

SunOpta Inc.
Form 10-Q
August 07, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended **June 30, 2009**
Commission File No. 0-9989

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

SUNOPTA INC.

(Exact name of registrant as specified in its charter)

CANADA

(Jurisdiction of Incorporation)

Not Applicable

(I.R.S. Employer Identification No.)

**2838 Bovaird Drive West
Brampton, Ontario L7A 0H2, Canada**
(Address of Principal Executive Offices)

(905) 455-1990

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [] Accelerated filer [X]
Non-accelerated filer [] Smaller reporting company []
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

At July 28, 2009 registrant had 64,846,560 common shares outstanding, the only class of registrant's common stock outstanding. There were no other classes of stock outstanding and the aggregate market value of voting stock held by non-affiliates at such date was \$141,651,559. The Company's common shares are traded on the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

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SUNOPTA INC.
FORM 10-Q
For the quarter ended June 30, 2009

PART I - FINANCIAL INFORMATION

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All financial information is expressed in United States Dollars. The closing rate of exchange on July 28, 2009 was CDN \$1 = U.S. \$0.9233.

Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and include words or phrases such as "management anticipates," "we believe," "we anticipate," "we expect," "we plan," "we will," and phrases of similar impact and include, but are not limited to references to business strategies, competitive strengths, goals, capital expenditure plans, business and operational growth plans and references to the future growth of the business. These forward-looking statements are made pursuant to the safe harbor provisions of the Private

Securities Litigation Reform Act of 1995. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its interpretation of current conditions, historical trends and expected future developments as well as other factors that the Company believes are appropriate in the circumstance.

Whether actual results and developments will agree with expectations and predictions of the Company is subject to many risks and uncertainties including, but not limited to, general economic, business, weather or market risk conditions; the achievement of business forecasts; the outcome of any pending litigation; competitive actions by other companies; changes in laws or regulations or policies of local governments, provinces and states as well as the governments of the United States and Canada, many of which are beyond the control of the Company. Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized. Please refer to the Company's most recent Annual Report on Form 10-K as well as item 1A in this report for a fuller discussion of the risks facing the Company and its operations.

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PART I - FINANCIAL INFORMATION

Item 1 -

Condensed Consolidated Financial Statements

SunOpta Inc.

For the Three and Six Months Ended June 30, 2009

(Unaudited)

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SunOpta Inc.

Condensed Consolidated Statements of Operations

For the three months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
Revenues	257,725	291,945
Cost of goods sold	219,644	246,077
Gross profit	38,081	45,868
Warehousing and distribution expenses	4,494	5,448
Selling, general and administrative expenses (note 14)	27,279	34,700
Intangible asset amortization	1,332	1,508
Other expense, net	109	-
Foreign exchange gain	(982)	(1,279)
Earnings before the following	5,849	5,491
Interest expense, net	3,470	3,601
Earnings before income taxes	2,379	1,890
Provision for income taxes	833	473
Earnings for the period	1,546	1,417
(Loss) earnings for the period attributable to non-controlling interests	(234)	698
Earnings for the period attributable to SunOpta Inc.	1,780	719
Earnings per share for the period (note 5)		
Basic	0.03	0.01
Diluted	0.03	0.01

(See accompanying notes to condensed consolidated financial statements)

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SunOpta Inc.

Condensed Consolidated Statements of Operations

For the six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
Revenues	489,799	522,389
Cost of goods sold	418,071	436,320
Gross profit	71,728	86,069
Warehousing and distribution expenses	8,955	10,894
Selling, general and administrative expenses (note 14)	54,131	62,511
Intangible asset amortization	2,763	2,766
Other income, net	(77)	-
Foreign exchange loss (gain)	281	(991)
Earnings before the following	5,675	10,889
Interest expense, net	6,341	6,501
(Loss) earnings before income taxes	(666)	4,388
(Recovery of) provision for income taxes	(233)	1,122
(Loss) earnings for the period	(433)	3,266
(Loss) earnings for the period attributable to non-controlling interests	(556)	1,061
Earnings for the period attributable to SunOpta Inc.	123	2,205
Earnings per share for the period (note 5)		
Basic	0.00	0.03
Diluted	0.00	0.03

(See accompanying notes to condensed consolidated financial statements)

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SunOpta Inc.

