Village Farms International, Inc.

Consolidated Interim Financial Statements

Three Months Ended

March 31, 2011 and 2010

Village Farms International, Inc.
Consolidated Statement of Financial Position
(In thousands of United States dollars, unaudited)

	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,688	$ 9,734	$ 2,611
Trade receivables	12,041	8,131	9,594
Other receivables	205	510	592
Inventories (note 7)	11,838	10,714	9,753
Assets held for sale (note 6)	407	407	-
Income taxes receivable	213	775	-
Prepaids and deposits	785	801	909
Biological asset (note 8)	10,508	5,223	7,340
Total current assets	40,685	36,295	30,799
Non-current assets			
Property, plant and equipment (note 9)	61,910	62,972	66,599
Deferred tax asset	2,224	2,967	4,549
Intangible assets (note 10)	1,275	1,301	1,404
Other assets	1,280	1,125	877
Total assets	$ 107,374	$ 104,660	$ 104,228
LIABILITIES			
Current liabilities			
Trade payables	$ 4,400	$ 6,280	$ 4,643
Accrued liabilities	4,102	3,470	4,906
Income taxes payable	8	24	15
Current maturities of long-term debt (note 11)	3,260	3,260	3,260
Current portion of obligations under capital leases (note 13	117	264	283
Total current liabilities	11,887	13,298	13,107
Non-current liabilities			
Long-term debt (note 11)	47,393	48,208	51,472
Derivatives (note 12)	2,058	2,340	2,092
Obligations under capital leases (note 13)	-	14	262
Deferred tax liability (note 17)	5,283	4,569	5,390
Total liabilities	66,621	68,429	72,323
SHAREHOLDERS' EQUITY			
Share capital (note 22)	24,850	24,850	24,850
Contributed surplus	85	75	-
Accumulated other comprehensive income	55	55	55
Retained earnings	15,763	11,251	7,000
Total shareholders' equity	40,753	36,231	31,905
Total liabilities and shareholders' equity	$ 107,374	$ 104,660	$ 104,228

Approved by the Board of Directors

/s/ John P. Henry, Director

/s/ Christopher C. Woodward, Director

The accompanying notes are integral part of these consolidated interim financial statements

Village Farms International, Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the Three months Ended March 31, 2010 and March 31, 2011
(In thousands of United States dollars, except for shares outstanding, unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance at January 1, 2010	13,440,345	$ 24,850	$ -	$ 7,000	$ 55	$ 31,905
Share-based compensation			16			16
Net income and comprehensive income for the period ended March 31, 2010				4,751		4,751
Balance at March 31, 2010	13,440,345	24,850	16	11,751	55	36,672
Balance at January 1, 2011	19,433,394	24,850	75	11,251	55	36,231
Share-based compensation (note 24)			10			10
Net income and comprehensive income for the period ended March 31, 2011				4,512		4,512
Balance at March 31, 2011	19,433,394	$ 24,850	$ 85	$15,763	$ 55	$ 40,753

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

Village Farms International, Inc.
Consolidated Statement of Income and Comprehensive Income
For the Three Months Ended
(In thousands of United States dollars, except per share data, unaudited)

	March 31, 2011 (note 1)	March 31, 2010 (note 1)
Net sales	$ 32,341	$ 31,102
Cost of sales	(25,601)	(20,866)
Change in biological asset (note 8)	2,978	483
Selling, general and administrative expenses	(3,508)	(2,985)
Income from operations	6,210	7,734
Interest expense	728	714
Interest income	(12)	(5)
Foreign exchange (gain) loss	(62)	87
Amortization of intangible assets (note 10)	26	26
(Gain) loss on derivatives (note 12)	(282)	317
Other income, net	(183)	(189)
(Gain) loss on disposal/sale of assets	(14)	329
Income before income taxes	6,009	6,455
Provision for income taxes (note 17)	1,497	1,704
Net income and comprehensive income	4,512	4,751
Basic earnings per share	$ 0.12	$ 0.12
Diluted earnings per share	$ 0.12	$ 0.12

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

Village Farms International, Inc.
Consolidated Statement of Cash Flow
For the Three Months Ended
(In thousands of United States dollars, unaudited)

