Auditors' Report to the Shareholders of Viterra Inc.

We have audited the consolidated balance sheets of Viterra Inc. as at October 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Regina, Saskatchewan
January 20, 2010

Deloitte & Touche LLP
Chartered Accountants

Management's Responsibility for Financial Statements

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

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

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

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

Mayo Schmidt

Mayo M. Schmidt
President and Chief Executive Officer

Rex McLennan

Rex McLennan
Chief Financial Officer

January 21, 2010

Consolidated Balance Sheets

(in thousands)

As at	October 31, 2009	October 31, 2008
ASSETS		
Current Assets		
Cash	$ 165,200	$ 183,536
Short-term investments	868,469	486,129
Accounts receivable	1,004,674	786,504
Inventories (Note 3)	960,896	816,158
Prepaid expenses and deposits	89,768	91,183
Future income taxes (Note 14)	44,142	59,202
	3,133,149	2,422,712
Investments (Note 4)	9,706	7,645
Property, Plant and Equipment (Note 7)	2,411,105	1,154,859
Other Long-Term Assets (Note 8)	118,025	69,238
Intangible Assets (Note 9)	42,766	22,133
Goodwill	699,974	300,121
Future Income Taxes (Note 14)	8,023	2,673
	$ 6,422,748	$ 3,979,381
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness	$ 594	$ 655
Short-term borrowings (Note 10)	291,128	17,769
Accounts payable and accrued liabilities	1,095,366	919,485
Long-term debt due within one year (Note 11)	18,151	14,703
Future income taxes (Note 14)	573	–
	1,405,812	952,612
Long-Term Debt (Note 11)	1,265,435	595,385
Other Long-Term Liabilities (Note 12)	72,471	64,183
Future Income Taxes (Note 14)	170,111	166,476
	2,913,829	1,778,656
Shareholders' Equity		
Retained earnings	425,741	325,911
Accumulated other comprehensive income (loss) (Note 15)	54,216	(9,766)
	479,957	316,145
Share capital (Note 16)	3,025,486	1,883,336
Contributed surplus	3,476	1,244
	3,508,919	2,200,725
	$ 6,422,748	$ 3,979,381

Commitments, contingencies and guarantees (Note 22)

On behalf of the Board of Directors

Thomas Birks
Director

Thomas Chambers
Director

Consolidated Statements of Earnings

(in thousands)

For the Year Ended	October 31, 2009	October 31, 2008
Sales and other operating revenues	$ 6,635,572	$ 6,777,566
Cost of sales (excluding amortization see Note 3)	(5,785,609)	(5,750,735)
Gross profit and net revenues from services	849,963	1,026,831
Operating, general and administrative expenses	(526,265)	(494,227)
	323,698	532,604
Amortization	(109,141)	(106,832)
	214,557	425,772
Gain (loss) on disposal of assets	(10,314)	1,263
Integration expenses	(10,191)	(14,622)
Net foreign exchange gain on acquisition (Note 23)	24,105	–
Recovery of pension settlement (Note 20)	–	3,356
Financing expenses (Note 21)	(61,163)	(37,785)
	156,994	377,984
Provision for corporate income taxes (Note 14)		
Current	(14,144)	(19,422)
Future	(29,723)	(70,280)
Net earnings	$ 113,127	$ 288,282
Basic and diluted earnings per share (Note 17)	$ 0.45	$ 1.31

Consolidated Statements of Comprehensive Income

(in thousands)

For the Year Ended	October 31, 2009	October 31, 2008
Net earnings	$ 113,127	$ 288,282
Other comprehensive income (loss)		
Realized gain on dedesignated hedged contracts included in net earnings, net of tax of $891 (2008 – $1,675)	(2,080)	(3,057)
Unrealized gain (loss) on cash flow hedges, net of tax of $(2,135) (2008 – $5,110)	7,337	(12,397)
Realized loss on cash flow hedges, net of tax of $(1,935) (2008 – $(202))	4,264	391
Unrealized loss on available for sale assets, net of tax of $8 (2008 – $25)	(48)	(171)
Unrealized effect of foreign currency translation of foreign operations	54,509	(1,720)
Other comprehensive income (loss)	63,982	(16,954)
Comprehensive income	$ 177,109	$ 271,328

Consolidated Statements of Shareholders' Equity

(in thousands)

	Share Capital (Note 16)	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) (Note 15)	Retained Earnings (Deficit)	Total Shareholders' Equity
As at October 31, 2007	$ 1,422,843	$ 323	$ 1,029	$ 50,426	$ 1,474,621
Accounting policy change					
Unrealized gain on dedesignated hedged contracts, net of tax of $(2,798)	–	–	5,946	–	5,946
Unrealized gain on available for sale assets, net of tax of $(41)	–	–	213	–	213
Livestock receivables, net of tax of $36	–	–	–	(76)	(76)
Debt acquisition costs using effective interest method, net of tax of $(60)	–	–	–	126	126
Share capital issued	460,493	–	–	–	460,493
Options exercised	–	(14)	–	–	(14)
Stock-based compensation	–	935	–	–	935
Other comprehensive income (loss)					
Realized gain on dedesignated hedged contracts, net of tax of $1,675	–	–	(3,057)	–	(3,057)
Unrealized loss on cash flow hedges, net of tax of $5,110	–	–	(12,397)	–	(12,397)
Realized loss on cash flow hedges, net of tax of $(202)	–	–	391	–	391
Unrealized loss on available for sale assets, net of tax of $25	–	–	(171)	–	(171)
Unrealized effect of foreign currency translation of foreign operations	–	–	(1,720)	–	(1,720)
Future income taxes adjustment	–	–	–	51	51
Future income taxes share issuance costs	–	–	–	6,070	6,070
Share issuance costs	–	–	–	(18,968)	(18,968)
Net earnings for the year	–	–	–	288,282	288,282
As at October 31, 2008	$ 1,883,336	$ 1,244	$ (9,766)	$ 325,911	$ 2,200,725
Share capital issued	1,142,150	–	–	–	1,142,150
Options exercised	–	(1)	–	–	(1)
Stock-based compensation	–	2,233	–	–	2,233
Other comprehensive income (loss)					
Realized gain on dedesignated hedged contracts, net of tax of $891	–	–	(2,080)	–	(2,080)
Unrealized gain on cash flow hedges, net of tax of $(2,135)	–	–	7,337	–	7,337
Realized loss on cash flow hedges, net of tax of $(1,935)	–	–	4,264	–	4,264
Unrealized loss on available for sale assets, net of tax of $8	–	–	(48)	–	(48)
Unrealized effect of foreign currency translation of foreign operations	–	–	54,509	–	54,509
Future income taxes share issuance costs	–	–	–	5,171	5,171
Share issuance costs	–	–	–	(18,468)	(18,468)
Net earnings for the year	–	–	–	113,127	113,127
As at October 31, 2009	$ 3,025,486	$ 3,476	$ 54,216	$ 425,741	$ 3,508,919

Consolidated Statements of Cash Flow

(in thousands)

For the Year Ended	October 31, 2009	October 31, 2008
Cash From (Used in) Operating Activities		
Net earnings	$ 113,127	$ 288,282
Adjustments for items not involving cash and/or operations		
Amortization	109,141	106,832
Future income tax provision (Note 14)	29,723	70,280
Equity loss (gain) of significantly influenced companies (Note 4)	(59)	10,963
Recovery of pension settlement (Note 20)	–	(3,356)
Employee future benefits (Note 20)	(22,875)	(19,918)
Non-cash financing expenses (Note 21)	6,033	4,470
Loss (gain) on disposal of assets	10,314	(1,263)
Net foreign exchange gain on acquisition (Note 23)	(24,105)	–
Other items	2,124	(24)
Adjustments for items not involving cash	110,296	167,984
	223,423	456,266
Changes in non-cash working capital items		
Accounts receivable	136,654	(283,250)
Inventories	142,810	(19,547)
Accounts payable and accrued liabilities	(69,666)	169,592
Prepaid expenses and deposits	24,142	(39,340)
Changes in non-cash working capital	233,940	(172,545)
Cash from operating activities	457,363	283,721
Cash From (Used in) Financing Activities		
Proceeds from long-term debt	400,925	299,953
Repayment of long-term debt	(18,212)	(4,979)
Repayment of short-term borrowings	(23,737)	(338,519)
Repayment of other long-term liabilities, net	(819)	(2,615)
Increase in share capital (Note 16)	450,007	460,479
Share issuance costs	(18,468)	(18,971)
Debt financing cost	(11,738)	(7,553)
Cash from financing activities	777,958	387,795
Cash From (Used in) Investing Activities		
Property, plant and equipment expenditures	(75,283)	(55,583)
Proceeds on sale of property, plant and equipment	4,201	5,333
Business acquisitions (Note 6)	(814,030)	(31,755)
Net foreign exchange gain on acquisition (Note 23)	24,105	–
Decrease in cash in trust	–	16,710
Increase in investments	–	(69)
Increase in other long-term assets	–	(1,519)
Increase in intangible assets	(9,479)	–
Cash used in investing activities	(870,486)	(66,883)
Increase in Cash and Cash Equivalents	364,835	604,633
Cash and Cash Equivalents, Beginning of Year	669,010	64,150
Impact on Cash of Unrealized Effect of Foreign Currency Translation of Foreign Operations	(770)	227
Cash and Cash Equivalents, End of Year	$ 1,033,075	$ 669,010
Cash and cash equivalents consist of:		
Cash	$ 165,200	$ 183,536
Short-term investments	868,469	486,129
Bank indebtedness	(594)	(655)
	$ 1,033,075	$ 669,010
Supplemental disclosure of cash paid during the year from operations:		
Interest paid	$ 58,429	$ 61,646
Income taxes paid	$ 17,637	$ 16,562

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1. NATURE OF BUSINESS

Viterra Inc. (the "Company") is a publicly traded, vertically integrated international agri-business. Business operations include six reporting segments: Grain Handling and Marketing, Agri-products, Food Processing, Feed Products, Financial Products and Corporate.