Condensed Consolidated Statements of Comprehensive Earnings

For the three months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
Earnings for the period	1,546	1,417
Currency translation adjustment	6,946	1,717
Change in fair value of interest rate swap, net of tax	271	163
Other comprehensive income for the period, net of tax	7,217	1,880
Comprehensive earnings for the period	8,763	3,297
Comprehensive earnings for the period attributable to non-controlling interest	51	698
Comprehensive earnings for the period attributable to SunOpta Inc.	8,712	2,599

(See accompanying notes to condensed consolidated financial statements)

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SunOpta Inc.

Condensed Consolidated Statements of Comprehensive Earnings

For the six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
(Loss) earnings for the period	(433)	3,266
Currency translation adjustment	2,410	695
Change in fair value of interest rate swap, net of tax	320	(224)
Other comprehensive income for the period, net of tax	2,730	471
Comprehensive earnings for the period	2,297	3,737
Comprehensive (loss) earnings for the period attributable to non- controlling interest	(570)	1,061
Comprehensive earnings for the period attributable to SunOpta Inc.	2,867	2,676

(See accompanying notes to condensed consolidated financial statements)

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SunOpta Inc.

Consolidated Balance Sheets

As at June 30, 2009 and December 31, 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	December 31, 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 11)	21,592	24,755
Short-term investments (note 12)	1,500	-
Accounts receivable	106,014	95,129
Inventories (note 3)	194,933	200,689
Prepaid expenses and other current assets	20,631	14,448
Current income taxes recoverable	1,293	595
Deferred income taxes	5,209	493
	351,172	336,109
Property, plant and equipment	112,999	110,641
Goodwill	55,121	54,022
Intangible assets	61,860	63,161
Deferred income taxes	11,931	16,160
Other assets	925	954
	594,008	581,047
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	78,087	67,164
Accounts payable and accrued liabilities	112,075	106,989
Customer and other deposits	725	1,228
Other current liabilities	4,197	4,437
Current portion of long-term debt (note 7)	28,459	12,174
Current portion of long-term liabilities	-	1,362
	223,543	193,354
Long-term debt (note 7)	78,928	99,353
Long-term liabilities	4,784	5,017
Deferred income taxes	13,359	13,614
	320,614	311,338
Preferred shares of a subsidiary company	27,991	27,796
Equity		
SunOpta Inc. shareholders' equity		

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Capital stock (note 4)	178,270	177,858
64,846,560 common shares (December 31, 2008 64,493,320)		
Additional paid in capital (note 4)	7,463	6,778
Retained earnings	41,032	40,909
Accumulated other comprehensive income	4,010	1,266
	230,775	226,811
Non-controlling interest (note 1)	14,628	15,102
Total equity	245,403	241,913
	594,008	581,047
Commitments and contingencies (note 9)		
(See accompanying notes to condensed consolidated financial statements)		

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SunOpta Inc.

Condensed Consolidated Statements of Shareholders Equity

As at and for the six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	Capital stock \$	Additional paid in capital \$	Retained earnings \$	Accumulated other comprehensive income \$	Non- controlling interest \$	Total \$
Balance at December 31, 2008	177,858	6,778	40,909	1,266	15,102	241,913
Employee share purchase plan and compensation grants	412	-	-	-	-	412
Stock-based compensation	-	685	-	-	-	685
(Loss) earnings for the period	-	-	123	-	(556)	(433)
Non-controlling interest contributions	-	-	-	-	96	96
Currency translation adjustment	-	-	-	2,531	(121)	2,410
Change in fair value of interest rate swap, net of tax	-	-	-	213	107	320
Balance at June 30, 2009	178,270	7,463	41,032	4,010	14,628	245,403

	Capital stock \$	Additional paid in capital \$	Retained earnings \$	Accumulated other comprehensive (loss) income \$	Non- controlling interest \$	Total \$
Balance at December 31, 2007	176,547	5,967	51,845	20,618	13,863	268,840
Options exercised	260	-	-	-	-	260
Stock-based compensation	-	729	-	-	-	729
Earnings for the period	-	-	2,205	-	1,061	3,266
Non-controlling interest contributions	-	-	-	-	111	111
Currency translation adjustment	-	-	-	695	-	695
Change in fair value of interest rate swap, net of tax	-	-	-	(224)	-	(224)
Balance at June 30, 2008	176,807	6,696	54,050	21,089	15,035	273,677

(See accompanying notes to condensed consolidated financial statements)

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SunOpta Inc.

