

Unaudited condensed consolidated interim financial statements of

ROGERS SUGAR INC.

Six months ended March 31, 2012 and April 2, 2011

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated statements of earnings and comprehensive income

(In thousands of dollars except per share amounts)

<i>Condensed consolidated statements of earnings</i>	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Revenues (note 17)	\$ 144,132	\$ 149,418	\$ 319,937	\$ 300,856
Cost of sales	126,209	137,732	278,360	249,151
Gross margin	17,923	11,686	41,577	51,705
Administration and selling expenses	4,652	5,451	9,230	10,183
Distribution expenses	1,688	1,723	3,995	3,378
	6,340	7,174	13,225	13,561
Results from operating activities	11,583	4,512	28,352	38,144
Net finance costs (note 5)	2,092	2,595	4,984	8,480
Earnings before income taxes	9,491	1,917	23,368	29,664
Income tax expense (recovery):				
Current	1,331	2,638	5,454	3,797
Deferred	1,632	(2,217)	1,506	1,793
	2,963	421	6,960	5,590
Net earnings	\$ 6,528	\$ 1,496	\$ 16,408	\$ 24,074
Net earnings per share (note 12):				
Basic	\$ 0.07	\$ 0.02	\$ 0.18	\$ 0.27
Diluted	\$ 0.07	\$ 0.02	\$ 0.17	\$ 0.24

<i>Condensed consolidated statements of comprehensive income</i>	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Net earnings	\$ 6,528	\$ 1,496	\$ 16,408	\$ 24,074
Other comprehensive income	—	—	—	—
Net earnings and comprehensive income for the period	\$ 6,528	\$ 1,496	\$ 16,408	\$ 24,074

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated statements of financial position

(In thousands of dollars)

	March 31, 2012	October 1, 2011	October 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 27,144	\$ 25,326	\$ 38,781
Trade and other receivables	48,546	57,848	56,718
Income taxes recoverable	-	-	1,513
Inventories (note 6)	98,120	91,033	51,358
Prepaid expenses	1,609	2,204	1,885
Derivative financial instruments (note 7)	308	2,541	24
Total current assets	175,727	178,952	150,279
Non-current assets:			
Property, plant and equipment	181,229	183,765	188,082
Derivative financial instruments (note 7)	-	189	1
Deferred tax assets	20,153	20,435	22,288
Intangible assets	1,711	1,795	838
Other assets	234	472	510
Goodwill	229,952	229,952	229,952
Total non-current assets	433,279	436,608	441,671
Total assets	\$ 609,006	\$ 615,560	\$ 591,950
Liabilities and Shareholders' Equity			
Current liabilities:			
Revolving credit facility (note 8)	\$ 10,000	\$ -	\$ -
Trade and other payables	45,552	52,018	42,716
Income taxes payable	1,046	7,177	-
Provisions (note 9)	1,523	-	-
Derivative financial instruments (note 7)	9,886	8,144	8,989
Finance lease obligations	89	89	82
Total current liabilities	68,096	67,428	51,787
Non-current liabilities:			
Revolving credit facility (note 8)	60,000	70,000	70,000
Employee benefits	53,946	56,663	48,337
Provisions (note 9)	2,744	4,344	4,344
Derivative financial instruments (note 7)	5,220	6,475	12,477
Finance lease obligations	78	119	181
Convertible unsecured subordinated debentures (note 10)	104,555	125,150	130,599
Deferred tax liabilities	30,385	29,161	29,555
Total non-current liabilities	256,928	291,912	295,493
Total liabilities	325,024	359,340	347,280
Shareholders' equity:			
Share capital	133,455	105,542	575,406
Contributed surplus	200,116	203,910	-
Equity portion of convertible unsecured subordinated debentures (note 10)	1,188	-	-
Deficit	(50,777)	(53,232)	(330,736)
Total shareholders' equity	283,982	256,220	244,670
Total liabilities and shareholders' equity	\$ 609,006	\$ 615,560	\$ 591,950

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated statements of changes in shareholders' equity

(In thousands of dollars except number of shares)

For the six months ended March 31, 2012						
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Deficit	Total
		\$	\$	\$	\$	\$
Balance, October 1, 2011	88,842,333	105,542	203,910	–	(53,232)	256,220
Dividends (note 11)	–	–	–	–	(15,981)	(15,981)
Share-based payment (note 13)	–	–	2	–	–	2
Conversion of convertible debentures into shares (note 10)	5,148,427	27,819	(1,562)	–	–	26,257
Redemption of convertible debentures (note 10)	–	–	(2,230)	–	2,028	(202)
Issuance of convertible debentures (note 10)	–	–	–	1,188	–	1,188
Issuance of shares (note 13)	25,000	94	(4)	–	–	90
Net earnings	–	–	–	–	16,408	16,408
Balance, March 31, 2012	94,015,760	133,455	200,116	1,188	(50,777)	283,982
For the six months ended April 2, 2011						
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Deficit	Total
		\$	\$	\$	\$	\$
Balance, September 30, 2010	87,534,113	575,406	–	–	(330,736)	244,670
Elimination of opening deficit to contributed surplus at January 1, 2011 (note 11)	–	–	(276,465)	–	276,465	–
Reduction of stated capital (note 11)	–	(276,465)	276,465	–	–	–
Reduction of stated capital at February 1, 2011 (note 11)	–	(200,000)	200,000	–	–	–
Dividends/Distributions (note 11)	–	–	–	–	(17,611)	(17,611)
Share-based payment (note 13)	–	–	1	–	3	4
Conversion of convertible debentures into shares (note 10)	1,169,597	5,965	–	–	–	5,965
Fair value of conversion option (note 18 j))	–	–	3,916	–	–	3,916
Issuance of shares (note 13)	70,000	286	(11)	–	–	275
Net earnings	–	–	–	–	24,074	24,074
Balance, April 2, 2011	88,773,710	105,192	203,906	–	(47,805)	261,293

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ROGERS SUGAR INC.

