

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Annual Consolidated Financial Statements**  
**Year Ended**  
**December 31, 2009 and 2008**

## **Auditors' Report**

### **To the Shareholders of Village Farms International, Inc.**

We have audited the consolidated balance sheets of **Village Farms International, Inc.** (formerly Village Farms Income Fund) as at December 31, 2009 and 2008 and the consolidated statements of earnings and comprehensive earnings, retained earnings and cash flows for each of the years in the two-year period ended December 31, 2009. 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 December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

### **Chartered Accountants**

Vancouver, BC  
March 17, 2010

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Balance Sheets**  
**(In thousands of United States dollars)**

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<b>Assets</b>	(note 1)	
Current assets:		
Cash and cash equivalents	\$2,611	\$4,101
Accounts receivable	9,594	9,357
Other receivables (note 4)	592	567
Inventories (note 5)	11,948	11,438
Assets held for sale (note 4)	-	344
Prepays and deposits	909	544
Total current assets	<u>25,654</u>	<u>26,351</u>
Property, plant and equipment (note 6)	66,599	70,489
Future income tax asset (note 14)	4,549	-
Intangible assets (note 7)	1,404	1,508
Other assets (note 10)	877	821
Total assets	<u><u>\$99,083</u></u>	<u><u>\$99,169</u></u>
 <b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$9,564	\$9,388
Distributions payable (note 20)	-	317
Current maturities of long-term debt (note 8)	3,260	3,227
Current portion of obligations under capital leases (note 11)	283	227
Total current liabilities	<u>13,107</u>	<u>13,159</u>
Long-term debt (note 8)	51,472	54,732
Derivatives (note 9)	2,092	2,801
Obligations under capital leases (note 11)	262	472
Future income taxes (note 14)	3,589	4,881
Total liabilities	<u>70,522</u>	<u>76,045</u>
<b>Shareholders' equity:</b>		
Share capital (note 18)	24,850	-
Trust units	-	24,850
Retained earnings	3,656	(1,781)
Accumulated other comprehensive income	55	55
Total shareholders' equity	<u>28,561</u>	<u>23,124</u>
Total liabilities and shareholders' equity	<u><u>\$99,083</u></u>	<u><u>\$99,169</u></u>

Commitments and contingencies (note 17)

**Approved by the Board of Directors**

/s/ John P. Henry, Director

/s/ John R. McLernon, Director

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Statements of Retained Earnings**  
**For the Years Ended December 31, 2008 and December 31, 2009**  
**(In thousands of United States dollars, except for shares and units outstanding and per share/unit amounts)**

	Common Stock Shares	Share Capital	Trust Units	Trust Units	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at December 31, 2007	-	\$0	10,697,305	\$20,190	(\$2,233)	\$55	\$18,012
Dividends declared					(4,089)		(4,089)
Net earnings year ended December 31, 2008					4,541		4,541
PPS's converted into units			385,000	1,050			1,050
Class C shares converted into units			2,358,040	3,610			3,610
Balance at December 31 2008	-	-	13,440,345	24,850	(1,781)	55	23,124
Dividends declared					(1,232)		(1,232)
Net earnings year ended December 31, 2009					6,669		6,669
Conversion from units to shares (note 1)	13,440,345	24,850	(13,440,345)	(24,850)			-
Balance at December 31, 2009	<u>13,440,345</u>	<u>\$24,850</u>	<u>-</u>	<u>\$0</u>	<u>\$3,656</u>	<u>\$55</u>	<u>\$28,561</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Statements of Earnings and Comprehensive Earnings**  
**For the Years Ended**

**In thousands of United States dollars, except for shares and units outstanding and per share/unit amounts)**

	<u>#####</u> (note 1)	<u>#####</u> (note 1)
Net sales	\$130,524	\$133,099
Cost of sales	115,759	106,339
Gross profit	<u>14,765</u>	<u>26,760</u>
Selling, general and administrative expenses	12,093	14,334
Income from Operations	<u>2,672</u>	<u>12,426</u>
Interest expense, net	3,159	3,617
Foreign exchange loss (gain)	62	388
Amortization of intangible assets	103	1,173
(Gain) loss on derivatives (note 9)	(709)	2,801
Other (income), net (note 13)	(298)	(2,487)
(Gain) on sale of asset (note 4)	(34)	-
Earnings before income taxes	<u>389</u>	<u>6,934</u>
(Recovery of) Provision for income taxes (note 14)	<u>(6,280)</u>	<u>2,393</u>
Net earnings and comprehensive earnings	<u>6,669</u>	<u>4,541</u>
Net income per share/unit - basic	<u>\$0.17</u>	<u>\$0.12</u>
Weighted average number of shares/units outstanding - basic	<u>38,707,345</u>	<u>36,368,633</u>
Net income per share/unit - diluted	<u>\$0.17</u>	<u>\$0.12</u>
Weighted average number of shares/units outstanding - diluted	<u>38,707,345</u>	<u>38,707,345</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Village Farms International, Inc.**  
**(formerly Village Farms Income Fund)**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended**  
**(In thousands of United States dollars)**

