Translation | Available for Sale Financial Assets | Cash Flow Hedges | Total Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
| **As at November 1, 2010** | 372 | 3,025,491 | 8,099 | - | (3) | (5,108) | (5,111) | 576,168 | 3,604,647 |
| Net earnings | | | | | | | | 100,681 | 100,681 |
| Other comprehensive income, net of income tax | | | | (6,882) | (1) | 4,112 | (2,771) | | (2,771) |
| **Total comprehensive income for the period** | | | | (6,882) | (1) | 4,112 | (2,771) | 100,681 | 97,910 |
| Share capital issued | | 589 | | | | | | | 589 |
| Share based compensation transactions | | - | 763 | | | | | | 763 |
| Dividends | | | | | | | | (18,580) | (18,580) |
| **As at January 31, 2011** | **372** | **3,026,080** | **8,862** | **(6,882)** | **(4)** | **(996)** | **(7,882)** | **658,269** | **3,685,329** |
| **As at October 31, 2011** | 372 | 3,026,711 | 9,550 | 95,042 | - | (2,149) | 92,893 | 737,521 | 3,866,675 |
| Net earnings | | | | | | | | 77,690 | 77,690 |
| Other comprehensive income, net of income tax | | | | 26,023 | - | (1,472) | 24,551 | | 24,551 |
| **Total comprehensive income for the period** | | | | 26,023 | - | (1,472) | 24,551 | 77,690 | 102,241 |
| Share capital issued | | - | | | | | | | - |
| Share based compensation transactions | | - | 377 | | | | | | 377 |
| Dividends | | | | | | | | (27,877) | (27,877) |
| **As at January 31, 2012** | **372** | **3,026,711** | **9,927** | **121,065** | **-** | **(3,621)** | **117,444** | **787,334** | **3,941,416** |

[a] Authorized share capital consists of unlimited common shares

See accompanying notes to the condensed consolidated financial statements

# CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

*(thousands of Canadian dollars)*
*(unaudited)*

| Three months ended January 31, | **2012** | 2011 |
|---|---|---|
| **Net earnings** | **77,690** | 100,681 |
| **Other comprehensive income** | | |
| Exchange differences on translating foreign operations | | |
| Unrealized effect of foreign currency translation of foreign operations | **28,932** | (12,623) |
| Unrealized (loss) gain on hedging instruments designated as hedges of the net assets of foreign operations [a] | **(2,909)** | 5,741 |
| | **26,023** | (6,882) |
| Available for sale financial assets | | |
| Unrealized gain on available for sale assets [b] | **-** | (1) |
| | **-** | (1) |
| Cash flow hedges | | |
| Unrealized (loss) gain on cash flow hedges [c] | **(574)** | 2,538 |
| Realized (loss) gain on cash flow hedges [d] | **(898)** | 1,574 |
| | **(1,472)** | 4,112 |
| **TOTAL COMPREHENSIVE INCOME** | **102,241** | **97,910** |

[a] net of tax of $437 (2011-($2,123))
[b] net of tax of $nil (2011-$nil)
[c] net of tax of $233 (2011-($711))
[d] net of tax of $310 (2011-($1,397))

See accompanying notes to the condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

*(thousands of Canadian dollars)*
*(unaudited)*

| Three months ended January 31, | **2012** | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net earnings | **77,690** | 100,681 |
| Adjustments for non-cash items | | |
| Depreciation and amortization | **63,750** | 49,294 |
| Income tax expense | **24,459** | 33,217 |
| Employee benefits | **(1,131)** | (13) |
| Finance costs | **29,442** | 31,171 |
| Gain on disposal of property, plant and equipment | **(3,886)** | (843) |
| Other | **1,421** | 831 |
| | **191,745** | 214,338 |
| Changes in non-cash working capital | | |
| Increase in accounts receivable | **(251,056)** | (189,054) |
| Increase in derivative assets | **(403)** | (69,399) |
| Increase in inventories | **(341,429)** | (694,811) |
| Increase in prepaid expenses and deposits | **(86,415)** | (97,486) |
| Increase in accounts payable and accrued liabilities | **145,784** | 260,842 |
| (Decrease) increase in derivative liabilities | **(2,767)** | 64,776 |
| Increase (decrease) in decommissioning and other provisions | **6,474** | (718) |
| Net changes in non-cash working capital | **(529,812)** | (725,850) |
| Cash used in operations | **(338,067)** | (511,512) |
| Interest paid | **(20,268)** | (24,030) |
| Income taxes paid | **(29,429)** | (5,383) |
| **Net cash used in operating activities** | **(387,764)** | (540,925) |
| | | |
| **Cash flows from financing activities** | | |
| Repayment of long-term debt | **(1,311)** | (414) |
| Proceeds from short-term borrowings | **317,430** | 714,855 |
| Increase in share capital | **-** | 589 |
| Debt finance costs | **(48)** | - |
| Other | **867** | (72) |
| **Cash provided by financing activities** | **316,938** | 714,958 |
| | | |
| **Investing** | | |
| Additions to property, plant and equipment | **(57,111)** | (38,757) |
| Proceeds on disposal of property, plant and equipment | **5,175** | 478 |
| Business acquisitions (note 5) | **(28,414)** | - |
| Proceeds on disposal of investments | **-** | 1,372 |
| Additions to intangible assets | **(5,092)** | (2,621) |
| Other | **49** | - |
| **Cash used in investing activities** | **(85,393)** | (39,528) |
| | | |
| **(Decrease) increase in cash and cash equivalents** | **(156,219)** | 134,505 |
| **Cash and cash equivalents, beginning of period** | **298,060** | 154,793 |
| **Effect of exchange rate changes on cash and cash equivalents** | **(1,201)** | (531) |
| **Cash and cash equivalents, end of period** | **140,640** | 288,767 |
| | | |
| **Cash and cash equivalents consist of:** | | |
| Cash | **122,735** | 150,306 |
| Short-term investments | **17,905** | 138,461 |
| | **140,640** | 288,767 |

See accompanying notes to the condensed consolidated financial statements

## 1. Corporate Information

Viterra Inc. (the "Company" or "Viterra") is incorporated under the laws of Canada with common shares listed under the symbol "VT" on the Toronto Stock Exchange and CHESS Depository Interests ("CDIs") listed under the symbol "VTA" on the Australian Securities Exchange. Viterra's registered and head office is located at 2625 Victoria Avenue, Regina, Saskatchewan, Canada.

### Description of the Business

Viterra is a vertically integrated international agri-business with four reporting segments: Grain Handling and Marketing, Agri-products, Processing and Corporate.

Grain Handling and Marketing operates grain storage and processing facilities strategically located in the prime agricultural growing regions of North America, Australia and New Zealand, port terminal facilities located in Canada and Australia, and merchandising offices in Europe and Asia. Revenue is derived from the sale of grain commodities and related ancillary services such as grain handling, blending, cleaning and storage. 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.

Agri-products operates a network of retail locations and fertilizer distribution assets in North America and Australia. The segment also has an ownership interest in a fertilizer manufacturing facility in Canada. Revenue is derived from the sale of fertilizer, crop protection products, seed and seed treatments, equipment, general merchandise, wool, and various financial services. Agri-products' sales peak during the growing season, supplemented by additional crop nutrient sales in the late fall.

Processing operates in North America, Australia, China and New Zealand, manufacturing and marketing value-added food products associated with oats, canola, wheat and malt barley, as well as feed products. Processing earnings are relatively unaffected by seasonal fluctuations.

Corporate is a non-operating segment for corporate functions.

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

## 2. Significant Accounting Policies

### Statement of Compliance

These condensed consolidated financial statements ("condensed financial statements") of Viterra as at and for the three months ended January 31, 2012 and 2011 were approved by the Board of Directors on March 7, 2012. The Company prepared the condensed financial statements in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with

International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed financial statements are Viterra's first issued financial statements after its transition to reporting in accordance with IFRS and before the issuance of its first consolidated annual financial statements prepared in accordance with IFRS for the year ending October 31, 2012. These condensed financial statements use the accounting policies which the Company expects to adopt in its annual consolidated financial statements for the year ending October 31, 2012. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 19. These condensed financial statements do not include all disclosures normally provided in consolidated annual financial statements and should be read in conjunction with our audited consolidated financial statements for the year ended October 31, 2011, prepared in accordance with pre-changeover Canadian generally accepted accounting principles ("CGAAP").

### Basis of Preparation

These condensed financial statements are presented in Canadian dollars, which is the Company's presentation currency. The Company has prepared these condensed financial statements using the historical cost basis except for certain financial instruments, commodity inventories, and non-current assets and liabilities that are measured at fair value.

### Basis of Consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of Viterra Inc. and its subsidiaries, which are the entities over which Viterra has control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany assets, liabilities, revenues and expenses between these entities have been eliminated.

Joint ventures are those entities over whose activity Viterra has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using proportionate consolidation whereby Viterra's share of the jointly controlled entity's assets, liabilities, revenues and expenses are combined with the equivalent items in the consolidated financial statements. Where the Company transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of Viterra's interest in the joint ventures.

Associates are those entities for which Viterra has the ability to exercise significant influence but not control over financial and operating policies. Investments in associates are accounted for using the equity method.

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

#### Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued by the Company, in exchange for control of the acquiree at the date that control is obtained. Acquisition-related costs are recognized in net earnings as incurred.

Goodwill is measured as the excess consideration over the fair values assigned to identifiable net assets acquired in a business combination.

When the consideration transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period, which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in net earnings. Subsequent accounting for changes in the fair value of contingent consideration classified as equity that do not qualify as measurement period adjustments are recognized within equity.

#### Foreign Currency Translation

The functional currency for each of the Company's subsidiaries, jointly controlled entities and associates is the currency of the primary economic environment in which they operate. Determining the primary economic environment in which an entity operates requires management to consider several factors and use judgment.

All transactions that are not denominated in an entity's functional currency are foreign currency transactions. Foreign currency transactions are initially recorded in the functional currency using the exchange rate in effect at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are re-measured using the functional currency exchange rate existing at the reporting date. Non-monetary assets and liabilities measured at historical cost are not re-measured and remain at the exchange rate from the date of their initial transaction. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are measured using the foreign currency exchange rates prevailing at the date when the fair value was determined. Exchange differences are recognized in net earnings except for those exchange differences on transactions entered into in order to hedge certain foreign currency risks.

