For the years ended October 31, 2011 and 2010

Consolidated Financial Statements and Notes

Independent Auditor's Report to the Shareholders of Viterra Inc.

We have audited the accompanying consolidated financial statements of Viterra Inc. which comprise the consolidated balance sheets as at October 31, 2011 and 2010 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

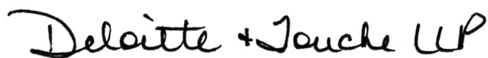
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Viterra Inc. as at October 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Deloitte & Touche LLP
Chartered Accountants

Regina, Saskatchewan
January 18, 2012

Management's Responsibility for Financial Statements

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

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

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

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

Mayo M. Schmidt
President and Chief Executive Officer

Rex McLennan
Chief Financial Officer

January 18, 2012

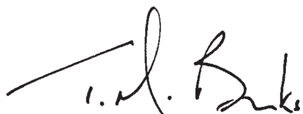
Consolidated Balance Sheets

(in thousands of Canadian dollars)

As at October 31,	**2011**	2010
ASSETS		
Current Assets		
Cash	**106,296**	66,589
Short-term investments	**191,764**	88,204
Accounts receivable (Note 7)	**1,277,739**	955,885
Inventories (Note 8)	**1,568,410**	1,211,887
Prepaid expenses and deposits	**111,934**	107,638
Future income taxes (Note 5)	**29,359**	30,067
	3,285,502	2,460,270
Property, Plant and Equipment (Note 9)	**2,613,032**	2,491,047
Other Long-Term Assets (Note 10)	**170,541**	168,190
Intangible Assets (Note 11)	**156,752**	154,915
Goodwill (Note 12)	**775,198**	772,233
Future Income Taxes (Note 5)	**11,606**	25,010
	7,012,631	6,071,665
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings (Note 13)	**125,138**	61,677
Accounts payable and accrued liabilities (Note 14)	**1,462,975**	1,119,912
Long-term debt due within one year (Note 15)	**2,406**	2,295
Future income taxes (Note 5)	**122**	391
	1,590,641	1,184,275
Long-Term Debt (Note 15)	**1,085,680**	896,834
Other Long-Term Liabilities (Note 16)	**94,518**	78,713
Future Income Taxes (Note 5)	**203,997**	201,580
	2,974,836	2,361,402
Commitments, guarantees and contingencies (Notes 25, 26, 27)		
Shareholders' Equity		
Share capital (Note 19)	**3,026,711**	3,025,491
Contributed surplus	**9,053**	6,567
	3,035,764	3,032,058
Retained earnings	**799,258**	571,013
Accumulated other comprehensive income (Note 20)	**202,773**	107,192
	1,002,031	678,205
	4,037,795	3,710,263
	7,012,631	6,071,665

See accompanying notes

On behalf of the Board of Directors



Thomas Birks
Director

Thomas Chambers
Director

Consolidated Statements of Earnings

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

Years Ended October 31,	**2011**	2010
Sales and other operating revenues	**11,790,458**	8,256,280
Cost of sales	**10,242,139**	6,997,713
Gross profit and net operating revenues	**1,548,319**	1,258,567
Operating, general and administrative expenses	**846,413**	740,984
	701,906	517,583
Amortization	**205,536**	192,676
Goodwill impairment (Note 12)	**7,681**	–
	488,689	324,907
Loss (gain) on disposal of assets	**289**	(7,778)
Integration expenses	**4,601**	5,449
Net foreign exchange loss on acquisition	**–**	159
Financing expenses (Note 4)	**115,684**	138,107
	368,115	188,970
Provision for corporate income taxes (Note 5)		
Current	**85,262**	27,722
Future	**17,444**	15,976
Net earnings	**265,409**	145,272
Basic and diluted earnings per share (Note 6)	**0.71**	0.39

See accompanying notes

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

Years Ended October 31,	**2011**	2010
Net earnings	**265,409**	145,272
Other comprehensive income		
Unrealized gain (loss) on cash flow hedges[(a)]	**7,261**	(20,143)
Reclassification of loss to income on cash flow hedges[(b)]	**4,012**	15,371
Reclassification of loss to income on net investment hedges[(c)]	**1,977**	165
Unrealized gain on available for sale assets[(d)]	**5**	3
Reclassification of gain on dedesignated hedged contracts[(e)]	**–**	(740)
Realized loss on cash flow hedges[(f)]	**(8,315)**	–
Unrealized effect of foreign currency translation of foreign operations	**90,641**	58,320
Other comprehensive income	**95,581**	52,976
Comprehensive income	**360,990**	198,248

[(a)] net of tax of $2,454 (2010 – ($8,186))

[(b)] net of tax of $2,004 (2010 – $7,482)

[(c)] net of tax of $244 (2010 – $68)

[(d)] net of tax of ($7) (2010 – $nil)

[(e)] net of tax of $nil (2010 – ($302))

[(f)] net of tax of ($2,921) (2010 – $nil)

See accompanying notes

Consolidated Statements of Shareholders' Equity

(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
As at October 31, 2009	3,025,486	3,476	54,216	425,741	3,508,919
Share capital issued	5				5
Options exercised		(2)			(2)
Stock-based compensation		3,093			3,093
Other comprehensive income					
Unrealized loss on cash flow hedges[a]			(20,143)		(20,143)
Reclassification of loss to income on cash flow hedges[b]			15,371		15,371
Reclassification of loss on net investment hedges[c]			165		165
Unrealized gain on available for sale assets[d]			3		3
Reclassification of gain on dedesignated hedged contracts[e]			(740)		(740)
Unrealized effect of foreign currency translation of foreign operations			58,320		58,320
Net earnings for the year				145,272	145,272
As at October 31, 2010	**3,025,491**	**6,567**	**107,192**	**571,013**	**3,710,263**
Share capital issued	**1,220**				**1,220**
Options exercised		**(315)**			**(315)**
Stock-based compensation		**2,801**			**2,801**
Other comprehensive income					
Unrealized gain on cash flow hedges[a]			**7,261**		**7,261**
Reclassification of loss to income on cash flow hedges[b]			**4,012**		**4,012**
Reclassification of loss on net investment hedges[c]			**1,977**		**1,977**
Unrealized gain on available for sale assets[d]			**5**		**5**
Realized loss on cash flow hedges[f]			**(8,315)**		**(8,315)**
Unrealized effect of foreign currency translation of foreign operations			**90,641**		**90,641**
Dividends				**(37,164)**	**(37,164)**
Net earnings for the year				**265,409**	**265,409**
As at October 31, 2011	**3,026,711**	**9,053**	**202,773**	**799,258**	**4,037,795**

[a] net of tax of $2,454 (2010 – ($8,186))

[b] net of tax of $2,004 (2010 – $7,482)

[c] net of tax of $244 (2010 – $68)

[d] net of tax of ($7) (2010 – $nil)

[e] net of tax of $nil (2010 – ($302))

[f] net of tax of ($2,921) (2010 – $nil)

See accompanying notes

Consolidated Statements of Cash Flow

(in thousands of Canadian dollars)