	March 31, 2011 (note 1)	March 31, 2010 (note 1)
Cash flows from operating activities:		
Net income	$4,512	$4,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,453	1,424
Gain (loss) on sale of assets	(14)	329
Gain (loss) on derivatives	(282)	317
Foreign exchange (gain) loss	(62)	87
Share based compensation (note 24)	10	16
Deferred income taxes	1,457	(555)
Change in biological asset (note 8)	(2,978)	(483)
Changes in non-cash working capital items (note 18)	(7,722)	(2,363)
Net cash (used in) provided by operating activities	(3,626)	3,523
Cash flows from investing activities:		
Purchases of property, plant and equipment	(388)	(372)
Proceeds from sale of property, plant and equipment	37	6
Other	(155)	(56)
Net cash used in investing activities	(506)	(422)
Cash flows from financing activities:		
Payments on long-term debt	(815)	(818)
Payments on obligations under capital leases	(161)	(51)
Net cash used in financing activities	(976)	(869)
Effect of exchange rate changes on cash and cash equivalents	62	(87)
Net (decrease) increase in cash and cash equivalents	(5,046)	2,145
Cash and cash equivalents beginning of period	9,734	2,611
Cash and cash equivalents end of period	$4,688	$4,756
Supplemental cash flow information:		
Interest paid	$676	$694
Income taxes paid	$33	$8

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

1 NATURE OF OPERATIONS

Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company") is incorporated under the *Canada Business Corporation Act* ("CBCA"). VFF's principal operating subsidiaries at March 31, 2011 are Village Farms Canada Limited Partnership ("VFCLP") and Village Farms, L.P. ("VFLP"). The address of the registered office of VFF is 4700 80th Street, Delta, British Columbia, Canada V4K 3N3.

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 BASIS OF PRESENTATION AND ADOPTION OF IFRS

These consolidated interim financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated interim financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of consolidated interim financial statements, including International Accounting Standards 34 and IFRS 1. Subject to certain transition elections disclosed in note 5, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated annual financial statements for the year ended December 31, 2010.

The policies applied in these consolidated interim financial statements are based on IFRSs issued and outstanding as of May 20, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated interim financial statements, including the transition adjustments recognized on the change-over to IFRS.

The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 5 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these consolidated interim financial statements.

Basis of Measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- biological assets are measured at fair value less costs to sell.

Functional and Presentation Currency

These consolidated interim financial statements are presented in United States Dollars ("U.S. Dollars"), which is the Company's functional currency. All financial information presented in U.S. Dollars has been rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION UNCERTAINTY

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise noted.

Consolidation

The consolidated interim financial statements of the Company consolidate the accounts of VFF and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

Foreign Currency Translation

The Company's functional currency is the U.S. dollar. For the Company's integrated foreign operations, monetary assets and liabilities are translated into U.S. 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 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

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities carried at fair value through the profit or loss:

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The only instruments held by the Company classified in this category are interest rate swaps (see (v) below). Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities carried at fair value through the profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(ii) Available-for-sale investments:

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for-sale assets comprise marketable securities and investments in debt and equity securities. The Company currently has no available-for-sale investments on its statement of financial position.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of income as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in other gains and losses.

(iii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost:

Financial liabilities at amortized cost include trade payables, accrued liabilities, obligations under capital leases and long-term debt. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(v) Derivative financial instruments:

The Company uses derivatives in the form of interest rate swaps to manage risks related to its variable rate long-term debt. All derivatives have been classified as held-for-trading, are included on the statement of financial position within liabilities, and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement are included in the statement of income and comprehensive income.

Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Biological assets are not tested for impairment as they are held at fair value less costs to sell.

Assets Held For Sale

Assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

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.

Trade Receivables

Trade receivables are measured at amortized cost, net of allowance for uncollectible amounts. 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 allowances by considering a number of factors, including the length of time accounts 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 receivables when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense.

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 costs of completion and cost to sell. It excludes borrowing costs. 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 carrying value of produce transferred from biological assets is its fair value less cost to sell at the date of harvest.

The cost of produce inventory purchased from third parties is valued at cost after the value is determined from the sale to customers less the contractual marketing commission.