The assets and liabilities of foreign operations that are not denominated in the Company's Canadian dollar presentation currency are translated to the Company's presentation currency at exchange rates at the reporting date. Revenues, expenses and capital transactions are translated at the average exchange rate for the month. Foreign currency differences are recognized directly in equity. When the Company loses control over a foreign entity, the proportionate amount of foreign currency translation in equity related to that entity is reclassified to net earnings.

### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership transfer to the customer, it is probable that the economic benefits associated with the transaction will flow to the Company, the costs incurred in respect of the transaction can be measured reliably, and the amount of revenue can be measured reliably. These conditions are generally satisfied when the goods are provided to the customer. Amounts prepaid by customers are recorded as a current liability until such time as the goods are provided to the customer.

Revenue from services is recognized after the provision of the services and in accordance with the terms of the service contract. Service revenue is earned from a variety of sources, including cleaning, drying, storage and elevation of grains, equipment rentals, fertilizer and crop protection application, and toll milling.

Transactions in which the Company acts as an agent to provide secured and unsecured working capital financing to producers through a Canadian chartered back to purchase the Company's fertilizer, crop protection products, seed and equipment are recorded on a net basis.

Transactions in which the Company acts as an agent to provide livestock producers with secured financing through a Canadian chartered bank to purchase feeder cattle and the Company's feed products under terms that do not require payment until the livestock is sold are recorded on a net basis.

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 determined by a monthly contractual service fee calculation.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term investments. Short-term investments are highly liquid investments with an original maturity of less than three months.

Cash and cash equivalents within jointly controlled entities may not be immediately available to the Company as those funds are held by the joint ventures and not by the Company directly.

### Accounts Receivable and Allowance for Doubtful Accounts

Management evaluates collectability of customer receivables depending on the customer and the nature of the sale. Collectability of receivables is reviewed and the allowance for doubtful accounts is adjusted quarterly. Account balances are charged to net earnings when management determines that it is probable that the receivable will not be collected.

### Inventories

Grain Handling and Marketing inventories are commodity inventories that are readily convertible to cash because of their commodity characteristics, widely available markets, and international pricing mechanisms. Commodity inventories are measured at their fair value less handling costs and any applicable freight, with changes to fair value recognized in cost of goods sold. Fair value

is determined using either exchange traded prices or quoted market prices in active markets adjusted for local conditions.

Agri-products inventories include product purchased for resale, manufactured fertilizer, and wool. Seed, proprietary seed, farm equipment, crop protection products, and fertilizer purchased for resale, are valued at the lower of cost determined on a first-in first-out basis and net realizable value. Cost includes the cost of product plus freight. Manufactured fertilizer is measured on a lower of cost determined on a first-in first-out basis and net realizable value. Cost for manufactured fertilizer includes both direct and indirect production costs, depreciation on manufacturing assets, and freight. Wool inventories are considered commodity inventories and are measured at their fair value less estimated costs to sell with changes in their fair value recognized in net earnings.

Processing inventories consist primarily of raw materials, work in progress, and finished goods related to food and feed products. Food inventories are measured at the lower of cost determined on a weighted average basis and net realizable value. Cost includes both direct and indirect manufacturing costs and depreciation on manufacturing assets. Feed inventories are measured at the lower of standard costs, with under or over recovery on standard costs charged to net earnings, and net realizable value.

#### Corporate Income Taxes

Income tax expense consists of the provision for income tax and deferred tax. Income tax expense is recognized in net earnings except to the extent that it relates to items recognized directly in equity and other comprehensive income, in which case it is recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or recoverable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

### Finance Costs

Finance costs comprise interest expense on borrowings not subject to capitalization, amortization of costs related to borrowings, interest on finance leases, and the accretion of the discount on provisions. Borrowing costs are amortized to net earnings using the effective interest method in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized for the period of time from when construction commences until the assets are substantially ready for their intended use.

### Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If an obligation exists to decommission property, plant and equipment, the discounted value of the obligation is included in the carrying value of the assets when the obligation arises. For qualifying assets, costs include the borrowing costs capitalized in accordance with the Company's accounting policy for finance costs.

Expenses in connection with day-to-day maintenance and repairs are recognized in net earnings as they are incurred. Expenditures related to major replacements, plant turnarounds and renewals that materially extend the life of property, plant and equipment or result in future economic benefits are capitalized as incurred and depreciated on a systematic basis. Any remaining carrying amount of replaced components is expensed upon replacement.

Depreciation is provided for property, plant and equipment, excluding land and assets under construction, over their estimated useful lives using the straight-line method. The rates used are as follows:

| | |
|---|---|
| Site and leasehold improvements | 3 - 20% |
| Buildings | 2 - 10% |
| Machinery and equipment | 5 - 33% |

If the cost of an individual part of property, plant and equipment is significant relative to the total cost of the item, the individual part is accounted for and depreciated separately.

Expected useful life, depreciation method, and residual value are re-assessed annually, with any changes in estimates being accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in net earnings.

#### Intangible Assets

Intangible assets with definite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided for these intangible assets over their estimated useful lives using the straight-line method. The rates used, which are re-assessed annually, are as follows:

| | |
|---|---|
| Software | 3-10 years |
| Customer relationships | 10-20 years |
| Licenses and trademarks | 3-13 years |
| Other | 1-4 years |

Intangible assets are considered to have indefinite useful lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company. Intangible assets with indefinite useful lives are recorded at cost less accumulated impairment losses. No amortization is provided for these intangible assets.

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising from the derecognizing of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in net earnings.

#### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least annually or when there is an indicator of impairment.

#### Impairment of Non-Current Assets

The carrying amounts of non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication of impairment exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives, the recoverable amount is estimated each year during the fourth quarter.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into CGUs, being the smallest group of assets that have the ability to generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The goodwill acquired in a business combination,

for the purpose of impairment testing, is allocated to a CGU or groups of CGUs that are expected to benefit from the synergies of the combination and reflects the lowest level at which goodwill is monitored for internal reporting purposes. If there is an indication of an impairment of an asset or CGU below the level to which goodwill has been allocated, the asset or CGU is tested for impairment first and any impairment loss for that asset or CGU is recognized before testing at the level to which goodwill has been allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-current assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

#### Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. At the inception of a finance lease, the leased asset is recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation. The leased asset is subsequently accounted for in accordance with the accounting policy for property, plant and equipment. Lease payments are apportioned between the finance cost and reduction of the lease obligation so as to result in a constant rate of interest on the remaining balance of the liability. Finance costs are recognized immediately in net earnings unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the accounting policy for borrowing costs.

Other leases are classified as operating leases and are not recognized on the Company's consolidated balance sheets. Payments made under operating leases are recognized in net earnings on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Share-based Payments

The Company's restricted share unit, performance share unit, and deferred share unit plans are classified as cash-settled plans and are recorded as liabilities. The fair value of the award is determined at the grant date using a Black-Scholes valuation model. Share-based compensation expense is accrued and recognized over the vesting period of the units. Their fair value is re-

measured at each reporting period until settlement and changes in fair value are recognized in the period in which the fluctuations occur.

The Company's key employee share unit and management stock option share-based compensation plans are classified as equity-settled and are measured at their fair value at the date of grant using the Black-Scholes pricing model. The fair value is recognized as an expense over the vesting period of the share units or options granted with a corresponding increase to equity settled share-based payments reserve. Upon redemption of the share unit or exercise of the option, amounts recorded in equity settled share-based payment reserve are transferred to share capital.

#### Employee Benefits

Viterra maintains both defined benefit and defined contribution pension plans for employees. In addition, the Company has a closed retirement allowance benefit plan for eligible employees who 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 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 unit credit method of actuarial valuation 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. Actuarial gains and losses are recognized in other comprehensive income.

The Company 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.

#### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of discounting is material, the expected future cash flows associated with a provision are discounted at a risk-free rate that reflects current market assessments of the time value of money. The unwinding of the discount is recognized as a finance cost.

*Environmental Costs*

Environmental expenditures 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, or mitigate or prevent contamination from future operations. 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 probable 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.

*Decommissioning Obligations*

The Company recognizes its obligations to retire certain of its property, plant and equipment. The best estimate of the consideration required to settle a decommissioning obligation is measured, taking into account the risks and uncertainties specific to the obligation, using a risk free market discount rate. The discounted costs are capitalized as part of the carrying amount of the associated property, plant and equipment and depreciated over their estimated useful life. On a quarterly basis, decommissioning obligations are adjusted to reflect changes in the estimate of the obligation, timing of the underlying future cash flows, or changes to the risk free market discount rate. These adjustments are recognized on a prospective basis. A gain or loss may be incurred upon settlement of the decommissioning obligation.

*Onerous Contracts*

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**Financial Instruments**

Financial assets and financial liabilities ("financial instruments") are initially recognized at fair value, which is equal to cost plus directly attributable transactions costs, other than those financial instruments that are classified as at fair value through earnings ("FVTPL"). These transaction costs are then amortized over the financial instrument's remaining expected life using the effective interest method and are included as part of financing expenses. Transaction costs related to financial instruments classified as FVTPL are expensed as incurred.

Regular way purchases and sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are those purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognizing a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in net earnings.

Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net earnings.

Financial instruments include derivatives that are not designated as hedges which are initially recognized at fair value and subsequently re-measured to their fair value at each reporting date with the resulting gain or loss recognized in net earnings. If the derivative is designated and effective as a hedging instrument, the fair value re-measurement is recognized through other comprehensive income until the hedge is no longer effective or settled.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Subsequent to initial recognition, financial instruments are classified and measured at each reporting date as follows:

*Available for Sale Assets*

Financial assets classified as available for sale are measured at fair value with unrealized gains or losses recognized in other comprehensive income until the financial instrument is disposed of or impaired, at which time it is recognized in net earnings.

*Assets or Liabilities at Fair Value through Profit or Loss*

Financial assets and liabilities are classified as FVTPL when the financial asset or liability is either held for trading or is initially designated as FVTPL. Financial instruments purchased and incurred with the intention of generating profits in the near term are classified as held for trading and measured at fair value with unrealized gains or losses recognized in net earnings. The Company designates some held for trading financial instruments as cash flow hedges and these instruments are measured and recognized using hedge accounting.