(Unaudited)

Condensed consolidated statements of cash flows

(In thousands of dollars)

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Cash flows from operating activities:				
Net earnings	\$ 6,528	\$ 1,496	\$ 16,408	\$ 24,074
Adjustments for:				
Depreciation of property, plant and equipment (note 4)	2,883	3,533	5,724	7,064
Amortization of intangible assets (note 4)	42	34	84	68
Changes in fair value of derivative financial instruments included in cost of sales (note 7)	3,730	114	4,368	(2,597)
Income tax expense	2,963	421	6,960	5,590
Pension contributions	(2,871)	(2,195)	(6,091)	(3,584)
Pension expense	2,056	1,921	3,374	3,328
Net finance costs (note 5)	2,092	2,595	4,984	8,480
Loss on disposal of property, plant and equipment	—	—	21	—
Other	126	(181)	146	(181)
Share-based payment expense	2	1	2	4
	17,551	7,739	35,980	42,246
Changes in:				
Trade and other receivables	881	(9,778)	9,302	(223)
Inventories	29,191	(19,939)	(7,087)	(69,527)
Prepaid expenses	126	(2,357)	595	(1,287)
Trade and other payables	(6,585)	(3,132)	(6,690)	(1,591)
Provisions	(77)	—	(77)	—
Cash from (used in) operating activities	23,536	(35,206)	(3,957)	(72,628)
Interest paid	(991)	(1,050)	(5,503)	(6,054)
Income taxes paid	(1,970)	(147)	(11,585)	(352)
Net cash from (used in) operating activities	38,126	(28,664)	14,935	(36,788)
Cash flows (used in) from financing activities:				
Dividends/distributions paid	(7,990)	(3,348)	(15,542)	(13,414)
Revolving credit facility borrowings	(6,000)	20,000	—	20,000
Issuance of convertible unsecured subordinated debentures (note 10)	—	—	60,000	—
Redemption of convertible unsecured subordinated debentures (note 10)	—	—	(51,679)	—
Payment of financing fees (note 10)	(16)	—	(2,716)	—
Repurchase of convertible debentures (note 10)	—	—	(9)	—
Issuance of shares (note 13)	90	275	90	275
Cash flow (used in) from financing activities	(13,916)	16,927	(9,856)	6,861
Cash flows used in investing activities:				
Additions to property, plant and equipment, net of proceeds on disposal	(2,611)	(1,090)	(3,261)	(2,635)
Cash flow used in investing activities	(2,611)	(1,090)	(3,261)	(2,635)
Net increase (decrease) in cash and cash equivalents	21,599	(12,827)	1,818	(32,562)
Cash and cash equivalents, beginning of period	5,545	19,046	25,326	38,781
Cash and cash equivalents, end of period	\$ 27,144	\$ 6,219	\$ 27,144	\$ 6,219

Supplemental cash flow information (note 14)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

ROGERS SUGAR INC.

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Notes to unaudited condensed consolidated interim financial statements
(In thousands of dollars except as noted and amounts per share)

1. Reporting entity:

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The unaudited condensed consolidated interim financial statements of Rogers as at October 1, 2010, October 1, 2011 and March 31, 2012 and for the three and six month periods ended March 31, 2012 and April 2, 2011 comprise Rogers and its subsidiary, Lantic Inc., (together referred to as the "Company"). The principal business activity of the Company is the refining, packaging and marketing of sugar products.

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

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

Since the conversion to a corporation on January 1, 2011, the Company's fiscal quarters end on the Saturday closest to the end of December, March, June and September. All references to 2012 and 2011 represent the quarters ended March 31, 2012 and April 2, 2011. The fiscal year end of 2011 was October 1, 2011.

2. Basis of presentation and statement of compliance:

a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and with the accounting policies the Company expects to adopt in its first annual International Financial Reporting Standards ("IFRS") September 29, 2012 financial statements. Those accounting policies are based on the IFRS that the Company expects to be applicable at that time except for certain mandatory exemptions and optional exemptions taken pursuant to IFRS 1 as described in note 17 of our unaudited condensed consolidated interim financial statements for the quarter ended December 31, 2011.

2. Basis of presentation and statement of compliance (continued):

a) Statement of compliance (continued):

The first date at which IFRS was applied was October 1, 2010. In accordance with IFRS 1, the Company has applied the same accounting policies throughout all periods presented.

Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the reported earnings, financial position and cash flows of the Company is provided in note 18 as well as note 17 of our unaudited condensed consolidated interim financial statements for the quarter ended December 31, 2011.

These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with IFRS were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial statements.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 2, 2012 and they should be read in conjunction with the Company's annual financial statements for the year ended October 1, 2011 and unaudited condensed consolidated interim financial statements for the first quarter ended December 31, 2011.

These condensed consolidated interim financial statements have neither been audited nor reviewed by the Company's external auditors.

b) Basis of measurement:

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the unaudited condensed consolidated statements of financial position:

- i) financial instruments at fair value through profit or loss are measured at fair value; and
- ii) the defined benefit liability recognized as the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs.

c) Functional and presentation currency:

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except per share amounts.

2. Basis of presentation and statement of compliance (continued):

d) Use of estimates and judgements:

The preparation of these unaudited condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management judgements and estimates relate to the valuation of goodwill, the rates for depreciation and amortization of property, plant and equipment and intangible assets, the recoverability of deferred income taxes assets and the assumptions used for the determination of employee future benefit obligations.

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements:

i) Fair value of derivative financial instruments:

Derivative financial instruments are carried in the statement of financial position at fair value, with changes in fair value reflected in the statement of earnings. Fair values are estimated by reference to published price quotations or by using other valuation techniques. Financial instruments for which observable quoted prices are not available are subject to high degree of uncertainty.

ii) Useful lives of property, plant and equipment:

The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation on a prospective basis, if necessary.

iii) Goodwill impairment:

The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods. These estimates take into account the control premium in determining the fair value less cost to sell.

iv) Asset impairment:

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make subjective assessments, linking the possible loss of value of assets to future economic performance, to determine the amount of asset impairment that should be recognized, if any.

v) Income taxes:

The calculation of income taxes requires judgement in interpreting tax rules and regulations. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate taxable income in the future against which they can be utilized.

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Notes to unaudited condensed consolidated interim financial statements
(In thousands of dollars except as noted and amounts per share)

2. Basis of presentation and statement of compliance (continued):

d) Use of estimates and judgements (continued):

vi) Pension Plans:

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, the expected long-term rate of return on plan assets, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are viewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

3. Significant accounting policies:

a) Basis of consolidation:

The unaudited condensed consolidated interim financial statements include the accounts of the Company and Lantic Inc. ("Lantic"), the subsidiary it controls. Control exists where the Company has the power to govern the financial and operating policies of a subsidiary and obtain the receipt of benefits from having the power to govern. The Company owns 100% of the common shares of Lantic., Lantic Capital Inc, a wholly-owned subsidiary of Belcorp Industries Inc, owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for \$1 each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc's ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for \$1, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of who has the power to govern and receive the benefits from having the power to govern necessarily involves a high degree of judgment. Based on all the facts and available information, management has concluded that the Company has the power to govern Lantic and receive the benefits derived from having the power to govern.

