

Village Farms Income Fund

**Amended and Restated Interim Consolidated Financial
Statements**

**Three Months Ended
March 31, 2008**

Village Farms Income Fund
Consolidated Balance Sheets
(In thousands of United States dollars)
(unaudited)

	<u>March 31, 2008</u>	<u>Adjustments</u>	<u>March 31, 2008</u>	<u>December 31, 2007</u>
	As Previously Reported	(note 18)	As Restated	
Assets				
Current assets:				
Cash and cash equivalents	\$3,238	-	\$3,238	\$1,620
Accounts receivable	8,772	-	8,772	11,662
Other receivables (note 10)	705	-	705	769
Inventories	16,824	-	16,824	11,210
Prepays and deposits	346	-	346	458
	<u>29,885</u>	<u>-</u>	<u>29,885</u>	<u>25,719</u>
Property, plant and equipment (note 6)	70,930	-	70,930	71,701
Intangible assets (note 7)	2,331	-	2,331	2,687
Other assets	1,419	-	1,419	885
Total assets	<u>\$104,565</u>	<u>-</u>	<u>\$104,565</u>	<u>\$100,992</u>
Liabilities and unitholders' equity				
Current liabilities:				
Operating line of credit (note 8)	\$3,248	-	\$3,248	\$3,313
Accounts payable and accrued liabilities	11,436	(222)	11,214	10,727
Distributions payable	360	-	360	365
Current maturities of long-term debt (note 8)	3,180	-	3,180	3,148
Current obligations under capital leases (note 11)	256	-	256	261
Total current liabilities	<u>18,480</u>	<u>(222)</u>	<u>18,258</u>	<u>17,814</u>
Long-term debt (note 8)	57,163	-	57,163	57,963
Obligations under capital leases (note 11)	767	-	767	865
Derivatives (note 9)	863	-	863	-
Future income taxes (note 13)	2,892	-	2,892	2,728
Total liabilities	<u>80,165</u>	<u>(222)</u>	<u>79,943</u>	<u>79,370</u>
Non-controlling interest	3,610	-	3,610	3,610
Unitholders' equity:				
Trust units (note 16)	20,190	813	21,003	20,190
Accumulated distributions	(5,168)	-	(5,168)	(4,079)
Accumulated earnings	5,714	(592)	5,122	1,846
Cumulative translation adjustment	55	-	55	55
Total unitholders' equity	<u>20,790</u>	<u>222</u>	<u>21,012</u>	<u>18,012</u>
Total liabilities and unitholders' equity	<u>\$104,565</u>	<u>-</u>	<u>\$104,565</u>	<u>\$100,992</u>

Commitments and contingencies (note 15)

Approved by the Board of Trustees

/s/ **Gregory J.D. McKinstry, Trustee of the Fund**

/s/ **Christopher C. Woodward, Trustee of the Fund**

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

Village Farms Income Fund
Consolidated Statements of Accumulated Earnings
For the Three Months Ended
(In thousands of United States dollars)
(unaudited)

	<u>March 31, 2008</u>	<u>Adjustments</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
	As Previously Reported	(note 18)	As Restated	
Accumulated earnings - Beginning of period	\$1,846	-	\$1,846	(\$111)
Earnings for the period	3,868	(592)	3,276	2,914
Adoption of new accounting standards	-	-	-	
Accumulated earnings - End of period	<u>\$5,714</u>	<u>(592)</u>	<u>\$5,122</u>	<u>\$2,803</u>

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

Village Farms Income Fund
Consolidated Statements of Earnings
For the Three Months Ended
(In thousands of United States dollars, except for units outstanding and per unit/share amounts)
(unaudited)