*Loans and Receivables*

Loans and receivables are measured at amortized cost using the effective interest method, less impairment.

*Other Financial Liabilities*

Other financial liabilities are measured at amortized cost using the effective interest method.

**Impairment of Financial Assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in net earnings removing amounts from other comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized to the extent that the carrying amount of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent recovery is recognized directly in equity.

#### Fair Value

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. Fair value of financial instruments, 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. For those financial instruments where fair value is recognized in the balance sheet the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 includes inputs that are observable other than quoted prices included in Level 1.

- Level 3 includes inputs that are not based on observable market data.

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 and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

- Investments classified as available for sale with an active trading market are recorded at their fair value based on closing market quotations and are considered Level 1.

- The fair value of exchange-traded derivatives and securities is based on closing market quotations and is considered Level 1.

- The fair value of foreign exchange forward contracts over the counter (“OTC”), natural gas swaps and cross-currency swaps is estimated using observable prices for similar instruments in active markets and is considered Level 2.

- 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 2.

- 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 OTC markets. Observable inputs are generally available for the full term of the contract and are considered Level 2.

- 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.

- 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 3.

#### Hedge Accounting

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 net earnings. Upon maturity of the derivative instrument, the effective gains and losses previously recognized in other comprehensive income are recorded in net earnings in the same period the relating hedged sales are recorded in net earnings.

The Company uses hedge accounting for the foreign exchange swaps, cross-currency swaps and foreign denominated debt used to hedge portions of net investments in foreign operations. The effective portions of the hedges are recognized in other comprehensive income while any ineffective portion is recognized immediately in net earnings. Gains and losses relating to the effective portions of the hedges are reclassified to net earnings when there is a disposal or loss of control in the net investment in foreign operations.

The Company has applied 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 finance costs. Gains and losses relating to the effective portion of the hedge are amortized with interest expense over the term of the debt.

#### Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets, assets of disposal groups, and liabilities of disposal groups classified as held for sale are classified as current in the consolidated balance sheets as they are expected to be realized within 12 months of the date of classification as held for sale. Once classified as held for sale, property, plant and equipment and intangible assets are not amortized and are recognized at fair value less cost to sell.

In the consolidated statements of earnings of the reporting period, and of the comparable period of the previous year, revenues and expenses from discontinued operations are reported separate from revenues and expenses from continuing activities, down to the level of earnings after taxes.

The Company ceases using the equity method of accounting on the date from which an investment in an associate becomes held for sale.

## 3. Application of New and Revised IFRS

**New and Revised IFRS in Issue but Not Yet Effective**

The IASB has issued several new standards or revisions to existing standards that will be effective at various future dates. All of the new or revised standards permit early adoption.

IAS 1 – *Financial Statements Presentation*, effective for fiscal years after July 1, 2012, was amended to address the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the net earnings section of other comprehensive income.

The following standards are effective for fiscal years that begin on or after January 1, 2013:

IFRS 10 - *Consolidated Financial Statements* builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 11 - *Joint Arrangements* establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 - *Disclosure of Interest in Other Entities* provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.

IFRS 13 - *Fair Value Measurement* defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 19 - *Employee Benefits* was amended and includes the requirement to recognize all changes in the net defined benefit liability (asset) when they occur such that service costs and net interest is recognized in net earnings while re-measurements are recorded in other comprehensive income.

IAS 28 - *Investments in Associates and Joint Ventures* revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The following standards are effective on the indicated dates:

IAS 32 - *Financial Instruments: Presentation*, effective for fiscal years that begin on or after January 1, 2014, was amended to clarify the meaning of certain terms used to decide when financial assets and financial liabilities can be offset.

IFRS 9 - *Financial Instruments,* effective for fiscal years that begin on or after January 1, 2015, is the first phase of a multi-phase project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, and applies to the classification and measurement of financial assets and liabilities. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications; amortized cost and fair value. In addition, for financial liabilities that are measured at fair value, IFRS 9 requires that an entity present the portion of any change in its fair value that is due to changes in the entity's own credit

risk in other comprehensive income, rather than through net earnings. Phases to address impairment methodology and hedge accounting remain under development

The Company has not completed its evaluation of the effect of adopting these new or revised standards on its financial statements.

## 4. Critical Accounting Judgments and Estimates

The preparation of financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Areas which management believes require the most critical accounting judgments and estimates are:

*Decommissioning Obligations*

Decommissioning obligations are recognized in the financial statements at the net present value of the estimated future expenditure required to settle the Company's restoration obligations. Estimates of decommissioning costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. Management applies judgment to determining probability weighted estimates of expected costs and anticipated timing of the decommissioning obligations. A risk free rate is applied to the expected costs to recognize the time value of money and the obligations are unwound over the life of the provisions through a charge to finance costs in net earnings.

*Employee Benefits*

The Company operates defined benefit pension and other employee benefit plans for which actuarial valuations are required. Pension and other future benefit costs are assessed with management's best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuations. The assumptions are based on information supplied to the actuary by management, supplemented by discussions between the actuary and management. The principal assumptions are the discount rates used on the accrued benefit obligations and expenses, the expected long-term rate of return on plan assets, the rate of compensation increase, and assumed health care cost trend rates.

*Cash Generating Units*

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Management determines which groups of assets are capable of generating cash inflows that are largely independent of other operations within the Company. To create these groupings, management makes critical judgments about where active markets exist including an analysis of the degree of autonomy various operations have in negotiating prices with customers.

*Allowance for Doubtful Accounts*

Provision is made against accounts that, in the estimation of management, may not be collectible. Within each of the operating segments, a quarterly assessment is performed on the recoverability of accounts receivable based on a range of factors including the age of the receivable and the creditworthiness of the customer. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment.

*Fair Value of Financial Instruments*

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where a valuation model is used to determine fair value, it makes maximum use of observable inputs, including valuations determined by unadjusted quoted prices in active markets and market standard pricing models that use observable inputs. Financial instruments whose fair value is determined, at least in part, using unobservable inputs require measurement that is more subjective in nature.

The methods and assumptions used by management in estimating fair value of the Company's financial instruments where measurement is required are set out in note 2. An analysis of financial instruments carried at fair value by valuation technique, together with a sensitivity analysis of valuations, is included in note 17.

*Inventories*

Inventories, except for commodity inventories carried at fair value, are evaluated to ensure they are carried at the lower of cost or net realizable value.

Estimates and assumptions are required in the determination of fair values of commodity inventories, particularly for those commodity inventories where exchange-traded prices are not available. For these inventories, management assesses the available quoted market prices and applies judgment in determining the effect of local market conditions on those prices.

*Carrying Value of Property, Plant and Equipment and Intangible Assets with Definite Useful Lives*

Estimated useful lives of property, plant and equipment and intangible assets are based on management's judgment and experience. When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Due to the significance of capital investment to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives, depreciation and amortization methods, and residual values are reviewed annually and, historically, changes to estimates of remaining useful lives have not been material.

*Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives*

The Company records all assets and liabilities acquired in business acquisitions, including goodwill and intangible assets, at fair value. Goodwill and intangible assets with an indefinite useful life are assessed at least annually for impairment. The initial goodwill and intangible assets recorded and subsequent impairment analysis requires management to make estimations of future

cash flows, terminal values and an assessment of the long-term pre-tax discount rate to be applied to those cash flows which reflects an assessment of the cost of capital of the cash generating unit.

*Income Taxes*

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the Company's income tax provisions reflect management's interpretation of country-specific tax law. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and may remain uncertain for several years after their occurrence. The Company recognizes assets and liabilities for taxation when it is probable that the relevant taxation authority will require the Company to receive or pay taxes. Where the final outcome of the determination of tax assets and liabilities is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. Changes in tax law or changes in the way that tax law is interpreted may also impact the Company's effective tax rate as well as its business and operations.

*Purchase Price Allocation*

Accounting for business combinations requires the allocation of the Company's purchase price to the various assets and liabilities of the acquired business at their respective fair values. The Company uses all available information to make these fair value determinations, and for major acquisitions, may hire an independent appraisal firm to assist in making fair value estimates. In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset may be used to determine its fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

## 5. Business Acquisitions

**Fiscal 2012**

On January 19, 2012, the Company acquired a commercial and farm fuel business in Western Canada. Total consideration paid was $7 million for property, plant and equipment, $13 million for goodwill and intangible assets, and $8 million for working capital, to be adjusted on final closing. The net assets, including goodwill, are included in the Agri-products reporting segment. The results of operations are included in the Company's consolidated financial statements commencing from the date of acquisition.

**Fiscal 2011**

On June 20, 2011, the Company purchased a pulse processing plant for total consideration of $8 million. The net assets, including goodwill, are included in the Grain Handling and Marketing reporting segment. The results of the operations are included in the Company's consolidated financial statements commencing from the date of acquisition.

## 6. Discontinued Operations

During the first quarter of 2012, Viterra decided on a plan to dispose of the Company's North American feed processing operations. Accordingly, the North American feed processing operations have been classified and accounted for as at January 31, 2012 as a disposal group held for sale (note 7).

During the fourth quarter of 2011, the Company recognized an impairment loss related to goodwill on the North American feed operations of $8 million under CGAAP. An additional pre-tax impairment loss of $3 million of the remaining goodwill and $48 million of property, plant and equipment and intangible assets was recognized in the fourth quarter of 2011 under IFRS.

Subsequent to January 31, 2012, the Company entered into a sale agreement for all of the North American feed assets for proceeds of $40 million plus working capital, subject to closing adjustments. The transaction is expected to close during the second fiscal quarter.

The expected proceeds of sale are less than the carrying amount of the related net assets and, accordingly, a loss on re-measurement to fair value less costs to sell of $9 million was recognized on the reclassification of these operations as held for sale.