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated amortization and impairment losses. The cost of property, plant and equipment at January 1, 2010, the date of the transition to IFRS, was determined by reference to its historical carrying value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date of capitalization is on or after January 1, 2010.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within gain/loss on disposal of assets.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of the class of assets for the current and comparative periods are as follows:

Classification	Estimated Useful Lives
Leasehold and land improvements	5-20 years
Greenhouses and buildings	12-30 years
Greenhouse equipment	5-30 years
Machinery and equipment	3-10 years

Construction in progress reflects the cost of assets under construction, which are not depreciated until placed into service.

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, which is 20 years.

Biological Assets

Biological assets consist of the companies' produce on the vines at the period end. Measurement of the biological asset begins six weeks prior to harvest as management at this point has visibility on production and expected sales. The produce on the vine is measured at fair value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including finishing and transportation costs.

Leased Assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value

of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Other leases are operating leases and are not recognized in the Company's statement of financial position.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income and comprehensive income in the period in which they are incurred.

Revenue Recognition

Revenue from the sale of produce in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards occurs at the time the produce has been successfully delivered, the risk of loss has passed to the customer and collectability is reasonably assured.

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the relevant tax jurisdiction. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Offsetting of deferred income tax assets and liabilities occurs only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share-Based Compensation

The company grants stock options to certain employees. Stock options vest over three years (33% per year following the grant date) and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Earnings Per Share

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

Significant Accounting Judgments and Estimation Uncertainties

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In preparing these consolidated interim financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Critical accounting estimates and judgments

i) Estimated useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

ii) Financial Instruments

The Company's over-the-counter derivatives include interest rate swaps used to economically hedge exposure to variable cash flows associated with interest payments on the Company's borrowings. Management utilizes a third party to value the derivative at each reporting period, the estimates and assumptions used by the third party are based on available market data which includes market yields and counterparty credit spreads.

iii) Financial instruments traded in an active market

The classification and measurement of many of the Company's financial instruments depends on whether or not the instruments are considered to be traded in an active market. This assessment is based on available market data; however, significant judgement by management is required to evaluate whether such data is indicative of an active market.

iv) Biological Asset

The value of the biological asset is derived using a discounted cash flow model. Management uses estimates for the future sales price and costs to sell; these are based on historical actual costs incurred on a per pound basis. The selling price and expenses are subject to fluctuations based on the timing and prevailing market conditions.

v) Intangible Assets

The intangible assets of the Company were recorded at their estimated fair value at October 18, 2006. Intangible assets are subject to impairment testing, and if the carrying value of the assets exceeds the fair values, the assets are written down to fair value.

vi) Inventory and Cost of Goods Sold

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 estimates of future yields are reviewed at each reporting period for accuracy, however, numerous factors such as weather, diseases and prevailing market conditions can impact the estimation of pricing, costs and future yields. The estimated costs to be incurred are based on references to historical costs and updated for discussions with suppliers and senior management.

vii) Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities.

4 CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

International Financial Reporting Standards 10 – Consolidation ("IFRS 10")

IFRS 10 requires and entity to consolidate an investee when it is exposed, pr has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation-Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

International Financial Reporting Standards 11 – Joint Arrangements ("IFRS 11")

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS supersedes IAS 31, *Interest in Joint Ventures*, and SIC-13, *Jointly Controlled Entities-Non-monetary Contributions by Ventures*.

International Financial Reporting Standards 12 – Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

International Financial Reporting Standards 13 – Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value I the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

5 TRANSITION TO IFRS

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) **Transition Elections**
The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

Deemed cost of property, plant and equipment

In accordance with IFRS transition provisions, the Company elected to hold property, plant and equipment at its historical value and not elect to restate to current fair market value.

(ii) **Reconciliation of the statements of financial position, income and comprehensive income as previously reported under Canadian GAAP to IFRS.**

VILLAGE FARMS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS March 31, 2011 and 2010