As part of the transition to IFRS, the Company elected not to restate business combinations that occurred prior to October 1, 2010 and therefore, goodwill represents the amount recognized under previous Canadian GAAP.

ROGERS SUGAR INC.

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Notes to unaudited condensed consolidated interim financial statements
(In thousands of dollars except as noted and amounts per share)

3. Significant accounting policies (continued):

a) Basis of consolidation (continued):

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the unaudited condensed consolidated interim financial statements.

b) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net earnings of the period.

c) Cash and cash equivalents:

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

d) Inventories:

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

e) Property, plant and equipment:

Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and not depreciated.

ROGERS SUGAR INC.

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Notes to unaudited condensed consolidated interim financial statements
(In thousands of dollars except as noted and amounts per share)

3. Significant accounting policies (continued):

e) Property, plant and equipment (continued):

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after October 1, 2010. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognized in profit or loss.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant component of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. The estimated useful lives for the current and comparative periods are as follows:

Buildings and improvements	20 to 60 years
Plant and equipment	10 to 40 years
Furniture and fixtures	5 to 10 years
Major components	10 to 55 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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Notes to unaudited condensed consolidated interim financial statements
(In thousands of dollars except as noted and amounts per share)

3. Significant accounting policies (continued):

f) Intangible assets and goodwill:

Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible asset from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Software	5 to 15 years
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Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

In respect of acquisitions prior to October 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recognized under previous Canadian GAAP.

g) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

h) Impairment:

i) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated yearly at the same time and whenever there is an indication that the asset might be impaired.

3. Significant accounting policies (continued):

h) Impairment (continued):

i) Non-financial assets (continued):

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”).

The Company’s corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

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

ii) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and at the collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant trade and other receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables.

3. Significant accounting policies (continued):

h) Impairment (continued):

ii) Financial assets (continued):

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against trade and other receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

i) Employee benefits:

i) Pension benefit plans:

The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits, for some retirees and employees.

Defined contribution plans:

The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans:

The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits. The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value at the year-end date.

3. Significant accounting policies (continued):

i) Employee benefits (continued):

i) Pension benefit plans (continued):

- The discount rate used to value the defined benefit obligation is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.
- Past service costs from plan amendments are recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.
- Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The Company recognizes all actuarial gains or losses in other comprehensive income in the periods in which they occur. Because the Company does not update its actuarial valuation at the end of the interim reporting period, there are no actuarial gains or losses to recognize during an interim period.

The difference between the cumulative amounts expensed and the funding contributions is recognized on the statement of financial position as a pension asset or a pension liability, as the case may be.

ii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

iii) Share-based payment:

The Company has a Share Option Plan. Share options are measured at fair value at the grant date which is recognized as an employee expense, with a corresponding increase in contributed surplus over the vesting period, which is normally 5 years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

j) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of funds will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

3. Significant accounting policies (continued):

j) Provisions (continued):

i) Asset retirement obligation:

The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for waste environment, and for oil, chemical and other hazardous materials tanks, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset or earlier, if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

ii) Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

k) Financial instruments:

All financial instruments are classified into one of the following categories: held to maturity financial assets, available-for-sale financial assets, loans and receivables, other financial liabilities, and financial assets at fair value through profit or loss. Initial measurement of financial instruments is at fair value and subsequent measurement and recognition in changes in value of financial instruments depend on their classification. Held to maturity financial assets are initially measured at fair value and subsequently re-measured at amortized cost, using the effective interest method, less impairment. Available-for-sale financial assets are measured at fair value at each reporting period and unrealized gains or losses arising from changes in fair value, other than impairment losses, are recorded in other comprehensive income until such time as the asset is removed from the statement of financial position at which time the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company's trade and other receivables are initially measured at fair value and subsequently re-measured at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost, less impairment. The Company's trade and other payables have been classified as other financial liabilities and are, therefore, initially measured at fair value and subsequently at amortized cost, unless the effect of discounting would be immaterial, in which case they are stated at cost. Other financial liabilities also include short term borrowings. Financial assets and liabilities classified at fair value through profit or loss are measured at fair value at each reporting period with changes in fair value in subsequent periods included in profit or loss.

3. Significant accounting policies (continued):

k) Financial instruments (continued):

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

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

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

i) Cash and cash equivalents:

The Company classifies its cash and cash equivalents as loans and receivables. Cash and cash equivalents include cash on hand and bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

ii) Derivative financial instruments and embedded derivatives:

The Company classifies derivative financial instruments which have not been designated as hedges for accounting purposes and embedded derivatives as financial assets and liabilities at fair value through profit or loss (marked to market), and values them at fair value each period with changes recorded in cost of sales. The derivative financial instruments consist of sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts, natural gas futures and embedded derivatives which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, all of which the Company enters into during the regular course of business. In addition, the Company entered into an interest rate swap agreement to protect itself against interest rate fluctuations, which is recorded at fair value each reporting period with changes recorded in finance costs.

iii) Compound financial instruments:

Since the conversion from an income trust to a corporation on January 1, 2011, the Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

3. Significant accounting policies (continued):

k) Financial instruments (continued):

iii) Compound financial instruments (continued):

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

iv) Financing charges:

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

v) Trade date:

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

l) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

m) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable and recognized at the time sugar products are shipped to customers, at which time significant risks and rewards of ownership are transferred to the customers. Revenue is recorded net of all returns and allowances, and excludes sales taxes.

Sales incentives, including volume rebates provided to customers are estimated based on contractual agreements and historical trends and are recognized at the time of sale as a reduction in revenue. Such rebates are primarily based on a combination of volume purchased and achievement of specified volume levels.

n) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3. Significant accounting policies (continued):

n) Lease payments (continued):

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities.

o) Finance income and finance costs:

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded either to finance income or finance costs based on its outcome. Interest expense is recorded using the effective interest method.

p) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred taxes are recognized in profit or loss except for items recognized directly in equity or in other comprehensive income.