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

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

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

The Food Processing segment in North America includes the manufacturing and marketing of value-added products associated with oats, canola and malt barley for domestic and export markets. At Viterra Australia, this segment is comprised of Joe White Maltings which includes malting plants positioned across Australia.

The Feed Products segment in North America includes activities relating to formulating and manufacturing feed products at feed mills and pre-mix facilities across Western Canada and at feed mill locations in Texas, New Mexico and Oklahoma in the United States ("U.S.") Viterra Australia's Feed Products segment operates one of New Zealand's largest maize dryers and a cattle feed business.

The Financial Products segment offers products including lending and cash management.

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

The Company's earnings follow the seasonal pattern of grain production. Activity peaks in the spring as new crops are sown and in the fall as mature crops are harvested. The volume of grain shipments are relatively stable through the quarters, but can be influenced by destination customer demand, customer export programs, and producers' marketing decisions. Sales of the Company's agri-products peak during the growing season, supplemented by additional crop nutrient sales in the late fall.

2. ACCOUNTING POLICIES

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

a) **Use of Estimates**

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

b) **Principles of Consolidation**

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

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

in thousands of Canadian dollars, except as noted

c) **Revenue Recognition**

Revenues are recognized when risks and rewards of ownership have transferred to the customer and the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, selling price is fixed or determinable, and collection is reasonably assured. Revenues from grain handling are recognized upon delivery of grain commodities to the customer. Transactions in which the Company acts as an agent for the Canadian Wheat Board ("CWB") are recorded on a net basis with only the amount of the CWB tariff included in revenue. Revenues from the sale of agri-products, food processing, feed and related products are recognized upon delivery to the customer. Service-related revenues and financial product fees are recognized upon performance of the service.

d) **Cash and Cash Equivalents**

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

e) **Inventories**

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

f) **Investments**

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

Investments designated as available for sale are recorded at fair value in the consolidated balance sheet, with unrealized gains and losses, net of related income taxes, recorded in other comprehensive income.

Through a consortium, the Company has a joint and several interest in Prince Rupert Grain terminal ("PRG"). The Company's non-controlling interest in PRG is recorded at a nominal amount since the value of the debt exceeds the depreciated value of the terminal. At October 31, 2009, PRG had approximately $292 million in loans due to a third party (2008 – $296 million). The loans mature in 2015 ($178 million) and 2035 ($114 million) (2008 – $182 million and $114 million respectively) and are secured by the terminal without recourse to the consortium members.

g) **Property, Plant and Equipment and Amortization**

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

Land	0%
Buildings	2 - 10%
Machinery and equipment	1 - 33%
Site and leasehold improvements	3 - 20%

h) **Corporate Income Taxes**

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

i) **Deferred Financing Costs**

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

Financing costs related to long-term debt are included in long-term debt and amortized using the effective interest rate method.

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

j) **Employee Future Benefits**

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

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

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

k) **Intangible Assets**

i. **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. These assets are amortized on a straight-line basis over their estimated useful lives which range from two to ten years. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

ii. **Software intangible assets**

Software intangible assets are stated at cost less accumulated amortization and impairment and are amortized on a straight-line basis over their useful lives which range from three to five years. Should the carrying amount of intangible assets exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

l) **Goodwill**

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

m) **Foreign Currency Transactions**

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

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

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

n) **Stock-Based Compensation Plans**

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

o) **Environmental Costs and Asset Retirement Obligations**

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

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

p) **Financial Instruments**

Financial derivative instruments are used by the Company to reduce its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. In the normal course of business, the Company does not hold or issue derivative instruments for derivative trading purposes. Any change in the value of the derivatives is reported in earnings, unless the derivative qualifies as a cash flow hedge and hedge accounting is applied.

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

Fair Value

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

- The fair value of financial instruments initially recognized is equal to the cost plus directly attributable transaction costs.
- Investments that are classified as available for sale with an active trading market have been recorded at their fair value based on closing market quotations and are therefore considered Level one.
- When financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. The methods and assumptions used in these limited cases would be assessed for significance and may be disclosed as Level three.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile. The methods and assumptions used are considered Level two.
- The fair value of interest rate swaps is estimated by discounting net cash flows of the swaps using forward interest rates for swaps of the same remaining maturity. The methods and assumptions used are considered Level two.

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

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

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

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

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

Other Financial Liabilities
Other financial liabilities are accounted for at amortized cost using the effective interest rate method.

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

The Company uses hedge accounting for interest rate swaps used to hedge long-term debt. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than at variable interest rates. The effective portion of changes in the fair value of the swap is recognized in other comprehensive income while any ineffective portion is recognized immediately in financing expenses. Gains and losses are recognized in financing expenses in the same period as the hedged item is settled.

r) **Changes to Significant Accounting Policies**

i. **Inventories**
Effective November 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories. This adoption resulted in additional disclosures as provided in Note 3.

ii. **Goodwill and Intangible Assets**
Effective November 1, 2008, the Company adopted the CICA Handbook Section 3064, Goodwill and Intangibles. This adoption had no material impact to the Company.

iii. **Fair Value Hierarchy and Liquidity Risk Disclosure**
In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending October 31, 2009. This adoption resulted in additional disclosures as provided in Notes 2(p) and 23.

in thousands of Canadian dollars, except as noted

3. INVENTORIES

As at October 31	2009	2008
Grain	$ 469,196	$ 330,704
Agri-products	381,485	423,602
Feed Products	45,354	39,095
Food Processing		
Raw materials and supplies	20,999	9,919
Work in progress	24,955	2,356
Finished goods	18,907	10,482
	$ 960,896	$ 816,158

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

Amortization of $30.2 million for the year ended October 31, 2009 (2008 – $41.0 million) related to the manufacture of inventory that has now been sold is included in amortization expense.

Write-downs related to Agri-products inventory at October 31, 2009 of nil (2008 – $28.7 million) have been included in cost of sales.

4. INVESTMENTS

As at October 31	2009	2008
Investments in significantly influenced companies – equity method	$ 63	$ 223
Other long-term investments	9,643	7,422
	$ 9,706	$ 7,645

Equity loss of significantly influenced companies of nil for the year ended October 31, 2009 (2008 – $11.0 million) is included in sales and other operating revenues.

5. INTERESTS IN JOINT VENTURES

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

As at October 31	2009	2008
Cash	$ 21,500	$ 2,906
Other current assets	$ 49,471	$ 25,218
Long-term assets	$ 119,331	$ 17,491
Current liabilities	$ 23,761	$ 15,112
Long-term liabilities	$ 72,991	$ 4,275

For the year ended October 31	2009	2008
Revenue	$ 280,427	$ 62,546
Expenses	$ 277,970	$ 52,225
Net earnings	$ 2,457	$ 10,321
Cash from operating activities	$ 6,430	$ 6,278
Cash used in financing activities	$ (65)	$ (3,986)
Cash from (used in) investing activities	$ 13,043	$ (1,741)

6. BUSINESS ACQUISITIONS

a) Fiscal 2009

	ABB	Other	Total
Net assets acquired at fair value:			
Current assets	$ 688,094	$ 19,355	$ 707,449
Property, plant and equipment	1,180,782	71,078	1,251,860
Intangible assets	14,973	–	14,973
Goodwill	359,087	28,462	387,549
Other long-term assets	5,615	–	5,615
Future income tax assets, net	6,395	–	6,395
Current liabilities	(253,287)	(2,637)	(255,924)
Current portion of long-term debt	(286,168)	–	(286,168)
Long-term debt	(293,654)	–	(293,654)
Other long-term liabilities	(187)	(12)	(199)
Total purchase price	1,421,650	116,246	1,537,896
Less: Cash acquired	(31,724)	–	(31,724)
	$ 1,389,926	$ 116,246	$ 1,506,172
Consideration provided:			
Cash (net of cash acquired)	$ 671,707	$ 116,246	$ 787,953
Transaction costs	26,077	–	26,077
Cash used in business acquisitions	697,784	116,246	814,030
Common shares (78.3 million issued at an ascribed price of $8.84)	692,142	–	692,142
	$ 1,389,926	$ 116,246	$ 1,506,172

i. **Acquisition of ABB**

On September 23, 2009, the Company acquired all of the issued and outstanding common shares of ABB, an Australian agri-business. The results of the operations are included in the Company's consolidated financial statements commencing upon acquisition.

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

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

in thousands of Canadian dollars, except as noted

Acquisition costs incurred or accrued in the above purchase allocation are comprised of professional fees of $26.1 million as well as $14.6 million of employee related costs and $6.4 million of other related costs. Of these amounts, $19.6 million remained outstanding and unpaid at October 31, 2009.

For the period ended October 31, 2009 the Company expensed $2.3 million of incremental non-recurring costs arising from the integration of ABB. The Company's plan for the integration of ABB consists of further costs of either a capital or operating nature related to re-financing activities, employees, information technology hardware and software, signage and branding and other integration related activities. The Company plans to complete the integration and the consolidation of operations over the next 12 to 18 months.