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

		December 31, 2010			March 31, 2010			January 1, 2010		
	Note	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
Assets										
Current assets:										
Cash and cash equivalents		$9,734		$9,734	$4,756		$4,756	$2,611		$2,611
Trade receivables		8,131		8,131	10,053		10,053	9,594		9,594
Other receivables		510		510	850		850	592		592
Inventories	**a**	12,810	(2,096)	10,714	15,779	(4,502)	11,277	11,948	(2,195)	9,753
Assets held for sale		407		407	-		-	-		-
Income taxes receivable		775		775	-		-	-		-
Prepaids and deposits		801		801	584		584	909		909
Biological asset	**a**	-	5,223	5,223	-	10,130	10,130	-	7,340	7,340
Total current assets		33,168	3,127	36,295	32,022	5,628	37,650	25,654	5,145	30,799
Non-current assets:										
Property, plant and equipment		62,972		62,972	65,243		65,243	66,599		66,599
Deferred tax asset	**b**	2,967		2,967	4,722	(981)	3,741	4,549		4,549
Intangible assets		1,301		1,301	1,378		1,378	1,404		1,404
Other assets		1,125		1,125	933		933	877		877
Total assets		$101,533	$3,127	$104,660	$104,298	$4,647	$108,945	$99,083	$5,145	$104,228
Liabilities										
Current liabilities:										
Trade AP and accrued liabilities		$9,774	($24)	$9,750	$11,429	($8)	$11,421	$9,564	($15)	$9,549
Income taxes payable	**b**	-	24	24	-	8	8	-	15	15
Current maturities of l/t debt		3,260		3,260	3,260		3,260	3,260		3,260
Current portion of capital leases		264		264	300		300	283		283
Total current liabilities		13,298	-	13,298	14,989	-	14,989	13,107	-	13,107
Non-current liabilities										
Long-term debt		48,208		48,208	50,654		50,654	51,472		51,472
Derivatives		2,340		2,340	2,409		2,409	2,092		2,092
Obligations under capital leases		14		14	194		194	262		262
Deferred tax liability	**b**	3,474	1,095	4,569	3,283	744	4,027	3,589	1,801	5,390
Total liabilities		67,334	1,095	68,429	71,529	744	72,273	70,522	1,801	72,323
Shareholders' equity:										
Share capital		24,850		24,850	24,850		24,850	24,850		24,850
Contributed surplus	**c**	40	35	75	9	7	16	-	-	
Accumulated other comp income		55		55	55		55	55		55
Retained earnings	**d**	9,254	1,997	11,251	7,855	3,896	11,751	3,656	3,344	7,000
Total shareholders' equity		34,199	2,032	36,231	32,769	3,903	36,672	28,561	3,344	31,905
Total liabilities and equity		$101,533	$3,127	$104,660	$104,298	$4,647	$108,945	$99,083	$5,145	$104,228

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

		Year Ended December 31, 2010			Three months ended March 31, 2010		
	Note	Canadian GAAP	Adj	IFRS	Canadian GAAP	Adj	IFRS
Net sales		$144,768		$144,768	$31,102		$31,102
Cost of sales		(123,632)		(123,632)	(20,866)		(20,866)
Change in biological asset	a	-	(2,018)	(2,018)	-	483	483
Selling, general and administrative expenses	c	(13,164)	(35)	(13,199)	(2,978)	(7)	(2,985)
Income from operations		7,972	(2,053)	5,919	7,258	476	7,734
Interest expense, net		2,775		2,775	709		709
Foreign exchange loss		57		57	87		87
Amortization of intangible assets		103		103	26		26
Loss on derivatives		247		247	317		317
Other (income)		(1,432)		(1,432)	(189)		(189)
Loss on disposal of asset		339		339	329		329
Earnings before income taxes		5,883	(2,053)	3,830	5,979	476	6,455
Provision (recovery) of income taxes	b	285	(706)	(421)	1,780	(76)	1,704
Net income and comprehensive income		5,598	(1,347)	4,251	4,199	552	4,751
Earnings per share/unit - basic		$ 0.14	$ (0.03)	$ 0.11	$ 0.11	$ 0.01	$ 0.12
Number of shares/units outstanding - basic		38,707,345	-	38,707,345	38,707,345	-	38,707,345
Earnings per share/unit - diluted		$ 0.14	$ (0.03)	$ 0.11	$ 0.11	$ 0.01	$ 0.12
Number of shares/units outstanding - diluted		39,042,960	-	39,042,960	39,057,344	-	39,057,344

Explanatory Notes

(a) Biological asset and produce inventory

In applying IAS 41, *Agriculture,* the Company recognizes a biological asset arising from the produce on the vines as of the reporting date. The produce on the vine is measured as the fair value of the expected sales price less costs to sell and finishing costs.

(b) Future income taxes

The Company evaluated the impact of IAS 12 *Income Tax* on its reported results and took into consideration the change in future income taxes caused by the reporting of both the additional share issuance costs and the biological assets. The changes in the statement of financial position, income and comprehensive income and shareholders' equity reflect the application of IAS 12 and IAS 41.