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
	(note 1)	
<b>Cash flows from operating activities:</b>		
Net earnings	\$6,669	\$4,541
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	5,770	6,456
(Gain) on sale of property	(34)	-
(Gain) loss on derivatives	(709)	2,801
Foreign exchange loss	79	35
Share based compensation (note 18)	-	1,050
Future income taxes	(5,841)	2,153
Changes in non-cash working capital (note 15)	(734)	855
Net cash provided by operating activities	5,200	17,891
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(1,890)	(3,994)
Proceeds from sale of property, plant and equipment	266	50
Net cash used in investing activities	(1,624)	(3,944)
<b>Cash flows from financing activities:</b>		
Payments on operating line of credit	-	(3,313)
Payments on long-term debt	(3,227)	(3,152)
Payments on obligations under capital leases	(154)	(427)
Dividend payments to Unitholders and PPS holders (note 18)	(1,550)	(4,137)
Other	(56)	(402)
Net cash used in financing activities	(4,987)	(11,431)
Foreign exchange (gain)	(79)	(35)
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,490)	2,481
<b>Cash and cash equivalents beginning of year</b>	4,101	1,620
<b>Cash and cash equivalents end of year</b>	\$2,611	\$4,101
<b>Supplemental cash flow information:</b>		
Interest paid	\$3,159	\$3,937
Income taxes paid	\$100	\$1,929

*The accompanying notes are an integral part of these consolidated financial statements.*

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

## 1 NATURE OF OPERATIONS

Village Farms International, Inc. formerly known as Village Farms Income Fund (“VFF” and, together with its subsidiaries, the “Company”) was incorporated under the *Canada Business Corporation Act* (“CBCA”). VFF’s principal operating subsidiaries at December 31, 2009 are Village Farms Canada Limited Partnership (“VFCLP”) and Village Farms, L.P. (“VFLP”).

On December 15, 2009, Village Farms Income Fund (the “Fund”) obtained a final order from the Ontario Superior Court of Justice with respect to its Plan of Arrangement under the CBCA to convert from an income fund to a corporation. On December 31, 2009, the Fund completed the conversion into VFF.

Effective December 31, 2009, all the outstanding trust units of the Fund were exchanged for common shares of VFF on a one-for-one basis and the Class A Unit of the Fund was exchanged for 25,267,000 Special Shares of VFF. As a result, there are 13,440,345 common shares and 25,267,000 special shares of VFF issued and outstanding.

The Company, through its subsidiaries VFCLP and VFLP, owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers and cucumbers. The Company also markets and sells third party produce through its subsidiaries.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of inter-company transactions and balances, and are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant areas requiring the use of estimates are inventory valuation, accounts receivable, sales allowances, the assessment of the useful lives and recoverable values of its long-lived assets, and recoverability of future income tax assets. Actual results could differ materially from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturities at the date of purchase of three months or less and are classified as held-for-trading.

### Accounts Receivable

Accounts receivable are measured at amortized cost and due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on an evaluation of a customer’s financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company’s previous loss history and the customer’s current ability to pay its obligation to the Company. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense.

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

## Inventories

Inventories of Company-grown produce consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales throughout the various crop cycles, which end at various times throughout the year. Growing crops are valued at the lower of cost or net realizable value, which is determined as sales less estimated cost of completion and cost to sell. Cost of sales is based upon incurred and estimated costs to be incurred of each crop allocated to both actual and estimated future yields over each crop cycle.

The cost of produce inventory purchased from third parties is valued at the lower of cost or net realizable value.

## Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the class of assets as follows:

<u>Classification</u>	<u>Estimated Useful Life</u>
Leasehold and land improvements	5-20 years
Greenhouses and buildings	12-30 years
Greenhouse equipment	5-30 years
Machinery and equipment	3-10 years

Leasehold and land improvements and assets held under capital leases are amortized on a straight-line basis over the shorter of the term of the lease or their estimated useful lives. Construction in progress reflects the cost of assets under construction, which are not amortized until placed into service.

## Long-lived Asset Impairment

Management reviews long-lived asset groups for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be fully recoverable. Recoverability of an asset group is determined by comparing the carrying value of the asset group to the future undiscounted net cash flows expected to be generated from use of the asset group. If the asset group is considered to be impaired, the impairment to be recognized is measured by the amount that the carrying value of the asset exceeds the fair value of the asset group. When management has committed to dispose of a long-lived asset, the asset identified for disposal is classified as held-for-sale and recorded at the lower of its carrying and fair value, and is no longer amortized.

## Intangible Assets

Intangible assets consist of an energy supply agreement and are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the life of the related contract.

## Earnings per Share/Unit

Basic earnings per share and unit are computed using the weighted average number of common shares or units outstanding during the period. The treasury stock method is used for the calculation of diluted earnings per share and unit. Under this method, the weighted average number of common shares and units outstanding assumes that the proceeds to be received on the exercise of dilutive shares and unit options are applied to repurchase common shares and units at the average market price for the period. Share options and units are dilutive when the average market price of the common shares and units during the period exceeds the exercise price of the options.