Years Ended October 31,	**2011**	2010
Operating		
Net earnings	**265,409**	145,272
Items not affecting cash		
Amortization	**205,536**	192,676
Goodwill impairment	**7,681**	–
Future income tax provision (Note 5)	**17,444**	15,976
Employee future benefits (Note 18)	**(7,100)**	(4,939)
Non-cash financing expenses (Note 4)	**8,156**	18,069
Loss (gain) on disposal of property, plant and equipment	**289**	(7,778)
Gain on net investment hedge	**(2,457)**	–
Net foreign exchange loss on acquisition	**–**	159
Other	**2,198**	1,814
	497,156	361,249
Changes in non-cash working capital		
Accounts receivable	**(305,954)**	6,916
Inventories	**(404,355)**	(191,842)
Accounts payable and accrued liabilities	**409,219**	(8,437)
Prepaid expenses and deposits	**(3,342)**	(15,742)
Cash from operating activities	**192,724**	152,144
Financing		
Proceeds from long-term debt	**200,525**	409,969
Repayment of long-term debt	**(1,634)**	(826,472)
Proceeds (repayment) of short-term borrowings	**41,805**	(241,022)
Repayment of other long-term liabilities, net	**(304)**	(501)
Increase in share capital (Note 19)	**905**	3
Debt financing costs	**(20,752)**	(22,785)
Dividends paid	**(37,164)**	–
Cash from (used in) financing activities	**183,381**	(680,808)
Investing		
Property, plant and equipment expenditures	**(206,654)**	(105,313)
Proceeds on sale of property, plant and equipment	**4,720**	23,164
Business acquisitions (Note 3)	**(7,830)**	(288,414)
Business divestitures (Note 3)	**–**	30,863
Decrease in investments	**1,428**	206
Net foreign exchange loss on acquisition	**–**	(159)
Increase in other long-term assets	**(354)**	–
Intangible assets expenditures	**(25,692)**	(16,515)
Cash used in investing activities	**(234,382)**	(356,168)
Increase (decrease) in cash and cash equivalents	**141,723**	(884,832)
Cash and cash equivalents, beginning of year	**154,793**	1,033,075
Effect of exchange rate changes on cash and cash equivalents	**1,544**	6,550
Cash and cash equivalents, end of year	**298,060**	154,793
Cash and cash equivalents consist of:		
Cash	**106,296**	66,589
Short-term investments	**191,764**	88,204
	298,060	154,793
Supplemental disclosure of cash paid during the year from operations		
Interest paid	**132,230**	104,641
Income taxes paid	**30,361**	4,424

See accompanying notes

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Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

1. NATURE OF OPERATIONS

Viterra Inc. (the "Company" or "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 additional 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 consistent throughout the year.

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

Principles of Consolidation and Preparation of Financial Statements

Viterra's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

The consolidated financial statements include the accounts of Viterra Inc., its subsidiaries, and its proportionate share of the accounts of its joint ventures. Investments in companies where Viterra has the ability to exercise significant influence but not control or joint control are accounted for using the equity method. All intercompany transactions and balances have been eliminated.

The Company operates grain pools on behalf of producers and has legal title over the pool stocks. 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 stocks and other related balances held by the Company on behalf of producers are not recognized in the Company's consolidated financial statements.

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

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, and are used when accounting for items like collectability of receivables, net realizable value of inventory, estimated useful lives and impairment of property, plant and equipment and intangibles, goodwill impairment testing, fair value of financial assets and liabilities, amount and likelihood of contingencies, income taxes, stock-based compensation, employee future benefits, and the allocation of acquisition purchase prices. Actual results could differ from those estimates.

Foreign Currency Translation

Foreign currency transactions are recorded using the exchange rate in effect at the date of the transaction. Foreign currency monetary transactions are translated to the functional currency of the operations at the exchange rate existing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognized in net earnings except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

Operations determined to be self-sustaining have been translated into Canadian dollars using the current rate method. Exchange gains or losses arising from this translation are deferred and recognized in the currency translation account within accumulated other comprehensive income.

Operations determined to be integrated have been translated into Canadian dollars using the temporal method. Exchange gains or losses arising from this translation are recognized in net earnings.

Revenue Recognition

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

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.

Cost of Sales

Grain Handling and Marketing cost of sales includes net realized and unrealized gains and losses on commodity contracts and exchange-traded derivatives.

Amortization of property, plant and equipment related to manufacturing assets is reclassified from cost of sales to amortization for statement of earnings presentation.

Cash and Cash Equivalents

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

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 provided for in net earnings when management determines that it is probable that the receivable will not be collected.

Inventories

Grain Handling and Marketing inventories are considered held for trading and are measured at their fair value less handling costs and any applicable freight, with changes to fair value recognized in cost of sales.

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 and freight. Wool inventories are considered held for trading, and are measured at their fair value less estimated costs to sell with changes in their fair value recognized in cost of sales.

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. Feed inventories are measured using the lower of standard costs, with under or over recovery on standard costs charged to cost of sales, and net realizable value.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

Corporate Income Taxes

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

Financing Costs

Costs incurred to obtain revolving credit are amortized on a straight-line basis over the term of the credit agreement. The costs are included in prepaid expenses and deposits and other long-term assets and the related amortization is included in financing expenses.

Financing costs related to borrowings where there is a fixed principal owing are included in current liabilities and long-term debt and amortized using the effective interest method, with amortization included in financing expenses.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization and impairment. Cost includes borrowing costs capitalized on major construction projects.

Amortization 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%

Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment.

Amortization is provided for intangible assets, excluding indefinite lived intangibles, over their estimated useful lives using the straight-line method. The rates used are as follows:

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

Indefinite lived assets are tested for impairment on an annual basis, or more often should events or circumstances indicate possible impairment. Any excess of the carrying value over the fair value of an indefinite lived asset is expensed as an impairment loss in net earnings.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets whenever there is an event or change in circumstance that indicates impairment in the carrying value or estimated useful life of the asset. If impairment has occurred, the excess of the carrying value over the fair value is included in amortization in net earnings. When there is a change in the estimated useful life of a long-lived asset, amortization for the asset is adjusted prospectively.

Goodwill

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets on a business acquisition. Goodwill is assigned to the operating unit expected to benefit from the acquisition. Goodwill is not amortized.

The Company assesses impairment of goodwill on an annual basis, or more often should events or circumstances warrant. Should the carrying value of the operating unit to which goodwill has been assigned exceed its fair value, an amount equal to the excess of the carrying value over fair value would be expensed as an impairment loss in net earnings.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

Stock-Based Compensation Plans

The Company's restricted share unit, performance share unit, and deferred share unit stock-based compensation plans are considered to be cash-settled plans and are recorded as liabilities. Stock-based compensation expense is accrued, on a straight-line basis, over the vesting period of the units and remeasured to fair value at each reporting period, until settlement, using the quoted market value.

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

Employee Future Benefits

Viterra maintains both funded and unfunded defined benefit pension plans, as well as 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, pension expense, and other retirement benefits uses the projected benefit method pro-rated on service, which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net unamortized actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees expected to receive benefits under the benefit plan.

The Company 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.

Environmental Costs and Asset Retirement Obligations

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, 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 likely and the costs can be reasonably estimated. In determining the provisions, the Company uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements.

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

Financial Instruments

Financial assets and financial liabilities ("financial instruments") are initially recognized at fair value, which is equal to cost plus directly attributable transaction costs, as applicable. Transaction costs related to financial instruments, other than those financial instruments held for trading, adjust the carrying amount of the underlying instrument. These 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 held for trading 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 marketplace.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

Financial instruments include derivatives and embedded derivatives that are not designated as hedges which are initially recognized at fair value and remeasured to their fair value at each reporting date. The change in fair value of derivatives, including embedded derivatives, that are designated as either cash flow hedges or hedges of net investment in self-sustaining foreign operations, are recognized in net earnings depending on the nature of the hedge relationship.

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

Assets Available for Sale

Financial instruments 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.

Equity and other investments classified as available for sale that do not have an active trading market are measured at cost.

Assets or Liabilities Held for Trading

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.

Other Financial Liabilities

Other financial liabilities, which include long-term debt and some other long-term liabilities, are measured at amortized cost using the effective interest method.

