

Dominion Citrus Income Fund Management's Discussion and Analysis First Quarter 2006

Effective January 1, 2006, pursuant to a Plan of Arrangement under the laws of the Province of Ontario, Dominion Citrus Income Fund (the "Fund", "Dominion") acquired all the issued and outstanding common shares of Dominion Citrus Limited in exchange for units of the Fund, on a one-for-one basis. The trust units are listed on the TSX under the symbol DOM.UN. The Series A preference shares continue to be listed on the TSX under the symbol DMN.PR.A. Readers are directed to the document, Management Information Circular with respect to a Plan of Arrangement providing for the creation of Dominion Citrus Income Fund, dated November 23, 2005 that is available at www.sedar.com.

Dominion is a diversified food company supplying fresh produce, premium juices and maple syrup to a wide variety of customers in retail, foodservice and food distribution businesses. The Fund provides procurement, processing, repacking, sorting, grading, warehousing and distribution services to over 400 customers, with its major domestic markets being Ontario and Quebec. The Fund also supplies products to customers in the United States and Europe.

The Fund operates businesses in two main segments, *produce wholesaling and processing* ("Produce") and *other food*.

Caution Regarding Forward-Looking Statements

This management's discussion and analysis ("MD&A") contains statements, which, to the extent that they are not a recitation of historical fact, may constitute "forward-looking statements". Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or performance, or our underlying assumptions. The words "estimate", "anticipate", "believe", "expect", "intend" or other similar expressions of future or conditional verbs such as "will", "should", "would" and "could" are intended to identify forward-looking statements. Persons reading this MD&A are cautioned that such statements are only expectations, and that our actual results or performance may be materially different.

Forward-looking information involves certain risks, assumptions, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements.

Readers should not place undue reliance on these forward-looking statements when making decisions, and should consider the date to which the statements were made. Except as required by applicable security law, management disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Summary Annual Statistics

The Fund has introduced certain non-GAAP measures to assess performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. EBITDA is a non-GAAP measure that describes earnings before interest, income taxes, depreciation and amortization, gains or losses on the disposal of property plant and equipment and certain one-time income and expense items such as restructuring charges, insurance proceeds and portfolio income or losses.

	2005	2004	2003
Revenue (\$000's)	125,849	131,619	120,491
Operating income (\$000's)	3,451	4,761	4,692
Net earnings (\$000's)	2,321	1,324	2,687
EBITDA (\$000's)	4,969	5,885	5,966
Basic earnings per share	\$0.12	\$0.06	\$0.143
Fully diluted earnings per share	\$0.11	\$0.06	\$0.131
Cash dividends per common share	\$0.05	\$0.05	\$0.05
Total assets (\$000's)	41,229	38,627	38,293
Long-term liabilities (\$000's)	2,937	4,090	4,842
Shares outstanding (Basic Weighted Average)	19,857,571	19,754,788	17,780,081

Summary Quarterly Statistics

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue (\$000's)	33,671	30,620	32,814	28,744	34,631	32,537	34,414	30,037
Operating income (\$000's)	1,115	783	622	931	1,223	1,170	930	1,143
Net earnings (\$000's)	638	448	632	603	(848)	676	533	827
EBITDA	1,562	756	1,334	1,317	1,553	1,516	1,217	1,599
Basic earnings per share	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	(\$ 0.04)	\$ 0.03	\$ 0.03	\$ 0.04
Fully diluted earnings per share	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.03	(\$ 0.04)	\$ 0.03	\$ 0.03	\$ 0.04

Revenue

Revenue for the first quarter of fiscal 2006 was \$25,703,000, down 10.6% from \$28,744,000 reported for the same period last year.

Revenue in the *produce wholesaling and processing* business segment ("Produce") was \$21,731,000 down 9.9%, or \$2,379,000 from last year. Price deflation accounted for approximately half the decline, while the balance related to major retailers continuing with consolidation initiatives and further direct buying.