As the acquisition has recently been completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill and intangibles, will be finalized in a subsequent period, including allocation of goodwill by segment and determination of goodwill deductible for tax purposes.

ii. **Other Acquisitions**

On June 25, 2009, the Company purchased certain businesses of Associated Proteins Limited Partnership of Ste. Agathe, Manitoba, Canada for a total consideration of $76.1 million. The acquisition consists of a canola crush plant with a capacity of 1,000 metric tonnes per day that supplies North American end-use markets. The net assets, including goodwill of $7.5 million are included in the Food Processing segment.

During the year, the Company purchased agri-products retail locations located in Western Canada. Total consideration of $40.1 million was paid. The preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period. The net assets, including goodwill of $20.9 million are included in the Agri-products segment.

These acquisitions have been funded through current operating cash flows. Earnings derived from the businesses purchased have been included in the Company's consolidated financial statements commencing from the acquisition dates.

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

iii. **Changes to Purchase Price Allocation**

During the year, the Company adjusted the allocation of the purchase price related to the May 29, 2007 acquisition of Agricore United. During the year acquisition cost accruals in the amount of $5.0 million were reversed and resulted in a decrease to goodwill of $3.4 million and net future income tax asset of $1.6 million.

b) **Fiscal 2008**

On March 3, 2008, the Feed Products segment purchased certain businesses of Sunrise Feed, LLC in Cheyenne and Elk City, Oklahoma, U.S. The acquisition included a feed mill with 100,000 tonnes/year capacity and a retail outlet in both Cheyenne and Elk City. Sunrise Feed manufactures and sells beef, horse and other animal feed and pasture supplements into the rancher market.

On April 7, 2008, the Feed Products segment concluded its purchase of V-S Feed and Agri-Supplies Ltd. in Ponoka, Alberta, Canada. The acquisition included a feed pre-mix mill with 8,000 tonnes/year capacity and a retail outlet that sells farm supply and feed products.

On April 28, 2008, the Feed Products segment also purchased certain businesses of Gore Bros., Inc. and Gore's Trucking, Inc. for total consideration of U.S. $25.3 million. The acquisition added an additional two U.S. feed mills in Clovis, New Mexico and Comanche, Texas.

Net assets acquired at fair value:	
Current assets	$ 24,040
Property, plant and equipment	15,160
Goodwill	2,849
Current liabilities	(10,294)
Cash consideration	$ 31,755

These acquisitions were funded through current operating cash flows.

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

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

in thousands of Canadian dollars, except as noted

7. PROPERTY, PLANT AND EQUIPMENT

As at October 31	2009	Accumulated Amortization 2009	2008	Accumulated Amortization 2008
Land	$ 122,695	$ –	$ 49,751	$ –
Site and leasehold improvements	82,665	10,673	73,455	6,294
Buildings	699,811	84,260	556,702	53,944
Machinery and equipment	1,597,262	236,800	690,441	171,215
Construction in progress	240,405	–	15,963	–
	2,742,838	$ 331,733	1,386,312	$ 231,453
Accumulated amortization	(331,733)		(231,453)	
Net book value	$ 2,411,105		$ 1,154,859	

Amortization of property, plant and equipment for the year ended October 31, 2009 is $105.0 million (2008 – $99.1 million).

8. OTHER LONG-TERM ASSETS

As at October 31	2009	Accumulated Amortization 2009	2008	Accumulated Amortization 2008
Deferred pension assets (Note 20)	$ 89,938	$ –	$ 51,564	$ –
Deferred financing costs	23,434	10,914	12,673	7,296
Other	15,610	43	18,824	6,527
	128,982	$ 10,957	83,061	$ 13,823
Accumulated amortization	(10,957)		(13,823)	
Net book value	$ 118,025		$ 69,238	

Amortization of deferred financing costs of $3.6 million (2008 – $3.1 million) is included in financing expenses. Amortization of other assets of nil for the year ended October 31, 2009 (2008 – $4.0 million) is included in amortization.

9. INTANGIBLE ASSETS

As at October 31	2009	2008
Intangible assets acquired in a business combination	$ 34,906	$ 19,498
Software intangible assets	18,779	9,717
Accumulated amortization	(10,919)	(7,082)
Net book value	$ 42,766	$ 22,133

Amortization of intangible assets for the year ended October 31, 2009 is $4.1 million (2008 – $3.7 million).

10. SHORT-TERM BORROWINGS

As at October 31	2009	2008
Members' demand loans (a)	$ –	$ 17,769
Viterra Australia (b)	291,128	–
	$ 291,128	$ 17,769

a) **Members' Demand Loans**
Effective August 1, 2009, the Company discontinued accepting loans on the members' demand loan program. Members' demand loans were unsecured funds loaned to the Company by non-institutional investors and employees. On September 15, 2009 all demand loan balances and accrued interest were paid out.

b) **Viterra Australia**
Viterra Australia has a $1,200 million Australian dollar ("AUD") multi-currency syndicated bank facility of which $400 million AUD matures July 31, 2010 and $800 million AUD matures July 31, 2012. Viterra Australia can draw on the facility at applicable base rates plus 0.88% to 1.20%. As at October 31, 2009 there are drawings of $305.5 million included in long-term borrowings (Note 11).

in thousands of Canadian dollars, except as noted

c) **Revolving Credit Facility**

On August 10, 2007, the Company entered into a $600 million senior secured revolving credit facility with a syndicate of financial institutions. On November 19, 2007, the Company exercised its option to increase the facility to $800 million. The facility is secured by a first charge on all assets of the Company and certain of its subsidiaries (excluding Viterra Australia), other than the property, plant and equipment of the Company and certain of its subsidiaries, and the capital stock of certain of its subsidiaries (collectively, the "Term Loan Priority Collateral") and a second charge on the Term Loan Priority Collateral. The Company can draw on the facility at an interest rate of Banker's Acceptance ("BA") plus 0.9% to 1.5% or at prime to prime plus 0.50% subject to the Company's fixed charge ratio. At October 31, 2009, the 30 day BA rate was 0.3% (2008 – 2.56%) and prime was 2.25% (2008 – 4.0%). The facility expires on August 10, 2010, and may be extended at the option of the Company for an additional two years, subject to the Company then being in compliance with the covenants under the facility.

At October 31, 2009, availability under the revolving credit facility was $460.0 million and drawings were nil (2008 – $542.0 million and nil).

11. LONG-TERM DEBT

As at October 31	2009	2008
Viterra		
Credit facility (a)	$ 312,000	$ 225,000
Series 2009-1 Notes (b)	300,000	–
Series 2007-1 Notes (b)	200,000	200,000
Series 2006-1 Notes (b)	100,000	100,000
Members' term loans (c)	2,449	3,404
	914,449	528,404
Subsidiaries' and proportionate share of joint ventures' debt		
Credit facility (a)	77,897	90,338
Viterra Australia and other (d)	309,389	2,767
	387,286	93,105
Sub-total	1,301,735	621,509
Less unamortized debt costs	18,149	11,421
Total long-term debt	1,283,586	610,088
Less portion due within one year:		
Credit facility	13,000	9,000
Members' term loans	1,210	1,481
Viterra Australia and other	3,941	4,222
Long-term debt due within one year	18,151	14,703
Long-term debt due in excess of one year	$ 1,265,435	$ 595,385

a) **Credit Facility**

On May 15, 2008, the Company completed a $400 million, five-year term secured credit facility with a syndicate of financial institutions. The facility is secured by a first charge (*pari passu* with the Series 2006-1, 2007-1 and 2009-1 Notes) on the Term Loan Priority Collateral (Note 10c) and a second charge on all other assets of the Company and certain of its subsidiaries (excluding Viterra Australia).

Based upon the Company's current credit ratings and interest rate swaps, the hedged fixed rate of interest on the credit facility is approximately 7.4% on Canadian dollar borrowings (2008 – 5.9%) and approximately 8.1% on U.S. dollar borrowings (2008 – 6.1%), with minimum mandatory principal repayments of 4% per annum. An amendment, which was required to allow the acquisition of ABB, resulted in a 2% interest rate increase effective upon the acquisition of ABB.

Beginning with the current fiscal year ending October 31, 2009, if, at the end of a fiscal year, the debt to EBITDA ratio, as defined in the credit facility agreement (the calculation of which does not include Viterra Australia), is equal to or exceeds 3.75:1.0, the Company must repay a portion of the outstanding loans equal to 50% of free cash flow, as defined in the credit agreement, from the fiscal year. For the current fiscal year, the Company was not required to repay a portion of the loans.