Condensed Consolidated Statements of Cash Flow

For the three months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
Cash provided by (used in)		
Operating activities		
Earnings for the period	1,546	1,417
Items not affecting cash		
Amortization	4,904	5,135
Unrealized loss on foreign exchange	291	389
Deferred income taxes	1,861	(413)
Other	1,243	934
Changes in non-cash working capital, net of businesses acquired (note 8)	1,630	(13,780)
	11,475	(6,318)
Investing activities		
Acquisition of businesses, net of cash acquired	-	(4,111)
Decrease (increase) in short-term investments	15,000	(20,000)
Purchases of property, plant and equipment, net	(4,255)	(3,164)
Payment of deferred purchase consideration	(1,000)	(255)
Purchase of patents, trademarks and other intangible assets	(138)	(32)
Other	(2,282)	117
	7,325	(27,445)
Financing activities		
(Decrease) increase in line of credit facilities	(2,756)	12,129
Proceeds from the issuance of common shares	214	41
Repayment of long-term debt	(2,510)	(2,296)
Other	(8)	16
	(5,060)	9,890
Foreign exchange gain (loss) on cash held in a foreign currency	447	(5)
Increase (decrease) in cash and cash equivalents during the period	14,187	(23,878)
Cash and cash equivalents beginning of the period	7,405	33,001
Cash and cash equivalents end of the period	21,592	9,123

Supplemental cash flow information (notes 8, 11 and 12)

(See accompanying notes to condensed consolidated financial statements)

SunOpta Inc.

Condensed Consolidated Statements of Cash Flow

For the six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

	June 30, 2009	June 30, 2008
	\$	\$
Cash provided by (used in)		
Operating activities		
(Loss) earnings for the period	(433)	3,266
Items not affecting cash		
Amortization	9,635	9,513
Unrealized (gain) loss on foreign exchange	(234)	389
Deferred income taxes	63	75
Other	768	996
Changes in non-cash working capital, net of businesses acquired (note 8)	(2,844)	(25,207)
	6,955	(10,968)
Investing activities		
Acquisition of businesses, net of cash acquired	-	(4,111)
Increase in short-term investments	(1,500)	(20,000)
Purchases of property, plant and equipment, net	(8,843)	(5,530)
Payment of deferred purchase consideration	(1,500)	(755)
Purchase of patents, trademarks and other intangible assets	(202)	(122)
Other	(2,232)	169
	(14,277)	(30,349)
Financing activities		
Increase in line of credit facilities	9,246	16,981
Borrowings under long-term debt	716	13,075
Proceeds from the issuance of common shares	412	260
Repayment of long-term debt	(6,529)	(10,253)
Other	61	100
	3,906	20,163
Foreign exchange gain (loss) on cash held in a foreign currency	253	(25)
Decrease in cash and cash equivalents during the period	(3,163)	(21,179)
Cash and cash equivalents beginning of the period	24,755	30,302
Cash and cash equivalents end of the period	21,592	9,123

Supplemental cash flow information (notes 8, 11 and 12)

(See accompanying notes to condensed consolidated financial statements)

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Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements

The interim condensed consolidated financial statements of SunOpta Inc. (the Company) have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009. For further information, see the Company's consolidated financial statements, and notes thereto, included in the Annual Report on Form 10-K for the year ended December 31, 2008.

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the financial statements for the year ending December 31, 2008. Intercompany accounts and transactions have been eliminated on consolidation.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. In addition, SFAS No. 141(R) establishes recognizing contingent consideration at the acquisition date measured at its fair value. SFAS No. 141(R) became effective for the Company January 1, 2009, but did not have a significant impact on the Company's consolidated financial statements.

Pursuant to FASB Staff Position (FSP) SFAS 157-2 Effective Date of FASB Statement No. 157, the Company adopted SFAS 157 for non-financial assets and liabilities that are recognized on a non-recurring basis effective January 1, 2009. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership in subsidiaries held by parties other than the parent, the amount of consolidated earnings attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 became effective January 1, 2009. As required by SFAS No. 160, the Company has retrospectively applied the presentation to prior year balances and has added disclosures to its consolidated balance sheets, consolidated statements of shareholders' equity and consolidated statements of cash flows, as well as creating a new consolidated statement of comprehensive (loss) earnings, as a result of adopting this standard.