(c) Share-based compensation and contributed surplus

In applying IFRS 2, *Share-Based Payments,* to the transition period, a restatement of stock compensation expense was required of approximately $35 for the year ended December 31, 2010 and $7 for the three months ended March 31, 2010. This amount is recorded in both retained earnings and contributed surplus.

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

(d) Retained earnings Reconciliation

The following is a summary of the transition adjustments to the Company's retained earnings from GAAP to IFRS.

	Note	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
Retained earnings as reported under Canadian GAAP		$ 9,254	$ 7,855	$ 3,656
IFRS adjustments increase (decrease):				
Change in fair value of biological asset	**a**	5,223	10,130	7,340
Change in inventories	**a**	(2,096)	(4,502)	(2,195)
Provision for income tax	**b**	(1,095)	(1,725)	(1,801)
Share-based compensation	**c**	(35)	(7)	-
Retained earnings as reported under IFRS		$ 11,251	$ 11,751	$ 7,000

(e)Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

(f)Additional IFRS information for the year ended December 31, 2010

The following additional information is provided in accordance with IAS 1 to provide supplementary detail for the expenses of the Company by nature.

Compensation of key management

	Year Ended December 31, 2010
Salaries and short-term employee benefits	$1,761
Annual incentive plan	315
All other compensation	40
	$2,116

Expenses by nature
The following table outlines the Company's significant expenditures by nature:

Cost of sales

	Year Ended December 31, 2010
Purchased produce	$32,588
Raw materials and consumables used	39,375
Depreciation and amortization	5,119
Transportation	17,431
Employee benefits	29,119
	$123,632

Selling, general and administrative expenses

	Year Ended December 31, 2010
Employee benefits	$7,942
Marketing	437
Professional services	1,232
Office expenses	2,219
Other	1,369
	$13,199

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

Employee benefits

	Year Ended December 31, 2010
Salaries and short-term employee benefits	$36,986
Share-based compensation	75
	$37,061

6 ASSETS HELD FOR SALE

The Company has classified its Buffalo, New York warehouse as an asset held for sale; the Company no longer operates it as a distribution centre and has listed the property for sale. This asset is no longer being amortized.

7 INVENTORIES

	March 31, 2011	December 31, 2010	January 1, 2010
Crop inventory	$15,763	$12,358	$11,605
Purchased produce inventory	478	452	343
Biological asset adjustment (note 5(a) and note 8)	(4,403)	(2,096)	(2,195)
	$11,838	$10,714	$9,753

The cost of inventories recognized as expense and included in cost of sales for the three months ended March 31, 2011 amounted to $21,449 (March 31, 2010 - $15,449).

The adjustment to our crop inventory relating to the biological assets is a result of reclassifying the component of inventory that related to the biological assets.

8 BIOLOGICAL ASSET

The following table summarizes the balance sheet value of the biological asset:

	March 31 2011	December 31, 2010	March 31 2010	January 1, 2010
Estimated sales value of biological asset	$18,550	$8,517	$18,291	$11,210
Less				
Estimated remaining costs relating to the biological asset	6,874	2,714	7,035	3,054
Estimated selling cost	1,168	580	1,126	816
Fair value of biological asset	10,508	5,223	10,130	7,340
Less actual costs	4,403	2,096	4,502	
Increase in fair value of biological asset	6,105	3,127	5,628	
Fair value over cost of harvested and sold biological asset	3,127	5,145	5,145	
Change in biological asset	$2,978	($2,018)	$483	