	<u>March 31, 2008</u>	<u>Adjustments</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
	As Previously Reported	(note 18)	As Restated	
Net sales	\$28,519	-	\$28,519	\$24,440
Cost of sales	16,803	-	16,803	16,939
Gross profit	<u>11,716</u>	-	<u>11,716</u>	<u>7,501</u>
Selling, general and administrative expenses	3,202	813	4,015	2,738
Interest, net	960	-	960	1,604
Foreign exchange income	(141)	-	(141)	(1,689)
Amortization of intangible assets	348	-	348	348
Loss on derivatives	863	-	863	-
Other income, net	(174)	-	(174)	(230)
Earnings before income taxes	<u>6,658</u>	<u>(813)</u>	<u>5,845</u>	<u>4,730</u>
Provision for income taxes	2,790	(221)	2,569	1,816
Net earnings for the period	<u>\$3,868</u>	<u>(\$592)</u>	<u>\$3,276</u>	<u>\$2,914</u>
Net income per unit/share-basic	<u>\$0.11</u>	<u>(\$0.02)</u>	<u>\$0.09</u>	<u>\$0.08</u>
Weighted average number of units/shares outstanding-basic	<u>36,349,305</u>	<u>-</u>	<u>36,349,305</u>	<u>36,349,305</u>
Net income per unit/share-diluted	<u>\$0.10</u>	<u>(\$0.02)</u>	<u>\$0.08</u>	<u>\$0.08</u>
Weighted average number of units/shares outstanding-diluted	<u>38,707,345</u>	<u>-</u>	<u>38,707,345</u>	<u>38,707,345</u>

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

Village Farms Income Fund
Consolidated Statements of Cash Flows
For the Three Months Ended
(In thousands of United States dollars)
(unaudited)

	<u>March 31, 2008</u>	<u>Adjustments</u>	<u>March 31, 2008</u>	<u>March 31, 2007</u>
	As Previously Reported	(note 18)	As Restated	
Cash flows from operating activities:				
Net income	\$3,868	(\$592)	\$3,276	\$2,914
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,693	-	1,693	1,624
Loss on derivatives	863	-	863	-
Future income taxes	165	-	165	1,519
Shared based compensation	-	813	813	-
Changes in non-cash working capital (net of effects of acquisition)	(1,841)	(221)	(2,062)	(10,053)
Net cash provided by(used in) operating activities	<u>4,748</u>	<u>-</u>	<u>4,748</u>	<u>(3,996)</u>
Cash flows from investing activities:				
Purchases of property, plant and equipment	(566)	-	(566)	(1,355)
Net cash used in investing activities	<u>(566)</u>	<u>-</u>	<u>(566)</u>	<u>(1,355)</u>
Cash flows from financing activities:				
Payments on short-term debt	(65)	-	(65)	(15)
Payments of long-term debt	(768)	-	(768)	(560)
Payments of obligations under capital leases	(103)	-	(103)	(52)
Distributions paid	(1,094)	-	(1,094)	(627)
Other	(534)	-	(534)	(176)
Net cash used in financing activities	<u>(2,564)</u>	<u>-</u>	<u>(2,564)</u>	<u>(1,430)</u>
Effect of foreign currency translation	-	-	-	(118)
Net increase (decrease) in cash and cash equivalents	1,618	-	1,618	(6,899)
Cash and cash equivalents beginning of year	1,620	-	1,620	7,302
Cash and cash equivalents end of period	<u>\$3,238</u>	<u>-</u>	<u>\$3,238</u>	<u>\$403</u>
Supplemental cash flow information:				
Interest paid	\$1,224	-	\$1,224	\$620
Income taxes paid	<u>\$18</u>	<u>-</u>	<u>\$18</u>	<u>\$297</u>

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

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Village Farms Income Fund (“VFF,” together with its subsidiaries the “Fund”) is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated November 10, 2003 (as amended and restated October 18, 2006). The Fund was created to invest in the vegetable greenhouse production business, Village Farms Canada Inc. The Fund’s principal operating subsidiaries at March 31, 2008 are Village Farms Canada Limited Partnership (“VFCLP”) and Village Farms, L.P. (“VFLP”).

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

2 SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles (“GAAP”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes included in the Fund’s 2007 Annual Financial Statements. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2007 audited consolidated financial statements, except as noted below.