## Foreign Currency Translation

The Company's functional currency is US dollars. For the Company's integrated foreign operations, monetary assets and liabilities are translated into US dollars at year-end exchange rates and other assets and liabilities are translated at historical rates. Revenues, expenses and cash flows are translated at monthly average exchange rates. Gains and losses on

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

translation of monetary assets and monetary liabilities are charged to earnings. Transactions denominated in foreign currencies are translated at the rate prevailing at the transaction date.

### Financial Instruments

#### Recognition and measurement

Section 3855 of the Canadian Institute of Chartered Accountants (“CICA”) Handbook establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. Under this standard, all financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. The Company has implemented the following classifications for its financial instruments:

- a) Short-term liquid investments included in cash and cash equivalents have been classified as held-for-trading.
- b) The Company’s accounts receivable and other receivables are initially measured at fair value and subsequently at amortized cost using the effective interest method less provisions for impairment.
- c) The Company’s accounts payable and accrued liabilities and distributions payable are initially measured at fair value and subsequently at amortized cost using the effective interest method.
- d) The Company’s long-term debt has been classified as other financial liabilities and initially measured at fair value and subsequently at amortized cost using the effective interest method.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in earnings. Held-to-maturity assets are measured at amortized cost.

#### i) Derivative financial instruments:

In accordance with Section 3855, the Company classifies derivative financial instruments that have not been designated as hedges for accounting purposes as held-for-trading, and values them at fair value each period with changes recorded in other income. The Company has not designated any derivative financial instruments as accounting hedges.

#### ii) Comprehensive earnings:

Section 1530 establishes standards for reporting and displaying comprehensive earnings. Comprehensive earnings is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive earnings is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive earnings, but excluded from net earnings. No other comprehensive earnings were recorded by the Company during the year.

#### iii) Financing charges:

The Company recognizes financing charges that reflect the cost to obtain new debt financing as an expense in the period incurred and financing charges that reflect the cost to obtain new equity financing as a reduction in net proceeds as incurred.

#### iv) Contract for the purchase or delivery of non-financial items:

Contracts for the purchase or delivery of non-financial items that contain net settlement provisions may meet the definition of non-financial derivatives under Section 3855. Unless an entity documents its basis for concluding that the purpose of entering into those contracts was for receipt of delivery of those non-financial items according to its

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

expected purchase, sale or usage requirements, all contracts that qualify as non-financial derivatives will be recorded in the balance sheet at fair value with changes in fair value recorded in earnings.

### Revenue Recognition

Revenue from produce sales is recognized when the product is delivered, title and risk of loss have passed to the customer, and collectability is reasonably assured. Net sales have been reduced by product returns and sales allowances.

### Income Taxes

The Company accounts for future income taxes under the asset and liability method, whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of the existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Future tax assets would be recorded in the consolidated financial statements to the extent that realization of such benefits is more likely than not. Future tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the future tax asset will not be realized.

Prior to the conversion to an incorporated entity (see note 1), the Fund qualified as a mutual fund trust under the *Income Tax Act* (Canada). The Fund was only taxable on income not allocated to its unitholders.

## 3 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the following new accounting standards:

### *Goodwill and intangible assets*

The CICA issued Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-orientated enterprises. The adoption of this new section did not have any material impact on the Company's financial statements.

### *Credit Risk and Fair Value of Financial Assets and Liabilities*

In January 2009, the CICA issued Emerging Issues Committee Abstract ("EIC") 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this EIC did not have any effect on the financial statements.

### *Financial Instruments – Disclosures*

The CICA amended Section 3862, "Financial Instruments – Disclosures", in 2009 to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. Adoption of this standard did not have any effect on the financial statements.

### *Conversion of an Unincorporated Entity to an Incorporated Entity*

EIC-170, "Conversion of an Unincorporated Entity to an Incorporated Entity", clarified certain accounting issues related to conversions when there is no change in control. In particular, it specifies that such a transaction should be treated as a change in business form and should be accounted for as a continuity of interests; transaction costs should be treated as an expense in the period in which they are incurred; and changes in tax balances would be included in tax expense (comparative information should be that of the pre-conversion entity, as previously reported). The Company applied this EIC to account for its conversion and as the basis of presentation for these consolidated financial statements.

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

### Future Accounting Changes

#### *Business combinations, consolidated financial statements and non-controlling interests*

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". Section 1582 replaces existing Section 1581, "Business Combinations", and Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". The adoption of Sections 1582, and collectively, 1601 and 1602, provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations", and International Accounting Standard IAS 27, "Consolidated and Separate Financial Statements", respectively. The impacts of adopting these new standards are being assessed.

### 4 ASSETS HELD FOR SALE

In February 2009, the Company completed the sale of its greenhouse facility in Ringgold, Pennsylvania. The Company holds a note on the property for \$234, which is recorded in other receivables and bears interest at 6% per year. The note is secured by a mortgage on the facility. The Company recorded a gain of \$153 on this sale and recorded a loss on disposal of \$119 of other assets.

### 5 INVENTORIES

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Crop inventory	\$11,605	\$11,356
Purchased produce inventory	<u>343</u>	<u>82</u>
	<u>\$11,948</u>	<u>\$11,438</u>

The cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2009 amounted to \$98,683 (December 31, 2008 - \$87,035).