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 counterparties. 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 prioritized into three levels as per the fair value hierarchy included in GAAP:

- 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 commodity forward contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. The adjustments are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or over the counter ("OTC") markets. Observable inputs are generally available for the full term of the contract and are considered Level 2.
- The fair value of foreign exchange forward contracts (OTC), natural gas swaps and cross-currency swaps is estimated using observable prices for similar instruments in active markets and is 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.

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- 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 cost of goods sold. Upon maturity of the derivative instrument, the effective gains and losses previously recognized in other comprehensive income are recorded in net earnings as a component of cost of goods sold in the same period the related 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 self-sustaining foreign operations. The effective portions of the hedges are recognized in other comprehensive income while any ineffective portion is recognized immediately in operating, general and administrative expenses. Gains and losses relating to the effective portions of the hedges are reclassified to net earnings when there is a reduction in the net investment in self-sustaining 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 financing expenses. Gains and losses relating to the effective portion of the hedge are amortized with interest expense over the term of the debt.

Future Accounting Changes – International Financial Reporting Standards

The Canadian Institute of Chartered Accountants Accounting Standards Board requires public companies to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented in accordance with IFRS. Accordingly, the annual and quarterly financial reporting for Viterra for the year ending October 31, 2012 will be first reported under IFRS, and the Company's transition date is November 1, 2010 with a reporting conversion date commencing as of November 1, 2011.

3. BUSINESS ACQUISITIONS AND DIVESTITURES

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. Goodwill of $1 million is deductible for tax purposes. The results of the operations are included in the Company's consolidated financial statements commencing from the date of acquisition.

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Fiscal 2010

Dakota Growers

On May 5, 2010, the Company acquired all of the issued and outstanding common shares of Dakota Growers Pasta Company, Inc. ("Dakota Growers"), a leading producer and marketer of dry pasta products in North America. The results of operations and net assets of Dakota Growers, including goodwill of $112 million, are included in the Company's consolidated financial statements as part of the Processing reporting segment. The acquisition was accounted for using the purchase method and the purchase price allocation was completed in the third quarter of 2011, with no material adjustment to the preliminary allocation.

Net Assets Acquired at Fair Value	
Current assets	63,109
Property, plant and equipment	94,756
Intangible assets	31,820
Indefinite lived intangible assets	3,178
Goodwill	112,390
Other long-term assets	1,644
Future income tax liabilities, net	(36,749)
Current liabilities	(23,438)
Long-term debt	(21,739)
	224,971

21st Century

On August 17, 2010, the Company acquired 21C Holdings, L.P. ("21st Century"), a U.S. based processor of oats, wheat and custom-coated grains. The results of operations and net assets of 21st Century, including goodwill of $12 million, are included in the Company's consolidated financial statements as part of the Processing reporting segment. The acquisition was accounted for using the purchase method and the purchase price allocation was completed in the fourth quarter of 2011, with no material adjustment to the preliminary allocation.

Net Assets Acquired at Fair Value	
Current assets	36,773
Property, plant and equipment	56,564
Intangible assets	6,602
Goodwill	12,328
Other long-term assets	391
Current liabilities	(20,156)
Long-term debt	(20,614)
	71,888

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Other

During the year ended October 31, 2010, the Company purchased certain agri-products retail assets for total consideration of $6 million. The net assets, including goodwill of $2 million, were included in the Agri-products reporting segment. Goodwill of $2 million was deductible for tax purposes.

Divestitures

During the year ended October 31, 2010, the Company sold two joint venture interests acquired in the ABB Grain Ltd. ("ABB") acquisition for $31 million, which included $23 million of shareholder loan repayments. There was no gain or loss recorded on the disposals. The joint ventures were proportionately consolidated within the Grain Handling and Marketing reporting segment prior to disposal.

4. FINANCING EXPENSES

	2011	2010
Interest expense on long-term debt	**74,447**	79,603
Interest expense on short-term debt	**40,785**	33,320
Interest income	**(3,086)**	(7,629)
CWB carrying charge recovery	**(2,161)**	(1,693)
Cash interest, net (Note 28)	**109,985**	103,601
Net investment hedge (Note 24)	**(2,457)**	–
Interest accretion	**2,931**	2,744
Amortization of financing costs	**5,225**	6,882
Refinancing costs	**–**	24,880
	115,684	138,107

5. CORPORATE INCOME TAXES

Provision for Corporate Income Taxes	**2011**	2010
Current		
Canada	**46,077**	17,565
International	**39,185**	10,157
	85,262	27,722
Future		
Canada	**8,529**	4,526
International	**8,915**	11,450
	17,444	15,976
	102,706	43,698

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Major Factors that Caused Variations from the Expected Combined Statutory Income Tax Rates	2011	2010
Earnings before corporate income taxes	**368,115**	188,970
Combined Canadian statutory rate	**27.03%**	29.03%
Pre-tax accounting income at combined Canadian statutory income tax rate	**99,501**	54,858
Effect of foreign income tax rates differing from Canadian income tax rates	**2,697**	(611)
Change in effective tax rate on future income taxes	**(10)**	(1,105)
Permanent differences	**5,240**	4,392
Change in estimate of tax accruals	**(553)**	490
Non-taxable portion of capital gain	**(121)**	(729)
Non-recoverable withholding taxes	**3,253**	2,848
Reversal of valuation allowance	**–**	(6,504)
Future tax asset not recognized	**6,824**	3,944
Deductions available for tax in excess of accounting	**(14,138)**	(11,965)
Non-taxable income	**–**	(1,925)
Other	**13**	5
	102,706	43,698

Significant Components of Future Income Taxes	2011	2010
Future income tax assets		
Losses available for carry forward	**5,221**	36,129
Refinancing and restructuring costs not currently deducted for tax	**3,609**	14,773
Accrued expenses not currently deductible for tax	**50,448**	43,388
Undepreciated capital cost in excess of net book value	**3,353**	2,453
Reclamation costs not currently deducted for tax	**4,950**	4,362
Other	**1,910**	151
Total future income tax assets	**69,491**	101,256
Future income tax liabilities		
Net book value in excess of undepreciated capital cost	**193,571**	195,841
Deferred pension assets	**30,847**	27,048
Income not currently taxable	**4,086**	23,452
Research and development costs not deducted for accounting	**218**	238
Other	**3,923**	1,571
Total future income tax liabilities	**232,645**	248,150
Net future income tax liability	**(163,154)**	(146,894)
Current future income tax assets	**29,359**	30,067
Long-term future income tax assets	**11,606**	25,010
Current future income tax liabilities	**(122)**	(391)
Long-term future income tax liabilities	**(203,997)**	(201,580)
	(163,154)	(146,894)

No future tax asset has been recognized for the temporary difference related to goodwill and intangibles arising from the acquisition of ABB, an Australian agri-business. This temporary difference of $162 million is not expected to be deductible for tax purposes.

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As at October 31, 2011, the Company had consolidated non-capital loss carry forwards for income tax purposes of $65 million. No future tax benefit has been recognized for $47 million of these losses. The expiry dates associated with the losses available for carry forward are:

2016	1,626
2017	7,202
2018	25,408
2021	419
2022	139
2023	174
2024	108
2025	33
2029	195
2030	58
2031	81
No expiry	29,922
	65,365

The Company also has capital loss carry forwards of $15 million that can only be used to offset capital gains in future periods. No future tax benefit has been recognized for these capital losses.

6. EARNINGS PER SHARE

	2011	2010
Net earnings	**265,409**	145,272
Weighted average number of shares outstanding	**371,665**	371,597
Basic earnings per share[a]	**0.71**	0.39
Weighted average number of shares outstanding	**371,665**	371,597
Dilutive effect of stock options	**698**	6
Weighted average number of shares outstanding, assuming dilution	**372,363**	371,603
Diluted earnings per share[a]	**0.71**	0.39

[a] Earnings per share not in thousands.