On January 17, 2008, the Fund entered into a fixed for floating interest rate swaps until January 25, 2009 through January 25, 2013 in the notional amount of \$43,300 in order to reduce the interest rate variability on its CAN Capital loan (note 8). The Fund has selected not to use hedge accounting for the swap transactions and records the fair value of the swaps on the Consolidated Balance Sheet. Any gain or loss in fair value is recognized in the Consolidated Statement of Earnings.

3 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants’ (“CICA”) new Handbook Sections; 3031 “Inventories”, 1535 “Capital Disclosures”, 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation”. Handbook sections 3862 and 3863 replace section 3861 “Financial Instruments – Disclosure and Presentation”. These recommendations have been incorporated into these unaudited interim consolidated financial statements.

CICA Handbook Section 3031 – Inventories

This Section replaces section 3030 and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and on the cost formulas that are used to assign costs to inventories. The recommendations also clarified that major spare parts are to be included in property, plant and equipment. Adoption of this section did not have any impact on the Fund’s financial statements.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity’s capital and how it is managed. Under this standard the Fund is required to disclose qualitative and quantitative information that enables users of the financial statements to evaluate the Fund’s objectives, policies and processes for managing capital (note 15).

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management’s objectives, policies and procedures for managing such risks (note 11).

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

Section 3863 – Financial Instruments – Presentation

This Section establishes standards for presentation of financial instruments and non-financial derivatives.

Future Accounting Changes

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Fund beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to the equity of the Fund at that date. The Fund is evaluating the effect of these recommendations on its financial statements.

4 ACQUISITION

The October 18, 2006 transaction acquisition has been accounted for using the purchase method. During fiscal 2007 assets held for sale has been increased by CAD\$4,137 from the initial purchase price allocation to reflect the net proceeds for the sale of the asset and property, plant and equipment value has been decreased by the same amount. The fair value of the assets and liabilities of the Fund has been determined as follows:

<i>In thousands of CAD\$</i>	
Purchase consideration by APDI and estimated fair value of the Fund	\$19,716
Cost of acquisition – net of reimbursement	<u>527</u>
	20,243
Less:	
Net assets of the Fund at book value	<u>51,098</u>
Deficiency	<u>(\$30,855)</u>
The deficiency has been applied to adjust the Fund’s assets as follows:	
Adjustment to inventory	(\$11)
Adjustment to intangible assets	1,181
Write-down of property, plant and equipment	<u>(32,025)</u>
	<u>(\$30,855)</u>

These consolidated financial statements reflect the assets and liabilities of Hot House Growers Inc. (“HHGI”) at the assigned fair value as follows:

<i>In thousands of CAD\$</i>	
Accounts receivable	\$9,583
Inventories	1,890
Prepaid expenses and deposits	387
Property, plant and equipment	54,942
Assets held for sale	7,137
Intangible assets	5,081
Other assets	<u>107</u>
	79,127
Accounts payable and accrued liabilities	(7,081)
Operating line of credit	(6,407)
Capital leases	(1,429)
Long-term debt	<u>(43,967)</u>
	<u>\$20,243</u>

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

5 INVENTORY

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Crop inventory	\$16,730	\$10,997
Purchased produce inventory	94	213
	<u>\$16,824</u>	<u>\$11,210</u>

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Cost		
Land	\$5,230	\$5,230
Leasehold and land improvements	2,033	2,033
Greenhouses and buildings	57,007	57,125
Greenhouse equipment	27,641	27,348
Machinery and equipment	2,321	2,060
Construction in progress	186	48
	<u>94,418</u>	<u>93,844</u>
Accumulated amortization		
Leasehold and land improvements	879	838
Greenhouses and buildings	13,574	12,902
Greenhouse equipment	8,026	7,482
Machinery and equipment	1,011	921
	<u>23,490</u>	<u>22,143</u>
Net book value		
Land	5,230	5,230
Leasehold and land improvements	1,153	1,195
Greenhouses and buildings	43,432	44,223
Greenhouse equipment	19,615	19,866
Machinery and equipment	1,310	1,139
Construction in progress	186	48
	<u>\$70,930</u>	<u>\$71,701</u>

Capital lease assets of \$1,133 at March 31, 2008 and December 31, 2007 and accumulated amortization on these assets of \$249 and \$216 are included within greenhouse equipment.