The results of discontinued operations are set out below. The comparative net earnings and cash flows from discontinued operations have been revised to include those operations classified as discontinued in the current period.

| **For the three months ended January 31,** | **2012** | 2011 |
|---|---|---|
| Revenues | **174,877** | 140,668 |
| Expenses | **175,583** | 141,068 |
| Loss before tax | **(706)** | (400) |
| Attributable income tax recovery | **152** | 14 |
| | **(554)** | (386) |
| Loss on re-measurement to fair value less costs to sell | **(9,473)** | - |
| Attributable income tax recovery | **2,589** | - |
| Net loss for the period from discontinued operations | **(7,438)** | (386) |

| **For the three months ended January 31,** | **2012** | 2011 |
|---|---|---|
| Net cash outflows from operating activities | **(935)** | (2,954) |
| Net cash outflows from investing activities | **(3,847)** | (1,252) |
| Net cash outflows from financing activities | **-** | - |
| Net cash outflows | **(4,782)** | (4,206) |

## 7. Assets Held for Sale

As described in note 6, the Company has decided to dispose of its North American feed operations and anticipates that the disposal will be completed by April 30, 2012. The major classes of assets and liabilities of the North American feed operations as at January 31, 2012 are as follows:

| As at January 31, | 2012 |
|---|---|
| Accounts receivable | **62,920** |
| Derivative assets | **118** |
| Inventories | **38,233** |
| Prepaid expenses and deposits | **333** |
| Property, plant and equipment | **32,582** |
| Other assets | **3,388** |
| Assets of North American feed operations classified as held for sale | **137,574** |
| | |
| Accounts payable and accrued liabilities | **34,310** |
| Decommissioning and other provisions | **1,133** |
| Liabilities from North American feed operations classified as held for sale | **35,443** |
| | |
| Net assets of North American feed operations classified as held for sale | **102,131** |

## 8. Finance Costs

| For the three months ended January 31, | 2012 | 2011 |
|---|---|---|
| Interest on short-term debt | **6,166** | 11,266 |
| Interest on long-term debt | **19,847** | 16,347 |
| Amortization of transaction costs | **1,762** | 1,861 |
| Accretion of decommissioning obligations | **829** | 873 |
| | **28,604** | 30,347 |

## 9. Earnings per Share

| For the three months ended January 31, | 2012 | 2011 |
|---|---|---|
| Net earnings from continued operations | **85,128** | 101,067 |
| Net loss from discontinued operations | **(7,438)** | (386) |
| Net earnings | **77,690** | 100,681 |
| | | |
| Weighted average number of shares outstanding | **371,695** | 371,599 |
| Dilutive effect of stock options | **635** | 632 |
| Weighted average number of shares outstanding, assuming dilution | **372,330** | 372,231 |
| | | |
| Earnings per share from continuing operations[a] | | |
| Basic | **0.23** | 0.27 |
| Diluted | **0.23** | 0.27 |
| | | |
| Loss per share from discontinued operations[a] | | |
| Basic | **(0.02)** | (0.00) |
| Diluted | **(0.02)** | (0.00) |
| | | |
| Net earnings per share[a] | | |
| Basic | **0.21** | 0.27 |
| Diluted | **0.21** | 0.27 |

[a] Earnings per share not in thousands.

## 10. Accounts Receivable

| | January 31, 2012 | January 31, 2011 | October 31, 2011 | November 1, 2010 |
|---|---|---|---|---|
| Trade receivables | **813,692** | 644,811 | 798,317 | 471,949 |
| Allowance for doubtful accounts | **(9,694)** | (9,372) | (9,943) | (9,907) |
| CWB | **142,080** | 90,305 | 189,996 | 77,700 |
| Income and other taxes | **80,930** | 57,438 | 49,335 | 45,240 |
| Other receivables | **98,271** | 182,341 | 95,553 | 153,621 |
| | **1,125,279** | 965,523 | 1,123,258 | 738,603 |

## 11. Inventories

| | January 31, 2012 | January 31, 2011 | October 31, 2011 | November 1, 2010 |
|---|---|---|---|---|
| Commodity inventories at fair value | | | | |
| Grain Handling and Marketing | **1,087,746** | 1,237,869 | 896,018 | 724,157 |
| Agri-products | **96,354** | 122,943 | 103,290 | 61,369 |
| | **1,184,100** | 1,360,812 | 999,308 | 785,526 |
| Inventories at cost | | | | |
| Agri-products [(a)] [(b)] | **555,607** | 428,738 | 403,874 | 324,584 |
| Processing | | | | |
| Raw materials and supplies | **44,891** | 44,304 | 76,523 | 40,393 |
| Work in progress | **24,072** | 14,225 | 15,394 | 14,366 |
| Finished goods [(b)] | **73,435** | 57,188 | 73,311 | 47,018 |
| | **698,005** | 544,455 | 569,102 | 426,361 |
| | **1,882,105** | 1,905,267 | 1,568,410 | 1,211,887 |

[(a)] Adjustments to the lower of cost and net realizable value at January 31, 2012 of $nil (January 31, 2011 - $1 million, October 31, 2011 - $4 million) have been included in cost of sales. As at January 31, 2012, no reversals of previous adjustments were made (January 31, 2011 - $nil, October 31, 2011 - $nil).

[(b)] Depreciation expense of $11 million for the three months ended January 31, 2012 (January 31, 2011 - $11 million) related to the manufacture of inventories that has now been sold is included in cost of sales.

## 12. Property, Plant and Equipment

| January 31, 2012 | Land | Site and Leasehold Improvements | Buildings | Machinery and Equipment | Construction In Progress ("CIP") | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| October 31, 2011 | 148,271 | 132,748 | 790,811 | 2,003,774 | 172,716 | **3,248,320** |
| Additions [(a)] | - | - | - | - | 58,780 | **58,780** |
| Transfers from CIP | 12 | 500 | 1,629 | 54,432 | (56,573) | **-** |
| Disposals | (1,103) | (797) | (781) | (3,466) | - | **(6,147)** |
| Available for sale | (9,417) | (5,647) | (27,348) | (88,143) | (6,306) | **(136,861)** |
| Business acquisitions | 645 | 74 | 60 | 4,218 | 1,578 | **6,575** |
| Foreign currency translation | 1,451 | 21 | 2,577 | 14,781 | 8,902 | **27,732** |
| January 31, 2012 | 139,859 | 126,899 | 766,948 | 1,985,596 | 179,097 | **3,198,399** |
| **Accumulated depreciation** | | | | | | |
| October 31, 2011 | - | (26,618) | (160,184) | (499,682) | - | **(686,484)** |
| Depreciation | - | (1,397) | (9,076) | (35,344) | - | **(45,817)** |
| Disposals | - | 57 | 774 | 3,078 | - | **3,909** |
| Available for sale | - | 2,178 | 21,387 | 72,249 | - | **95,814** |
| Foreign currency translation | - | (6) | (151) | (7,189) | - | **(7,346)** |
| January 31, 2012 | - | (25,786) | (147,250) | (466,888) | - | **(639,924)** |
| **Carrying amount** | 139,859 | 101,113 | 619,698 | 1,518,708 | 179,097 | **2,558,475** |

[(a)] Includes capitalized borrowing costs for the period of $2 million.

| January 31, 2011 | Land | Site and Leasehold Improvements | Buildings | Machinery and Equipment | Construction In Progress ("CIP") | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| November 1, 2010 | 143,516 | 98,105 | 766,037 | 1,888,947 | 91,042 | 2,987,647 |
| Additions [(b)] | - | - | - | - | 38,757 | 38,757 |
| Transfers from CIP | 2 | 4,578 | 73 | 5,829 | (10,482) | - |
| Disposals | (116) | (3) | (216) | (1,804) | - | (2,139) |
| Foreign currency translation | (3) | (146) | (736) | (3,844) | (789) | (5,518) |
| January 31, 2011 | 143,399 | 102,534 | 765,158 | 1,889,128 | 118,528 | 3,018,747 |
| **Accumulated depreciation** | | | | | | |
| November 1, 2010 | - | (16,091) | (110,626) | (342,221) | - | (468,938) |
| Depreciation | - | (1,561) | (10,159) | (31,496) | - | (43,216) |
| Disposals | - | - | 48 | 1,245 | - | 1,293 |
| Foreign currency translation | - | - | 116 | 348 | - | 464 |
| January 31, 2011 | - | (17,652) | (120,621) | (372,124) | - | (510,397) |
| **Carrying amount** | 143,399 | 84,882 | 644,537 | 1,517,004 | 118,528 | 2,508,350 |

(b) Includes capitalized borrowing costs for the period of $nil.

| October 31, 2011 | Land | Site and Leasehold Improvements | Buildings | Machinery and Equipment | Construction In Progress ("CIP") | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| November 1, 2010 | 143,516 | 98,105 | 766,037 | 1,888,947 | 91,042 | 2,987,647 |
| Additions [(c)] | - | - | - | - | 241,782 | 241,782 |
| Transfers from CIP | 5,084 | 33,802 | 17,789 | 104,209 | (160,884) | - |
| Disposals | (1,414) | (15) | (1,947) | (12,581) | - | (15,957) |
| Foreign currency translation | 1,084 | 857 | 8,933 | 23,198 | 776 | 34,848 |
| October 31, 2011 | 148,270 | 132,749 | 790,812 | 2,003,773 | 172,716 | 3,248,320 |
| **Accumulated depreciation** | | | | | | |
| November 1, 2010 | - | (16,091) | (110,626) | (342,221) | - | (468,938) |
| Depreciation | - | (10,538) | (35,579) | (130,822) | - | (176,939) |
| Impairment | - | - | (15,446) | (30,841) | - | (46,287) |
| Disposals | - | 86 | 2,673 | 6,648 | - | 9,407 |
| Foreign currency translation | - | (75) | (1,206) | (2,446) | - | (3,727) |
| October 31, 2011 | - | (26,618) | (160,184) | (499,682) | - | (686,484) |
| **Carrying amount** | 148,270 | 106,131 | 630,628 | 1,504,091 | 172,716 | 2,561,836 |

(c) Includes capitalized borrowing costs for the period of $5 million.

## 13. Short-Term Borrowings and Long-term Debt Due Within One Year

| | **January 31,** | | October 31, | November 1, |
|---|---|---|---|---|
| | **2012** | 2011 | 2011 | 2010 |
| Global credit facility [a] | **334,296** | 771,673 | - | 51,116 |
| Trade facility agreements [b] | **43,155** | 5,255 | 83,207 | 10,561 |
| Other[c] | **52,340** | - | 41,931 | - |
| Short-term borrowings | **429,791** | 776,928 | 125,138 | 61,677 |
| Long-term debt due within one year | **1,665** | 2,092 | 2,406 | 2,295 |
| | **431,456** | 779,020 | 127,544 | 63,972 |

[a] The Company has an unsecured revolving credit facility ("Global Credit Facility") through a syndicate of financial institutions. The facility is available in Canadian dollars ("CAD"), Australian dollars ("AUD"), United States dollars ("USD"), Euros ("EUR") and New Zealand dollars ("NZD") at LIBOR plus a margin of 1.85%. 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. The Global Credit Facility, which includes sub-tranches of $1.2 billion in Canada and $850 million in Australia, was effective May 18, 2010, amended September 26, 2011, and expires September 25, 2015.