7. ACCOUNTS RECEIVABLE

	2011	2010
Trade receivables	**798,317**	471,949
Allowance for doubtful accounts	**(9,943)**	(9,907)
CWB	**189,996**	77,700
Derivatives	**154,481**	217,282
Other receivables	**144,888**	198,861
	1,277,739	955,885

Notes to the Consolidated Financial Statements

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8. INVENTORIES

	2011	2010
Inventories held for trading at fair value		
Grain Handling and Marketing	**896,018**	724,157
Agri-products	**103,290**	61,369
	999,308	785,526
Inventories at cost		
Agri-products		
Product purchased for resale[(a)]	**401,055**	321,993
Finished goods[(b)]	**2,819**	2,591
Processing		
Raw materials and supplies	**76,523**	40,393
Work in progress	**15,394**	14,366
Finished goods[(b)]	**73,311**	47,018
	569,102	426,361
	1,568,410	1,211,887

(a) Write-downs related to inventories at October 31, 2011 of $4 million (2010 – $1 million) have been included in cost of sales.

(b) Amortization of $55 million for the year ended October 31, 2011 (2010 – $49 million) related to the manufacture of inventories that have now been sold is included in amortization expense.

9. PROPERTY, PLANT AND EQUIPMENT

	2011	Accumulated Amortization 2011	2010	Accumulated Amortization 2010
Land	**148,270**		143,516	
Site and leasehold improvements	**134,688**	**21,635**	97,119	16,091
Buildings	**790,811**	**144,737**	758,340	110,626
Machinery and equipment	**2,003,774**	**468,841**	1,869,968	342,221
Assets under construction[(a)]	**170,702**		91,042	
	3,248,245	**635,213**	2,959,985	468,938
Accumulated amortization[(b)]	**(635,213)**		(468,938)	
Net book value	**2,613,032**		2,491,047	

(a) Capitalized borrowing costs for the year ended October 31, 2011 were $5 million (2010 – $2 million).

(b) Amortization of property, plant and equipment for the year ended October 31, 2011 was $179 million (2010 – $171 million).

Management is performing a strategic review of certain assets and is considering the disposition of approximately $85 million of property, plant and equipment. As the review was still in progress as of the date of the balance sheet, the assets were not classified as held for sale.

Notes to the Consolidated Financial Statements

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10. OTHER LONG-TERM ASSETS

	2011	Accumulated Amortization 2011	2010	Accumulated Amortization 2010
Pension (Note 18)	**122,403**		106,986	
Financing costs	**18,835**	**7,809**	10,651	2,430
Long-term receivables	**9,625**	**67**	7,986	57
Long-term derivatives	**21,297**		35,393	
Equity investments	**7**		6	
Available for sale – fair value	**25**		28	
Available for sale – cost[a]	**6,225**		9,627	
	178,417	**7,876**	170,677	2,487
Accumulated amortization[b]	**(7,876)**		(2,487)	
Net book value	**170,541**		168,190	

[a] Included in available for sale investments at cost is the Company's investment in Prince Rupert Grain Terminal ("PRG"). Through a co-tenancy arrangement, the Company has an undivided interest, which fluctuates based on usage, in PRG. The Company's non-controlling interest in PRG is recorded at a minimal amount since the value of the debt exceeds the depreciated value of the terminal. At October 31, 2011, PRG had approximately $283 million in loans due to a third party (2010 – $288 million). The loans mature in 2015 ($169 million) and 2035 ($114 million) (2010 – $174 million and $114 million, respectively) and are secured by the terminal without recourse to the co-tenants' members.

[b] Amortization of financing costs of $5 million (2010 – $7 million) and a write-off of financing fees of $nil (2010 – $2 million) due to retirement of debt are included in financing expenses (Note 4).

11. INTANGIBLE ASSETS

	2011	Accumulated Amortization 2011	2010	Accumulated Amortization 2010
Indefinite lived trademarks[a]	**3,090**		3,163	
Software	**73,469**	**29,011**	52,078	16,800
Customer relationships	**111,382**	**21,453**	102,002	8,411
Licences and trademarks	**25,175**	**10,921**	22,788	8,175
Other	**7,818**	**2,797**	11,167	2,897
	220,934	**64,182**	191,198	36,283
Accumulated amortization[b]	**(64,182)**		(36,283)	
Net book value	**156,752**		154,915	

[a] The Company completed its annual test of impairment of indefinite lived trademarks during the fourth quarter of 2011 and determined that there was no impairment.

[b] Amortization of intangible assets for the year ended October 31, 2011 was $27 million (2010 – $22 million).

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12. GOODWILL

	2011	2010
Balance, beginning of the year	**772,233**	699,974
Acquired during the year	**1,200**	126,722
Purchase price allocation adjustments	**–**	(59,283)
Impairment write-down[a]	**(7,681)**	–
Foreign currency translation	**9,446**	4,820
Balance, end of year	**775,198**	772,233

[a] The Company completed its annual test for impairment of goodwill during the fourth quarter of 2011 and it was determined that the goodwill of the Canadian feed operation was impaired by $8 million. This impairment reflects weaker market conditions and operational performance within the Canadian feed operations than previously expected. The impairment charge impacted the Company's Canadian geographic results and was recorded in the Company's Processing reporting segment.

13. SHORT-TERM BORROWINGS

	2011	2010
Global credit facility[a]	**–**	51,116
Trade facility agreements and other short-term borrowings[b]	**125,138**	10,561
	125,138	61,677

[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 October 31, 2011, drawings were $nil on the Canadian tranche (2010 – $nil) and $nil on the Australian tranche (2010 – $66 million NZD).

[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.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Trade payables	**933,269**	621,674
Accrued liabilities	**183,776**	144,119
Derivatives	**134,928**	193,572
Employee related	**105,971**	85,617
Asset retirement obligation – current	**17,941**	13,646
Miscellaneous	**17,692**	20,715
Customer prepayments	**29,546**	29,092
Tax payable	**39,852**	11,477
	1,462,975	1,119,912

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15. LONG-TERM DEBT

	2011	2010
Senior Unsecured Notes[(a)]		
Series 2011-1 Notes	**200,000**	–
Series 2010-1 Notes	**398,680**	408,080
Series 2009-1 Notes	**300,000**	300,000
Series 2007-1 Notes	**200,000**	200,000
Members' term loans	**617**	1,114
	1,099,297	909,194
Subsidiaries' and proportionate share of joint ventures' debt[(b)]	**5,515**	5,669
	1,104,812	914,863
Less unamortized debt costs	**16,726**	15,734
Total long-term debt	**1,088,086**	899,129
Less portion due within one year		
Members' term loans	**429**	497
Subsidiaries' and proportionate share of joint ventures' debt[(b)]	**1,977**	1,798
Long-term debt due within one year	**2,406**	2,295
Long-term debt due in excess of one year	**1,085,680**	896,834

(a) **Senior Unsecured Notes**

Terms[(1)]		**Series 2011-1**	**Series 2010-1**	**Series 2009-1**	**Series 2007-1**
Issue date		February 15, 2011	August 4, 2010	July 7, 2009	August 1, 2007
Principal amount		$200,000	$400,000 USD	$300,000	$200,000
Interest rate		6.41%	5.95%	8.5%	8.5%
Maturity date		February 16, 2021	August 1, 2020	July 7, 2014	August 1, 2017
Effective interest rate		7.45%	6.19%	9.05%	8.85%
Redemption price[(2)]					
Optional redemption, prior to		February 16, 2021	August 1, 2020	July 7, 2012	August 1, 2012
With net proceeds of public equity offering[(3)]		n/a	n/a	108.5%	108.5%
With all other proceeds		See footnote[(4)]	See footnote[(4)]	See footnote[(5)]	See footnote[(5)]
Optional redemption, on or after		n/a	n/a	July 7, 2012	August 1, 2012
	2012	n/a	n/a	102.13%	104.25%
	2013	n/a	n/a	100.00%	103.19%
	2014	n/a	n/a	–	102.13%
	2015	n/a	n/a	–	101.06%
	2016	n/a	n/a	–	100.00%

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

(2) Expressed as percentage of principal amount at maturity.