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

Deferred tax assets and liabilities are recognized in respect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probably that the related tax benefit will be realized.

q) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

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3. Significant accounting policies (continued):

q) Earnings per share (continued):

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

r) New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ending September 29, 2012 and have not been applied in preparing these unaudited condensed consolidated interim financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except possibly for IFRS 9 *Financial Instruments*, which becomes mandatory for the years commencing on or after January 1, 2015 with earlier application permitted. IFRS 9 is a new standard which will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement*. More specifically, the standard:

- i) Deals with classification and measurement of financial assets;
- ii) Establishes two primary measurement categories for financial assets: amortized cost and fair value;
- iii) Prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset; and
- iv) Eliminates the existing categories; held to maturity and available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

In 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*, which becomes mandatory for the years commencing on or after January 1, 2013. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. IFRS 10 supersedes SIC-12 *Consolidations – Special Purpose Entities* and replaces parts of IAS 27 *Consolidated and Separate Financial Statements*.

In 2011, amendments to IAS 19, *Employee Benefits*, were issued. The revised standard contains multiple modifications, including enhanced guidance on measurement of plan assets and defined benefit obligations and the introduction of enhanced disclosures for defined benefit plans. Retrospective application of this standard will be effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

The Company is in the process of reviewing those standards and amendments to determine the impact on the consolidated financial statements.

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4. Depreciation and amortization expense:

Depreciation and amortization expense were charged to the unaudited condensed consolidated statements of earnings as follows:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31 2012	April 2, 2011
	\$	\$	\$	\$
Depreciation of property, plant and equipment:				
Cost of sales	2,770	3,380	5,498	6,757
Administration and selling expenses	113	153	226	307
	2,883	3,533	5,724	7,064
Amortization of intangible assets:				
Administration and selling expenses	42	34	84	68
Total depreciation and amortization expense	2,925	3,567	5,808	7,132

5. Finance income and finance costs:

Recognized in net earnings:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Net change in fair value of interest rate swap	674	557	1,459	1,518
Finance income	674	557	1,459	1,518
Interest expense on convertible unsecured subordinated debentures	1,618	1,892	3,460	3,847
Interest on revolving credit facility	922	985	1,882	1,844
Amortization of deferred financing fees	226	275	505	525
Loss on early redemption of convertible unsecured subordinated debentures (note 10)	—	—	596	—
Net change in fair value of convertible option (note 18 e)	—	—	—	3,782
Finance costs	2,766	3,152	6,443	9,998
Net finance costs recognized in net earnings	2,092	2,595	4,984	8,480

6. Inventories:

At March 31, 2012, the Company recorded an amount of nil (April 2, 2011 - \$10.9 million) related to onerous contracts as defined in IAS 37 paragraph 66, as a write-down to inventory through cost of sales. In the normal course of business, the Company enters into an economic hedge for all of its raw sugar purchases and refined sugar sales. As the Company does not apply the hedge accounting requirements for these contracts, the related derivative instruments being the futures contracts are marked-to-market. As a result, the Company must record an onerous loss to cost of sales when the net realizable value is lower than the mark-to-market of the raw sugar futures contract and the related refining costs.

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Notes to unaudited condensed consolidated interim financial statements
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7. Financial instruments:

Disclosures relating to risks exposure, in particular credit risk, liquidity risk, foreign currency risk, interest rate risk and equity risk were provided in the October 1, 2011 financial statements presented under Canadian GAAP and there have been no significant changes in the Company's risk exposures at March 31, 2012.

Details of recorded gains/losses for the quarter, in marking-to-market all outstanding derivative financial instruments and embedded derivatives are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution which is counter-party to these contracts. The fair value of natural gas contracts, foreign exchange forward contracts and interest swap calculations include a credit risk adjustment for the Company's or counterparty's credit, as appropriate. The fair value of the convertible option on the unsecured convertible debentures as at October 1, 2010 and December 31, 2010 has been marked-to-market using a valuation model.

	Financial Assets		Financial Liabilities	
	Current	Non-Current	Current	Non-Current
	March 31, 2012		March 31, 2012	
	\$	\$	\$	\$
Sugar futures contracts and option	308	-	-	72
Natural gas futures contracts	-	-	6,787	4,341
Foreign exchange forward contracts	-	-	957	2
Embedded derivatives	-	-	418	-
Interest swap	-	-	1,724	805
	308	-	9,886	5,220

	Gain / (Loss)			
	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Sugar futures contracts and option	7,035	(10,687)	3,184	4,958
Natural gas futures contracts	(483)	1,535	(525)	4,784
Foreign exchange forward contracts	(2,249)	(1,526)	(1,851)	(1,438)
Embedded derivatives	(618)	(211)	(2,337)	(1,011)
Interest swap	674	557	1,459	1,518
Conversion option on convertible debentures (note 10 i)	-	-	-	(3,782)
	4,359	(10,332)	(70)	5,029
Charged to:				
Cost of sales	3,685	(10,889)	(1,529)	7,293
Net finance costs	674	557	1,459	(2,264)
	4,359	(10,332)	(70)	5,029

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7. Financial instruments (continued):

	Financial assets		Financial liabilities		Financial assets		Financial liabilities	
	Current	Non-current October 1, 2011	Current	Non-current	Current	Non-current October 1, 2010	Current	Non-current
Sugar futures contracts and option	\$ 104	\$ -	\$ -	\$ 29	\$ 24	\$ 1	\$ -	\$ -
Natural gas futures contracts	-	-	6,318	4,284	-	-	5,462	9,239
Foreign exchange forward contracts	822	70	-	-	-	-	1,143	7
Embedded derivatives	1,615	119	-	-	-	-	597	40
Interest swap	-	-	1,826	2,162	-	-	1,787	3,057
Conversion option on convertible debentures (note 10)	-	-	-	-	-	-	-	134
	2,541	189	8,144	6,475	24	1	8,989	12,477

8. Bank overdraft and revolving credit facility:

The Company has a revolving credit facility of \$200.0 million from which it can borrow at prime rate, Libor rate or under Bankers' Acceptances, plus 0 to 162.5 basis points based on achieving certain financial ratios. Certain assets of the Company, including trade receivables, inventories and property, plant and equipment have been pledged as security for the credit facility. The credit facility expires on June 30, 2013. The following amounts were outstanding as of:

	March 31, 2012	October 1, 2011	October 1, 2010
	\$	\$	\$
Outstanding amount on revolving credit facility:			
Current	10,000	-	-
Non-current	60,000	70,000	70,000
	70,000	70,000	70,000

On March 30, 2012, the Company notified the lenders that it would repay on April 4, 2012 an amount of \$10.0 million from surplus cash. As a result, an amount of \$10.0 million is shown as current.

