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

Management and Operation of Lantic

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

OUTLOOK

The total sweetener market increased slightly in fiscal 2013 and we forecast the market to continue to increase by a small percentage every year, in-line with population growth.

We anticipate that consumer volume will be slightly higher in 2014 than it was in 2013, largely as a result of a new multi-year national agreement with a major consumer account taking effect in January 2014. However, the consolidation of certain large retail accounts has intensified the competitiveness in this already highly competitive market.

The Company also expects export volume to be lower in 2014 as compared to 2013, offsetting the anticipated increase in consumer volume. Large crops in Mexico and the U.S. in fiscal 2013 resulted in significant surplus inventories and will therefore limit export opportunities in these countries in fiscal 2014. The Company will continue to investigate other export opportunities similar to those developed several years ago in Mexico, in order to secure additional export sales.

Overall, total sales volume and adjusted gross margin rates are expected to be slightly lower in fiscal 2014 as compared to fiscal 2013 due to further reductions in export volume and an increasingly competitive environment in the consumer and industrial segments.

Although the CETA agreement is positive news for the Canadian sugar industry, the new trade agreement is not expected to have any impact in fiscal 2014 as it may take up to two years for the CETA to be ratified by all parties.

The harvest and beet slicing campaign in Taber started on October 1, 2013. Early indications are favourable as the yield per acre harvested and the extraction rate achieved to date are better than forecast. Taber's beet crop, currently beign harvested, is approximately 24,000 acres and if current harvesting conditions continue, we expect to produce approximately 85,000 tonnes of beet sugar in fiscal 2014.