The fair value of the amount drawn on the credit facility at October 31, 2009 was approximately $312.0 million (2008 – $225.0 million) and $72.0 million United States Dollar ("USD") (2008 – $75.0 million USD).

in thousands of Canadian dollars, except as noted

b) **Senior Unsecured Notes**

Terms[1]		Series 2009-1	Series 2007-1	Series 2006-1
Issue Date		July 7, 2009	August 1, 2007	April 6, 2006
Principal Amount		$300,000	$200,000	$100,000
Interest Rate		8.5%	8.5%	8.0%
Maturity Date		July 7, 2014	August 1, 2017	April 8, 2013
Fair Value – October 31, 2009		$318,780	$213,240	$102,830
Fair Value – October 31, 2008		n/a	$184,000	$95,000
Redemption Price[2]				
Optional Redemption, Prior to		July 7, 2012	August 1, 2012	
With Net Proceeds of Public Equity Offering[3]		108.5%	108.5%	
Without Proceeds of Public Equity Offering		100.0%+ARP[4]	100.0%+ARP[4]	
Optional Redemption, On or After		July 7, 2012	August 1, 2012	April 8, 2009
	2009	–	–	104.0%
	2010	–	–	102.0%
	2011	–	–	101.0%
	2012	102.125%	104.25%	100.0%
	2013	100.0%	103.1875%	–
	2014	–	102.125%	–
	2015	–	101.0625%	–
	2016	–	100.0%	–

1 Each Series 2006-1, 2007-1 and 2009-1 Notes rank *pari passu* with each other Series and the Credit Facility which includes a first charge on the Term Loan Priority Collateral and a second charge on all other assets of the Company and certain of its subsidiaries (excluding Viterra Australia).
2 Expressed as percentage of principal amount at maturity.
3 Redemption limited to no more than 35% of aggregate principal amount of each series.
4 When redeeming notes without proceeds received from one or more public equity offerings, the redemption price is 100% of principal amount thereof plus Applicable Redemption Premium (ARP) as defined in the corresponding Supplemental Trust Indenture Agreement between the Company and CIBC Mellon Trust for each note series.

c) **Members' Term Loans**

Members' term loans are unsecured and consist of one-year to seven-year loans with non-institutional investors and employees. Interest is payable semi-annually at interest rates that vary from 1.7% to 8.0% (2008 – 3.1% to 8.0%) and a weighted average interest rate of 4.8% (2008 – 4.9%) based on the face value of the debt instrument.

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

The fair value of the members' term loans at October 31, 2009 was approximately $2.6 million (2008 – $3.5 million).

d) **Viterra Australia and Other Subsidiaries' and Proportionate Share of Joint Ventures' Debt**

Viterra Australia and other subsidiaries' and the proportionate share of joint ventures' debt bear interest at fixed and variable rates. The weighted average interest rate of other subsidiaries' and the proportionate share of joint ventures' debt, other than the Credit Facility, is 6.5% (2008 – 6.5%) based on the face value of the debt instrument. The weighted average interest rate on long-term borrowings for Viterra Australia, including interest rate swaps, is approximately 6.2%. The debts mature in 2010 to 2014.

Viterra Australia debt includes finance lease borrowings of $0.8 million (2008 – nil).

The fair value at October 31, 2009 of Viterra Australia's short-term borrowings and long-term debt was approximately $18.3 million USD (2008 – nil), $463.2 million AUD (2008 – nil) and $130.1 million New Zealand dollars ("NZD") (2008 – nil).

The fair value at October 31, 2009 of other subsidiaries' and the proportionate share of joint ventures' long-term borrowings was approximately $3.1 million (2008 – $2.8 million).

Effective October 1, 2009, Viterra Australia entered into a security arrangement such that Viterra Australia has pledged their assets into a security trust for the benefit of their syndicated lenders and certain hedging counterparties (the "Beneficiaries"). These Beneficiaries have taken a fixed and floating charge over all the assets of Viterra Australia as security against their obligations under their Syndicated Facility and certain hedging arrangements.

in thousands of Canadian dollars, except as noted

Viterra Australia was in breach of a loan covenant at October 31, 2009. The Company has been in discussions with the syndicate of lenders and on December 29, 2009 received a waiver in respect of the breach. A violation of the debt covenant giving the lenders the right to demand repayment at a future compliance date within one year of the balance sheet date is not likely and therefore amounts not expected to be paid within one year have been classified as long-term.

e) **Scheduled Repayments of Long-Term Debt**
The following summarizes the aggregate amount of scheduled repayments of long-term debt in each of the next five years and thereafter:

For the Years Ending October 31	Viterra	Subsidiaries and Proportionate Share of Joint Ventures	Total
2010	$ 14,210	$ 3,941	$ 18,151
2011	13,517	4,360	17,877
2012	13,489	309,167	322,656
2013	373,223	68,631	441,854
2014	300,010	356	300,366
Subsequent years	200,000	831	200,831
	$ 914,449	$ 387,286	$ 1,301,735

12. OTHER LONG-TERM LIABILITIES

As at October 31	2009	2008
Other employee future benefits (Note 20)	$ 13,883	$ 14,095
Asset retirement obligations (a)	13,771	13,938
Cash flow hedges (Note 23b)	13,014	10,121
Stock-based compensation plans (Note 18)	10,223	9,638
Contributions in aid of construction (b)	7,003	7,413
Grain handling agreements	3,254	4,400
Pension (Note 20)	3,415	3,808
Other	7,908	770
	$ 72,471	$ 64,183

a) **Asset Retirement Obligations**
In 1987, Westco, a division of the Company which manufactured phosphate and nitrate fertilizers, closed two of its facilities. The asset retirement obligations represent the best estimate by management of the legal obligations it would incur during the reclamation process. Reclamation involves the demolition of the manufacturing facilities and the reclamation of the phosphogypsum stacks. Uncertainty exists regarding the estimation of future decommissioning and reclamation costs.

At October 31, 2009, the Company estimated that the undiscounted cash flow required to settle the asset retirement obligations was approximately $19.2 million (2008 – $23.9 million), which is expected to be settled over the 2010 through 2018 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4.0% to 7.0%. At October 31, 2009, the aggregate carrying amount including the short-term portion of the asset retirement obligation was $17.5 million (2008 – $22.1 million); this decrease is a result of expenditures in Westco of $3.9 million and a reduction of expected discounted cash flows by $1.4 million partially offset by accretion expenses of $0.7 million.

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

13. RELATED PARTY TRANSACTIONS

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

Total sales to related parties were $15.4 million (2008 – $18.9 million) and total purchases from related parties were $7.2 million (2008 – $11.6 million). As at October 31, 2009, accounts receivable from related parties totaled $24.0 million (2008 – $24.9 million) and accounts payable to related parties totaled $5.7 million (2008 – $22.0 million).

14. CORPORATE INCOME TAXES

a) The provision for corporate income taxes consists of:

For the year ended October 31	2009	2008
Current	$ 14,144	$ 19,422
Future	29,723	70,280
	$ 43,867	$ 89,702

in thousands of Canadian dollars, except as noted

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

For the year ended October 31	2009	2008
Earnings before corporate income taxes	$ 156,994	$ 377,984
Effective federal and provincial tax rate	29.97%	31.88%
Pre-tax accounting income at combined Canadian statutory income tax rate	47,051	120,501
Effect of foreign income tax rates differing from Canadian income tax rates	(683)	165
Change in effective tax rate on future income taxes	(1,651)	(21,314)
Permanent differences	(1,356)	(1,053)
Recovery due to successful appeal of tax reassessment	–	(5,000)
Change in estimate of tax accruals	344	(4,715)
Non-taxable portion of capital gain	(293)	(136)
Non-recoverable withholding taxes	453	–
Tax-paid equity earnings	(108)	1,879
Other	110	(625)
	$ 43,867	$ 89,702

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

As at October 31	2009	2008
Future income tax assets:		
Losses available for carryforward	$ 18,183	$ 33,173
Refinancing and restructuring costs not currently deducted for tax	21,908	19,856
Accrued expenses not currently deductible for tax	63,234	39,586
Research and development costs not currently deducted for tax	1,915	1,798
Reclamation costs not currently deducted for tax	4,652	6,341
Investment write-down for accounting	1,741	1,840
Other	3,091	891
	114,724	103,485
Valuation allowance[1]	(6,504)	(6,754)
Total future income tax assets	$ 108,220	$ 96,731

[1] The valuation allowance represents management's best estimate of the allowance necessary. to reflect the future income tax assets related to losses available for carryforward at an amount that the Company considers is more likely than not to be realized.

As at October 31	2009	2008
Future income tax liabilities:		
Net book value in excess of undepreciated capital cost	$ 183,228	$ 180,742
Deferred charges currently deductible for tax	22,970	12,938
Income not currently taxable	17,951	2,546
Other	2,590	5,106
Total future income tax liabilities	$ 226,739	$ 201,332
Net future income tax liability	$ (118,519)	$ (104,601)
Classified in the consolidated financial statements as:		
Current future income tax assets	$ 44,142	$ 59,202
Long-term future income tax assets	8,023	2,673
Current future income tax liabilities	(573)	–
Long-term future income tax liabilities	(170,111)	(166,476)
	$ (118,519)	$ (104,601)

d) The expiry dates associated with the losses available for carryforward are:

2012	$ 1,101
2013	23,915
2029	6,255
No expiry	31,325
	$ 62,596

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

As at October 31	2009	2008
Unrealized gains and losses on cash flow hedges	$ 404	$ (9,117)
Unrealized gains and losses on available for sale assets	(6)	42
Unrealized effect of foreign currency translation of foreign operations	53,818	(691)
	$ 54,216	$ (9,766)

Unrealized losses on cash flow hedges of $10.1 million are expected to be realized and recognized in net income within the next year (2008 – $2.1 million).