The fair value of the outstanding amount on the revolving credit facility was equal to the carrying amount for all above-mentioned periods.

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9. Provisions:

	March 31, 2012	October 1, 2011	October 1, 2010
	\$	\$	\$
Opening balance	4,344	4,344	4,344
Provisions used during the period	(77)	–	–
Closing balance	4,267	4,344	4,344
Presented as:			
Non-current	2,744	4,344	4,344
Current	1,523	–	–
	4,267	4,344	4,344

Provisions are comprised of asset retirement obligations which represent the future cost the Company estimates to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials tanks for which the Company has been able to identify the costs.

10. Convertible unsecured subordinated debentures:

The outstanding convertible debentures, all recorded as non-current liabilities, are as follows:

	March 31, 2012	October 1, 2011	October 1, 2010
	\$	\$	\$
Fourth series i)	50,000	50,000	50,000
Fifth series ii)	60,000	–	–
Third series i), iii)	–	77,945	84,260
Total face value	110,000	127,945	134,260
Less deferred financing fees	(4,300)	(2,795)	(3,661)
Less equity component ii)	(1,145)	–	–
Total carrying value	104,555	125,150	130,599

i) Fair value of conversion option:

For the period from October 1 to December 31, 2010, due to the unique nature of the trust units when operating under the income trust structure, the conversion option of the Third and Fourth series debentures were recorded as a derivative liability at fair value. As a result, an amount of \$3.8 million was recorded as finance costs during that period (see note 18 e), representing the increase in value of the conversion option. On January 1, 2011, when the Fund converted to a Corporation, the derivative liability was reclassified to contributed surplus, in relation with the equity portion for the Third and Fourth series debentures.

10. Convertible unsecured subordinated debentures (continued):

ii) Fifth series:

On December 16, 2011, the Company issued \$60.0 million fifth series, 5.75% convertible unsecured subordinated debentures ("Fifth series debentures"), maturing on December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The debentures may be converted at the option of the holder at a conversion price of \$7.20 per share at any time prior to maturity, and cannot be redeemed prior to December 31, 2014.

On or after December 31, 2014 and prior to December 31, 2016, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the weighted average trading price of the common shares, for 20 consecutive trading days, is at least 125% of the conversion price of \$7.20. Subsequent to December 31, 2016, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

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

The Company has allocated \$1.2 million of the Fifth series debentures into an equity component. During the second quarter, the Company recorded \$43 in finance costs for the accretion of the Fifth series debentures.

The Company incurred issuance costs of \$2.7 million, which are netted against the convertible debenture liability.

iii) Third series:

On December 19, 2011, some of the net proceeds from the issuance of the Fifth series debentures were used to redeem the third series 5.9% convertible unsecured subordinated debentures ("Third series debentures"). The total amount redeemed was \$51,679, as an amount of \$26,257 was converted to common shares by holders of the convertible debentures during the period from October 2, 2011 to December 19, 2011 (April 2, 2011 - \$5,965). In addition, \$9 was repurchased during the first quarter of fiscal 2012 by the Company under the Normal Course Issuer Bid ("NCIB") prior to the redemption date.

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Notes to unaudited condensed consolidated interim financial statements
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10. Convertible unsecured subordinated debentures (continued):

iii) Third series (continued):

The respective debt and equity component of the Third series debentures were as follows:

	Debt	Contributed surplus
	\$	\$
Balance, October 1, 2010	84,260	-
Reclassification of the conversion option from derivative liability on date of incorporation of January 1, 2011 (note 18 e))	-	3,792
Balance, January 1, 2011	84,260	3,792
Conversion of convertible debentures	(6,315)	-
Balance, October 1, 2011	77,945	3,792
Deferred financing costs	(798)	-
Carrying value, October 1, 2011	77,147	3,792
Repurchased under the normal course issuer bid	(9)	-
Conversion of convertible debentures	(26,257)	(1,562)
Redemption of Third series convertible debentures	(51,477)	(202)
Early redemption loss	596	-
Reclassification of remaining balance to accumulated deficit	-	(2,028)
	-	-

An amount of \$1.6 million was transferred from contributed surplus to common shares for the conversions that occurred prior to the redemption on December 19, 2011. The Company recorded to finance costs the early redemption loss of \$0.6 million. Finally, the remaining amount of \$2.0 million was reclassified to deficit.

11. Capital and other components of equity:

During the period, \$26.3 million (April 2, 2011 - \$5.6 million) of the Third series debentures were converted by holders of the securities for a total of 5,148,427 common shares (April 2, 2011 - 1,169,597 common shares). This conversion is a non-cash transaction and therefore not reflected in the unaudited condensed consolidated statement of cash flows.

The following dividends (for the three months ended December 31, 2010 - distributions on trust units) were declared by the Company:

	March 31, 2012	April 2, 2011
	\$	\$
\$0.085 per common share	15,981	7,545
\$0.115 per unit	-	10,066
	15,981	17,611

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11. Capital and other components of equity (continued):

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

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

12. Earnings per share:

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

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Basic earnings per share:				
Net earnings	6,528	1,496	16,408	24,074
Weighted average number of shares outstanding	93,999,002	87,980,055	91,878,769	87,754,634
Basic earnings per share	0.07	0.02	0.18	0.27
Diluted earnings per share:				
Net earnings	6,528	1,496	16,408	24,074
Plus impact of convertible unsecured subordinated debentures	1,296	1,513	2,790	3,079
	7,824	3,009	19,198	27,153
Weighted average number of shares outstanding:				
Basic weighted average number of shares outstanding	93,999,002	87,980,055	91,878,769	87,754,634
Plus impact of convertible unsecured subordinated debentures	16,025,641	23,044,268	18,127,902	23,629,072
	110,024,643	111,024,323	110,006,671	111,383,706
Diluted earnings per share	0.07	0.02	0.17	0.24

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13. Share-based payment:

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

On March 19, 2012, a total of 230,000 share options were granted at a price of \$5.61 to certain executives subject to the approval of the shareholders to amend the Share Option Plan eligible person definition to include all senior personnel at the next Annual General Meeting,.