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

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Land $	Leasehold and land improve-ments $	Green-house building $	Green-house equip. $	Machinery and Equip. $	Construction in process $	Total $
At January 1, 2010							
Cost	5,117	2,033	58,575	29,022	2,880	318	97,945
Accumulated depreciation	-	(1,163)	(18,459)	(10,428)	(1,296)	-	(31,346)
Net book value	5,117	870	40,116	18,594	1.584	318	66,599
Year ended December 31, 2010							
Opening net book value	5,117	870	40,116	18,594	1,584	318	66,599
Additions	-	-	179	1,369	990	591	3,129
Moved to asset held for sale	(67)	-	(340)	-	-	-	(407)
Placed in service						(318)	(318)
Disposals, net	-	-	-	(340)	-	-	(340)
Depreciation for the year	-	(163)	(2,943)	(1,886)	(699)	-	(5,691)
Closing net book value	5,050	707	37,012	17,737	1,875	591	62,972
At January 1, 2011							
Cost	5,050	2,033	57,280	28,989	3,603	591	97,546
Accumulated depreciation	-	(1,326)	(20,268)	(11,252)	(1,728)	-	(34,574)
Net book value	5,050	707	37,012	17,737	1,875	591	62,972
Period ended March 31, 2011							
Opening net book value	5,050	707	37,012	17,737	1,875	591	62,972
Additions	-	-	70	676	8	225	979
Placed in service	-	-	-	-	-	(591)	(591)
Disposals, net	(23)	-	-	-	-	-	(23)
Depreciation for the period	-	(40)	(720)	(484)	(183)	-	(1,427)
Closing net book value	5,027	667	36,362	17,929	1,700	225	61,910
At March 31, 2011							
Cost	5,027	2,033	57,350	29,665	3,611	225	97,911
Accumulated depreciation	-	(1,366)	(20,988)	(11,736)	(1,911)	-	(36,001)
Net book value	5,027	667	36,362	17,929	1,700	225	61,910

Capital lease assets of $1,133 at March 31, 2011, December 31, 2010 and January 1, 2010 and accumulated amortization on these assets of $642, 612 and $480, respectively, are included within greenhouse equipment.

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

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

10 INTANGIBLE ASSETS

VFCLP has an agreement with the operator of a cogeneration facility to purchase thermal energy required for one of VFCLP's greenhouses. 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.

At January 1, 2010	$
Cost	1,735
Accumulated amortization	(331)
Net book value	1,404
Year ended December 31, 2010	
Opening book value	1,404
Amortization for the year	(103)
Closing net book value	1,301
At January 1, 2011	
Cost	1,735
Accumulated amortization	(434)
Net book value	1,301
Period ended March 31, 2011	
Opening book value	1,301
Amortization for the period	(26)
Closing net book value	1,275
At March 31, 2011	
Cost	1,735
Accumulated amortization	(460)
Net book value	1,275

11 DEBT

	Three months ended March 31, 2011	Year ended December 31, 2010
Long-term debt:		
Opening balance	$51,468	$54,732
Repayment of debt	(815)	(3,264)
Closing balance	50,653	51,468
Current portion	3,260	3,260
Non-current portion	47,393	48,208
	$50,653	$51,468

All of VFF's subsidiaries have guaranteed the obligations under the debt facilities agreements, and the borrowings are secured by first liens and security interest in all of the assets of such subsidiaries. The carrying amount of these assets and securities pledged as collateral as at March 31, 2011 was $107,374 (December 31, 2010 - $104,660 and January 1, 2010 - $104,228).

12 DERIVATIVES

As at March 31, 2011, the Company has two fixed for floating interest rate swap agreements, effective through January 25, 2013, in the notional amount of $39,700 in order to reduce the interest rate variability on its Canadian Capital Loan. The Company has effectively fixed its interest expense on its Canadian Capital Loan at 6.32%. The Company recognized a gain of $282 for the three months ended March 31, 2011 (March 31, 2010 – a loss of $317), 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 March 31, 2011 was a liability of $2,058 (December 31, 2010 – $2,340). The interest rate swap agreements remaining at March 31, 2011 are as follows:

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

Term	Amount	Interest Rate
January 25, 2008 - January 28, 2012	1,200	6.125%
January 25, 2008 - January 28, 2013	38,500	6.325%

The interest rates in the above table include a 2.625% premium to LIBOR which will be adjusted downward upon satisfying certain ratio targets.

13 LEASE COMMITMENTS

Obligations Under Capital Leases

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

Remaining 2011	$111
2012	15
Total minimum lease payments	126
Less amount representing interest	(9)
	117
Less current portion	(117)
Long-term portion	$-

These leases have interest rates ranging from 6.0% to 8.5%. The Company made payments of $161 during the three months ended March 31, 2011 (March 31, 2010 - $71). Interest paid on capital leases amounted to $4 during the three months ended March 31, 2010 (March 31, 2010 - $12).