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

## 6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Cost		
Land	\$5,117	\$5,117
Leasehold and land improvements	2,033	2,033
Greenhouses and buildings	58,575	57,068
Greenhouse equipment	29,022	28,413
Machinery and equipment	2,880	2,341
Construction in progress	318	1,945
	<u>97,945</u>	<u>96,917</u>
Accumulated amortization		
Leasehold and land improvements	1,163	1,001
Greenhouses and buildings	18,459	15,474
Greenhouse equipment	10,428	8,692
Machinery and equipment	1,296	1,261
	<u>31,346</u>	<u>26,428</u>
Net book value		
Land	5,117	5,117
Leasehold and land improvements	870	1,032
Greenhouses and buildings	40,116	41,594
Greenhouse equipment	18,594	19,721
Machinery and equipment	1,584	1,080
Construction in progress	318	1,945
	<u>\$66,599</u>	<u>\$70,489</u>

Capital lease assets of \$1,133 at December 31, 2009 and December 31, 2008 and accumulated amortization on these assets of \$480 and \$348, respectively, are included within greenhouse equipment.

Amortization related to the greenhouse facilities and equipment is expensed in cost of sales.

## 7 INTANGIBLE ASSETS

VFCLP has an agreement with the operator of a cogeneration facility to purchase thermal energy required for one of VFCLP's greenhouses (in excess of the thermal energy otherwise produced by the greenhouse). The contract expires on July 31, 2023. VFCLP also has a right of first refusal with respect to any excess methane gas conveyed to the cogeneration plant from an adjacent landfill. The estimated fair value of the contract was recorded as an intangible asset and is being amortized on a straight-line basis over the life of the contract.

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Carrying value	\$1,735	\$1,735
Accumulated amortization	331	227
Net book value	<u>\$1,404</u>	<u>\$1,508</u>

# VILLAGE FARMS INTERNATIONAL, INC.

(formerly Village Farms Income Fund)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

### 8 LONG-TERM DEBT

As at December 31, 2009 and December 31, 2008, long-term debt consists of the following:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
CAN Capital Loan	\$42,382	\$43,709
US Capital Loan	12,350	14,250
	<u>54,732</u>	<u>57,959</u>
Less current maturities	<u>(3,260)</u>	<u>(3,227)</u>
Long-term portion	<u>\$51,472</u>	<u>\$54,732</u>

#### Canadian Credit Facilities

The Canadian credit facilities include:

- Revolving variable rate operating loan of up to CAD\$12,000 with a term of 364 days (the “CAN Operating Loan”);
- Non-revolving variable rate capital loan with a balance of \$42,382 with a maturity date on October 31, 2011 (the “CAN Capital Loan”); and
- Foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the “CAN FX Facility”).

Interest payable on funds borrowed under the Canadian credit facilities is calculated by way of one or more of Canadian Prime Rate borrowings, Credit Instrument borrowings, U.S. Base Rate borrowings, LIBOR borrowings, Bankers’ Acceptances borrowings, Cost of Company’s borrowings or any combination thereof.

The CAN Operating Loan is subject to annual renewal by the bank; no amount was drawn on this facility at December 31, 2009 and 2008. The outstanding balance of the CAN Capital Loan is repayable by way of 48 monthly installments of principal and interest based on an amortization of the CAN Capital Loan in full over a period 20 years, with the balance and any accrued interest to be paid in full on October 31, 2011.

Accrued interest payable on the Canadian credit facilities and loans as at December 31, 2009 was \$13 (December 31, 2008 - \$14) and these amounts are included in accounts payable and accrued liabilities. As at December 31, 2009, the interest rate was 2.24% (December 31, 2008 - 2.48%). The Company has entered into a fixed for floating rate interest rate swap as described in note 9. The interest expense for the year ended December 31, 2009 was \$2,601 (December 31, 2008 - \$2,776).

As security for the borrowings, VFCLP has provided, among other things, promissory notes, a first mortgage on certain of the greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants. During the years ended and at December 31, 2009 and 2008, VFCLP was in compliance with all covenants on the Canadian credit facilities.

VFCLP and certain of its direct and indirect subsidiaries have provided full recourse guarantees of the Canadian credit facilities and have granted security therein. The Canadian credit facilities, in all cases, are senior in priority to the securities of VFCLP held by VFF, which have been pledged as collateral. The carrying value of these assets and securities pledged as collateral as at December 31, 2009 was \$66,599 (December 31, 2008 - \$70,489).

#### United States Credit Facilities

The U.S. credit facilities include:

- Revolving variable rate operating loan of up to \$5,000 with a term of 364 days (the “U.S. Operating Loan”); and
- Non-revolving variable rate capital loan maturing on June 20, 2016 (the “U.S. Capital Loan”).

# VILLAGE FARMS INTERNATIONAL, INC.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2009 and 2008

(in thousands of United States dollars, except per unit/share amounts and unless otherwise noted)

The U.S. Capital Loan is amortized on a 10-year schedule, with quarterly principal payments of \$475. The term may be renewed beyond June 20, 2016 only upon amendment of the facility. As at December 31, 2009, borrowings under the term loan facility are subject to LIBOR plus 3.25% (3.49% as at December 31, 2009). Interest on the U.S. Capital Loan will be, at the Company's option, seven-day LIBOR plus the applicable margin, or the one, two, three or six month LIBOR plus the applicable margin or a quoted fixed rate. The applicable margin will be based on the Company's ratio of long-term debt to adjusted equity. As at December 31, 2009, the Company used the seven-day LIBOR plus the applicable margin.