During the second quarter of 2012, a total of 25,000 shares (2011 – 70,000 shares) were exercised under the Share Option Plan for total cash proceeds of \$90 (2011 – \$275), which was recorded to share capital as well as an ascribed value from contributed surplus of \$4 (2011 – \$11). In addition, following the termination of an executive in 2011 a total of 80,000 share options were forfeited.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$2 was incurred for the six months ended March 31, 2012 (expense of \$4 for the six months ended April 2, 2011).

The following table summarizes information about the Share Option Plan as of March 31, 2012:

Exercise price per option	Outstanding number of options at October 1, 2011	Options granted during the period	Options exercised during the period	Options forfeited during the period	Outstanding number of options at March 31, 2012	Weighted average remaining life	Number of options exercisable
\$ 3.61	150,000	-	25,000	-	125,000	3.67	125,000
\$ 5.61	-	230,000	-	-	230,000	9.96	-

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13. Share-based payment (Continued):

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

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

As at March 31, 2012 and October 1, 2011, all of the options outstanding are held by key management personnel (see note 15).

The grant date fair value was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The fair values will be marked-to-market on a quarter basis until the approval of the Shareholders is obtained. The inputs used in the measurement of the fair values at grant date of the share-based payment plans granted this year are the following:

Fair value at grant date	\$81
Share price at grant date	\$ 5.65
Exercise price	\$ 5.61
Expected volatility (weighted average volatility)	17.602 to 18.61
Option life (expected weighted average life)	4 to 6 years
Expected dividends	6%
Risk-free interest rate (based on government bonds)	1.576% to 1.811%

14. Supplementary cash flow information:

	March 31, 2012	April 2, 2011	October 1, 2011	October 1, 2010
Cash and cash equivalents	\$ 27,144	\$ 6,219	\$ 25,326	\$ 38,781
Non-cash transactions:				
Additions of property, plant and equipment and intangibles included in trade and other payables	550	426	590	795

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15. Key management personnel:

The Board of Directors as well as the President and all the Vice-Presidents are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Salaries and short-term benefits	750	677	1,437	1,344
Attendance fees for members of the Board of Directors	128	97	224	166
Post-retirement benefits	15	78	31	157
Share-based payment	2	1	2	4
	895	853	1,694	1,671

Further information about the remuneration of individual Directors is provided in the annual Management Proxy Circular.

16. Personnel expenses:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Wages, salaries and employee benefits	16,780	16,021	34,215	33,812
Expenses related to defined benefit plans	909	1,048	1,819	2,095
Expenses related to defined contributions plans	1,147	873	1,555	1,233
Share-based payment	2	1	2	4
	18,838	17,943	37,591	37,144

The personnel expenses were charged or capitalized to the unaudited condensed consolidated statements of earnings and statements of financial position as follows:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
	\$	\$	\$	\$
Cost of sales	15,131	14,104	30,394	29,702
Administration and selling expenses	3,024	3,059	5,802	5,901
Distribution expenses	592	641	1,215	1,302
	18,747	17,804	37,411	36,905
Property, plant and equipment	91	139	180	239
	18,838	17,943	37,591	37,144

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17. Segmented information:

The Company has one operating segment and therefore one reportable segment.

Revenues were derived from customers in the following geographic areas:

	For the three months ended		For the six months ended	
	March 31, 2012	April 2, 2012	March 31, 2012	April 2, 2011
Canada	\$ 127,416	\$ 141,863	\$ 274,294	\$ 283,565
United States	16,716	7,555	45,643	17,291
	144,132	149,418	319,937	300,856

18. First time adoption of the International Financial Reporting Standards (“IFRS”):

a) IFRS 1 Application:

The accounting policies set out in note 3 have been applied in preparing the condensed consolidated interim financial statements for the three and six months ended March 31, 2012, the comparative information presented for the three and six months ended April 2, 2011 and year ended October 1, 2011, and in the preparation of an opening IFRS statement of financial position at October 1, 2010 (“transition date”).

An explanation of how the transition from Canadian GAAP to IFRS as at October 1, 2010 (“transition date”) and October 1, 2011 affected the reported financial position, financial performance and cash flows of the Company, including the mandatory exceptions and optional exemptions under IFRS 1 is provided in the Company’s report for the first quarter for the fiscal year ending September 29, 2012.

In preparing its opening IFRS financial statements, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP. The following reconciliations detail the transitional effect to IFRS:

- i) Condensed statement of earnings and comprehensive income for the three months ended April 2, 2011;
- ii) Condensed statement of earnings and comprehensive income for six months ended April 2, 2011; and
- iii) Condensed statement of financial position as at April 2, 2011.

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

a) IFRS 1 Application (continued):

i) Reconciliation of earnings and comprehensive income for the three months ended April 2, 2011:

Consolidated statement of earnings	Canadian GAAP		Adjustments	IFRS
	\$	Notes	\$	\$
Revenues	149,418		–	149,418
Cost of sales	137,859	b) c)	(127)	137,732
Gross margin	11,559		127	11,686
Administration and selling expenses	5,489	c) d)	(38)	5,451
Distribution expenses	1,723		–	1,723
Depreciation and amortization	187	d)	(187)	–
	7,399		(225)	7,174
Results from operating activities	4,160		352	4,512
Finance income	–	e)	(557)	(557)
Finance costs	2,595	e)	557	3,152
Net finance costs	2,595		–	2,595
Earnings before income taxes	1,565		352	1,917
Income tax expense	748	f)	(327)	421
Net earnings	817		679	1,496
Net earnings per share:				
Basic	0.01		0.01	0.02
Diluted	0.01		0.01	0.02
Consolidated statement of comprehensive income				
	\$	Notes	\$	\$
Net earnings	817		679	1,496
Other comprehensive income	–		–	–
Comprehensive income for the period	817		679	1,496

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

a) IFRS 1 Application (continued):

ii) Reconciliation of earnings and comprehensive income for the six months ended April 2, 2011:

Consolidated statement of earnings	Canadian GAAP		Adjustments	IFRS
	\$	Notes	\$	\$
Revenues	300,856		–	300,856
Cost of sales	249,405	b) c)	(254)	249,151
Gross margin	51,451		254	51,705
Administration and selling expenses	10,258	c) d)	(75)	10,183
Distribution expenses	3,378		–	3,378
Depreciation and amortization	375	d)	(375)	–
	14,011		(450)	13,561
Results from operating activities	37,440		704	38,144
Finance income	–	e)	(1,518)	(1,518)
Finance costs	4,698	e)	5,300	9,998
Net finance costs	4,698		3,782	8,480
Earnings before income taxes	32,742		(3,078)	29,664
Income tax expense	5,906	f)	(316)	5,590
Net earnings	26,836		(2,762)	24,074
Net earnings per share				
Basic	0.31		(0.04)	0.27
Diluted	0.28		(0.04)	0.24
Consolidated statement of comprehensive income	Canadian GAAP		Adjustments	IFRS
	\$	Notes	\$	\$
Net earnings	26,836		(2,762)	24,074
Other items of comprehensive income	–		–	–
Comprehensive income for the period	26,836		(2,762)	24,074

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

a) IFRS 1 Application (continued):

iii) Reconciliation of financial position as at April 2, 2011:

Consolidated statement of financial position	Canadian GAAP		Adjustments	IFRS
	\$	Notes	\$	\$
Assets				
Current assets:				
Cash and cash equivalents	6,219		–	6,219
Trade and other receivables	56,941		–	56,941
Income taxes recoverable	–		–	–
Inventories	120,885		–	120,885
Prepaid expenses	3,172		–	3,172
Deferred tax assets	2,985	f)	(2,985)	–
Derivative financial instruments	232		–	232
Total current assets	190,434		(2,985)	187,449
Non-current assets:				
Property, plant and equipment	177,901	b)	5,643	183,544
Defined benefit pension plan assets	19,125	c)	(19,125)	–
Derivative financial instruments	54		–	54
Deferred tax assets	–	f)	21,625	21,625
Intangible assets	769		–	769
Other assets	599		–	599
Goodwill	229,952		–	229,952
Total non-current assets	428,400		8,143	436,543
Total assets	618,834		5,158	623,992
Liabilities				
Current liabilities:				
Revolving credit facility	90,000	d)	(70,000)	20,000
Trade and other payables	46,786	g)	(1,932)	44,854
Income tax payable	–	g)	1,932	1,932
Derivative financial instruments	10,536		–	10,536
Current finance lease obligations	82		–	82
Total current liabilities	147,404		(70,000)	77,404

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

a) IFRS 1 Application (continued):

iii) Reconciliation of financial position as at April 2, 2011 (continued):

Consolidated statement of financial position (continued)	Canadian GAAP		Adjustments	IFRS
	\$	Notes	\$	\$
Non-current liabilities:				
Revolving credit facility	–	d)	70,000	70,000
Employee benefits	29,362	c)	18,719	48,081
Provisions	–	b)	4,344	4,344
Derivative financial instruments	6,942	e)	–	6,942
Finance lease obligations	176		–	176
Convertible unsecured subordinated debentures	125,067		–	125,067
Deferred tax liabilities	21,606	f)	9,079	30,685
Total non-current liabilities	183,153		102,142	285,295
Total liabilities	330,557		32,142	362,699
Shareholders' equity				
Share capital	90,329	h)	14,863	105,192
Contributed surplus	204,676	i)	(770)	203,906
Deficit	(6,728)	j)	(41,077)	(47,805)
Total shareholders' equity	288,277		(26,984)	261,293
Total liabilities and shareholders' equity	618,834		5,158	623,992

b) Property, plant and equipment and provisions:

IFRS provides more specific guidance than Canadian GAAP on the capitalization and componentization of property, plant and equipment. Specifically, IAS 16, *Property, plant and equipment*, requires that each part of an identifiable item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be capitalized and depreciated separately.

Certain element of costs capitalized in property, plant and equipment under Canadian GAAP did not meet the definition of an element of costs capitalized under IFRS.

Certain element of costs expensed in cost of sales under Canadian GAAP met the definition of an element of costs to be capitalized in property, plant and equipment under IFRS.

Under IFRS, a provision was recorded for costs that could be reliably measured for asbestos removal and disposal of such asbestos to a landfill for waste environment, and for oil, chemical and other hazardous materials tanks. Under Canadian GAAP these costs were not recognized as asset retirement obligations.

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards ("IFRS") (continued):

b) Property, plant and equipment and provisions (continued):

The impact arising from the above is summarized as follows:

	For the three months ended April 2, 2011	For the six months ended April 2, 2011
(Decrease) / increase in cost of sales:	\$	\$
Components	(103)	(206)
Non-capitalizable element of costs under IFRS	(20)	(40)
Capitalizable element of costs under IFRS	(100)	(200)
Asset retirement obligations	181	362
Decrease in cost of sales related to property, plant and equipment adjustments	(42)	(84)

	As at April 2, 2011
<i>Property, plant and equipment:</i>	\$
Balance under Canadian GAAP	177,901
IFRS adjustments:	
Components	2,316
Non-capitalizable element of costs under IFRS	(855)
Capitalizable element of costs under IFRS	200
Asset retirement obligations	3,982
Total IFRS adjustments	5,643
Balance under IFRS	183,544

	As at April 2, 2011
<i>Provisions:</i>	\$
Balance under Canadian GAAP	-
Asset retirement obligations	(4,344)
Balance under IFRS	(4,344)

c) Employee benefits:

Under IFRS the Company's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. At the date of transition, all previously cumulative unrecognized actuarial gains and losses were recognized in deficit.

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards ("IFRS") (continued):

c) Employee benefits (continued):

The impact arising from the above is summarized as follows:

	For the three months ended April 2, 2011	For the six months ended April 2, 2011
	\$	\$
Decrease in cost of sales	(85)	(170)
Decrease in administration and selling expenses	(225)	(450)
Decrease in expenses related to employee benefits	(310)	(620)

	As at April 2, 2011
<i>Defined benefit pension plan assets:</i>	\$
Balance under Canadian GAAP	19,125
Recognition of actuarial losses	(19,125)
Balance under IFRS	–
<i>Employee benefits liabilities:</i>	
Balance under Canadian GAAP	(29,362)
Recognition of actuarial losses	(18,719)
Balance under IFRS	(48,081)

d) Reclassifications

i) Depreciation and amortization

Under IFRS, depreciation and amortization expense must be presented by function. The impact is as follows:

	For the three months ended April 2, 2011	For the six months ended April 2, 2011
	\$	\$
Increase in administration and selling expenses	187	375
Decrease in depreciation and amortization	(187)	(375)

ii) Revolving credit facility

Under IFRS, \$70 million of the revolving credit facility must be presented as non-current liabilities due to the long-term nature of the borrowing. The impact is as follows:

	As at April 2, 2011
	\$
Decrease in current liabilities	(70,000)
Increase in non-current liabilities	70,000

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

e) Derivative financial instruments:

Under IFRS, finance costs are presented separately from the finance income on the statement of earnings.