At January 31, 2012, drawings were $216 million CAD on the Canadian tranche (January 31, 2011 – $323 million CAD) and $111 million AUD on the Australian tranche (January 31, 2011 - $448 million AUD).

[b] Certain subsidiaries and joint ventures have entered into trade facility agreements and other short-term borrowings 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 inventories and the proceeds from the sale of the inventories.

[c] Other unsecured facilities and short-term borrowings.

## 14. Accounts Payable and Accrued Liabilities

| | **January 31,** | | October 31, | November 1, |
|---|---|---|---|---|
| | **2012** | 2011 | 2011 | 2010 |
| Trade payables | **499,224** | 458,361 | 853,708 | 547,330 |
| Customer deposits and prepayments | **359,970** | 375,445 | 79,560 | 77,145 |
| Accrued liabilities | **165,482** | 164,712 | 183,925 | 144,259 |
| Employee related | **107,098** | 83,936 | 100,346 | 84,748 |
| Miscellaneous | **64,852** | 50,056 | 41,289 | 35,598 |
| Dividends payable | **27,877** | 18,580 | - | - |
| Income and other taxes | **56,025** | 48,336 | 39,852 | 11,458 |
| | **1,280,528** | 1,199,426 | 1,298,680 | 900,538 |

# 15. Segmented Information

## Net Earnings by Reporting Segment

| For the three months ended January 31, 2012 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Revenues [a] | **3,562,971** | (218,340) | 3,053,782 | 417,011 | 310,518 | - |
| Cost of sales | **3,177,691** | (218,340) | 2,756,716 | 357,051 | 282,264 | - |
| Gross profit | **385,280** | - | 297,066 | 59,960 | 28,254 | - |
| Operating, general and administrative expense | **247,543** | - | 141,790 | 55,557 | 13,948 | 36,248 |
| (Gain) loss on disposal of assets | **(3,195)** | - | (3,183) | (18) | 4 | 2 |
| Finance costs (recovery) | **28,604** | - | 1,901 | 405 | (456) | 26,754 |
| Earnings (loss) before tax | **112,328** | - | 156,558 | 4,016 | 14,758 | (63,004) |
| Income tax expense | **27,200** | - | - | - | - | 27,200 |
| Net earnings (loss) from continuing operations | **85,128** | - | 156,558 | 4,016 | 14,758 | (90,204) |
| **Discontinued Operations** | | | | | | |
| Net loss from discontinued operations | **(7,438)** | - | - | - | (7,438) | - |
| **Net earnings (loss)** | **77,690** | - | 156,558 | 4,016 | 7,320 | (90,204) |

## Adjusted EBITDA[b] by Reporting Segment – Continuing Operations

| For the three months ended January 31, 2012 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Revenues [a] | **3,562,971** | (218,340) | 3,053,782 | 417,011 | 310,518 | - |
| Cost of sales | **3,177,691** | (218,340) | 2,756,716 | 357,051 | 282,264 | - |
| Gross profit | **385,280** | - | 297,066 | 59,960 | 28,254 | - |
| Add back: Depreciation | **10,617** | - | - | 2,587 | 8,030 | - |
| Adjusted gross profit | **395,897** | - | 297,066 | 62,547 | 36,284 | - |
| Operating, general and administrative expense | **247,543** | - | 141,790 | 55,557 | 13,948 | 36,248 |
| Add back: Depreciation and amortization | **40,592** | - | 27,931 | 8,345 | 884 | 3,432 |
| Adjusted EBITDA [b] | **188,946** | - | 183,207 | 15,335 | 23,220 | (32,816) |

## Other Reporting Segment Information

| As at January 31, 2012 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Assets | **7,195,391** | - | 4,048,089 | 1,457,630 | 1,316,539 | 373,133 |
| Intangible assets | **153,703** | - | 70,387 | 11,255 | 37,589 | 34,472 |
| Goodwill | **791,316** | - | 235,020 | 313,100 | 243,196 | - |

| For the three months ended January 31, 2012 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Capital expenditures | **56,951** | - | 15,369 | 11,345 | 13,474 | 16,763 |

[a] Revenues between segments are accounted for at current market prices under normal trade terms.

[b] Adjusted EBITDA - Earnings before finance costs, depreciation and amortization, (gain) loss on disposal of assets, and income taxes

## Net Earnings by Reporting Segment

| For the three months ended January 31, 2011 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| **Continuing Operations** | | | | | | |
| Revenues [a] | 2,329,869 | (138,578) | 1,942,634 | 292,571 | 233,242 | - |
| Cost of sales | 1,940,470 | (138,578) | 1,644,193 | 241,696 | 193,159 | - |
| Gross profit | 389,399 | - | 298,441 | 50,875 | 40,083 | - |
| Operating, general and administrative expense | 225,613 | - | 124,506 | 49,298 | 12,404 | 39,405 |
| (Gain) loss on disposal of assets | (859) | - | (506) | (156) | 133 | (330) |
| Finance costs (recovery) | 30,347 | - | 1,175 | 305 | (748) | 29,615 |
| Earnings (loss) before tax | 134,298 | - | 173,266 | 1,428 | 28,294 | (68,690) |
| Income tax expense | 33,231 | - | - | - | - | 33,231 |
| Net earnings (loss) from continuing operations | 101,067 | - | 173,266 | 1,428 | 28,294 | (101,921) |
| **Discontinued Operations** | | | | | | |
| Net loss from discontinued operations | (386) | - | - | - | (386) | - |
| **Net earnings (loss)** | 100,681 | - | 173,266 | 1,428 | 27,908 | (101,921) |

## Adjusted EBITDA[b] by Reporting Segment – Continuing Operations

| For the three months ended January 31, 2011 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Revenues [a] | 2,329,869 | (138,578) | 1,942,634 | 292,571 | 233,242 | - |
| Cost of sales | 1,940,470 | (138,578) | 1,644,193 | 241,696 | 193,159 | - |
| Gross profit | 389,399 | - | 298,441 | 50,875 | 40,083 | - |
| Add back: Depreciation | 11,030 | - | - | 2,682 | 8,348 | - |
| Adjusted gross profit | 400,429 | - | 298,441 | 53,557 | 48,431 | - |
| Operating, general and administrative expense | 225,613 | - | 124,506 | 49,298 | 12,404 | 39,405 |
| Add back: Depreciation and amortization | 35,374 | - | 25,608 | 6,320 | 1,038 | 2,408 |
| Adjusted EBITDA [b] | 210,190 | - | 199,543 | 10,579 | 37,065 | (36,997) |

## Other Reporting Segment Information

| As at January 31, 2011 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Assets | 7,131,914 | - | 4,067,146 | 1,404,974 | 1,172,328 | 487,466 |
| Intangible assets | 151,131 | - | 74,641 | 13,038 | 41,480 | 21,972 |
| Goodwill | 767,799 | - | 221,938 | 299,946 | 245,915 | - |

| For the three months ended January 31, 2011 | Consolidated | Eliminations | Grain Handling and Marketing | Agri-Products | Processing | Corporate |
|---|---|---|---|---|---|---|
| Capital expenditures | 41,378 | - | 16,701 | 5,782 | 14,871 | 4,024 |

[a] Revenues between segments are accounted for at current market prices under normal trade terms.

[b] Adjusted EBITDA - Earnings before finance costs, depreciation and amortization, (gain) loss on disposal of assets, and income taxes

**Information by Geography**

| | Revenues | | Property, Plant and Equipment | | Goodwill | |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| Canada | **805,598** | 373,204 | **905,711** | 980,382 | **325,945** | 311,737 |
| Australia | **477,183** | 396,783 | **1,284,529** | 1,164,895 | **328,341** | 313,957 |
| United States | **419,141** | 439,617 | **289,365** | 299,684 | **130,251** | 140,461 |
| Europe | **469,903** | 219,154 | **2,640** | 978 | **-** | - |
| Asia | **971,708** | 705,775 | **23,140** | 11,468 | **-** | - |
| New Zealand | **103,265** | 103,302 | **53,090** | 50,943 | **6,779** | 1,644 |
| Other | **316,173** | 92,034 | **-** | - | **-** | - |
| | **3,562,971** | 2,329,869 | **2,558,475** | 2,508,350 | **791,316** | 767,799 |

## 16. Joint Ventures

The consolidated balance sheets and statement of earnings include, on a proportionate basis, the Company's interests in joint ventures operating in Canada, India, Australia and China, as follows:

**Balance Sheets**

| **As at** | **January 31, 2012** | January 31, 2011 | October 31, 2011 | November 1, 2010 |
|---|---|---|---|---|
| Cash and cash equivalents | **59,885** | 21,333 | 40,980 | 15,301 |
| Other current assets | **189,531** | 95,704 | 70,106 | 31,423 |
| Long-term assets | **109,625** | 102,285 | 107,642 | 93,366 |
| Total assets | **359,041** | 219,322 | 218,728 | 140,090 |
| Current liabilities | **234,301** | 96,792 | 90,783 | 29,341 |
| Long-term liabilities | **23,653** | 22,048 | 22,760 | 22,665 |
| Total liabilities | **257,954** | 118,840 | 113,543 | 52,006 |
| Net assets in joint ventures | **101,087** | 100,482 | 105,185 | 88,084 |

**Statements of Earnings**

| **For the three months ended January 31,** | **2012** | 2011 |
|---|---|---|
| Revenues | **224,825** | 105,481 |
| Expenses | **222,681** | 104,328 |
| | **2,144** | 1,153 |