Accrued interest payable on the U.S. credit facilities as at December 31, 2009 was \$37 (December 31, 2008 - \$71) and these amounts are included in accounts payable and accrued liabilities. As at December 31, 2009, the interest rate was 3.49% (December 31, 2008 - 2.95%). The interest expense for the year ended December 31, 2009 was \$535 (December 31, 2008 - \$908). At December 31, 2009, VFCLP was in compliance with all covenants. The interest rate on the U.S. Operating Loan is LIBOR plus 3.00%. There were no borrowings outstanding under the U.S. Operating Loan as at December 31, 2009 and December 31, 2008.

All of VFF's subsidiaries have guaranteed the obligations under the U.S. credit facilities agreement, and the borrowings are secured by a first lien and security interest in all of the assets of such subsidiaries; accordingly, such obligations rank senior to the securities of VFCLP held by VFF. The carrying amount of these assets and securities pledged as collateral as at December 31, 2009 was \$66,599 (December 31, 2008 - \$70,498). The loan agreement requires VFCLP to satisfy certain affirmative and negative covenants, including a minimum debt service coverage and current ratio.

The aggregate annual maturities of long-term debt as at December 31, 2009 are as follows:

2010	\$ 3,260
2011	42,921
2012	1,900
2013	1,900
2014	1,900
Thereafter	2,851
	<u>\$54,732</u>

## 9 DERIVATIVES

On January 17, 2008, the Company entered into five fixed for floating interest rate swap agreements, effective from January 25, 2008 through January 25, 2013, in the notional amount of \$43,300 in order to reduce the interest rate variability on its CAN Capital Loan. The Company has effectively fixed its interest expense on its CAN Capital Loan at 5.68%. The Company recognized a gain of \$709 for the year ended December 31, 2009 (December 31, 2008 - (\$2,801)), which represented the mark-to-market adjustment of the interest rate swap agreements. The Company could not designate the swap agreements as a hedge for accounting purposes. The fair value of the interest rate swap agreements as at December 31, 2009 was a liability of \$2,092 (December 31, 2008 - (\$2,801)). The interest rate swap agreements remaining at December 31, 2009 are as follows:

<u>Term</u>	<u>Amount</u>	<u>Interest Rate</u>
January 25, 2008 - January 28, 2010	\$1,200	5.20%
January 25, 2008 - January 28, 2011	1,200	5.32%
January 25, 2008 - January 28, 2012	1,200	5.50%
January 25, 2008 - January 28, 2013	38,500	5.70%

The interest rates in the above table include a 2% premium to LIBOR which will be adjusted downward upon satisfying certain ratio targets.

## 10 RELATED PARTY TRANSACTIONS AND BALANCES

Included in other assets is a \$426 promissory note from an employee of the Company in connection with a relocation at the request of the Company. The note is secured by real property. It is a partially non-interest bearing note to be paid

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from the proceeds of the sale of the real property that secures the note. The \$426 represents the amount the Company advanced on this employee's behalf in connection with the relocation.

### 11 LEASE COMMITMENTS

#### Obligations Under Capital Leases

The Company leases certain equipment under capital leases. Future minimum lease payments are as follows:

2010	\$315
2011	259
2012	14
Thereafter	-
Total minimum lease payments	<u>588</u>
Less amount representing interest	<u>(43)</u>
	545
Less current portion	<u>(283)</u>
Long-term portion	<u>\$262</u>

These leases have interest rates ranging from 6.0% to 8.5%. The Company made payments of \$295 during the year ended December 31, 2009 (December 31, 2008 - \$241). Interest paid on capital leases amounted to \$48 during the year ended December 31, 2009 (December 31, 2008 - \$70).

#### Operating Leases

As at December 31, 2009, the Company has entered into certain operating lease commitments for land, office space and equipment through 2022. The future minimum lease payments as at December 31, 2009 are as follows:

2010	\$917
2011	872
2012	853
2013	682
2014	277
Thereafter	<u>90</u>
	<u>\$3,691</u>

Rent expense under the Company's various operating lease agreements totaled \$1,201 for the year ended December 31, 2009 (December 31, 2008 - \$1,149) and is included in cost of sales and selling, general and administrative expenses.

### 12 FINANCIAL INSTRUMENTS

The following table summarizes the carrying value of the Company's financial instruments:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Held-for-trading (cash and cash equivalents)	\$2,611	\$4,101
Receivables	9,594	9,357
Other receivables	1,468	1,388
Other financial liabilities	65,532	68,363

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Interest income and other gains and losses from held-for-trading and held-to-maturity financial assets are recognized in interest expense and selling, general and administrative expenses. Interest income, expense and gains and losses from loans, receivables and other financial liabilities are recognized in interest expense, loss on derivatives and other income. The following table summarizes interest income and expense for the years ended December 31, 2009 and 2008:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Interest income from held-for-trading assets	\$21	\$68
Interest expense from other financial liabilities	3,180	3,685

### Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of certain of these risks as at December 31, 2009. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profit.