In the *other food* business segment, revenue of \$3,972,000 was down \$662,000 or 14.3% from last year due to shipment delays, by certain customers, to the second quarter. In addition, 2005 included \$199,000 of revenue relating to the liquidation of Catanti inventories after this business was closed at the end of 2004.

Gross Margin

Gross margin for the first quarter of \$4,777,000 decreased by \$537,000 from last year due to the lower revenue; however, as a percentage of revenue, margins increased to 18.6% of revenue from 18.5%.

Margins in the Produce segment increased to 18.5% of revenue from 17.7% of revenue in 2005 as commodities were less plentiful due to poor weather conditions in the U.S.A.

In the *other food* business segment, gross margins declined to 19.1% from 22.7% in 2005. This decline reflects highly competitive pricing in our maple syrup business combined with higher packaging and conversion costs in the *other food* businesses.

Expenses

Total expenses for the first quarter of 2006 increased by \$176,000 to \$4,559,000,

Warehouse and delivery expenses of \$2,998,000 increased by \$129,000 over last year due to increased repairs and maintenance, fleet, waste removal and amortization expenses.

Selling expenses for the first quarter of 2006 increased \$80,000 from the \$596,000 reported in 2005, primarily due to higher sales personnel costs as we prepare for transition of the management teams at two of our businesses.

General and administrative expenses of \$885,000 decreased by \$33,000 from the first quarter of 2005. This decrease reflected the adjustment of an incentive provision from 2005 being partially offset by higher personnel expenses largely due to succession planning, higher professional fees and amortization of income trust conversion costs.

Other Income (Expense)

Foreign exchange trading gains of \$133,000 were down \$28,000 from 2005 as there were less trading opportunities in the first quarter of 2006.

Net third party interest expense for the first quarter of 2006 declined by \$33,000 due primarily to lower year over year term debt levels.

The Fund recorded \$757,000 of other income in the first quarter of 2005 from a settlement with its fidelity insurer related to losses in the period 2000 to 2004.

EBITDA and Fully Diluted Net Earnings

Net earnings for the first quarter of 2006 were \$767,000, a 27.2% increase from the \$603,000 earned in 2005, before distributions of \$614,000 (2005 – nil). Earnings per unit ("EPU") was \$0.04 compared to \$0.03 reported in 2005.

EBITDA is a non-GAAP measure that describes earnings before interest, income taxes, depreciation and amortization, gains or losses on the disposal of property plant and equipment and certain one-time income and expense items such as restructuring charges insurance proceeds and portfolio income or losses. EBITDA for the first quarter of 2006 was \$588,000 versus \$1,317,000 for 2005. The key reason for the decline from 2005 is the decline in operating income resulting from the revenue shortfall.

Distributions and Distributable Cash

The Fund declared three monthly distributions of \$0.01 per unit for a total of \$614,000, \$204,000 of which was paid during the first quarter of 2005 and the balance paid subsequent to the end of the quarter.

Distributable cash is not a defined term under Canadian GAAP, nor does it have a standard agreed-upon meaning. As such, the Fund's distributable cash may not be directly comparable to distributable cash reported by other income funds or similar issuers. The Fund defines distributable cash as EBITDA adjusted for capital expenditures, scheduled debt repayment, cash interest, preference share dividends, the insurance proceeds and such other reserves that the Board of Trustees deem to be reasonable and necessary for the operation of the Fund. Distributable cash for the first quarter of 2006 was \$1,068,000, calculated as follows:

	<u>Q-1 2006</u>	<u>Q-1 2005</u>
EBITDA	\$ 588,000	\$ 1,317,000
Cash interest	(155,000)	(150,000)
Capital expenditures	(110,000)	(37,000)
Scheduled debt repayment	(12,000)	(220,000)
Insurance proceeds	<u>757,000</u>	<u>-</u>
Distributable Cash	<u>\$ 1,068,000</u>	<u>\$ 910,000</u>

Liquidity and Capital Resources

The Fund had cash of \$5,126,000 as at March 25, 2006, an increase of \$2,092,000 from year-end largely due to a net improvement in working capital, particularly receivables and inventories, and the receipt of \$757,000 of proceeds from an insurance claim. Deposits and prepaid expenses increased due mainly to deposits on capital equipment, which will likely be leased, related to a new project which is expected to commence in the second quarter of 2006. Cash flow from operating activities increased to \$3,612,000 in the quarter mainly due to the working capital improvements.