In addition, due to the unique nature of the trust units when operating under the income trust structure for the period from October 1 to December 31, 2010, under IFRS, the conversion option of the convertible unsecured subordinated debentures was recorded as a derivative liability at fair value. The Company converted to a corporation on January 1, 2011 and as a result, the full amount of the derivative liability was reclassified as contributed surplus as of that date.

The impact arising from the above is summarized as follows:

	For the three months ended April 2, 2011	For the six months ended April 2, 2011
<i>Finance income:</i>	\$	\$
Reclassification from finance costs	(557)	(1,518)
<i>Finance costs:</i>		
IFRS adjustments:		
Reclassification to finance income	557	1,518
Fair value loss of conversion option	–	3,782
Increase in finance costs related to derivative financial instruments	557	5,300

f) Deferred income taxes:

Under IFRS, when income taxes are payable at a higher or lower rate if part or all of the net profit or retained earnings is paid out as a dividend to shareholders, deferred tax assets and liabilities are measured at the rate applicable to undistributed profits. As a result, for the period from October 1 to December 31, 2010 while the Company was under the income trust structure, the tax rate at which deferred tax assets and liabilities are measured was increased to 43.7% (the undistributed tax rate) instead of 25% (the distributed tax rate) under Canadian GAAP. As of October 1, 2010, an adjustment was made to deficit. As of January 1, 2011, the date the Company converted to a corporation, all deferred tax assets and liabilities were re-measured using the rate applicable to a Corporation as an adjustment to profit or loss.

Under IAS 1, deferred tax assets or liabilities should not be classified as current. Under Canadian GAAP, when assets and liabilities related to temporary differences were segregated between current and non-current, the future income tax assets and liabilities were segregated.

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

f) Deferred income taxes (continued):

The impact arising from the above is summarized as follows:

	For the three months ended April 2, 2011	For the six months ended April 2, 2011
Increase / (decrease) in deferred tax expense:	\$	\$
Components	25	47
Non-capitalizable costs under IFRS	5	10
Element of costs under IFRS	26	51
Asset retirement obligations	(46)	(93)
Undistributed tax rate of an income trust	(337)	(331)
Increase / (decrease) in deferred tax expense	(327)	(316)

	As at April 2, 2011
<i>Current deferred tax assets:</i>	\$
Balance under Canadian GAAP	2,985
Reclassification to non-current	(2,985)
Balance under IFRS	–
<i>Non-current deferred tax assets:</i>	
Balance under Canadian GAAP	–
IFRS adjustments:	
Reclassification to non-current	2,985
Reclassification of assets and liabilities	7,629
Recognition of actuarial losses	9,894
Provisions	1,117
Total IFRS adjustments	21,625
Balance under IFRS	21,625

	As at April 2, 2011
<i>Non-current deferred tax liabilities:</i>	\$
Balance under Canadian GAAP	(21,606)
IFRS adjustments:	
Reclassification of assets and liabilities	(7,629)
Components	(595)
Non-capitalizable element of costs under IFRS	220
Capitalizable element of costs under IFRS	(51)
Asset retirement obligations	(1,024)
Undistributed tax rate of an income trust	–
Total IFRS adjustments	(9,079)
Balance under IFRS	(30,685)

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards ("IFRS") (continued):

g) Income taxes recoverable / payable:

Under IAS 1, the Company must present the income taxes recoverable and payable separately. The impact is as follows:

	As at April 2, 2011
<i>Trade and other payables:</i>	
	\$
Balance under Canadian GAAP	(46,786)
Reclassification to income taxes payable	1,932
Balance under IFRS	(44,854)
<i>Income taxes payable:</i>	
Balance under Canadian GAAP	-
Reclassification from trade and other payables	(1,932)
Balance under IFRS	(1,932)

h) Share capital:

Prior to the transition date and under the income trust structure, the Company distributed return of capital to its Unitholders. Under Canadian GAAP, the return of capital was recognized as a reduction of share capital. Due to the unique nature of the trust units under IFRS, the return of capital should be recognized in deficit.

The impact arising from the above is summarized as follows:

	As at April 2, 2011
<i>Share capital:</i>	
	\$
Balance under Canadian GAAP	(90,329)
Reclassification due to nature of trust units	(14,863)
Balance under IFRS	(105,192)

i) Contributed surplus:

Under the Company's NCIB, 1,805,600 trust units were repurchased by the Company prior to the transition date. Under Canadian GAAP, an amount paid below the issue price was recognized as contributed surplus. Due to the unique nature of trust units under IFRS and under the income trust structure, the amount paid below the issue price should be recognized in deficit.

In addition, as discussed in note 18 j), the fair value of the conversion option on January 1, 2011 was reclassified as contributed surplus as of that date.

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Notes to unaudited condensed consolidated interim financial statements
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18. First time adoption of the International Financial Reporting Standards (“IFRS”) (continued):

i) Contributed surplus (continued):

The impact arising from the above is summarized as follows:

	As at April 2, 2011
<i>Contributed surplus:</i>	\$
Balance under Canadian GAAP	(204,676)
IFRS adjustments:	
Reclassification due to nature of trust units	4,686
Fair value of conversion option	(3,916)
Total IFRS adjustments	770
Balance under IFRS	(203,906)

j) Deficit:

The impact arising from the above adjustments (shown net of income taxes) is summarized as follows:

	As at April 2, 2011
	\$
Balance under Canadian GAAP	6,728
IFRS adjustments:	
Components	(1,727)
Non-capitalizable element of costs under IFRS	635
Capitalizable element of costs under IFRS	(149)
Asset retirement obligations	269
Employee benefits	27,956
Derivative financial instruments	3,916
Reclassification due to nature of trust units	10,177
Total IFRS adjustments	41,077
Balance under IFRS	47,805