#### i) Credit risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

The Company's accounts receivable do not include any customer who represents more than 10% of the balance of such receivables as at December 31, 2009. The Company believes that its accounts receivable risk is limited due to the high credit quality of its customers and the protection afforded to the Company by the *Perishable Agricultural Commodities Act* (the "PACA") for its sales in the United States, which represent approximately 75% of the Company's sales. The PACA protection gives a claim filed under the PACA, first lien on all PACA assets (which includes cash and accounts receivable). The PACA fosters trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Historical write-offs have represented less than 1% of sales. The maximum amount of credit risk exposure is limited to the carrying amount of the balances on the financial statements.

Given the current economic environment, accounts receivable for each customer at year-end were evaluated for collectability and an allowance for doubtful accounts has been estimated. A general provision is also taken based on the Company's historic exposure to bad debts based on revenue. At December 31, 2009, the allowance for doubtful accounts balance was \$267 (December 31, 2008 - \$537). In addition, the Company recorded a recovery of bad debts of \$270 during the year ended December 31, 2009 (December 31, 2008 - \$735). The Company wrote off \$nil in accounts receivable during fiscal 2009 for amounts previously provided for (December 31, 2008 - \$371) based on a review of the collectability of these amounts.

At December 31, 2009, 0.2% (December 31, 2008 - 11.5%) of trade receivables were outstanding for more than 90 days, 8.2% (December 31, 2008 - 10.0%) were outstanding for between 30 and 90 days and the remaining 91.6% (December 31, 2008 - 78.5%) were outstanding less than 30 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. As noted above, aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

#### ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its bank debt, for which the interest rates charged fluctuate based on the LIBOR rate. Interest is compounded daily at LIBOR plus 2.0% for the Canadian credit facilities and LIBOR plus 3.0%

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for the U.S. credit facilities. The Company has limited its interest rate risk by entering into interest rate swap agreements for the CAN Capital Loan.

The Company is exposed to interest rate risk on its bank debt for which interest rates charged fluctuate and the value of the related interest rate swap agreement. If interest rates had been 50 basis points higher (lower), the net income during the 2009 fiscal year would have been higher (lower) by \$139; this represents a \$210 in gain on derivatives partially offset by \$71 in additional interest expense (December 31, 2008 - \$144, \$217 in gain on derivatives offset by \$73 in additional interest expense).

### iii) Foreign exchange risk

At December 31, 2009, the Canadian/U.S. foreign exchange rate was CAD \$1.00 = \$0.9515 (December 31, 2008 - \$0.8210). Assuming that all other variables remain constant, an increase of \$0.10 in the Canadian dollar would have the following impact on the ending balances of certain balance sheet items at December 31, 2009 and 2008, with the net foreign exchange gain or loss directly impacting net earnings for fiscal 2009 and 2008:

	December 31, 2009	December 31, 2008
<b>Financial assets</b>		
Cash and cash equivalents	\$9	\$82
Trade accounts receivable	177	227
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	(177)	(263)
Obligations under capital leases	(57)	(85)
<b>Net foreign exchange loss</b>	(\$48)	(\$39)

### iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
Financial liabilities				
Accounts payable and accrued liabilities	\$9,564	\$9,564	\$-	\$-
Bank debt	54,732	3,260	44,822	6,650
Obligation under capital lease	545	315	230	-
	\$64,841	\$13,139	\$45,052	\$6,650

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash. If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing. In addition, the Company has available lines of credit of US\$5,000 and CAD\$12,000.

### v) Fair values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is used to estimate the fair value of such instruments. The Company's debt bears a variable interest rate and therefore its carrying value approximates its fair value. The fair value of derivatives is determined based on published interest rates and contractual terms of the interest rate swap agreements.

## 13 OTHER INCOME

The Company had other income for the year ended December 31, 2009 of \$298 (December 31, 2008 - \$2,487). For the year ended December 31, 2009, the income primarily consisted of a \$154 bank dividend, \$27 in royalties and \$39 in rent. For the year ended December 31, 2008, the income primarily consisted of a \$1,128 vendor settlement, a \$609 sale of

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excess hedged natural gas, \$200 in government subsidies, a \$173 bank dividend and \$183 from back property taxes due from a tenant.