(3) For Series 2007-1 and Series 2009-1, redemption limited to no more than 35% of aggregate principal amount of each series.

(4) The Series 2011-1 and 2010-1 Notes may be redeemed prior to maturity at the Company's option in whole or in part at any time at a redemption price equal to the greater of 100% of the principal amount to be redeemed or a "make-whole" redemption price, in either case, plus accrued and unpaid interest.

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

On February 15, 2011, the Company issued $200 million of Senior Unsecured Notes with a maturity date of February 16, 2021 and a yield of 6.41%. The Notes were issued pursuant to the Company's $500 million short form base shelf prospectus dated August 6, 2010 and a prospectus supplement dated February 10, 2011. Proceeds from these Notes were used to partially repay drawings on the Company's Global Credit Facility and for general corporate purposes.

(b) **Subsidiaries' and Proportionate Share of Joint Ventures' Debt**
Subsidiaries' and the proportionate share of joint ventures' borrowings bear interest at fixed and variable rates. The weighted average interest rate of subsidiaries' and the proportionate share of joint ventures' borrowings is 6.1% (2010 – 5.5%) based on the face value of the debt instrument. The debt matures in 2012 to 2020.

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16. OTHER LONG-TERM LIABILITIES

	2011	2010
Asset retirement obligations[(a)]	**46,215**	16,030
Stock-based compensation plans (Note 17)	**12,339**	8,246
Other employee future benefits (Note 18)	**14,222**	14,044
Pension (Note 18)	**3,323**	3,347
Contributions in aid of construction[(b)]	**6,197**	6,502
Grain handling agreements	**4,301**	2,000
Long-term derivatives	**5,274**	27,362
Other	**2,647**	1,182
	94,518	78,713

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

At October 31, 2011, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately $129 million (2010 – $39 million), which is expected to be settled over the period from 2012 through 2028. The credit-adjusted risk-free rates at which the estimated cash flows have been discounted range from 4% to 8%. At October 31, 2011, the aggregate carrying amounts, including the short-term portions of the asset retirement obligations, was $61 million (2010 – $26 million). The increase is a result of liabilities of $36 million accrued in the year for site restoration and reclamation costs relating to closed facilities and current leases as well as accretion expense of $1 million, partially offset by expenditures of $2 million.

(b) Contributions in aid of construction represent payments received from producers pursuant to grain storage licence agreements.

17. STOCK-BASED COMPENSATION PLANS

Restricted Share Unit Plan

Under the Company's Restricted Share Unit ("RSU") Plan, each RSU represents one notional common share that entitles the participant to a payment of one common share of the Company purchased on the open market or an equivalent cash amount, at the Company's discretion. RSUs vest at the end of either a two- or three-year period.

During the year ended October 31, 2011, 25,000 RSUs were granted (2010 – 218,533). Compensation expense related to outstanding RSUs was $1 million for the year ended October 31, 2011 (2010 – $2 million).

Performance Share Unit Plan

Under the Company's Performance Share Unit ("PSU") Plan, each PSU represents one notional common share that entitles the participant to a payment of common shares of the Company purchased on the open market or an equivalent cash amount, at the Company's discretion. Each designated participant receives an annual grant of PSUs as part of their compensation. The PSU Plan is a performance based plan, and performance objectives under the plan are designed to further align the interests of the designated participant with those of shareholders by linking the vesting of awards to certain metrics over a three-year performance period. PSUs vest at the end of a three-year period and the number of PSUs that ultimately vest will vary based on the relative results attained against the predetermined metrics. The final value of the PSUs is based on the volume-weighted average of the closing price of the common shares of the Company on the Toronto Stock Exchange ("TSX") for the last five trading days multiplied by the number of vested PSUs.

During the year ended October 31, 2011, 517,013 PSUs were granted to designated participants (2010 – 486,273). Compensation expense related to outstanding PSUs was $3 million for the year ended October 31, 2011 (2010 – $3 million).

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Deferred Share Unit Plan

The Company has two Deferred Share Unit ("DSU") Plans: one for designated employees and one for the Board of Directors ("Board"). Under both plans, a DSU is a notional unit that reflects the market value of a single common share of the Company. Each DSU fully vests upon award. DSUs are redeemed for cash or for common shares of the Company purchased on the open market at the holder's election upon ceasing employment or leaving the Board. The redemption amount is based on the volume-weighted average of the closing price of the common shares of the Company on the TSX for the last five trading days prior to the redemption date, multiplied by the number of DSUs held.

A minimum of 50% of a North American director's annual retainer and meeting fees are put into DSUs until they acquire three times their annual retainer in common shares or DSUs, or a combination of both, of the Company. Each year, directors have the option to elect to receive a larger portion of their annual retainer and any additional fees in the form of DSUs.

Total DSUs granted were 130,275 during the year ended October 31, 2011 (2010 – 193,522). During fiscal 2011, no RSUs or PSUs were converted into DSUs by participants (2010 – 30,075). Compensation expense related to outstanding DSUs was $2 million for the year ended October 31, 2011 (2010 – $1 million).

Key Employee Share Unit Plan

During fiscal 2011, the Key Employee Share Unit Plan ("KESUP") was introduced as part of the annual compensation awards for designated employees. Each share unit represents a right that entitles the participant to receive one common share of the Company at the end of a vesting period, which will be no more than eight years or a lesser period as determined by the Company at the time of the grant. The maximum number of common shares that may be issued pursuant to the KESUP is 6 million. As at October 31, 2011, 5.5 million common shares were available for future grants.

The expense related to the KESUP is recognized on a straight-line basis over the vesting period based on the fair value of the units on their grant date determined by a Black-Scholes option pricing model. Compensation expense for the year was $1 million.

KESUP[a]	Units Outstanding	Weighted Average Grant-Date Fair Value
Units granted	493,293	11.02
Forfeited	(15,100)	
Exercised	(619)	
Outstanding October 31, 2011	477,574	

[a] Not shown in thousands.

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(in thousands of Canadian dollars, except where otherwise stated)

Management Stock Option Plan

The maximum number of common shares that may be issued pursuant to the Management Stock Option Plan ("MSOP") is approximately 4.2 million (2010 – 10.2 million). As at October 31, 2011, 1.6 million common shares (2010 – 7.6 million) were available for future grants.

The expense related to the MSOP is recognized over the vesting period based on the fair value of the options determined by the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate 2.5%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 38%, and a weighted average expected option life of 4.7 years. The Company's compensation expense for the year ended October 31, 2011 was $2 million (2010 – $3 million).

MSOP[a]	Options Outstanding	Weighted Average Grant-Date Fair Value	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Outstanding October 31, 2009	1,657,190		12.67	384,391	19.59
Options granted	1,066,914	3.50	9.97		
Forfeited	(58,215)		10.51		
Expired	(29,930)		108.45		
Exercised	(425)		5.90		
Outstanding October 31, 2010	**2,635,534**		**10.53**	**1,639,314**	**11.05**
Forfeited	**(67,517)**		**9.89**		
Expired	**(23,000)**		**50.01**		
Exercised	**(98,212)**		**9.22**		
Outstanding October 31, 2011	**2,446,805**		**10.21**	**2,143,077**	**10.27**

[a] Not shown in thousands.