Operating Leases

As at March 31, 2011, the Company has entered into certain operating lease commitments for land, office space and equipment through 2022. The future minimum lease payments as at March 31, 2011 are as follows:

	March 31, 2011
Remaining 2011	$859
2012	1,151
2013	988
2014	559
2015	161
Thereafter	78
	$3,796

14 Financial instruments

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

	March 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	4,688	9,734	2,611
Trade receivables	12,041	8,131	9,594
Other receivables	1,345	2,094	1,501
Other financial liabilities	59,280	61,520	65,532
Derivatives	2,058	2,340	2,092

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

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 three months ended March 31, 2011 and 2010:

	March 31, 2011	March 31, 2010
Interest income from held-for-trading assets	$12	$5
Interest expense from other financial liabilities	728	714

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy:

	Financial assets at fair value – March 31, 2011			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Interest swap agreements	-	2,058	-	2,058
	-	2,058	-	2,058

	Financial assets at fair value – December 31, 2010			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Interest swap agreements	-	2,340	-	2,340
	-	2,340	-	2,340

Management of financial risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of some of these risks as at March 31, 2011. 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 trade receivables.

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

The Company's trade receivables have two customers who represents more than 10%, collectively they represent 27% of the balance of trade receivables as at March 31, 2011. The Company believes that its trade receivables 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 trade receivables). 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, trade receivables for each customer at quarter 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 March 31, 2011, the allowance for doubtful accounts balance was $254 (December 31, 2010 - $254). In addition, the Company recorded a bad debt expense of $nil during the year three months ended March 31, 2011 (March 31, 2010 – $nil).

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

At March 31, 2011, 94.4% (December 31, 2010 – 88.6%) of trade receivables were outstanding less than 30 days, 5.1% (December 31, 2010 – 10.5%) were outstanding for between 30 and 90 days and the remaining 0.5% (December 31, 2010 – 0.9%) were outstanding for more than 90 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 long-term debt, for which the interest rates charged fluctuate based on the LIBOR rate. Interest is compounded daily at LIBOR plus 2.625% for the Canadian credit facilities and LIBOR plus 3.0% for the U.S. credit facilities. The Company has limited its interest rate risk by entering into interest rate swap agreements for the CA Capital Loan (note 11).

The Company is exposed to interest rate risk on its long-term debt for which interest rates charged and the value of the related interest rate swap agreements fluctuate. If interest rates had been 50 basis points higher (lower), the net income during the three months ended March 31, 2011 would have been higher (lower) by $35; this represents a $49 gain on derivatives partially offset by $14 in additional interest expense (March 31, 2010 - $33, $50 gain on derivatives offset by $17 in additional interest expense).

iii) Foreign exchange risk

At March 31, 2011, the Canadian/U.S. foreign exchange rate was CA$1.00 = US$1.0314 (December 31, 2010 - $1.0054). 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 March 31, 2011 and December 31, 2010, with the net foreign exchange gain or loss directly impacting net earnings for the period.

	March 31, 2011	December 31, 2010	January 1, 2010
Financial assets			
Cash and cash equivalents	$14	$121	$9
Trade accounts receivable	162	121	177
Financial liabilities			
Accounts payable and accrued liabilities	(77)	(156)	(177)
Obligations under capital leases	(14)	(28)	(57)
Net foreign exchange loss	$85	$58	($48)

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 March 31, 2011:

Financial liabilities	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long-term debt	$50,653	$3,260	$43,118	$3,800	$475
Capital leases	117	117	-	-	-
Trade payables	4,400	4,400	-	-	-
Accrued liabilities	4,102	4,102	-	-	-
Total	$59,272	$11,879	$43,118	$3,800	$475

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 CA$12,000.

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

v) Fair values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is consistent with 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 equal to its carrying value and is determined based on published interest rates and contractual terms of the interest rate swap agreements.

15 RELATED PARTY TRANSACTIONS AND BALANCES

Included in other assets is a $392 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 from the proceeds of the sale of the real property that secures the note. The $392 represents the amount the Company advanced on this employee's behalf in connection with the relocation.

16 COMPENSATION OF KEY MANAGEMENT

Key management includes the Company's directors, officers and senior vice presidents:

	For the three months ended March 31,	
	2011	2010
Salaries and short-term employee benefits	$409	$459
Post-employment benefits	-	-
	$409	$459

17 DEFERRED TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended December 31, 2010 was 26% and the three months ended March 31, 2011 was 25%.