Financing Activities

During the quarter the Fund repaid \$1,012,000 of its long-term debt, including \$500,000 of the 8.5% convertible debentures, \$500,000 of term debt and \$12,000 of mortgages.

Investing Activities

On March 1, 2006, the Fund acquired the assets of Nature's Best, a 'fresh cut' operation, for \$194,000 in cash. Capital expenditures totaled \$110,000 during the quarter, largely on smaller processing equipment and the extension of the information technology software to another operating division.

Debt

The total debt of the Fund as at March 26, 2005 was \$9,050,000, a reduction of \$997,000 from year-end. The 2006 balance is composed of a current portion of long-term liabilities of \$48,000, \$4,328,000 in convertible debenture financing, \$1,900,000 in a non-revolving term credit facility, \$477,000 of mortgages and \$2,297,000 of preference share liability.

The Fund is in compliance with all its banking covenants as at March 25, 2006.

Fiscal 2006 Outlook

Management believes the segments of the food industry in which the Fund participates will remain highly competitive resulting in continuing volume and margin pressures.

The Fund will continue to advance its strategy of expanding as a diversified food supplier in the food industry through the pursuit of acquisitions and alliances. The challenge continues to be the availability of attractive acquisition targets for expansion at a reasonable cost.

DOMINION CITRUS INCOME FUND
CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

DOMINION CITRUS INCOME FUND
CONSOLIDATED STATEMENTS OF EARNINGS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
REVENUE	\$ 25,703,000	\$ 28,744,000
COST OF GOODS SOLD	20,926,000	23,430,000
GROSS MARGIN	<u>4,777,000</u>	<u>5,314,000</u>
EXPENSES		
Warehouse and delivery	2,998,000	2,869,000
Selling	676,000	596,000
General and administrative	885,000	918,000
	<u>4,559,000</u>	<u>4,383,000</u>
OPERATING INCOME	<u>218,000</u>	<u>931,000</u>
OTHER INCOME (EXPENSE)		
Foreign exchange	133,000	161,000
Interest expense – current	(16,000)	(20,000)
Interest expense - long term	(189,000)	(197,000)
Interest income	37,000	16,000
Amortization of deferred costs	(42,000)	-
Other income	757,000	-
	<u>680,000</u>	<u>(40,000)</u>
INCOME BEFORE PORTFOLIO INCOME	<u>898,000</u>	<u>891,000</u>
Income on disposal of portfolio investments	-	21,000
	-	21,000
EARNINGS BEFORE INCOME TAXES	898,000	912,000
INCOME TAXES	<u>131,000</u>	<u>309,000</u>
NET EARNINGS FOR THE QUARTER	<u>\$ 767,000</u>	<u>\$ 603,000</u>
PER UNIT: (Note 3)		
Basic	<u>\$ 0.04</u>	<u>\$ 0.03</u>
Fully diluted	<u>\$ 0.04</u>	<u>\$ 0.03</u>

DOMINION CITRUS INCOME FUND
CONSOLIDATED BALANCE SHEET
(Unaudited)