MSOP Options Outstanding and Exercisable[a]

Range of Exercise Price	Weighted Average Remaining Life (Years)	Options Outstanding	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
5.90 - 9.50	3.96	859,315	9.00	859,315	9.00
9.51 - 11.05	5.24	948,125	9.97	644,397	9.97
11.06 - 21.56	4.21	634,412	12.12	634,412	12.12
21.57 - 31.00	0.77	4,953	31.00	4,953	31.00
	4.52	2,446,805	10.21	2,143,077	10.27

[a] Not shown in thousands.

Employee Share Purchase Plan

Under the Company's Employee Share Purchase Plan ("ESPP"), employees may elect to purchase shares of the Company to a maximum of 10% of their gross annual salary, with the Company matching 50% of the employee's contribution to a maximum of $10,000 per year. The Company is responsible for all costs associated with the purchase of the shares. All common shares are purchased on the open market.

Compensation expense related to the ESPP was $4 million for the year ended October 31, 2011 (2010 – $4 million).

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18. EMPLOYEE FUTURE BENEFITS

	Defined Benefit Pension Plans		Other Future Benefits	
	2011	2010	**2011**	2010
Change in Plan Assets[a]				
Fair value, beginning of year	**586,686**	559,994	**–**	–
Actual return on plan assets	**13,665**	59,198	**–**	–
Employer contributions	**7,443**	11,403	**720**	723
Employees' contributions	**199**	298	**–**	–
Benefits paid	**(46,122)**	(44,207)	**(720)**	(723)
Fair value for the year	**561,871**	586,686	**–**	–
Change in Accrued Benefit Obligation[a]				
Balance, beginning of year	**572,546**	530,373	**13,351**	12,095
Current service cost	**1,198**	1,555	**300**	292
Interest cost	**27,588**	30,641	**658**	715
Benefits paid	**(46,122)**	(44,207)	**(720)**	(723)
Actuarial loss	**19,314**	54,184	**420**	972
Balance for the year	**574,524**	572,546	**14,009**	13,351
Plan (deficit) surplus	**(12,653)**	14,140	**(14,009)**	(13,351)
Unamortized transitional asset	**(24)**	(98)	**–**	–
Unamortized net actuarial loss (gain)	**144,664**	112,021	**(213)**	(693)
Accrued benefit asset (liability)	**131,987**	126,063	**(14,222)**	(14,044)
Valuation allowance	**(12,907)**	(22,424)	**–**	–
Consolidated accrued benefit asset (liability), net of valuation allowance	**119,080**	103,639	**(14,222)**	(14,044)
Recognized in the Consolidated Balance Sheets				
Other long-term assets (Note 10)	**122,403**	106,986	**–**	–
Other long-term liabilities (Note 16)	**(3,323)**	(3,347)	**(14,222)**	(14,044)
Consolidated accrued benefit asset (liability), net of valuation allowance	**119,080**	103,639	**(14,222)**	(14,044)

[a] The effective date of the most recent actuarial valuations range from October 31, 2005 to December 31, 2010. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on September 30, 2011 with extrapolations as required to October 31, 2011. Comparative figures are valued at market value at October 31, 2010. The effective dates of the next required actuarial valuations range from October 31, 2011 to December 31, 2011.

Notes to the Consolidated Financial Statements

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Defined benefit plans with accrued benefit obligations in excess of plan assets have an aggregate accrued benefit obligation of $380 million (2010 – $378 million) and an aggregate fair value of plan assets of $331 million (2010 – $345 million).

Cash payments for employee future benefits for the year ended October 31, 2011 were $8 million (2010 – $12 million), consisting of cash contributed to the Company's pension plans and cash payments directly to beneficiaries for other future benefits.

Percentage of Defined Benefit Pension Plans Assets by Major Category	2011	2010
Canadian Equities	23%	32%
Global Equities	26%	28%
Bonds	41%	32%
Other	10%	8%
	100%	100%

Actuarial Assumptions	Defined Benefit Pension Plans		Other Future Benefits	
	2011	2010	2011	2010
Weighted Average Assumptions				
Discount rate (accrued benefit obligation)	4.6%	5.0%	4.6%	5.0%
Discount rate (expense)	5.0%	6.0%	5.0%	6.0%
Expected long-term rate of return on plan assets	6.0%	6.0%	–	–
Rate of compensation increase	3.6%	3.6%	3.6%	3.6%
Other Assumption				
Assumed health care cost trend rates[a]	n/a	n/a	3-8%	4-9%

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

Effect of Assumed Health Care Cost Trend Rate Change	One Percentage-Point Increase	One Percentage-Point Decrease
Interest cost	22	(21)
Accrued benefit obligation	358	(321)

Net Benefit (Income) Expense	Defined Benefit Pension Plans		Other Future Benefits	
	2011	2010	2011	2010
Current service cost, net of employees' contributions	999	1,257	300	292
Interest cost	27,588	30,641	658	715
Actual return on plan assets	(13,665)	(59,198)	–	–
Actuarial loss	19,314	54,184	420	972
Valuation allowance provided against accrued benefit asset	(9,517)	(8,875)	–	–
Costs arising in the year	24,719	18,009	1,378	1,979
Difference between expected and actual return on plan assets for the year	(20,283)	26,677	–	–
Difference between actuarial loss recognized and actuarial loss on accrued benefit obligation for the year	(12,359)	(50,434)	(480)	(1,095)
Amortization of the transitional obligation	(75)	(75)	–	–
Net benefit (income) expense	(7,998)	(5,823)	898	884

Notes to the Consolidated Financial Statements

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Defined Contribution Plans

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans, including a multi-employer plan. The Company's total consolidated defined contribution plan expense for the year ended October 31, 2011 is $23 million (2010 – $19 million).

19. SHARE CAPITAL

Common Voting Shares[a]	Number[b]	Amount
Balance, October 31, 2009	371,596,508	3,025,486
Share issuance for cash	425	3
Adjustment to share capital from contributed surplus for options exercised	–	2
Balance, October 31, 2010	**371,596,933**	**3,025,491**
Share issuance for cash	**98,212**	**905**
Adjustment to share capital from contributed surplus for options exercised	**–**	**315**
Balance, October 31, 2011	**371,695,145**	**3,026,711**

[a] Authorized – unlimited common voting shares.

[b] Number of shares not shown in thousands.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2011	2010
Cash flow hedges (Note 24)[a]	**(2,149)**	(5,108)
Net investment hedges (Note 24)[b]	**2,142**	165
Unrealized gains (losses) on available for sale assets[c]	**1**	(3)
Unrealized effect of foreign currency translation of foreign operations	**202,779**	112,138
	202,773	107,192

[a] Net of tax of $75 (October 2010 – $1,612).

[b] Net of tax of ($393) (October 2010 – ($68)).

[c] Net of tax of ($1) (October 2010 – ($8)).

21. RELATED PARTY TRANSACTIONS

The Company has transactions with related parties in the normal course of business measured at exchange amount which are comparable to commercial rates and terms. Related parties include investee Prince Rupert Grain (Note 10) as well as grain pools operated by the Company.

Total sales to related parties were $21 million (2010 – $16 million) and total purchases from related parties were $56 million (2010 – $62 million). As at October 31, 2011, accounts receivable from related parties totalled $35 million (2010 – $21 million) and accounts payable to related parties totalled $10 million (2010 – $15 million).

Notes to the Consolidated Financial Statements

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22. INTERESTS IN JOINT VENTURES

The consolidated balance sheets, statements of earnings, and statements of cash flows include, on a proportionate basis, the Company's interests in joint ventures operating in Canada, India, Australia and China.