18 CHANGES IN NON-CASH WORKING CAPITAL

	For the three months ended March 31,	
	2011	2010
Trade receivables	($3,910)	($459)
Inventories	(3,431)	(3,831)
Other receivables	867	(263)
Prepaids and deposits	16	325
Trade payables	(1,897)	971
Accrued liabilities	633	894
	($7,722)	($2,363)

19 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. Net sales by the countries in which its customers are located is as follows:

	For the three months ended March 31,	
	2011	2010
Net Sales		
United States	$29,470	$28,632
Canada	2,871	2,470
	$32,341	$31,102

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

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

Property, plant and equipment	March 31, 2011	December 31, 2010	January 1, 2010
United States	$19,553	$20,312	$22,192
Canada	42,357	42,660	44,407
	$61,910	$62,972	$66,599

20 SEASONALITY

The Company's financial results for any individual quarter are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to regional and local weather, market conditions and in particular, to cyclical variations in the growing cycle. Typically the first quarter and fourth quarters are the strongest as market supply of produce is constrained. The second and third quarters are generally weaker as produce pricing tends to decline with the growing cycle of the field produce coming to harvest.

21 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.

22 SHARE CAPITAL AND EQUITY

(i) Conversion of special shares to common shares:

During the fiscal year ended December 31, 2010, 5,993,049 special shares were converted to common shares as a result of the exchange rights of the PPS's into common shares, resulting in 19,433,394 common shares and 19,273,951 special shares outstanding as at December 31, 2010.

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

(ii) Common shares:

The common shares entitle the holders thereof to one vote per share at all shareholder meetings 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.

(iii) 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.

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

(iv) Special shares:

Special Shares were issued to VF U.S. Holdings Inc. ("U.S. Holdings") for the 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 – January 1, 2010	13,440,345	$24,850
Issuances or conversions	-	-
Share capital – March 31, 2010	13,440,345	$24,850
Conversion of special shares into common shares	5,993,049	-
Share capital – December 31, 2010	19,433,394	$24,850
Issuances or conversions	-	-
Share capital – March 31, 2011	19,433,394	$24,850

	The VFF Special Shares	
	# of Shares	Amount
Share capital – January 1, 2010	25,267,000	$-
Issuances or conversions	-	-
Share capital – March 31, 2010	25,267,000	$-
Conversion of special shares into common shares	(5,993,049)	-
Share capital – December 31, 2010	19,273,951	$-
Issuances or conversions	-	-
Share capital – March 31, 2011	19,273,951	$-

23 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 lives 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.

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

The Company's capital comprises net debt and equity:

	March 31, 2011	December 31, 2010	January 1, 2010
Total bank debt	$50,653	$51,468	$54,732
Less cash and cash equivalents	(4,688)	(9,734)	(2,611)
Net debt	45,965	41,734	52,121
Total equity	40,753	36,231	31,905
	$86,718	$77,965	$84,026

24 SHARE-BASED COMPENSATION PLAN

In December 2009, the Company introduced a new share-based compensation plan. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time to time. The maximum period during which an option may be exercised is 10 years from the date of the grant. No options were granted in the three months ended March 31, 2011. (349,999 options at a weighted average exercise price of $0.70 were granted in the three months ended March 31, 2010). Options vest at a rate of 33% per year, beginning one year following the grant date of the options. Share-based compensation expense for the three months ended March 31, 2011 of $10 (March 31, 2010 - $16) was recorded in selling, general and administrative expenses and the corresponding amount credited to contributed surplus.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	2011
Expected volatility	53.2%
Dividend	$nil
Risk-free interest rate	2.53%
Expected life	6.5 years
Fair value	$0.367

The following table summarizes stock options, granted during the period. There were no forfeitures of stock options for the three months ended March 31, 2011.

	Three Months Ended March 31,			
	2011		2010	
	Stock options	Weighted average exercise price	Stock options	Weighted average exercise price
Beginning of period	349,999	CA$0.70	-	-
Granted	-	-	349,999	CA$0.70
End of period	349,999	CA$0.70	349,999	CA$0.70

The following table summarizes stock options outstanding and granted as at March 31, 2011:

Exercise price	Number outstanding	Remaining contractual life (years)	Number of exercisable options
CA$0.70	349,999	8.8	nil