	As at:	
ASSETS	<u>Mar.25/06</u>	<u>Dec.31/05</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,126,000	\$ 3,034,000
Accounts receivable	9,841,000	15,571,000
Inventories	4,425,000	7,414,000
Prepaid expenses & deposits	729,000	426,000
	20,121,000	26,445,000
PROPERTY, PLANT AND EQUIPMENT	8,563,000	8,564,000
OTHER ASSETS	1,345,000	1,393,000
GOODWILL	4,858,000	4,827,000
	\$ 34,887,000	\$ 41,229,000
LIABILITIES		
CURRENT LIABILITIES		
Cheques in transit	\$ 1,879,000	\$ 3,641,000
Accounts payable and accrued liabilities	9,808,000	14,025,000
Current portion of long-term liabilities	48,000	48,000
Income taxes payable	321,000	180,000
Distributions payable	410,000	-
Interest payable	-	72,000
	12,466,000	17,966,000
LONG-TERM PAYABLES	427,000	427,000
LONG-TERM LIABILITIES	2,377,000	2,889,000
CONVERTIBLE DEBENTURE	4,328,000	4,813,000
PREFERENCE SHARES LIABILITY	2,297,000	2,297,000
FUTURE INCOME TAXES	269,000	269,000
	22,164,000	28,661,000
UNITHOLDERS' EQUITY		
UNITS (Note 1)	6,942,000	6,942,000
CONTRIBUTED SURPLUS	29,000	27,000
EQUITY COMPONENT OF DEBENTURE	425,000	425,000
RETAINED EARNINGS	5,327,000	5,174,000
	12,723,000	12,568,000
	\$ 34,887,000	\$ 41,229,000

DOMINION CITRUS INCOME FUND
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
RETAINED EARNINGS - BEGINNING OF QUARTER	\$5,174,000	\$3,843,000
Net earnings for the quarter	767,000	603,000
Distributions paid – units	(204,000)	-
Distributions payable – units	(410,000)	-
Dividends payable / paid – common shares	-	<u>(495,000)</u>
RETAINED EARNINGS - END OF QUARTER	<u>\$5,327,000</u>	<u>\$3,951,000</u>

DOMINION CITRUS INCOME FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the quarter	\$ 767,000	\$ 603,000
Items not involving current cash flows -		
Amortization of property, plant and equipment	235,000	222,000
Amortization of conversion costs	42,000	-
Amortization of deferred financing costs	37,000	37,000
Amortization of debenture discount	15,000	15,000
Stock option expense	2,000	3,000
Realized investment gain	-	(21,000)
	1,098,000	859,000
Net change in non-cash working capital -		
Accounts receivable	5,730,000	(160,000)
Inventories	2,996,000	2,747,000
Prepaid expenses & deposits	(297,000)	(87,000)
Cheques in transit	(1,762,000)	1,104,000
Accounts payable and accrued liabilities	(4,632,000)	(3,001,000)
Distributions payable	410,000	-
Interest payable	(72,000)	-
Income taxes payable	141,000	183,000
	3,612,000	1,645,000
FINANCING ACTIVITIES		
Repayment of long-term liabilities	(1,012,000)	(420,000)
Distributions paid	(204,000)	-
Dividends paid	-	(64,000)
	(1,216,000)	(484,000)
INVESTING ACTIVITIES		
Proceeds on disposal of portfolio investments	-	2,583,000
Acquisition of property, plant and equipment	(110,000)	(37,000)
Acquisition of Bo-Fruits, net of cash acquired (Note 2(b))	-	(175,000)
Acquisition of Nature's Best (note 2(a))	(194,000)	-
	(304,000)	2,371,000
CHANGE IN CASH	2,092,000	3,532,000
CASH & CASH EQUIVALENTS (INDEBTEDNESS) - BEGINNING OF QUARTER	3,034,000	(705,000)
CASH & CASH EQUIVALENTS - END OF QUARTER	\$5,126,000	\$2,827,000
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 155,000	\$ 150,000
Income taxes paid	\$ -	\$ 126,000

During the quarter, capital assets of \$5,000 (2005 – nil) were acquired and are included in accounts payable.