During March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging

Activities an amendment of FASB Statement No. 133 (SFAS 161) . SFAS 161 expands and disaggregates the disclosure requirements in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) . The disclosure provisions of SFAS 161 apply to all entities with derivative instruments subject to SFAS 133 and also apply to related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS 161 requires an entity with derivatives to disclose how and why it uses derivative instruments; how derivative instruments and related hedged items are accounted for under SFAS 133; and how derivative instruments and related hedged items affect the entity s financial position, financial performance, and cash flows. Entities must provide tabular disclosures of the location, by line item, of amounts of gains and losses reported in the consolidated statements of operations. SFAS No. 161 became effective for the Company January 1, 2009. See note 13 for enhanced note disclosures as a result of adopting this standard.

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SunOpta Inc.

Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements continued

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for non-governmental entities. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles* . The Company will consider this standard when evaluating future transactions to which it would apply.

In May 2008, the FASB issued Financial Accounting Standard 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 provides guidance on the renewal or extension assumptions used in the determination of useful life of a recognized intangible asset. The intent of FSP 142-3 is to better match the useful life of the recognized intangible asset to the period of expected cash flow used to measure its fair value. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. The Company will consider this standard when evaluating future transactions to which it would apply.

In December 2008, the FASB issued FSP No. 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, (FSP No. 132(R)-1). FSP No. 132(R)-1 amends SFAS No. 132 to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The additional required disclosures focus on fair value by category of plan assets. This FSP is effective for fiscal years ending after December 15, 2009. The Company does not expect a material impact on its financial statements when these additional disclosure provisions are adopted.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Practice Bulletin 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP requires disclosures of fair value for any financial instruments not currently reflected at fair value on the balance sheet for all interim periods. This FSP is effective for interim and annual periods ending after June 15, 2009 and should be applied prospectively. As a result of adopting this FSP, the Company added disclosures to note 7 regarding the fair value of its term debt.

In April 2009, the FASB issued FSP No. 115-2 and SFAS 124-2, *Recognition and Presentation of Other Than Temporary Impairments*. This FSP is intended to bring greater consistency to the timing of impairment recognition, and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. This FSP also required increased and more timely disclosure regarding expected cash flows and should be applied prospectively. The Company does not expect any material financial statement implications relating to the adoption of this FSP.

In April 2009, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 111 which aligns SEC regulations to the newly issued accounting standards FSP No. 115-2 and 124-2 on accounting for other-than-temporary impairments for marketable debt securities. Specifically, it amends Topic 5.M to exclude debt securities from its scope. The Company will consider this standard when evaluating future transactions to which it would apply.

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In April 2009, the FASB issued FSP SFAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP SFAS 141(R)-1). FSP SFAS 141(R)-1 amends and clarifies previously issued guidance to address application issues regarding the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP SFAS 141(R)-1 is applicable to acquisitions completed after January 1, 2009. The Company will consider this standard when evaluating future transactions to which it would apply.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. The Company has adopted this standard, evaluating for subsequent events to August 6, 2009.

In June 2009, the SEC issued SAB No. 112 which updates the SEC's rules and regulations to be consistent with the accounting principles and standards established in SFAS 141(R) and SFAS 160. The adoption of SAB No. 112 did not have a significant impact on the consolidated financial statements.

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SunOpta Inc.

Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

1.

Basis of presentation and new accounting pronouncements continued

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement in transferred financial assets. Specifically, among other aspects, SFAS 166 amended SFAS 140 by removing the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FASB Interpretation Number 46(R), Consolidation of Variable Interest Entities (revised December 2003) an interpretation of ARB No. 51 (FIN 46(R)) to variable interest entities that are qualifying special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for transfer of financial assets occurring on or after January 1, 2010. The Company will consider this standard when evaluating future transactions to which it would apply. Historically, the Company has not had any material transfers of financial assets.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 amends FIN 46(R) to require an enterprise to determine whether its variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest entity is the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for all variable interest entities and relationships with variable interest entities existing as of January 1, 2010. The Company will consider this standard when evaluating future transactions to which it would apply.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (SFAS 168). SFAS 168 will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related accounting literature. SFAS 168 reorganizes the thousands of GAAP pronouncements into approximately 90 accounting topics and displays them using a consistent structure. SFAS 168 will be effective for financial statements issued for reporting periods that end after September 15, 2009. The adoption of SFAS 168 will have disclosure impacts on the Company's financial statements, as all future references to authoritative accounting literature will be referenced in accordance with the new standard.