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

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

7 INTANGIBLE ASSETS

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Cost		
Natural gas forward purchase agreement (a)	\$2,627	\$2,627
Thermal energy supply agreement (b)	<u>1,735</u>	<u>1,735</u>
	4,362	4,362
Accumulated amortization		
Natural gas forward purchase agreement	1,881	1,551
Thermal energy supply agreement	<u>150</u>	<u>124</u>
	2,024	1,675
Net book value		
Natural gas forward purchase agreement	746	1,076
Thermal energy supply agreement	<u>1,585</u>	<u>1,611</u>
	<u>\$2,331</u>	<u>\$2,687</u>

- a) VFCLP holds a natural gas forward contract for the purchase of approximately 825,000 gigajoules (GJ) of natural gas. The contract commenced on January 1, 2004 and expires on October 31, 2008. The estimated fair value of the contract at the date of the Fund's October 18, 2006 acquisition is included in intangible assets and is being amortized on a straight-line basis over the remaining life of the contract.
- b) 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 the 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.

8 LONG-TERM DEBT

As at March 31, 2008 and December 31, 2007, long-term debt consists of the following:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
CAN Operating Loan	\$3,247	\$3,313
CAN Capital Loan	44,668	44,961
CAN FX Facility	-	-
US Operating Loan	-	-
US Capital Loan	<u>15,675</u>	<u>16,150</u>
	60,343	61,111
Less current maturities	<u>(3,180)</u>	<u>(3,148)</u>
Long-term portion	<u>\$57,163</u>	<u>\$57,963</u>

The aggregate annual maturities of long-term debt as at March 31, 2008 are as follows:

Remaining 2008	\$ 2,380
2009	3,148
2010	3,148
2011	43,117
2012	1,900
Thereafter	<u>6,650</u>
	<u>\$60,343</u>

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

9 DERIVATIVES

On January 17, 2008, the Fund entered into a fixed for floating interest rate swaps until January 25, 2013 in the notional amount of \$43,300 in order to reduce the interest rate variability on its CAN Capital loan. The Fund has effectively fixed its interest expense on its CAN Capital loan at 5.66%. The Fund recognized a loss of \$863 for the three months ended March 31, 2008 and \$nil for the three months ended March 31, 2007, which represented the mark to market adjustment of the interest rate swaps. The Fund has not designated the swaps as a hedge for accounting purposes. The fair value of the interest swaps as at March 31, 2008 and December 31, 2007 was (\$863) and \$nil, respectively.

The interest rate swaps are as follows:

Term	Amount	Interest Rate
January 25, 2008 - January 28, 2009	\$1,200	5.36%
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 meeting certain ratio targets.

10 RELATED PARTY TRANSACTIONS AND BALANCES

In relation to the Transaction, a trustee of the Fund earned a fee of CAD\$190, of which payment of CAD\$95 has been deferred over a minimum of two years. During fiscal 2007 CAD\$48 was paid. This fee was negotiated and approved by the Board of Trustees of HHGI.

During 2007 the Fund paid realtor commission fees of CAD\$364 to a company of which a trustee of the Fund is a director.

At December 31, 2007, included in other receivables is a \$379 note from an employee as a result of relocating for the Fund. The note is secured by real property; it is a non-interest bearing note to be paid from the proceeds of the sale of the real property that secures the note. The \$379 represents the amount the Fund paid on this employee's behalf.

11 LEASE COMMITMENTS

Obligations Under Capital Leases

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

Remaining 2008	\$ 241
2009	322
2010	322
2011	269
2012	17
Thereafter	-
Total minimum lease payments	<u>1,171</u>
Less amount representing interest	<u>(148)</u>
	1,023
Current portion	<u>256</u>
Long-term portion	<u><u>\$767</u></u>

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

These leases have interest rates ranging from 6% to 8.5%. The Fund has made payments of \$61 and \$67 for the three months ended March 31, 2008 and March 31, 2007, respectively, respectively. Interest paid on capital leases amount to \$20 and \$25 for the three months ended March 31, 2008 and March 31, 2007, respectively.