16. SHARE CAPITAL

a) Common Voting Shares

Authorized

Unlimited Common Voting Shares

	Common Voting Shares Number[1]	Amount
Balance, October 31, 2007	204,156,350	$ 1,422,843
Share issuance for cash	32,892,863	460,479
Adjustment to share capital from contributed surplus for options exercised	–	14
Balance, October 31, 2008	237,049,213	1,883,336
Share issuance for cash	56,250,650	450,007
Adjustment to share capital from contributed surplus for options exercised	–	1
Issued upon acquisition of ABB (Note 6)	78,296,645	692,142
Balance, October 31, 2009	371,596,508	$ 3,025,486

[1] Number of shares are not shown in thousands

b) Share Issuance

i. **Fiscal 2009**

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

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

ii. **Fiscal 2008**

On May 9, 2008, the Company issued 28.6 million common shares, on a bought deal basis at a price of $14.00 per common share, to a syndicate of underwriters as part of a $400.4 million offering. As well, on May 9, 2008, in relation to the $400.4 million offering, the underwriters exercised in full an Over-Allotment Option to purchase an additional 4.3 million common shares at a price of $14.00 per common share for additional gross proceeds of $60.1 million. The underwriters' Over-Allotment Option closed on May 14, 2008.

The Company raised gross proceeds from the common share offering and subsequent over-allotment of $460.5 million. Underwriters' fees and other costs associated with the offering and the over-allotment were approximately $19 million. In accordance with the capital nature of this transaction, the associated costs are reflected as a charge to shareholders' equity and reflected in the retained earnings of the Company.

17. EARNINGS PER SHARE

For the year ended October 31	2009	2008
Net earnings	$ 113,127	$ 288,282
Denominator for basic earnings per share amounts:		
Weighted average number of shares outstanding[1]	251,426	219,826
Basic earnings per share	$ 0.45	$ 1.31
Denominator for diluted earnings per share amounts:		
Weighted average number of shares outstanding[1]	251,437	219,830
Diluted earnings per share	$ 0.45	$ 1.31

[1] Number of shares in thousands

18. STOCK-BASED COMPENSATION PLANS

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

a) Deferred Share Units

Under the Company's DSU Plan, 40% of each director's annual retainer is paid in DSUs. A DSU is a notional unit that reflects the market value of a single common share of the Company. In addition, on an annual basis directors can elect to receive any percentage from 40% to 100% of their annual retainer and any additional fees for the immediately succeeding year in the form of DSUs. Designated participants have the option to convert RSU and PSU units into DSUs 60 days prior to vesting. Each DSU fully vests upon award. The DSUs will be redeemed for cash, or for common shares of the Company purchased on the open market, at the holder's option upon leaving the Board or ceasing employment. The redemption amount will be based upon the weighted average of the closing prices of the common shares of the Company on the TSX for the last 20 trading days prior to the redemption date, multiplied by the number of DSUs held. During fiscal 2009, 7,450 RSUs/PSUs were converted to DSUs by participants (2008 – 22,000). The total DSUs granted were 190,494 during the year ended October 31, 2009 (2008 – 80,560). The Company recorded compensation costs related to outstanding DSUs of

$3.0 million for the year ended October 31, 2009 (2008 – recovery of $0.5 million).

b) **Restricted Share Units**

Under the Company's RSU Plan, each designated participant receives an annual grant of RSUs as part of their compensation. Each RSU represents one notional common share that entitles the participant to a payment of one common share of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. RSUs vest at the end of a three-year period. Holders of RSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2009, 176,800 RSUs were granted (2008 – 126,952). The Company recorded compensation costs related to outstanding RSUs of $1.2 million for the year ended October 31, 2009 (2008 – $0.2 million).

c) **Performance Share Units**

Under the Company's PSU Plan, the Company provides each designated participant an annual grant of PSUs as part of their compensation. The performance objectives under the plan are designed to further align the interest of the designated participant with those of shareholders by linking the vesting of awards to EBITDA over the three-year performance period. The number of PSUs that ultimately vest will vary based on the extent to which actual EBITDA matches budgeted EBITDA for the three-year period. Based on performance, each PSU represents one notional common share that entitles the participant to a payment of common shares of the Company, purchased on the open market, or an equivalent cash amount at the Company's discretion. PSUs vest at the end of a three-year period. The final value of the PSUs will be based on the value of the Company's stock at the end of the three-year period and the number of PSUs that ultimately vest. Vesting of PSUs at the end of the three-year period will be based on total EBITDA and whether the participant remains employed by the Company at the end of the three-year vesting period. Holders of PSUs have the option of converting to an equivalent number of DSUs 60 days prior to vesting. During the year ended October 31, 2009, 483,577 PSUs were granted to the designated participants (2008 – 380,863). The Company recorded compensation costs related to outstanding PSUs of $4.3 million for the year ended October 31, 2009 (2008 – $0.2 million).

d) **Management Stock Option Plan**

During fiscal 2008, the Management Stock Option Plan (the "Stock Option Plan") was reactivated after being inactive since fiscal 2004. The maximum number of common shares that may be issued under options issued pursuant to the Stock Option Plan is approximately 10.2 million (2008 – 10.2 million) common shares. Once the 1.7 million (2008 – 0.7 million) common shares that can potentially be issued under currently granted and contingently granted options are deducted, approximately 8.5 million (2008 – 9.5 million) common shares have been reserved for subsequent option grants.

The expense related to stock options is recognized over the vesting period based on the fair value of options determined by the Black-Scholes option pricing model with the following assumptions: risk-free rate 2.6%, dividend yield 0%, a volatility factor of the expected market price of the Company's shares of 37%, and a weighted average expected option life of 4.9 years. The Company's stock-based compensation expense for the year ended October 31, 2009 was $2.2 million (2008 – $0.9 million).

	Number of Options[1]	Weighted Average Grant-Date Fair Value	Weighted Average Exercise Price	Number of Options Exercisable[1]	Weighted Average Exercise Price
Outstanding October 31, 2007	80,327		$ 77.50	80,327	$ 77.50
Options granted	634,412	$ 4.92	$ 12.12		
Forfeited	(3,770)		$ 59.83		
Expired	(1,860)		$ 304.00		
Exercised	(2,863)		$ 7.06		
Outstanding October 31, 2008	706,246		$ 18.55	71,834	$ 74.99
Options granted	957,594	$ 3.09	$ 9.02		
Forfeited	(2,370)		$ 51.25		
Expired	(3,630)		$ 168.00		
Exercised	(650)		$ 5.90		
Outstanding October 31, 2009	1,657,190		$ 12.67	384,391	$ 19.59

[1] Number of options are not shown in thousands

The following table summarizes the options outstanding and exercisable as at October 31, 2009:

Range of Exercise Price	Number of Options Outstanding[1]	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable[1]	Weighted Average Exercise Price
<$6.00	6,338	4.00	$5.90	6,338	$5.90
$6.01-$10.00	957,594	6.00	9.02	319,207	9.02
$10.01-$70.00	675,258	5.75	14.62	40,846	53.41
$70.01+	18,000	1.00	135.14	18,000	135.14
	1,657,190	5.84	$12.66	384,391	$19.59

[1] Number of options are not shown in thousands

e) **Employee Share Purchase Plan**

The Employee Share Purchase Plan became effective July 1, 2008. Under the plan, employees have the option to purchase shares of the Company. The Company matches 50% of the plan participants' contribution and is responsible for all costs associated with the purchase of the shares. The funds are used to purchase common shares on the open market. The compensation costs of $3.2 million for the year ended October 31, 2009 are included in operating, general and administrative expenses (2008 – $1.5 million).

19. SEGMENTED INFORMATION

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

For the year ended October 31	2009	2008
Sales and other operating revenues		
Grain Handling and Marketing	$4,180,657	$ 4,299,496
Agri-products	1,630,990	1,686,278
Food Processing	280,826	198,312
Feed Products	660,296	625,947
Financial Products	21,948	13,548
	$6,774,717	$ 6,823,581
Less: Inter-segment sales	139,145	46,015
	$6,635,572	$ 6,777,566
Inter-segment sales		
Grain Handling and Marketing	$ 131,175	$ 45,015
Agri-products	–	537
Food Processing	6,477	463
Financial Products	1,493	–
	$ 139,145	$ 46,015

For the year ended October 31	2009	2008
Gross profit and net revenues from services		
Grain Handling and Marketing	$ 437,741	$ 473,657
Agri-products	278,632	437,613
Food Processing	37,459	35,948
Feed Products	80,563	66,065
Financial Products	15,568	13,548
	$ 849,963	$ 1,026,831
Operating, general and administrative expenses		
Grain Handling and Marketing	$ (189,819)	$ (174,360)
Agri-products	(156,015)	(160,750)
Food Processing	(13,668)	(6,919)
Feed Products	(67,805)	(72,151)
Financial Products	(5,930)	(4,702)
Corporate	(93,028)	(75,345)
	$ (526,265)	$ (494,227)
EBITDA[1]		
Grain Handling and Marketing	$ 247,922	$ 299,297
Agri-products	122,617	276,863
Food Processing	23,791	29,029
Feed Products	12,758	(6,086)
Financial Products	9,638	8,846
Corporate	(93,028)	(75,345)
	$ 323,698	$ 532,604

[1] EBITDA – earnings before interest, taxes, depreciation and amortization, (loss) gain on disposal of assets, integration expenses, recovery of pension settlement and net foreign exchange gain on acquisition.