SunOpta Inc.

Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

2.**Business acquisitions**

During the year ended December 31, 2008, the Company and its less than wholly owned subsidiary completed a total of two acquisitions. These acquisitions have been accounted for using the purchase method and the consolidated financial statements include the results of operations for these businesses from the date of acquisition. The following represents the final purchase accounting for these acquisitions.

	TOC (a)	MCP Mg-Serbien SAS (b)
Net assets acquired		
Cash	1,205	297
Current assets	49,494	1,463
Property, plant and equipment	1,167	325
Goodwill	9,734	4,594
Intangible assets	9,251	-
Other long-term assets	359	57
Current liabilities	(44,854)	(5,434)
Deferred income tax liability	(2,687)	-
Other long-term liabilities	(216)	-
Long-term debt	(1,502)	-
	21,951	1,302

Consideration

Cash consideration including transaction costs	5,467	1,302
Due to former shareholders	1,562	-
Subordinated debt payable to former shareholders	4,685	-
Deferred consideration	10,237	-
	21,951	1,302

(a)

The Organic Corporation

On April 2, 2008, the Company acquired 100% of the outstanding common shares of The Organic Corporation B.V., operating as Tradin Organic Agriculture B.V. ("TOC") for total consideration of €14,055 (U.S - \$21,951), including acquisition costs of €500 (U.S - \$781). At closing, the Company paid €6,000 (U.S - \$9,371) in cash and concurrently received €3,000 (U.S - \$4,685) by way of subordinated debt payable to the former shareholders. A promissory note for €1,000 (U.S - \$1,562) was also issued bearing interest at 7.0% which is payable March 31, 2010 (note 7(g)). Additional

consideration payable in cash on March 31, 2010 will be the greater of €8,000 (U.S. - \$12,494) or 2.5 times 2009 EBITDA (as defined in the purchase and sale agreement). After the closing of the purchase, the Company and the former TOC shareholders signed an agreement to extend the payment of the additional €8,000 consideration and €3,000 subordinated debt to October 31, 2010. As security pending payment of the promissory note and additional consideration, the Company pledged 100% of the outstanding common shares of TOC to the former shareholders. Due to its non-contingent nature, the present value of the deferred consideration has been included in the total consideration. Any payment in excess of €8,000 will be recorded when the amount can be reasonably determined and would result in an increase in the goodwill related to this acquisition. As a result of TOC's opening balance sheet not meeting pre-determined working capital targets the additional consideration owing on October 31, 2010 will be reduced by €403 (U.S. -\$629).

The intangible assets, consisting of customer relationships, customer order backlog and non-compete agreements, acquired in this acquisition are not deductible for income tax purposes and are being amortized over their estimated useful lives between one and twelve years. The acquisition served as an entry point for the Company into the European and other global markets from both the supply and sales side of our sourcing and trading operations, and accordingly, \$9,734 of goodwill has been included in the net assets acquired. Goodwill acquired in this acquisition is not deductible for tax purposes.

SUNOPTA INC.

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June 30, 2009 10-Q

SunOpta Inc.

Notes to Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2009 and 2008

Unaudited

(Expressed in thousands of U.S. dollars, except per share amounts)

2.

Business acquisitions continued

Headquartered in Amsterdam, the Netherlands, TOC is a provider of globally sourced organic food ingredients and a key supplier of a wide variety of organic products including frozen fruits and vegetables, dried fruits, coffee, cocoa, cereals, rice, soy, beans and more. This acquisition has been consolidated since its April 2, 2008 acquisition date and is included in the SunOpta International Sourcing and Trading Group.

(b)

MCP Mg-Serbien SAS

On July 9, 2008, Opta Minerals acquired 67% of the outstanding common shares of MCP Mg-Serbien SAS (MCP) of France for total consideration of \$1,302, including acquisition costs of \$152. The acquisition continued to expand Opta Mineral s business capabilities into Europe and complemented existing operations which supply a wide range of magnesium-based desulphurization products. As a result, \$4,594 of goodwill has been included in the net assets acquired. Goodwill acquired in this acquisition is not deductible for tax purposes.

MCP operates a productio