Operating Leases

As at March 31, 2008, the Fund has entered into certain operating lease commitments for land, office space and equipment through 2022. The future minimum lease payments as at March 31, 2008 are as follows:

Remaining 2008	\$692
2009	928
2010	929
2011	876
2012	866
Thereafter	1,070
	\$5,361

Rent expense under the Fund’s various operating lease agreements totaled \$152 and \$55 for the three months ended March 31, 2008 and March 31, 2007, respectively, and is included in selling, general and administrative expenses.

12 FINANCIAL INSTRUMENTS

As indicated in note 3, the Fund adopted CICA Sections 3862 and 3863 on January 1, 2008. Section 3855 expanded on Section 3860 by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount and how gains and losses are recognized. More specifically, the adoption of this section has resulted in the requirement for the Fund to mark to market all financial derivative instruments outstanding at the end of the reporting period.

Risks

The Fund, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risk as at March 31, 2008.

i) Credit risk

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

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

The Fund’s accounts receivable and other receivables do not have a customer who represents more than 10% of the balance as at March 31, 2008. The Fund believes that its accounts receivable risk is limited due to the high credit quality of its customers and the protection afforded to the Fund by the *Perishable Agricultural Commodities Act* (“PACA”) for its sales in the United States. 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. Under the PACA, anyone buying or selling commercial quantities of fruit and vegetables must be licensed by the U.S. Department of Agriculture. 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.

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.

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

The Fund 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 2.5% for the US credit facilities. The Fund has limited its interest rate risk by entering into interest rate swaps for the CAN Capital Loan and has fixed rate interest contracts for its US Capital Loan. At March 31, 2008 of the \$60,343 debt; \$57,300 was at a fixed rate of interest.

iii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at March 31, 2008:

Financial liabilities	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	\$11,214	\$11,214	\$-	\$-
Bank debt	60,343	3,148	3,148	54,047
Obligation under capital lease	1,022	255	274	493
Distributions payable	360	360	-	-
	<u>\$72,939</u>	<u>\$14,977</u>	<u>3,422</u>	<u>\$54,540</u>

It is the Fund's intention to meet these obligations through the collection of current accounts receivable and cash. If the current resources and cash generated from operation are insufficient to satisfy its obligations, the Fund may seek to sell additional equity or to arrange debt or other financing. In addition the Fund has available lines of credit of US\$5 million and CAD\$12 million (as at March 31, 2008, \$3,248 is outstanding).

iv) Fair values

The carrying value of accounts receivable, other receivables, accounts payable and accrued liabilities and bank debt approximate fair value due to their short-term nature.

13 INCOME TAXES

The provision for income taxes consists of the following components:

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Current	\$2,4052	\$1,112
Future	164	704
	<u>2,5690</u>	<u>1,816</u>

Presented in the accompanying consolidated balance sheets as:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Current future tax assets	\$-	\$-
Non-current future tax liabilities	(2,892)	(2,728)
Net future tax liability	<u>(\$2,892)</u>	<u>(\$2,728)</u>

VILLAGE FARMS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – AMENDED
MARCH 31, 2008

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

14 GEOGRAPHIC INFORMATION

The Fund 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:

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Revenue		
United States	\$22,572	\$22,621
Canada	5,947	1,618
Other	-	201
	<u>\$28,519</u>	<u>\$24,440</u>

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

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Property, plant and equipment		
United States	\$26,190	\$26,523
Canada	44,740	51,635
	<u>\$70,930</u>	<u>\$78,158</u>

15 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Fund 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 Fund's financial position.

During 2002, the Texas Commission on Environmental Quality ("TCEQ") advised the Fund that nitrogen levels exceeding the State threshold had been detected in its potable water at one of its Texas greenhouse facilities. The TCEQ alleges the nitrogen levels may be a result of fertilizer discharge from that Fund greenhouse or other local agricultural sources. The Fund has identified a solution for its three Texas greenhouse facilities, which would require a capital expenditure currently estimated at \$1,500, of which \$1,207 has been incurred as at March 31, 2008, including \$0 for the three months ended March 31, 2008 and \$518 for the year ended December 31, 2007. The Fund believes that there will be an ongoing economic benefit with this capital project. The TCEQ has advised the Fund that it will not assess any penalties at this time.