Balance Sheets	2011	2010
Cash and cash equivalents	22,249	15,031
Other current assets	88,837	31,423
Long-term assets	107,642	93,366
Current liabilities	90,783	29,341
Long-term liabilities	22,760	22,665

Statements of Earnings		
Sales and other operating revenues	274,943	282,930
Expenses	273,184	279,586
Proportionate share of net earnings	1,759	3,344

Statements of Cash Flows		
Cash (used in) from operating activities	(21,343)	17,392
Cash from (used in) financing activities	55,525	(15,238)
Cash used in investing activities	(26,964)	(8,623)
Proportionate share of increase (decrease) in cash and cash equivalents of joint ventures	7,218	(6,469)

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

23. SEGMENTED INFORMATION

Consolidated Net Sales and Other Operating Revenues	2011	2010
Grain Handling and Marketing	**8,453,941**	5,651,399
Agri-products	**2,380,025**	1,796,537
Processing	**1,608,857**	1,296,171
	12,442,823	8,744,107
Less: Inter-segment sales[(a)]	**652,365**	487,827
	11,790,458	8,256,280
Inter-segment Sales[(a)]		
Grain Handling and Marketing	**619,762**	482,164
Agri-products	**–**	–
Processing	**32,603**	5,663
	652,365	487,827
Gross Profit and Net Operating Revenues		
Grain Handling and Marketing	**888,704**	724,127
Agri-products	**455,115**	350,102
Processing	**204,500**	184,338
	1,548,319	1,258,567
Operating, General and Administrative Expenses		
Grain Handling and Marketing	**395,579**	338,022
Agri-products	**211,016**	196,280
Processing	**80,095**	80,082
Corporate	**159,723**	126,600
	846,413	740,984
Adjusted EBITDA[(b)]		
Grain Handling and Marketing	**493,125**	386,105
Agri-products	**244,099**	153,822
Processing	**124,405**	104,256
Corporate	**(159,723)**	(126,600)
	701,906	517,583
Amortization		
Grain Handling and Marketing	**105,960**	98,680
Agri-products	**41,279**	46,314
Processing	**49,521**	41,592
Corporate	**8,776**	6,090
	205,536	192,676
Goodwill Impairment		
Grain Handling and Marketing	**–**	–
Agri-products	**–**	–
Processing	**7,681**	–
Corporate	**–**	–
	7,681	–

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

Adjusted EBIT[c]		
Grain Handling and Marketing	**387,165**	287,425
Agri-products	**202,820**	107,508
Processing	**67,203**	62,664
Corporate	**(168,499)**	(132,690)
	488,689	324,907

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

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

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

Assets	2011	2010
Grain Handling and Marketing	**3,817,827**	3,338,994
Agri-products	**1,332,305**	1,163,853
Processing	**1,343,518**	1,210,287
Corporate	**518,980**	358,531
	7,012,630	6,071,665

Intangible Assets		
Grain Handling and Marketing	**70,515**	77,886
Agri-products	**12,116**	12,924
Processing	**40,701**	43,086
Corporate	**33,420**	21,019
	156,752	154,915

Goodwill		
Grain Handling and Marketing	**232,261**	219,879
Agri-products	**299,735**	299,717
Processing	**243,202**	252,637
	775,198	772,233

Capital Expenditures		
Grain Handling and Marketing	**90,312**	44,063
Agri-products	**26,022**	24,055
Processing	**90,843**	42,286
Corporate	**25,169**	10,699
	232,346	121,103

	Revenues		Property, Plant and Equipment		Goodwill	
	2011	2010	**2011**	2010	**2011**	2010
Canada	**3,557,785**	2,749,476	**1,097,273**	1,089,451	**320,050**	327,732
Australia	**1,233,415**	1,080,369	**1,263,219**	1,169,132	**285,003**	272,677
United States	**1,232,045**	1,300,420	**176,189**	180,402	**125,067**	126,774
Europe	**1,021,703**	–	**1,844**	202	**–**	–
Asia	**3,699,644**	2,172,259	**22,272**	266	**–**	–
New Zealand	**384,471**	399,850	**52,180**	51,565	**45,078**	45,050
Other	**661,395**	553,906	**55**	29	**–**	–
	11,790,458	8,256,280	**2,613,032**	2,491,047	**775,198**	772,233

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24. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING

Fair Values

	Classification	Level	Fair Value 2011	2010
Cash and cash equivalents	Held for trading	1	**298,060**	154,793
Accounts receivable – excluding derivatives	Loans and receivables		**1,123,258**	738,603
Accounts receivable – derivatives				
Exchange-traded derivatives	Held for trading	1	**30,635**	22,040
Commodity forward contracts	Held for trading	2	**91,401**	131,283
Foreign exchange contracts (OTC)	Held for trading	2	**32,445**	63,959
Other assets				
Investments with active market	Available for sale	1	**25**	28
Exchange-traded derivatives	Held for trading	1	**10**	974
Commodity forward contracts	Held for trading	2	**18,899**	26,465
Foreign exchange contracts (OTC)	Held for trading	2	**2,388**	7,954
Short-term borrowings	Held for trading	1	**125,138**	61,677
Accounts payable – excluding derivatives	Other financial liabilities		**1,328,047**	926,340
Accounts payable – derivatives				
Exchange-traded derivatives	Held for trading	1	**10,260**	57,102
Commodity forward contracts	Held for trading	2	**100,369**	90,601
Foreign exchange contracts (OTC)	Held for trading	2	**17,429**	15,591
Cross-currency swaps	Held for trading	2	**5,932**	8,896
Natural gas swaps	Held for trading	2	**938**	1,418
Bond forward contracts	Held for trading	2	**–**	19,964
Long-term debt	Other financial liabilities		**1,154,156**	962,839
Other liabilities				
Long-term derivatives	Held for trading	1 & 2	**5,274**	27,362
Other	Other financial liabilities		**25,484**	51,351

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

All market risk associated with commodity price movement is measured using a Value at Risk ("VaR") method. The VaR calculation quantifies potential changes in the value of commodity positions as a result of potential market price movements from all sources of market risk, whether as a consequence of asset ownership, customer sales, hedging or position taking.

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

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

	2011	2010
Historical VaR (95%, five-day):		
Agricultural commodity price VaR	**11,357**	16,333

Foreign Exchange Risk

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

The Company uses hedge accounting to match the cash flow of some of its processed products to be sold in foreign funds with its foreign dollar currency hedging instruments. Maturity dates for the foreign exchange forward contracts on anticipated transactions extend for approximately 12 months. As at October 31, 2011, 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 $6 million.

The Company has an outstanding $100 million cross-currency swap arrangement in place in order to limit exposure to a change in the AUD on a portion of its net investment in its Australian operations. The derivative is used to mitigate the risk of economic loss arising from changes in the value of the AUD compared to the CAD. As at October 31, 2011, the portion of the cross-currency swap considered to be ineffective was nil. During the year ended October 31, 2011, $100 million of the net investment hedge was discontinued. The gain reclassified from other

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comprehensive income that was reported in net earnings relating to the net investment hedge was $1 million after tax and relating to the foreign currency translation of the net investment was approximately $4 million after tax.

The Company has $400 million USD Senior Notes outstanding, the principal of which has been designated as a hedge in order to limit exposure to a change in the USD on a portion of the Company's net investment in its U.S. operations. As at October 31, 2011, the portion of the hedge considered to be ineffective was nil.

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

During the prior year ended October 31, 2010, the Company entered into a series of derivative contracts in connection with its offer to acquire Dakota Growers (Note 3). The Company had entered into option arrangements in order to limit exposure to a change in the USD on $240 million USD. These derivatives were used to mitigate the risk of economic loss arising from changes in the value of the USD compared to the CAD. The arrangements were ineligible for hedge accounting and resulted in a net realized loss of $1 million as at October 31, 2010 included in net foreign exchange loss on acquisition in net earnings.