## 17. Financial and Other Instruments and Hedging

### Fair Values

| | Classification | Level | January 31, 2012 | 2011 | October 31, 2011 | November 1, 2010 |
|---|---|---|---|---|---|---|
| Cash and short term investments | FVTPL | 1 | **140,640** | 288,767 | 298,060 | 154,793 |
| Accounts receivable | Loans and receivables | | **1,125,279** | 965,523 | 1,123,258 | 738,603 |
| Derivative assets | | | | | | |
| Exchange-traded derivatives | FVTPL | 1 | **18,784** | 33,889 | 30,635 | 22,040 |
| Commodity forward contracts | FVTPL | 2 | **80,762** | 202,809 | 91,401 | 131,283 |
| Foreign exchange contracts (OTC) | FVTPL | 2 | **55,338** | 49,983 | 32,445 | 63,959 |
| Long term derivative assets | | | | | | |
| Exchange-traded derivatives | FVTPL | 1 | **-** | 252 | 10 | 974 |
| Commodity forward contracts | FVTPL | 2 | **7,847** | 110 | 18,899 | 26,465 |
| Foreign exchange contracts (OTC) | FVTPL | 2 | **-** | 5,391 | 2,388 | 7,954 |
| Short-term borrowings | FVTPL | 1 | **429,791** | 776,928 | 125,138 | 61,677 |
| Accounts payable and accrued liabilities | Other financial liabilities | | **1,280,528** | 1,199,426 | 1,298,680 | 900,538 |
| Derivative liabilities | | | | | | |
| Exchange-traded derivatives | FVTPL | 1 | **11,422** | 60,497 | 10,260 | 57,102 |
| Commodity forward contracts | FVTPL | 2 | **89,537** | 164,377 | 100,369 | 90,601 |
| Foreign exchange contracts (OTC) | FVTPL | 2 | **17,382** | 11,512 | 17,429 | 15,591 |
| Cross-currency swaps | FVTPL | 2 | **8,763** | 8,228 | 5,932 | 8,896 |
| Natural gas swaps | FVTPL | 2 | **5,057** | 30 | 938 | 1,418 |
| Bond forward contracts | FVTPL | 2 | **-** | 13,704 | - | 19,964 |
| Long-term debt | Other financial liabilities | | **1,090,049** | 891,361 | 1,088,086 | 899,129 |
| Other liabilities | Other financial liabilities | | **23,858** | 26,963 | 25,484 | 51,351 |
| Long term derivative liabilities | | | | | | |
| Exchange-traded derivatives | FVTPL | 1 | **-** | - | 59 | 3,402 |
| Commodity forward contracts | FVTPL | 2 | **1,948** | 3,028 | 4,785 | 21,829 |
| Foreign exchange contracts (OTC) | FVTPL | 2 | **-** | 2,160 | 2,178 | 2,131 |

### 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.

***Commodity Price Risk***

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 Value at Risk ("VaR") limits. 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. 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.

| | **2012** | 2011 |
|---|---|---|
| Historical VaR (95%, five-day): | | |
| Agricultural commodity price VaR | **17,612** | 22,465 |

***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 operations. 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. Maturity dates for the foreign exchange forward contracts on anticipated transactions extend for approximately 12 months. As at January 31, 2012, 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 $5 million.

| | Carrying Value | Impact On Earnings, After Tax | Impact On Other Comprehensive Income, After Tax |
|---|---|---|---|
| **10% increase** | | | |
| CAD/USD | 841 | 61 | 53 |
| CAD/Euro | (468) | (34) | - |
| CAD/Great Britain pound | (33) | (2) | - |
| CAD/AUD | (631) | (46) | - |
| CAD/Swiss francs | (213) | (16) | - |
| AUD/USD | (9,554) | 316 | (3,190) |
| AUD/Euro | 1,213 | (187) | (50) |
| AUD/Japanese yen | (450) | (90) | (495) |
| AUD/NZD | (440) | 30 | - |
| AUD/Singapore dollars | (577) | (10) | - |
| **10% decrease** | | | |
| CAD/USD | 841 | (61) | (53) |
| CAD/Euro | (468) | 34 | - |
| CAD/ Great Britain pound | (33) | 2 | - |
| CAD/AUD | (631) | 46 | - |
| CAD/Swiss francs | (213) | 16 | - |
| AUD/USD | (9,554) | (396) | 3,897 |
| AUD/Euro | 1,213 | 228 | 61 |
| AUD/Japanese yen | (450) | 110 | 605 |
| AUD/NZD | (440) | (36) | - |
| AUD/Singapore dollars | (577) | 12 | - |

The above sensitivity analysis for foreign currency risk does not include translation risk. Translation exposures arise from financial and non-financial items of operations with functional currencies different from the Company's reporting currency. 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 gain of $8 million is included in operating, general and administration expenses for the three months ended January 31, 2012 (2011 - $3 million loss).

***Interest Rate Risk***

The Company manages interest rate risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates.

Based on the January 31, 2012 borrowings, 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 impact after tax earnings by less than $1 million per annum.

During the prior year, the Company entered into derivative contracts in connection with its plans to issue additional debt. Bond forward contracts were entered into in order to protect against the risk of economic loss arising from changes in the interest rates. The debt was issued on February 15, 2011 and the bond forwards were settled. As a result, each year approximately $1 million after tax will be reclassified from accumulated other comprehensive income to net earnings as finance costs over the term of the debt.

***Credit Risk***

The Company manages credit risk through credit approval policies and procedures, monitoring of credit balances and credit reviews. The lack of significant financial concentration of trade receivables also mitigates credit risk as does the use of limited recourse arrangement with a Canadian Schedule I chartered bank.

| | **January 31,** | | October 31, | November 1, |
|---|---|---|---|---|
| **Aging of trade accounts receivable** | **2012** | 2011 | 2011 | 2010 |
| Not past due | **722,924** | 586,925 | 766,788 | 422,440 |
| Past due: | | | | |
| Past due ≤ 60 days | **67,629** | 16,661 | 16,066 | 9,995 |
| Past due ≥ 61 days and ≤ 90 days | **13,918** | 5,167 | 4,988 | 2,626 |
| Past due ≥ 91 days | **9,221** | 36,058 | 10,475 | 36,888 |
| Total trade accounts receivable | **813,692** | 644,811 | 798,317 | 471,949 |
| Allowance for doubtful accounts | **(9,694)** | (9,372) | (9,943) | (9,907) |
| | **803,998** | 635,439 | 788,374 | 462,042 |

| | **January 31,** | | October 31, | November 1, |
|---|---|---|---|---|
| **Allowance for doubtful accounts** | **2012** | 2011 | 2011 | 2010 |
| Beginning balance | **(9,943)** | (9,907) | (9,907) | (8,081) |
| Transfer to held for sale | **889** | - | - | - |
| Provision for losses | **(1,283)** | (792) | (3,190) | (5,862) |
| Write-offs, net of recoveries | **643** | 1,327 | 3,154 | 4,036 |
| Ending balance | **(9,694)** | (9,372) | (9,943) | (9,907) |

The Company has historically experienced minimal credit losses and, as a result, it considers the credit quality of the trade receivables at January 31, 2012 that are not past due to be high. Included in accounts receivable is $142 million (January 31, 2011 - $90 million) due from a single customer, the CWB.

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.

| | **January 31,** | | October 31, | November 1, |
|---|---|---|---|---|
| **Maximum exposure to credit risk** | **2012** | 2011 | 2011 | 2010 |
| Cash | **122,735** | 150,306 | 106,296 | 66,589 |
| Short-term investments | **17,905** | 138,461 | 191,764 | 88,204 |
| Accounts receivable | **1,125,279** | 965,523 | 1,123,258 | 738,603 |
| Derivative assets | **154,884** | 286,681 | 154,481 | 217,282 |
| Long-term derivative assets | **7,847** | 5,753 | 21,297 | 35,393 |
| | **1,428,650** | 1,546,724 | 1,597,096 | 1,146,071 |

***Liquidity Risk***

The adequacy of Viterra's liquidity 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, 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. Management

believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

## 18. 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 adjusted EBITDA to cash interest, net. 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 to a range of 30% to 40%. Management uses the adjusted EBITDA to cash interest net ratio to assess interest coverage and the Company's ability to service its interest bearing debt. The Company's objective is to maintain a rolling 12-month adjusted EBITDA that is at least five times the level of cash interest paid.

| | **January 31,** | | October 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| Debt to total capital [(a)] | | | |
| As at the balance sheet date | **27:73** | 31:69 | 24:76 |
| Four quarter average | **25:75** | 25:75 | 26:74 |
| **Adjusted EBITDA to cash interest, net** [(b) (c) (d)] | **6.4** | 6.7 | 6.6 |

(a) Debt is defined as interest bearing debt which includes short-term borrowings and long-term debt due within one year, and long-term debt. Capital is defined as total interest bearing debt plus total shareholders' equity.

(b) Adjusted EBITDA is defined as earnings before finance costs, depreciation and amortization, (gain) loss on disposal of assets, and income taxes

(c) The ratio is calculated on a rolling twelve-month basis.

(d) Cash interest, net is defined as interest expense on short-term and long-term debt less interest revenue, as follows:

| | **For the three months ended January 31,** | | For the year ended October 31, |
|---|---|---|---|
| | **2012** | 2011 | 2011 |
| Interest on short-term debt | **6,166** | 11,266 | 37,585 |
| Interest on long-term debt | **19,847** | 16,347 | 74,447 |
| Interest income | **(1,129)** | (1,119) | (3,086) |
| CWB carrying charge recovery | **(697)** | (298) | (2,161) |
| Cash interest, net | **24,187** | 26,196 | 106,785 |

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 paying dividends. The Company's strategy for managing capital is unchanged from the previous year.

During the period, the Company was in compliance with external covenants relating to the management of capital.

## 19. Transition to IFRS

The accounting policies in note 2 have been applied in preparing the condensed financial statements for the three months ended January 31, 2012, the comparative information for the three months ended January 31, 2011, the consolidated financial statements for the year ended October 31, 2011, and the preparation of the opening IFRS consolidated balance sheets at November 1, 2010, the Company's date of transition to IFRS ("transition date").

The adoption of IFRS requires the application of IFRS 1 – *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). IFRS 1 generally requires that an entity retrospectively apply all IFRS effective at the end of its first IFRS reporting period. However, IFRS 1 provides certain mandatory exceptions and permits limited optional exemptions. The IFRS 1 optional exemptions that have been applied are described in this note.