The Fund indemnifies its directors and officers against claims and damages that may be incurred in the performance of their services to the Fund. Liability insurance has been purchased with respect to the Fund's directors and officers.

16 TRUST UNITS AND EQUITY

The following is a summary of changes in unitholders' and shareholders' capital from January 1, 2008 to March 31, 2008:

	<u>The Fund Units and exchangeable Units</u>	
	<u># of Units</u>	<u>Amount</u>
Unit capital – January 1, 2008	10,697,304	\$20,190
PPS's converted into Fund Units	385,000	813
Unit capital –March 31, 2008	<u>11,082,305</u>	<u>\$21,003</u>

An exchange of 3,850 participating preferred shares ("PPS") for 385,000 ordinary units of the Fund ("Units") was completed as part of a share based compensation arrangement (see below). The fair market value of the 385,000 Fund Units on the date of grant was \$813. As at March 31, 2008 252,670 PPS's remain outstanding and if exchanged for Units would represent an additional 25,267,000 Units.

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Fund Units

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in any net assets of the Fund in the event of termination or winding up of the Fund. Each Unit entitles the holder thereof to one vote at all meetings of voting Unitholders.

Capital Disclosures

The Fund'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 unitholders in the form of distributions. In addition, the Fund works with all relevant stakeholders to ensure the safety of its operations and employees, and remain in compliance with all environmental regulations.

Share-Based Compensation

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 the PPS into Units upon receipt. The conversion was to 385,000 Units with a fair value of \$813 at the time of the conversion.

The Fund's capital is comprised of net debt and equity:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Total debt	\$63,591	\$64,424
Less cash and cash equivalents	<u>(3,238)</u>	<u>(1,620)</u>
Net debt	60,353	62,804
Total equity	<u>25,264</u>	<u>21,622</u>
	<u>\$35,089</u>	<u>\$41,182</u>

Management determines the level of cash distributions 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 the year distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources or the revolving short-term credit facility, and thus will not significantly affect the level of distributions.

During the three months ended March 31, 2008 the Fund was in compliance with all external capital requirements and covenants related to its debt facilities.

17 DISTRIBUTIONS TO UNITHOLDERS

Distributions paid to Unitholders for the three months ended March 31, 2008 and 2007 were as follows:

Paid per unit ¹ (in CAD\$)	<u>March 31, 2008</u>	<u>March 31, 2007</u>
January	\$0.01	\$-
February	0.01	0.01
March	<u>0.01</u>	<u>0.01</u>
	<u>\$0.03</u>	<u>\$0.02</u>

¹ For distributions declared in the prior month for units and PPS on record at the end of the prior month.

18 RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In the course of the preparation of the Fund's annual financial statements, management became aware of an error in the recording of a gift of PPS by the VF owners to certain of the Fund's subsidiary employees in the first quarter of 2008. As

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a result, the Fund has amended and restated its consolidated balance sheet, consolidated statements of operations, consolidated statements of accumulated earnings and consolidated statements of cash flows for the period ended March 31, 2008.

The share gift did not directly involve the Fund, but pursuant to Canadian GAAP a gift from a “substantial owner” of company stock to a company employee is deemed to be a non-cash compensation expense made on behalf of the company. The fair market value of the share gift on the date of grant was \$813.

The impact of the restatement to the March 31, 2008 statements was an increase in selling, general and administrative expense of \$813, a corresponding decrease in earnings before income tax of \$813 and a corresponding increase of \$813 to Unitholders equity. It lowered fully diluted earnings per share to \$0.08 for the period ended March 31, 2008. It had no impact on total assets or cash flow from operations.

The restatement also affects Notes 12, 13 and 16 to these amended interim consolidated financial statements.