### 14 INCOME TAXES

The provision for income taxes consists of the following components:

	December 31, 2009	December 31, 2008
Current	(\$439)	\$240
Future	(5,841)	2,153
	\$(6,280)	\$2,393

The net future tax liability and the approximate tax effect of each remaining type of temporary difference and carryforward are summarized as follows:

	December 31, 2009	December 31, 2008
Future tax assets:		
Intangibles	\$520	\$348
Other assets	1,251	400
Non-capital and farm losses	6,648	5,787
Debt and unit issuance costs	67	45
Long-term debt	(542)	388
Scientific research and experimental development expenditures	-	90
Investment tax credits	-	79
Capital losses	-	88
Valuation allowance	(732)	(5,753)
Net future tax assets	7,212	1,472
Future tax liabilities:		
Property, plant and equipment	(6,252)	(6,353)
Net future tax asset (liability)	\$960	(\$4,881)

Presented in the accompanying consolidated balance sheets as at:

	December 31, 2009	December 31, 2008
Future tax assets	\$4,549	\$-
Non-current future tax liabilities	(3,589)	(4,881)
Net future tax asset	\$960	(\$4,881)

The actual provision for income taxes reflected in the consolidated statements of earnings for the years ended December 31, 2009 and December 31, 2008 differs from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax expense and the effective provision for income taxes are summarized as follows:

	December 31, 2009	December 31, 2008
Expected tax provision <sup>1</sup>	\$164	\$2,102
Non-deductible items	(207)	1,544
Foreign exchange gain/(loss)	1,038	(2,059)
Derivatives loss	-	868
Tax rate differences on future taxes	(2,399)	1,835
Other	145	(1,222)
Change in valuation allowance	(5,021)	(675)
	\$(6,280)	\$2,393

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<sup>1</sup> The expected tax provision rate for Canadian entities is 30% and for U.S. entities is 35%.

Non-capital and farm losses expire as follows:

	Canada	U.S.	Total
2010	\$-	\$1,815	\$1,815
2012	2,332	-	2,332
2013	7,319	-	7,319
2014	5,163	39	5,202
2017	-	1,381	1,381
2020	-	2,522	2,522
2021	-	207	207
2024	9,533	-	9,533
2026	296	-	296
2027	10	-	10
2028	70	-	70
2029	-	2,738	2,738
	\$24,723	\$8,702	\$33,425

The December 31, 2009 change in structure of the Company (note 1) allowed removing a portion of the valuation allowances on the Canadian farm losses. During the year ended December 31, 2009, the Company determined that certain farm and operating losses previously restricted under the income fund structure could now be utilized and carried forward to reduce the taxable income of the Canadian operating subsidiary in future years. The Company determined that it was more likely than not that the losses would be utilized and, as a result, released approximately \$5.0 million of valuation allowance previously recorded against the future income tax asset related to these losses.

At December 31, 2009 and December 31, 2008, VFLP had available net operating loss carryforwards (“NOLs”), primarily in the states of Pennsylvania, New Jersey, Florida and New York, of approximately \$8,663 and \$4,627, respectively, to reduce future state taxable income. The Pennsylvania NOLs expire in 2020 and 2021; the New Jersey NOLs expire in 2010; the Florida and New York NOLs expire in 2029.

### 15 CHANGES IN NON-CASH WORKING CAPITAL

	For the year ended December 31,	
	2009	2008
Accounts receivable	(\$237)	\$2,305
Inventories	(510)	(228)
Other current assets	203	202
Prepays and deposits	(365)	(86)
Accounts payable and accrued liabilities	175	(1,338)
	(\$734)	\$855

### 16 GEOGRAPHIC INFORMATION

The Company operates in one segment, where it produces, markets and sells premium quality tomatoes, bell peppers and cucumbers, with its primary operations in the United States and Canada. Revenue by the countries in which its customers are located is as follows:

	For the year ended December 31,	
	2009	2008
Revenue		
United States	\$104,894	\$100,191
Canada	24,830	32,085
Other	800	823
	\$130,524	\$133,099

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The Company's property, plant and equipment are located as follows:

	For the year ended December 31,	
	2009	2008
Property, plant and equipment		
United States	\$22,192	\$25,646
Canada	44,407	44,843
	<u>\$66,599</u>	<u>\$70,489</u>

### 17 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

### 18 SHARE CAPITAL AND EQUITY

Plan of Arrangement:

On December 31, 2009, the Fund completed the conversion from an income fund into VFF pursuant to a plan of arrangement under the CBCA (note 1).

Effective December 31, 2009, all the outstanding trust units of the Fund were exchanged for common shares of VFF on a one-for-one basis and the Class A Unit of the Fund was exchanged for 25,267,000 Special Shares of VFF. As a result, there are 13,440,345 common shares and 25,267,000 special shares of VFF issued and outstanding.

VFF is authorized to issue an unlimited number of common shares, special shares and preferred shares, issuable in series.

(i) Common shares:

The common shares entitle the holders thereof, to one vote per share at all meeting of VFF (subject to certain exceptions). The holders of the common shares are entitled to receive any dividend declared by VFF on the common shares.

Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of VFF, the holders of the common shares are entitled to receive, pro rata, the remaining property or assets of VFF upon its dissolution, liquidation or winding-up.

(ii) Preferred shares:

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors of VFF who shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding-up of VFF, or any other distribution of assets of VFF among its shareholders for the purpose of winding-up its affairs, the holders of the preferred shares of each series are entitled to receive, among other things, with priority over the common shares and any other shares ranking junior to the preferred shares of VFF, an amount equal to any cumulative dividends, whether or not declared, or declared thereon but unpaid and no more. The preferred shares for each series are also entitled to such other preferences over the common shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

(iii) Special shares:

Pursuant to the Plan of Agreement (note 1), special shares were issued to VF U.S. Holdings Inc. ("U.S. Holdings") for the

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benefit of the holders of the Participating Preferred Shares (“PPSs”) of U.S. Holdings. The special shares entitle the holder to exercise voting and other rights as a shareholder of VFF as though the holder held the number of shares that would be owned by the holders of the PPSs assuming the exercise in full of the PPS Exchange Rights; provided that in no event shall the votes attached to the special shares exceed 45% of the votes otherwise attached to the common shares and the special shares of VFF then outstanding.