Amortization		
Grain Handling and Marketing	$ (46,084)	$ (41,531)
Agri-products	(42,189)	(48,217)
Food Processing	(7,389)	(5,842)
Feed Products	(11,950)	(10,239)
Financial Products	(245)	(420)
Corporate	(1,284)	(583)
	$ (109,141)	$ (106,832)

in thousands of Canadian dollars, except as noted

For the year ended October 31	2009	2008
EBIT[2]		
Grain Handling and Marketing	$ 201,838	$ 257,766
Agri-products	80,428	228,646
Food Processing	16,402	23,187
Feed Products	808	(16,325)
Financial Products	9,393	8,426
Corporate	(94,312)	(75,928)
	$ 214,557	$ 425,772

[2] EBIT – earnings before interest, taxes, (loss) gain on disposal of assets, integration expenses, recovery of pension settlement and net foreign exchange gain on acquisition.

Capital expenditures		
Grain Handling and Marketing	$ 45,007	$ 22,153
Agri-products	21,112	21,705
Food Processing	2,968	5,408
Feed Products	4,876	4,155
Financial Products	–	35
Corporate	1,320	2,127
	$ 75,283	$ 55,583

As at October 31	2009	2008
Assets		
Grain Handling and Marketing	$2,904,566	$ 1,583,048
Agri-products	1,099,856	1,118,768
Food Processing	546,837	126,233
Feed Products	261,658	251,699
Financial Products	85,132	76,224
Corporate	1,524,699	823,409
	$6,422,748	$ 3,979,381

Goodwill		
Grain Handling and Marketing	$ 35,045	$ 35,821
Agri-products	204,603	187,036
Food Processing	7,742	–
Feed Products	10,580	10,909
Financial Products	66,355	66,355
Viterra Australia[3]	375,649	–
	$ 699,974	$ 300,121

[3] As the acquisition of ABB was recently completed, the preliminary purchase price allocation will be finalized in a subsequent period including the identification and valuation of intangible assets and the allocation of goodwill to segments (Note 6)

Intangible Assets[3]		
Grain Handling and Marketing	$ 10,783	$ 254
Agri-products	16,492	17,363
Food Processing	80	–
Feed Products	3,139	2,573
Financial Products	–	245
Corporate	12,272	1,698
	$ 42,766	$ 22,133

Geographic segment reporting:

	Revenues		Assets	
	2009	2008	2009	2008
Canada	$ 3,078,165	$ 3,942,150	$ 3,735,939	$ 3,695,279
Australia	312,903	221,713	2,250,322	–
United States	1,349,397	1,409,193	251,150	279,297
Asia	1,476,588	596,046	104,284	4,805
New Zealand	33,865	–	76,541	–
Other	384,654	608,464	4,512	–
Total	$ 6,635,572	$ 6,777,566	$ 6,422,748	$ 3,979,381

20. EMPLOYEE FUTURE BENEFITS

a) **Defined Benefit Plans and Future Benefits**

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

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

Defined benefit plans with accrued benefit obligations in excess of plan assets have an aggregate accrued benefit obligation of $347.5 million (2008 – $229.3 million) and an aggregate fair value of plan assets of $323.4 million (2008 – $211.2 million).

Total consolidated Company cash payments for employee future benefits for the year ended October 31, 2009 were $16.1 million (2008 – $4.2 million), consisting of cash contributed to its funded pension plans and cash payments directly to beneficiaries for other future benefits.

in thousands of Canadian dollars, except as noted

The consolidated information presented for 2009 in the table below is based on actuarial valuation results as of October 31, 2005, October 31, 2007, December 31, 2008 and October 31, 2009, with extrapolations as required to October 31, 2009. The projected accrued benefit actuarial cost method pro-rated on service is used for this valuation. The assets are valued at market value on September 30, 2009 with extrapolations as required to October 31, 2009. Comparative figures are valued at market value at October 31, 2008. The effective dates of the next required actuarial valuations include December 31, 2009, October 31, 2010 and December 31, 2011.

	Pension Benefit Plans		Other Future Benefits	
As at October 31	**2009**	2008	**2009**	2008
Plan Assets				
Fair value, beginning of period	**$ 529,004**	$ 448,493	**$ –**	$ –
Fair value of assets added July 1, 2008	**–**	233,100	**–**	–
Fair value of secondary account at July 1, 2008	**–**	16,644	**–**	–
Actual return on plan assets	**66,406**	(139,085)	**–**	–
Employer contributions	**15,145**	3,488	**959**	742
Employees' contributions	**292**	302	**–**	–
Benefits paid	**(50,054)**	(33,938)	**(959)**	(742)
Settlement	**(799)**	–	**–**	–
Fair value, end of period	**559,994**	529,004	**–**	–
Accrued Benefit Obligation				
Balance, beginning of period	**477,491**	315,083	**10,931**	12,220
Obligations added July 1, 2008	**–**	240,220	**–**	–
Current service cost	**1,198**	1,820	**280**	362
Interest cost	**32,876**	22,248	**771**	699
Benefits paid	**(50,054)**	(33,938)	**(959)**	(742)
Actuarial loss (gain)	**70,289**	(67,942)	**1,072**	(1,608)
Settlement	**(735)**	–	**–**	–
Curtailment	**(692)**	–	**–**	–
Balance, end of period	**530,373**	477,491	**12,095**	10,931
Funded status – plan surplus (deficit)	**29,621**	51,513	**(12,095)**	(10,931)
Unamortized transitional asset	**(172)**	(247)	**–**	–
Unamortized net actuarial (gain) loss	**88,373**	52,429	**(1,788)**	(3,164)
Accrued benefit asset (liability)	**117,822**	103,695	**(13,883)**	(14,095)
Valuation allowance	**(31,299)**	(55,939)	**–**	–
Consolidated accrued benefit asset (liability), net of valuation allowance	**$ 86,523**	$ 47,756	**$ (13,883)**	$ (14,095)

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

	Pension Benefit Plans		Other Future Benefits	
As at October 31	**2009**	2008	**2009**	2008
Other long-term assets (Note 8)	**$ 89,938**	$ 51,564	**$ –**	$ –
Other long-term liabilities (Note 12)	**(3,415)**	(3,808)	**(13,883)**	(14,095)
Consolidated accrued benefit asset (liability), net of valuation allowance	**$ 86,523**	$ 47,756	**$ (13,883)**	$ (14,095)

in thousands of Canadian dollars, except as noted

The percentage of plan assets by major category is:

As at October 31	Pension Benefit Plans 2009	2008
Canadian Equities	**28%**	25%
Global Equities	**30%**	26%
Bonds	**35%**	41%
Other	**7%**	8%
	100%	100%

The significant weighted average actuarial assumptions are as follows:

	Pension Benefit Plans		Other Future Benefits	
As at October 31	2009	2008	2009	2008
Discount rate (Accrued Benefit Obligation)	**6.20%**	7.25%	**6.00%**	7.25%
Discount rate (expense)	**7.25%**	5.70%	**7.25%**	5.70%
Expected long-term rate of return on plan assets	**5.90%**	6.50%	–	–
Rate of compensation increase	**3.70%**	3.60%	**3.80%**	3.50%
Average remaining service period – years	**4-24**	4-25	**3-13**	3-13
Assumed health care cost trend rates*	–	–	**5-10%**	6-11%

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

A one percentage-point change in assumed health care cost trend rates would have the following effects for 2009:

	Increase	Decrease
Interest cost	$ 23	$ (21)
Accrued benefit obligation	$ 290	$ (259)

Net benefit expense (income) is comprised of:

	Pension Benefit Plans		Other Future Benefits	
	2009	2008	2009	2008
Costs arising in the period:				
Current service cost, net of employees' contributions	**$ 906**	$ 1,518	**$ 280**	$ 362
Interest cost	**32,876**	22,248	**771**	699
Actual return on plan assets	**(66,406)**	139,085	–	–
Actuarial loss (gain)	**70,289**	(67,969)	**1,072**	(1,608)
Settlement loss (gain)	**44**	–	–	–
Valuation allowance provided against accrued benefit asset	**(24,576)**	(6,587)	–	–
Costs arising in the period	**13,133**	88,295	**2,123**	(547)
Difference between expected and actual return on plan assets for the year	**33,387**	(172,705)	–	–
Difference between actuarial (gain) loss recognized and actuarial (gain) loss on accrued benefit obligation for period	**(70,003)**	63,729	**(1,376)**	1,390
Amortization of the transitional obligation	**(139)**	(80)	–	–
Net benefit expense (income)	**$ (23,622)**	$ (20,761)	**$ 747**	$ 843

On July 1, 2008, the Company and the Grain Services Union finalized the settlement of the dispute surrounding the GSU Pension Plan. The financial statement impact of the settlement in the prior year was a recovery of $3.4 million consisting of the reversal of a previous $20 million provision accrued regarding the potential liability to dissolve the dispute partly offset by a $16.6 million expense related to an initial obligation for payment into the plan as a cost of resolving the dispute.

b) **Defined Contribution Plans**

The Company, including subsidiaries and affiliates, contributes to several defined contribution plans including multi-employer plans. The Company's total consolidated defined contribution plan expense for the year ended October 31, 2009, is $12.0 million (2008 – $8.8 million).

in thousands of Canadian dollars, except as noted

21. FINANCING EXPENSES

For the year ended October 31	2009	2008
Interest expense on:		
Long-term debt	$ 55,007	$ 34,637
Short-term debt	11,003	24,988
Interest income	(7,948)	(18,755)
CWB carrying charge recovery	(2,932)	(7,555)
	55,130	33,315
Interest accretion	2,413	1,414
Amortization of deferred financing costs	3,620	3,056
	$ 61,163	$ 37,785