In preparing its opening IFRS consolidated balance sheets at November 1, 2010, comparative information for the three months ended January 31, 2011 and consolidated financial statements for the year ended October 31, 2011, the Company has adjusted amounts previously reported in consolidated financial statements prepared in accordance with CGAAP. An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**Reconciliation of Condensed Consolidated Balance Sheets**

| | | November 1, 2010 | | | October 31, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Note | CGAAP | Effect of Transition to IFRS | IFRS | CGAAP | Effect of Transition to IFRS | IFRS |
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash | | 66,589 | - | 66,589 | 106,296 | - | 106,296 |
| Short-term investments | | 88,204 | - | 88,204 | 191,764 | - | 191,764 |
| Accounts receivable | | 738,603 | - | 738,603 | 1,123,258 | - | 1,123,258 |
| Derivative assets | | 217,282 | - | 217,282 | 154,481 | - | 154,481 |
| Inventories | | 1,211,887 | - | 1,211,887 | 1,568,410 | - | 1,568,410 |
| Prepaid expenses and deposits | *a* | 107,638 | (264) | 107,374 | 111,934 | (4,063) | 107,871 |
| Deferred tax assets | *h* | 30,067 | (30,067) | - | 29,359 | (29,359) | - |
| | | 2,460,270 | (30,331) | 2,429,939 | 3,285,502 | (33,422) | 3,252,080 |
| Property, plant and equipment | *d,f* | 2,491,047 | 27,662 | 2,518,709 | 2,613,032 | (51,196) | 2,561,836 |
| Other assets | *c* | 132,797 | (82,307) | 50,490 | 149,244 | (100,254) | 48,990 |
| Long-term derivative assets | | 35,393 | - | 35,393 | 21,297 | - | 21,297 |
| Intangible assets | | 154,915 | - | 154,915 | 156,752 | (1,237) | 155,515 |
| Goodwill | | 772,233 | - | 772,233 | 775,198 | (2,671) | 772,527 |
| Deferred tax assets | *h* | 25,010 | (8,280) | 16,730 | 11,606 | (10,055) | 1,551 |
| | | 6,071,665 | (93,256) | 5,978,409 | 7,012,631 | (198,835) | 6,813,796 |
| **LIABILITIES** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Short-term borrowings and long-term debt due within one year | | 63,972 | - | 63,972 | 127,544 | - | 127,544 |
| Accounts payable and accrued liabilities | *b* | 900,021 | 517 | 900,538 | 1,298,000 | 680 | 1,298,680 |
| Derivative liabilities | | 193,572 | - | 193,572 | 134,928 | - | 134,928 |
| Decommissioning and other provisions | *a* | 26,319 | (9,888) | 16,431 | 30,047 | (7,327) | 22,720 |
| Deferred tax liabilities | *h* | 391 | (391) | - | 122 | (122) | - |
| | | 1,184,275 | (9,762) | 1,174,513 | 1,590,641 | (6,769) | 1,583,872 |
| Long-term debt | | 896,834 | - | 896,834 | 1,085,680 | - | 1,085,680 |
| Decommissioning and other provisions | *d* | 16,030 | 30,975 | 47,005 | 46,415 | 2,015 | 48,430 |
| Other liabilities | *a,b,c* | 35,321 | 29,342 | 64,663 | 41,081 | 44,410 | 85,491 |
| Long-term derivative liabilities | | 27,362 | - | 27,362 | 7,022 | - | 7,022 |
| Deferred tax liabilities | *b-h* | 201,580 | (38,195) | 163,385 | 203,997 | (67,371) | 136,626 |
| | | 2,361,402 | 12,360 | 2,373,762 | 2,974,836 | (27,715) | 2,947,121 |
| **SHAREHOLDERS' EQUITY** | | | | | | | |
| Share capital | | 3,025,491 | - | 3,025,491 | 3,026,711 | - | 3,026,711 |
| Equity settled employee benefits reserve | *b* | 6,567 | 1,532 | 8,099 | 9,053 | 497 | 9,550 |
| Retained earnings | *a-h* | 571,013 | 5,155 | 576,168 | 799,258 | (61,737) | 737,521 |
| Accumulated other comprehensive income (loss) | *b,c,g* | 107,192 | (112,303) | (5,111) | 202,773 | (109,880) | 92,893 |
| | | 3,710,263 | (105,616) | 3,604,647 | 4,037,795 | (171,120) | 3,866,675 |
| | | 6,071,665 | (93,256) | 5,978,409 | 7,012,631 | (198,835) | 6,813,796 |

**Reconciliation of Condensed Consolidated Balance Sheets**

| | Note | January 31, 2011 | | |
|---|---|---|---|---|
| | | CGAAP | Effect of Transition to IFRS | IFRS |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | | 150,306 | - | 150,306 |
| Short-term investments | | 138,461 | - | 138,461 |
| Accounts receivable | | 965,523 | - | 965,523 |
| Derivative assets | | 286,681 | - | 286,681 |
| Inventories | | 1,905,267 | - | 1,905,267 |
| Prepaid expenses and deposits | *a* | 205,583 | (427) | 205,156 |
| Deferred tax assets | *h* | 8,702 | (8,702) | - |
| | | 3,660,523 | (9,129) | 3,651,394 |
| Property, plant and equipment | *d* | 2,481,106 | 27,244 | 2,508,350 |
| Other assets | *c* | 127,562 | (80,076) | 47,486 |
| Long-term derivative assets | | 5,753 | - | 5,753 |
| Intangible assets | | 151,131 | - | 151,131 |
| Goodwill | | 767,799 | - | 767,799 |
| Deferred tax assets | *h* | 8,496 | (8,495) | 1 |
| | | 7,202,370 | (70,456) | 7,131,914 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Short-term borrowings and long-term debt due within one year | | 779,020 | - | 779,020 |
| Accounts payable and accrued liabilities | *b* | 1,198,684 | 742 | 1,199,426 |
| Derivative liabilities | | 258,348 | - | 258,348 |
| Decommissioning and other provisions | *a* | 27,165 | (8,725) | 18,440 |
| Deferred tax liabilities | *h* | 1,708 | (1,708) | - |
| | | 2,264,925 | (9,691) | 2,255,234 |
| Long-term debt | | 889,269 | - | 889,269 |
| Decommissioning and other provisions | *d* | 16,164 | 31,460 | 47,624 |
| Other liabilities | *a,b,c* | 37,784 | 28,587 | 66,371 |
| Long-term derivative liabilities | | 5,188 | - | 5,188 |
| Deferred tax liabilities | *h* | 199,187 | (16,288) | 182,899 |
| | | 3,412,517 | 34,068 | 3,446,585 |
| **Shareholders' Equity** | | | | |
| Share capital | | 3,026,080 | - | 3,026,080 |
| Equity settled employee benefits reserve | *b* | 7,297 | 1,565 | 8,862 |
| Retained earnings | *a-h* | 652,056 | 6,213 | 658,269 |
| Accumulated other comprehensive income (loss) | *b,c* | 104,420 | (112,302) | (7,882) |
| | | 3,789,853 | (104,524) | 3,685,329 |
| | | 7,202,370 | (70,456) | 7,131,914 |

**Reconciliation of Condensed Consolidated Statements of Earnings**

| | | Three months ended January 31, 2011 | | | Year ended October 31, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Note | CGAAP *(Note f)* | Effect of Transition to IFRS | IFRS | CGAAP *(Note f)* | Effect of Transition to IFRS | IFRS |
| **CONTINUING OPERATIONS** | | | | | | | |
| Revenues | | 2,329,869 | - | 2,329,869 | 11,193,182 | - | 11,193,182 |
| Cost of sales | | 1,940,470 | - | 1,940,470 | 9,729,793 | - | 9,729,793 |
| Gross profit | | 389,399 | - | 389,399 | 1,463,389 | - | 1,463,389 |
| Operating, general and administrative expenses | *a–e* | 226,984 | (1,371) | 225,613 | 964,040 | 10,323 | 974,363 |
| (Gain) loss on disposal of assets | | (859) | - | (859) | 552 | - | 552 |
| Finance costs | *d* | 29,474 | 873 | 30,347 | 118,096 | 3,398 | 121,494 |
| Earnings before tax | | 133,800 | 498 | 134,298 | 380,701 | (13,721) | 366,980 |
| Income tax expense (recovery) | *h* | 33,791 | (560) | 33,231 | 103,625 | (5,735) | 97,890 |
| Net earnings from continuing operations | | 100,009 | 1,058 | 101,067 | 277,076 | (7,986) | 269,090 |
| **DISCONTINUED OPERATIONS** | | | | | | | |
| Net loss from discontinued operations | *f* | 386 | - | 386 | 11,667 | 36,014 | 47,681 |
| **NET EARNINGS** | | 99,623 | 1,058 | 100,681 | 265,409 | (44,000) | 221,409 |

**Reconciliation of Condensed Consolidated Statements of Comprehensive Income**

| | Note | Three months January 31, 2011 | Twelve months October 31, 2011 |
|---|---|---|---|
| Total comprehensive income as reported under CGAAP | | 96,851 | 360,990 |
| IFRS Adjustments: | | | |
| Increase (decrease) in net earnings | *a-h* | 1,058 | (44,000) |
| Unrealized effect of foreign currency translation of foreign operations | | 1 | (34) |
| Unrealized gain (loss) on hedging instruments designated as hedges of the net assets of foreign operations | *e* | - | 2,457 |
| Employee benefits | *c* | - | (22,892) |
| Comprehensive income as reported under IFRS | | 97,910 | 296,521 |