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

	Carrying Value	Impact On Earnings, After Tax	Impact On Other Comprehensive Income, After Tax
10% increase			
CAD/USD	6,184	68	448
CAD/Euro	280	20	–
CAD/Great Britain pound	9	1	–
CAD/AUD	1,499	109	–
CAD/Swiss francs	(170)	(12)	–
AUD/USD	9,910	(462)	(3,346)
AUD/Euro	2,284	(139)	(61)
AUD/Japanese yen	(13)	(59)	(195)
AUD/NZD	(385)	24	–
AUD/Singapore dollars	133	(9)	–
10% decrease			
CAD/USD	6,184	(68)	(448)
CAD/Euro	280	(20)	–
CAD/Great Britain pound	9	(1)	–
CAD/AUD	1,499	(109)	–
CAD/Swiss francs	(170)	12	–
AUD/USD	9,910	572	4,093
AUD/Euro	2,284	171	74
AUD/Japanese yen	(13)	72	190
AUD/NZD	(385)	(30)	–
AUD/Singapore dollars	133	11	49

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

A foreign exchange gain of $5 million was included in operating, general and administrative expenses for the year ended October 31, 2011 (2010 – $4 million loss).

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Interest Rate Risk

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations. The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates.

Based on the October 31, 2011 borrowing, the Company is exposed to interest rate risk on short-term variable rate borrowings. A 25 basis point change in short-term variable rates based on the Company's current credit ratings and the current borrowings would 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 (Note 15) and the bond forwards were settled. As a result, each year approximately $1 million after tax will be reclassified from other comprehensive income to net income as financing expense over the term of the debt.

Short-term investments at October 31, 2011 had a weighted average interest rate of 2.2% (2010 – 2.6%).

Credit Risk

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

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

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

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

	2011	2010
Beginning balance	**(9,907)**	(8,081)
Provision for losses	**(3,190)**	(5,862)
Write-offs, net of recoveries	**3,154**	4,036
Ending balance	**(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 October 31, 2011 that are not past due to be high. The distribution of trade accounts receivable by credit quality is as follows:

	2011	2010
Not past due	**766,788**	422,440
Past due:		
Past due ≤ 60 days	**16,066**	9,995
Past due ≥ 61 days and ≤ 90 days	**4,988**	2,626
Past due ≥ 91 days	**10,475**	36,888
Allowances for losses	**(9,943)**	(9,907)
	788,374	462,042

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Included in accounts receivable is $190 million (2010 – $78 million) due from the CWB, which represents a significant concentration of credit risk.

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

Liquidity Risk

The Company's liquidity risk refers to its ability to settle or meet its obligations as they fall due and is managed as part of the risk strategy. Liquidity adequacy is continually monitored, taking into consideration estimated future cash flows, including the amount and timing of cash generated from operations, working capital requirements, planned capital expenditure programs, debt servicing requirement, dividend policy and business acquisitions. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. See Notes 13 and 15 for further information on credit facilities in place. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

The following table approximates the Company's remaining contractual maturities for its financial liabilities as at the balance sheet date. It details the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay and includes both interest and principal cash flows.

	Contractual Cash Flows	Within 1 Year	1 to 2 Years	2 to 3 Years	Thereafter
Short-term borrowings	125,138	125,138	–	–	–
Accounts payable[a]	1,328,047	1,328,047	–	–	–
Exchange-traded derivatives	10,319	10,260	59	–	–
Commodity forward contracts	103,406	100,369	3,037	–	–
Foreign exchange forward contracts (OTC)	19,607	17,429	2,072	106	–
Cross-currency swaps	7,278	7,278	–	–	–
Natural gas swaps	938	938	–	–	–
Long-term debt, including current portion	1,591,136	78,730	78,730	378,708	1,054,968
Other long-term liabilities	26,388	–	19,418	2,405	4,565

[a] Accounts payable (excluding derivatives).

25. COMMITMENTS

	2012	2013	2014	2015	2016
Operating leases[a][b]	40,573	30,751	20,458	7,200	4,951
Finance leases[a][b]	1,327	1,180	907	–	–
Agri-products contracts[c]	62,818	2,890	2,003	1,269	135
Long-term debt[a]	1,091	835	300,618	544	487
Licences	531	330	119	77	60
	106,340	35,986	324,105	9,090	5,633

[a] Includes the Company's proportionate share of commitments of joint ventures.

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

[c] Agri-products contractual obligations relate primarily to various seed growers for the production of seed and forage crops.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

26. GUARANTEES

Guarantees

The Company's subsidiary in Australia has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that the subsidiary and each of these controlled entities has guaranteed to pay any debts of any of the companies party to the Deed in the event their debts cannot be paid as and when they fall due. The consolidated net assets of the entities party to the Deed of Cross Guarantee is $1.5 billion (2010 – $1.4 billion).

The Company is contingently liable under several guarantees and indemnities given to third-party lenders who have provided certain financing facilities to its wholly owned foreign subsidiaries. As at October 31, 2011, the maximum amounts of the guarantees and indemnities are $166 million CAD, $290 million USD, $99 million AUD, EUR 61 million and Japanese Yen ("JPY") 2 billion, or approximately $669 million CAD in aggregate (2010 – $209 million CAD). As at October 31, 2011, liabilities recorded that have been guaranteed would include subsidiary trade facility borrowings of $125 million (2010 – $11 million) included in short-term borrowings (Note 13).

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

Letters of Credit and Bid Bonds

At October 31, 2011, the Company had outstanding letters of credit and similar instruments of $12 million related to operating an agri-business (2010 – $16 million). The terms range in duration and expire at various dates through to October 31, 2012. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. At October 31, 2011, the Company had outstanding bid bonds and similar instruments of $37 million (2010 – $6 million) related to trade facility agreements (Note 15).

Indemnification of Accounts Receivable – Viterra Financial™

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for 50% of future losses to a maximum of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2011, outstanding credit was $605 million (2010 – $520 million), and the Company's obligation of $7 million (2010 – $7 million) for past and future losses is current with the bank in accordance with the Agency Agreement.

The Company also has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to Processing customers to purchase feeder cattle, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at October 31, 2011, outstanding credit was $40 million (2010 – $36 million), and the Company's obligation of $1 million (2010 – $1 million) for past and future losses is current with the bank in accordance with the Agency Agreement.

Other Indemnification Provisions

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

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except where otherwise stated)

27. CONTINGENCIES

As at October 31, 2011, there are claims and other matters against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

28. 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, net.

	2011	2010
Debt-to-total capital[a]		
As at the balance sheet date	**23:77**	21:79
Four quarter average	**26:74**	25:75
Adjusted EBITDA to cash interest, net[b][c]	**6.4**	5.0

[a] Debt is defined as interest bearing debt, which includes short-term borrowing, 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 financing expenses, taxes, amortization, goodwill impairment, (gain) loss on disposal of assets, integration expenses and net foreign exchange (gain) loss on acquisition (Note 3). Cash interest, net is defined as net financing expenses excluding refinancing costs and non-cash financing expenses (Note 4).

[c] The ratio is calculated on a rolling 12-month basis.

The Company monitors its capital structure and makes adjustments according to market conditions and seasonal requirements in an effort to meet its objectives. The Company may manage its capital structure by issuing new shares, obtaining additional financing, issuing unsecured notes, refinancing existing debt, repaying current debt, or by paying dividends. The Company's strategy for managing capital is unchanged from the previous year.

At October 31, 2011, the Company was in compliance with external covenants relating to the management of capital.