22. COMMITMENTS, CONTINGENCIES AND GUARANTEES

a) Commitments

The Company, including its subsidiaries and its proportionate share of joint ventures, has operating leases relating primarily to rail cars, motor vehicles, buildings and equipment. Future minimum lease payments having initial or remaining lease terms in excess of one year at October 31, 2009 are as follows:

2010	$ 20,339
2011	14,814
2012	9,671
2013	6,373
2014	4,486
Thereafter	29,811
	$ 85,494

The Company, including its subsidiaries and its proportionate share of joint ventures, has finance leases relating primarily to rail cars, motor vehicles, buildings and equipment. Future minimum lease terms in excess of one year at October 31, 2009 are as follows:

2010	$ 249
2011	699
	$ 948

The Agri-products segment has contractual obligations relating primarily to various seed growers for the production of seed and forage crops. Future minimum contractual obligation payments having initial or remaining contractual terms in excess of one year at October 31, 2009 are as follows:

2010	$ 23,603
2011	614
2012	460
2013	316
	$ 24,993

b) Letters of Credit

At October 31, 2009, the Company had outstanding letters of credit and similar instruments of $5.1 million related to operating an agri-business (October 31, 2008 – $68.2 million). The terms range in duration and expire at various dates from November 30, 2009 to March 1, 2010. The amounts vary depending on underlying business activity or the specific agreements in place with the third parties. These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

c) Indemnification of Accounts Receivable – Viterra Financial™

The Company has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide credit for qualifying agricultural producers to purchase crop inputs. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for 50% of future losses to a maximum of 5% of the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the size of the underlying portfolio. As at October 31, 2009, outstanding credit was $528.1 million (2008 – $487.7 million) and the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

The Company also has a rolling five-year agreement with a Canadian Schedule I chartered bank to provide loans to feed product customers to purchase feeder cattle, as well as related feed inputs, with terms that do not require payment until the livestock is sold. The agreement may be terminated at an earlier date by mutual consent or by either party upon one year's written notice. The Company indemnifies the bank for credit losses based on the first 20% to 33% of new credit issued on an individual account, dependent on the account's underlying credit rating, with losses in excess of these amounts shared on an equal basis with the bank up to 5% on the aggregate qualified portfolio balance. The Company's aggregate indemnity will vary at any given time with the credit rating of the underlying accounts and the aggregate credit outstanding. As at October 31, 2009, outstanding credit was $35.8 million (2008 – $31.9 million) and the Company's obligation for past and future losses is current with the bank in accordance with the Agency Agreement.

d) Guarantees

The Company's subsidiary, Viterra Australia, has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Viterra Australia and each of these controlled entities has guaranteed to pay any deficiency of any of the companies' party to the

Deed in the event of any of those companies being wound up. Viterra Australia has also issued letters of financial support to its associate National Growers Registers Pty Ltd. and its jointly controlled entity Australian Bulk Alliance Pty Ltd. The consolidated net assets of the entities party to the Deed of Cross Guarantee is $913.0 million at October 31, 2009.

Viterra Australia is also contingently liable under a guarantee in respect of a joint venture entity's bank loan. As at October 31, 2009, the maximum amount of the guarantee is $13.0 million AUD. As at October 31, 2009, the principal outstanding and included in the Company's consolidated borrowings was $13.3 million (2008 – nil). Viterra Australia is a self-insurer in South Australia for workers' compensation liability and is subject to a bank guarantee for $1.6 million AUD (2008 – nil).

The Company is contingently liable under two guarantees given to third-party lenders who have provided certain financing facilities to its wholly owned foreign subsidiaries. As at October 31, 2009, the maximum amounts of the guarantees are $30.0 million and Japanese Yen ("JPY") 2.0 billion or approximately $53.8 million in aggregate. As at October 31, 2009 the principal outstanding and included in the Company's consolidated borrowings was nil (2008 – nil).

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

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

e) **Director and Officer Indemnification**

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

f) **Other Indemnification Provisions**

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

g) **Other Contingencies**

As at October 31, 2009, there are claims against the Company in varying amounts for which a provision in the financial statements is not considered necessary. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims. Management believes that any such amounts would not have a material impact on the business or financial position of the Company.

in thousands of Canadian dollars, except as noted

23. FINANCIAL AND OTHER INSTRUMENTS AND HEDGING

a) Fair Value

The following table presents the carrying amount and the fair value of the Company's financial instruments and non-financial derivatives. The table also identifies the financial instrument category.

As at October 31	2009			2008	
	Carrying Value	Fair Value	Financial Instruments Category	Carrying Value	Fair Value
Cash	$ 165,200	$ 165,200	HFT	$ 183,536	$ 183,536
Short-term investments	868,469	868,469	HFT-D	486,129	486,129
Accounts receivable:					
Loans and receivables	836,448	836,448	L&R	716,447	716,447
Commodity contracts and exchange-traded derivatives	167,756	167,756	HFT	70,057	70,057
Interest rate swaps	470	470	HFT		
	1,004,674	1,004,674		786,504	786,504
Investments:					
Available for sale at fair value	25	25	AFS	62	62
Available for sale at cost	9,618		AFS	7,359	
Non-financial instrument	63		N/A	224	
	9,706			7,645	
Other long-term assets:					
Long-term receivable	18,113	18,113	L&R	2,075	2,075
Non-financial instrument	99,912		N/A	67,163	
	118,025			69,238	
Bank indebtedness	594	594	OFL	655	655
Short-term borrowings	291,128	291,128	OFL	17,769	17,769
Accounts payable and accrued liabilities:					
Other liabilities	987,741	987,741	OFL	837,654	837,654
Interest rate swaps	7,089	7,089	HFT	2,068	2,068
Commodity contracts and exchange-traded derivatives	100,536	100,536	HFT	79,763	79,763
	1,095,366	1,095,366		919,485	919,485
Long-term debt, including current portion	1,283,586	1,353,793	OFL	610,088	615,341
Other long-term liabilities:					
Interest rate swaps	13,013	13,013	HFT	10,121	10,121
Classified as other liabilities	16,864	16,864	OFL	9,638	9,638
Non-financial instrument	42,594		N/A	44,424	
	72,471			64,183	

Financial instruments category/guide:

HFT	Held for trading
HFT-D	Held for trading – designated
L&R	Loans and receivables
AFS	Available for sale
OFL	Other financial liabilities
N/A	Not applicable

in thousands of Canadian dollars, except as noted

The following table presents the fair value and the levels per the fair value hierarchy where fair value is recognized in the balance sheet.

As at October 31	2009	
	Level One	Level Two
Cash	$ 165,200	$ –
Short-term investments	868,469	–
Accounts receivable:		
Exchange-traded derivatives	58,331	–
Commodity forward contracts	–	90,159
Foreign exchange forward contracts (OTC)	–	19,266
Interest rate swaps	–	470
Investments:		
Available for sale at fair value	25	–
Accounts payable and accrued liabilities:		
Interest rate swap	–	7,089
Exchange-traded derivatives	35,993	–
Commodity forward contracts	–	61,708
Foreign exchange forward contracts (OTC)	–	2,835
Other long-term liabilities:		
Interest rate swaps	–	13,013

b) **Financial Risks and Risk Management**

The Company faces certain financial risks such as commodity price, foreign exchange, interest rate, credit and liquidity risk which can impact its financial performance. The Company is exposed to changes in commodity prices, foreign exchange rates and interest rates. The Company utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Company mitigates risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management and the Board.

i. **Commodity Price Risk**

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

The Company's Risk Management Policy provides limits within which management may maintain inventory and certain long or short commodity positions. Based on the Company's October 31, 2009 closing positions, a $10 per tonne change in commodity market prices and a $2 per tonne change in basis levels would result in a $1.7 million change to the Company's after tax earnings on commodity positions (2008 – $0.4 million). In relation to the natural gas contracts outstanding at October 31, 2009, a $1 gigajoule change in market prices would result in a $0.6 million change to the Company's after tax earnings (2008 – $1.0 million).

ii. **Foreign Exchange Risk**

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

in thousands of Canadian dollars, except as noted

The following table illustrates derivative financial instruments used to limit exposure with respect to the Canadian dollar:

Canadian Derivative Financial Instruments

	2009 Currency Sold	2009 Currency Purchased	2008 Currency Sold	2008 Currency Purchased
Notional U.S. dollars	$ 668,490	$ (25,230)	$ 791,551	$ (144,630)
Notional euros	€ 8,467	€ –	€ 23,959	€ (750)
Canadian equivalent	$ 754,238	$ (27,148)	$ 882,526	$ (158,048)
Fair value (CAD)	$ 736,239	$ (27,298)	$ 988,621	$ (175,175)
Unrealized gain (CAD)	$ 14	$ –	$ 106,684	$ –
Unrealized loss (CAD)	$ (18,013)	$ (150)	$ (589)	$ (17,127)

The following table illustrates derivative financial instruments used by Viterra Australia to limit exposure with respect to the Australian dollar:

Australian Derivative Financial Instruments

	2009 Currency Sold	2009 Currency Purchased	2008 Currency Sold	2008 Currency Purchased
Notional U.S. dollars	$ 411,881	$ (232,655)	–	–
Notional euros	€ 70,161	€ (49,609)	–	–
Notional NZD	$ 70,154	$ (30,144)	–	–
Notional CAD	$ 25,001	$ (12,383)	–	–
Notional JPY	¥ 3,293,053	¥ (1,493,613)	–	–
Notional SGD	$ 17,801	$ (3,156)	–	–
Notional CHF	CHF 152	CHF (1,216)	–	–
Australian Equivalent	$ 353,518	$ (710,180)	–	–
Fair value (CAD)	$ 279,012	$ (665,208)	–	–
Unrealized gain (CAD)	$ 68,447	$ 2,728	–	–
Unrealized loss (CAD)	$ (4,332)	$ (28,748)	–	–

During fiscal 2009, the Company implemented hedge accounting to match the cash flow of some of its processed products sold in U.S. funds with its U.S. dollar currency hedging instruments. Maturity dates for the foreign exchange forward contracts on anticipated transactions extend to November 2012. With the purchase of ABB, the Food Processing segment also has foreign exchange forward contracts in place to hedge exchange rate risk arising on the sale of malt. Foreign exchange forward contracts are in place for periods of up to 18 months. As at October 31, 2009, the portion of the forward contracts considered to be ineffective is insignificant. The estimated amount reported in other comprehensive income that is expected to be reclassified to net earnings as a component of sales and other operating revenues during the next 12 months is an after tax gain of $1.9 million. Previously, the Food Processing segment in North America had discontinued hedge accounting and had thereby increased the potential for volatility in income on these hedged contracts.