The following is a summary of Share Capital:

	The VFF Common Shares	
	# of Shares	Amount
Share Capital – December 31, 2008	-	\$ -
Conversion of Trust Units into Shares	13,440,345	24,850
Share Capital – December 31, 2009	13,440,345	\$24,850

The following is a summary of changes in unitholders’ and shareholders’ capital from January 1, 2008 to and including December 31, 2009:

	The Fund Units and Exchangeable Units	
	# of Units	Amount
Unit capital – January 1, 2008	10,697,305	\$20,190
PPSs converted into Fund Units	385,000	1,050
Class C shares converted into Fund Units	2,358,040	3,610
Unit capital – December 31, 2008	13,440,345	\$24,850
Conversion of Trust Units into Shares	(13,440,345)	(\$24,850)
Unit capital – December 31, 2009	-	\$ -

### Share-Based Compensation

During 2008, the owners of the PPS transferred 3,850 PPS to Fund employees in a one-time share-based compensation arrangement. The Fund employees were required to immediately convert all of the 3,850 PPS into units upon receipt. The conversion was to 385,000 units with a fair value of \$1,050 at the time of the conversion.

## 19 CAPITAL DISCLOSURES

The Company’s objectives when managing capital are to safeguard its assets and maintain a competitive cost structure, continue as a going concern and provide returns to its shareholders. In addition, the Company works with all relevant stakeholders to ensure the safety of its operations and employees and remain in compliance with all environmental regulations.

The Company’s main objectives when managing capital are:

- to structure repayment obligations in line with the expected life of the Company’s principal revenue generating assets;
- to ensure the Company has access to capital to fund contractual obligations as they become due and to ensure adequate cash levels to withstand the impact of unfavorable economic conditions;
- to maintain the Company’s credit ratings to facilitate access to capital markets at competitive interest rates; and
- to ensure the Company has the ability to obtain its growth initiatives.

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The Company's capital comprises net debt and equity:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Total bank debt	\$54,732	\$57,959
Less cash and cash equivalents	(2,611)	(4,101)
Net debt	52,121	53,858
Total equity	28,561	23,124
	<u>\$80,682</u>	<u>\$76,982</u>

Management determined the level of dividends based on the level of cash flow from operations before working capital changes less actual capital expenditures, a reserve for future major capital replacements and a contingency reserve. During each year, dividends were based on estimates of full year cash flow and capital spending; thus dividends were adjusted as these estimates changed.

## 20 DISTRIBUTIONS TO UNITHOLDERS

Distributions paid to unitholders for the years ended December 31, 2009 and 2008 were as follows:

Paid per unit <sup>1</sup> (in CAD\$)	<u>December 31, 2009</u>	<u>December 31, 2008</u>
January	\$0.010	\$0.01
February	0.010	0.01
March	0.010	0.01
April	0.005	0.01
May	0.005	0.01
June	0.005	0.01
July	0.000	0.01
August	0.000	0.01
September	0.000	0.01
October	0.000	0.01
November	0.000	0.01
December	0.000	0.01
	<u>\$0.045</u>	<u>\$0.12</u>

<sup>1</sup> For distributions declared in the prior month for units and PPSs on record at the end of the prior month.

## 21 SHARE-BASED COMPENSATION PLAN

On December 31, 2009, the Company implemented a share-based compensation plan for eligible employees and directors in order to encourage eligible persons to increase their proprietary interest in the Company, remain associated with the Company and reward significant performance achievements.

The aggregate number of common shares available for grant under the plan shall not exceed the greater of 10% of the issued and outstanding common shares at the time of granting of awards (on a non-diluted basis) or such other number or percentage as may be approved by the Toronto Stock Exchange and the shareholders of the Company.

As at December 31, 2009, no awards were granted under the plan.

The Fund had a long-term incentive plan (the "LTIP") in which trustees, directors, officers and certain employees of the Fund and its subsidiaries were eligible to participate. No units were granted under this plan and the plan was terminated upon the Fund's conversion to a corporation on December 31, 2009.

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### **22 SAVINGS PLAN**

VFLP sponsors a savings plan that is qualified under section 401(k) of the United States Internal Revenue Code and provides that participating employees are eligible to make contributions of 1% to 15% of their total salaries. VFLP matches up to 25% of the first 6% of employee contributions, although for part of 2009, the match was suspended. Matching contributions totaled \$26 for the year ended December 31, 2009 (December 31, 2008 - \$63).

Commencing July 1, 2008, VFCLP began sponsoring a Group Registered Retirement Savings Plan that provides that participating employees are eligible to make contributions. VFCLP matches up to 25% of the first 6% of employee contributions, although for part of 2009, the match was suspended. Matching contributions totaled CAD \$6 for the year ended December 31, 2009 (December 31, 2008 - \$4).