**Reconciliation of Condensed Consolidated Statements of Equity**

| | Note | January 31, 2011 | October 31, 2011 |
|---|---|---|---|
| **Share capital** | | | |
| As reported under CGAAP and IFRS | | 3,026,080 | 3,026,711 |
| **Equity settled employee benefits reserve** | | | |
| As reported under CGAAP | | 7,297 | 9,053 |
| IFRS transition date adjustments | | 1,532 | 1,532 |
| IFRS adjustments in period: | | | |
| Share-based payments | *b* | 33 | (1,035) |
| As reported under IFRS | | 8,862 | 9,550 |
| **Retained earnings** | | | |
| As reported under CGAAP | | 652,056 | 799,258 |
| IFRS transition date adjustments | | 5,155 | 5,155 |
| IFRS adjustments in period: | | | |
| Business combinations | *a* | (1,326) | (6,088) |
| Share-based payments | *b* | 14 | 1,084 |
| Employee benefits | *c* | 2,713 | (32,979) |
| Decommissioning obligations | *d* | (903) | (3,612) |
| Net investment hedge | *e* | - | (2,457) |
| Impairment | *f* | - | (50,652) |
| Income taxes | *h* | 560 | 27,812 |
| As reported under IFRS | | 658,269 | 737,521 |
| **Accumulated other comprehensive income (loss)** | | | |
| As reported under CGAAP | | 104,420 | 202,773 |
| IFRS transition date adjustments | | (112,303) | (112,303) |
| IFRS adjustments in period: | | | |
| Foreign currency translation | | 1 | (34) |
| Net investment hedge | *e* | - | 2,457 |
| As reported under IFRS | | (7,882) | 92,893 |
| **Shareholders' equity as reported under IFRS** | | **3,685,329** | **3,866,675** |

## Reconciliation of Condensed Consolidated Statements of Equity

| | Note | November 1, 2010 |
|---|---|---|
| **Share capital** | | |
| As reported under CGAAP and IFRS | | 3,025,491 |
| **Equity settled employee benefits reserve** | | |
| As reported under CGAAP | | 6,567 |
| IFRS adjustments: | | |
| Share-based payments | *b* | 1,532 |
| As reported under IFRS | | 8,099 |
| **Retained earnings** | | |
| As reported under CGAAP | | 571,013 |
| IFRS adjustments: | | |
| Business combinations | *a* | 7,862 |
| Share-based payments | *b* | (1,277) |
| Employee benefits | *c* | (111,230) |
| Decommissioning obligations | *d* | (3,313) |
| Foreign currency translation | *g* | 112,303 |
| Income taxes | *h* | 810 |
| As reported under IFRS | | 576,168 |
| **Accumulated other comprehensive income (loss)** | | |
| As reported under CGAAP | | 107,192 |
| IFRS adjustments: | | |
| Foreign currency translation | *g* | (112,303) |
| As reported under IFRS | | (5,111) |
| **Shareholders' equity as reported under IFRS** | | **3,604,647** |

**Reconciliation of Condensed Consolidated Statements of Cash Flows**

| | Note | Three months January 31, 2011 | Twelve months October 31, 2011 |
|---|---|---|---|
| Net cash (used in) from operating activities as reported under CGAAP | | (540,925) | 192,724 |
| IFRS Adjustments: | | | |
| Net earnings | | 1,058 | (44,000) |
| Amortization | *d* | 30 | 48,133 |
| Goodwill impairment | *f* | - | 2,733 |
| Income tax expense | *h* | (560) | (20,373) |
| Employee benefits | *b,c* | (1,789) | 1,564 |
| Net investment hedge | *e* | - | 2,457 |
| Finance costs | *d* | 873 | 3,398 |
| Other | | - | (302) |
| Net changes in non-cash working capital | | 388 | 6,390 |
| Net cash (used in) from operating activities as reported under IFRS | | (540,925) | 192,724 |
| Cash from financing activities as reported under CGAAP and IFRS | | 714,958 | 183,381 |
| Cash used in investing activities as reported under CGAAP and IFRS | | (39,528) | (234,382) |
| Increase in cash and cash equivalents reported under CGAAP and IFRS | | 134,505 | 141,723 |

The following discussion explains the effects of significant differences between Viterra's CGAAP accounting policies and those applied by the Company under its transition to IFRS. IFRS policies have been retrospectively and consistently applied, except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment for first-time adopters. The descriptive note captions below correspond to the adjustments presented in the preceding reconciliations.

| Note | Effect of Policy Changes |
|---|---|
| *a* | ***Business Combinations*** |
| | As part of its transition to IFRS, the Company elected the exemption under IFRS 1 to restate only those business combinations that occurred on or after November 1, 2010. |
| | Current liabilities of $9 million, recognized from previous business combinations and still outstanding at the date of transition, were derecognized and credited to retained earnings on transition date in accordance with the application of the IFRS 1 business combination exemption that prohibits the recognition of liabilities that would not be recognized under IFRS. |
| | Unlike CGAAP for business combinations, costs associated with an acquisition, whether completed or not, are expensed as incurred. There was an immaterial impact for this change at the date of transition. This change did, however, result in a $4 million reduction to prepaid expenses and deposits for the year ended October 31, 2011, with a corresponding increase to operating, general and administrative expenses. |
| *b* | ***Share-based Payments*** |
| | Under CGAAP, the Company recognized share-based payment expense related to its cash-settled and equity-settled plans on a straight-line basis until the date of full vesting and did not incorporate a forfeiture rate. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for graded vesting awards and estimate a forfeiture rate. The difference in the amounts expensed for equity-settled plans is offset to the equity settled employee benefits reserve ("contributed surplus" under CGAAP). For cash-settled plans the liability and expense is adjusted for the fair value of the awards over the individual vesting periods. |
| | IFRS also requires measurement of the liability for cash-settled plans at fair value while CGAAP allows measurement of these awards at intrinsic value. |
| | As permitted by IFRS 1, Viterra elected not to apply *IFRS 2 - Share-based Payments* for those units which vested before November 1, 2010. |
| | On transition date, the overall effect of these policy changes was to increase the equity settled employee benefits reserve by $1.5 million and reduce retained earnings and other liabilities by $1.3 million and $0.2 million, respectively. For the year ended October 31, 2011, the effect of these policy changes was a reduction of the equity settled employee benefits reserve of $1 million with a corresponding increase to operating, general and administrative expenses. |
| *c* | ***Employee Benefits*** |
| | Viterra elected to use the IFRS 1 exemption whereby the cumulative unamortized net actuarial gains and losses of the Company's defined benefit plans in the amount of $111 |

million before tax were charged to retained earnings on transition date, reducing other assets by $82 million and increasing other liabilities by $29 million.

Under CGAAP, the corridor approach was applied for unamortized net actuarial gains and losses which were only recognized in net earnings after exceeding certain thresholds. IFRS permits a policy choice in the treatment of actuarial gains and losses. The Company elected to recognize the full amount of actuarial gains and losses before tax in other comprehensive income, offset by changes in other assets and other liabilities. IFRS requires that these amounts be recorded through retained earnings and not in accumulated other comprehensive income. For the year ended October 31, 2011, actuarial losses of $30 million before income tax were recorded in other comprehensive income and $3 million of other pension adjustments were recorded in net earnings.

*d* ***Decommissioning Obligations***

Viterra elected to use the IFRS 1 exemption where decommissioning obligations ("asset retirement obligations" under CGAAP) were recalculated with any change in the provision and related depreciation of assets charged to retained earnings.

Under CGAAP, asset retirement obligations were discounted at a credit-adjusted discount rate ranging from 5% - 8%, depending on the year in which additions were made. Under IFRS, the estimated cash flow to abandon and remediate facilities has been discounted at a risk free rate of 1.5% to 3.5%.

IFRS requires management to use its best estimate of cash outflows to settle the obligation, whereas CGAAP only requires that the asset retirement obligation be recorded at fair value when fair value can be reasonably measured. Under CGAAP a $31 million decommissioning obligation was recognized at October 31, 2011 which was when its fair value became reasonably measurable. However, under IFRS, using a best estimate, the Company was required to recognize $29 million for this decommissioning obligation on its transition date and reverse the CGAAP provision at October 31, 2011. An additional $2 million was also recognized on other decommissioning obligations.

As a result of the change in discount rate and the use of best estimates, on transition date, retained earnings was charged $3 million before tax, decommissioning obligations increased $31 million, and property, plant and equipment increased $28 million.

There were no significant changes to the estimated cash outflows or the discount rates during 2011.

As a result of the decommissioning obligations and related property, plant and equipment balances recognized on transition, accretion of the decommissioning obligation increased by $2 million and depreciation of the related assets increased by $2 million for the year ended October 31, 2011.

Under IFRS, accretion expense is no longer recorded as part of amortization but is included in finance costs.

*e* ***Net Investment Hedge***

Under CGAAP, a portion of a net investment hedge was recognized in net earnings when a reduction of the net investment occurred. Under IFRS, a reduction in the net investment

does not result in recognition of a portion of the net investment hedge in net earnings unless there is a loss of control of the foreign entity.

There was no impact on the date of transition from this change in policy. However, for the year ended October 31, 2011, $3 million was reclassified from net earnings to other comprehensive income.

*f* ***Impairment***

Under CGAAP, assets are only impaired when their carrying value is less than their associated undiscounted cash flows. Under IFRS, assets or assets grouped into cash generating units are impaired based on their recoverable amounts, which are measured at the higher of their fair value less costs to sell or their value in use. Accordingly, a goodwill impairment of $8 million recognized in the North American feed processing operations in the fourth quarter of 2011 under CGAAP was adjusted under IFRS to include an additional $3 million impairment of the remaining goodwill in the cash generating unit, $1 million of impairment of intangible assets, and $47 million of impairment of property, plant and equipment before taxes. Under IFRS, a deferred tax recovery of $15 million was provided resulting in a net impairment after tax of $36 million. The recoverable amount was determined using value in use based on discounted cash flows using forecast revenues and expenses. The after-tax impairment is included in the net loss from discontinued operations for October 31, 2011.

CGAAP amounts have been reclassified to present the discontinued operations discussed in note 6 in order to illustrate the effects of IFRS adjustments on continuing operations and discontinued operations.

*g* ***Foreign Currency Translation***

The Company elected to apply the IFRS 1 exemptions to set the cumulative foreign currency translation adjustment balance to $nil upon transition to IFRS and thereby not have to retrospectively restate the Company's accounts since its inception using IFRS foreign currency principles. This reclassification increased retained earnings by $112 million and decreased accumulated other comprehensive income by the same amount on the transition date.

*h* ***Deferred and Current Income Taxes***

Under IFRS, deferred taxes ("future taxes" under CGAAP) are reported as a non-current asset or non-current liability on the balance sheet. IFRS does not permit tax assets and liabilities to be offset unless there is an enforceable right as well as the intention to do so. Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and CGAAP.

*i* ***Other Exemptions***

The remaining IFRS 1 optional exemptions were not applicable or material to the preparation of Viterra's Consolidated Balance Sheets at transition date.