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

During the year, the Company entered into a series of derivative contracts in connection with its offer to acquire ABB. The Company had entered into option arrangements in order to limit exposure to a change in the AUD on $1.1 billion AUD. These derivatives were used to mitigate the risk of economic loss arising from changes in the value of the Australian dollar compared to the Canadian dollar between the announcement of the acquisition and the expected closing date. The arrangements were ineligible for hedge accounting and have resulted in a net realized gain of $24.1 million as at October 31, 2009 that is reported as Net foreign exchange gain on acquisition.

in thousands of Canadian dollars, except as noted

The following table details the Company's sensitivity as at the balance sheet date, had currencies moved as illustrated, with all other variables held constant.

	2009		2008	
	Impact On Earnings, After Tax	Impact On Equity, After Tax	Impact On Earnings, After Tax	Impact On Equity, After Tax
10% increase				
CDN/AUD	$ –	$ (144,000)	$ –	$ –
CDN/U.S. dollars	(711)	2,042	(345)	–
AUD/U.S. dollars	(2,861)	(3,396)	–	–
AUD/Euro	(394)	336	–	–
AUD/Japanese Yen	(85)	(1,276)	–	–
AUD/New Zealand dollars	932	3,410	–	–
AUD/Singapore dollars	(10)	–	–	–
10% decrease				
CDN/AUD	–	144,000	–	–
CDN/U.S. dollars	711	(2,042)	345	–
AUD/U.S. dollars	3,504	4,152	–	–
AUD/Euro	480	(433)	–	–
AUD/Japanese Yen	104	1,560	–	–
AUD/New Zealand dollars	(289)	(4,168)	–	–
AUD/Singapore dollars	13	–	–	–

The Company's exposure to foreign exchange risk has changed in the current year. The Company is now exposed to the currencies utilized in the operations of, as well as its net investment in, Viterra Australia, most significantly the Australian dollar. In the prior year, exposure to currencies other than the U.S. dollar was evaluated as immaterial based on the analysis performed. Due to the Company's risk management strategy, the Company's sensitivity in net earnings to changes in the U.S. dollar was also evaluated as immaterial. The sensitivity at the balance sheet date is not representative of the sensitivity throughout the year as the year-end exposure does not reflect the exposure during the year. The sensitivities should therefore be used with care.

Foreign exchange gains of $8.5 million are included in sales and other operating revenues for the year ended October 31, 2009 (2008 – $12.7 million gain) and foreign exchange losses of $4.5 million are included in cost of sales for the year ended October 31, 2009 (2008 – $12.4 million loss).

iii. **Interest Rate Risk**

The Company's exposure to interest rate risk relates primarily to the Company's debt obligations. The Company manages interest rate risk and currency risk on borrowings by using a combination of cash instruments, forwards and a mixture of fixed and floating rates. The Company has entered into interest rate swaps to manage variable interest rates associated with a portion of the Company's debt portfolio. The Company uses hedge accounting for interest rate swaps used to hedge variable rate long-term debt. As at October 31, 2009, the portion of interest rate swaps considered to be ineffective is nil. The estimated amount reported in other comprehensive income that is expected to be reclassified to net earnings as a component of financing expenses during the next 12 months is an after tax expense of $3.2 million.

The following table approximates the hedged fixed rate of interest on the credit facilities based on the Company's current credit ratings and interest rate swaps. The table also details the Company's sensitivity as at the balance sheet date, had the illustrated changes occurred on the interest rate swaps and short-term borrowings, with all other variables held constant.

in thousands of Canadian dollars, except as noted

	Short-Term Borrowings		Canadian dollar Borrowings		U.S. dollar Borrowings		Australian dollar Borrowings	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Hedged fixed rate of interest on the credit facility	**n/a**	n/a	**7.4%**	5.9%	**8.1%**	6.1%	**7.8%**	–
Impact of 25 basis point change on after tax other comprehensive income	**–**	–	**$1,756**	$1,502	**$391**	$602	**$298**	–
Impact of 25 basis point change on after tax net earnings	**$510**	$30	**–**	–	**–**	–	**–**	–

The fair value of the secured notes fluctuates as market interest rates change. However, the secured notes have been designated as other financial liabilities and therefore, changes in their fair value have no impact on net earnings. The Company's short-term borrowings fluctuate with seasonal working capital requirements.

Cash and cash equivalents at October 31, 2009 had a weighted average interest rate of 0.4% (2008 – 2.3%).

iv. **Credit Risk**

The Company is exposed to credit risk in respect of trade receivables which the Company manages through ongoing credit reviews of all significant contracts and analysis of payment and loss history. The absence of significant financial concentration of such receivables, except as noted below for receivables from the CWB, limits its exposure to credit risk. Credit risk exposure for the Agri-products and Feed Products segments are also limited through an arrangement with a Canadian Schedule I chartered bank which provides for limited recourse to the Company for credit losses on accounts receivable under Viterra Financial™.

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

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

	2009	2008
Balances at the beginning of the year	**$ 11,942**	$ 9,582
Provision for losses	**(40)**	5,443
Write-offs, net of recoveries	**(3,821)**	(3,083)
Balance at end of the year	**$ 8,081**	$ 11,942

The distribution of trade accounts receivable by credit quality as at October 31 is shown in the following table:

	2009	2008
Not past due	**$ 515,215**	$ 488,144
Past due:		
Past due < 60 days	**62,065**	19,957
Past due > 61 days and < 90 days	**4,384**	2,844
Past due > 91 days	**15,710**	14,427
Allowances for losses	**(8,081)**	(11,942)
	$ 589,293	$ 513,430

Included in trade accounts receivable is $223.0 million due from the CWB which represents a significant concentration of credit risk (2008 – $280.0 million).

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

in thousands of Canadian dollars, except as noted

v. **Liquidity Risk**

The Company's liquidity risk refers to its ability to settle or meet its obligations as they fall due and is managed as part of the risk strategy. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

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

	Contractual	For the year ending October 31			
	Cash Flows	2010	2011	2012	Thereafter
Accounts Receivable:					
Commodity contracts	$ 96,169	$ 93,746	$ 2,423	$ –	$ –
Exchange-traded derivatives	1,169,452	1,024,129	119,259	24,485	1,579
Interest rate swaps	26,918	2,899	7,741	11,621	4,657
Bank indebtedness	(594)	(594)	–	–	–
Accounts payable and accrued liabilities:					
Other liabilities	(987,741)	(987,741)	–	–	–
Interest rate swaps	(7,089)	(3,417)	(3,146)	(526)	–
Commodity contracts	(70,251)	(67,484)	(2,767)	–	–
Exchange-traded derivatives	(1,126,972)	(995,902)	(105,006)	(24,485)	(1,579)
Long-term debt, including current portion	(1,677,024)	(395,650)	(91,974)	(96,426)	(1,092,974)
Other long-term liabilities:					
Interest rate swaps	(42,467)	(13,236)	(12,675)	(12,115)	(4,441)
Classified as other liabilities	(16,864)	–	(3,675)	(1,820)	(11,369)
Total	$ (2,636,463)	$ (1,343,250)	$ (89,820)	$ (99,266)	$ (1,104,127)

c) **Collateral**

The Company has charged substantially all assets of the Company and certain of its subsidiaries as security for borrowings (Notes 10 and 11).

in thousands of Canadian dollars, except as noted

24. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to strive for a long-term manageable level of debt to total capital. Due to the seasonal nature of the Company's short-term borrowing requirements, the Company's objective is to manage the level of debt to total capital between 30% to 40%.

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

As at October 31	2009	2008
Bank indebtedness	$ 594	$ 655
Short-term borrowings	291,128	17,769
Total short-term debt	$ 291,722	$ 18,424
Long-term debt due within one year	$ 18,151	$ 14,703
Long-term debt	1,265,435	595,385
Total long-term debt	$ 1,283,586	$ 610,088
Total interest bearing debt	$ 1,575,308	$ 628,512
Shareholders' equity	$ 3,508,919	$ 2,200,725
Total capital	$ 5,084,227	$ 2,829,237
Debt to total capital:		
As at the balance sheet date	31:69	22:78
Four quarter average	29:71	30:70

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

25. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the Accounting Standards Board confirmed the effective due date of the initial adoption of IFRS. The impact of the transition to IFRS on the Company's consolidated financial statements continues to be assessed.

26. COMPARATIVE AMOUNTS

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