DOMINION CITRUS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

The consolidated interim financial statements should be read in conjunction with Dominion Citrus Limited's most recent annual consolidated financial statements, as they do not conform in all respects with the requirements of Canadian GAAP as pertaining to audited annual financial statements. The interim statements follow the same accounting policies and procedures as the most recent audited statements; and while reviewed by the Audit Committee of the Board of Trustees' for overall compliance, have not been subjected to the same degree of testing and verification as the audited annual financial statements.

Comparative Figures

Certain 2005 figures in the accompanying Consolidated Financial Statements have been reclassified to conform to the 2006 presentation.

1. Conversion to an Income Fund

Dominion Citrus Income Fund (the "Fund") is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated November 21, 2005.

Effective January 1, 2006, pursuant to a Plan of Arrangement under the laws of the Province of Ontario, the Fund acquired all the issued and outstanding common shares of Dominion Citrus Limited (the "Company") in exchange for units of the Fund, on a one-for-one basis. The transaction has been accounted for under the continuity-of interest method of accounting as there has been no substantive change in the ultimate ownership interests in the Company. As such the transfer of common shares of the Company to the Fund was recorded at the carrying values of the Company's assets and liabilities on December 31, 2005.

The Fund units are listed on the TSX under the symbol DOM.UN. The Series A preference shares of the Company continue to be listed on the TSX under the symbol DMN.PR.A. Readers are directed to the document, Management Information Circular with respect to a Plan of Arrangement providing for the creation of Dominion Citrus Income Fund, dated November 23, 2005 that is available at www.sedar.com.

DOMINION CITRUS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

2. Business and Assets Acquisitions

a) Nature's Best

On February 2, 2006, the Company acquired the assets of Nature's Best for a cash purchase price of \$194,000 as follows:

Inventory	\$ 7,000
Prepaid expenses	6,000
Property, plant and equipment	119,000
Other assets	31,000
Goodwill	<u>31,000</u>
Total purchase price	<u>\$ 194,000</u>

b) Les Aliments Dominion Citrus Limitée ("Bo-Fruits") Acquisition (formerly Distribution Bo-Fruits Inc.)

The acquisition of Bo-Fruits on February 24, 2004 contained a purchase price adjustment, up to a maximum of \$175,000, based on the actual results for the twelve month period following closing. The maximum purchase price adjustment was earned and accrued in the first quarter of 2005 and has been classified as goodwill in the balance sheet.

3. Earnings Per Unit

Earnings per unit is calculated by dividing net income available to unitholders by the weighted average number of units outstanding.

Diluted earnings per unit using the treasury stock method is calculated using an adjusted weighted average number of units outstanding which reflects the exercise of stock options; and the if converted method for the redemption of series A preference shares for common shares and the debenture conversion.

DOMINION CITRUS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

	March 25, 2006	March 26, 2005
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Basic earnings per unit computation		
Earnings available to units	\$ 767,000	\$ 603,000
Weighted average units outstanding	20,475,845	19,805,845
Basic earnings per unit	\$0.04	\$0.03
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Diluted earnings per unit computation		
Earnings available to units	\$ 767,000	\$ 603,000
Dilutive effect of:		
After-tax income from convertible debentures	76,000	78,000
Earnings available to units, assuming dilution	\$ 843,000	\$ 681,000
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Weighted average units outstanding	20,475,845	19,805,845
Dilutive effect of:		
Employee Stock Options	-	293,593
Convertible Debentures	3,472,578	3,571,429
Adjusted fully diluted weighted average units outstanding	23,948,423	23,670,867
Diluted earnings per unit	\$0.04	\$0.03
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DOMINION CITRUS INCOME FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 25, 2006 AND MARCH 26, 2005
(Unaudited)

4. Segmented Information

The Fund is organized into eight operating divisions to assist management in making operating decisions and assessing performance. Five of the divisions share similar characteristics and have been aggregated as *produce wholesaling and processing*. The remaining three divisions have been aggregated as *other food*.

	<u>2006</u>	<u>2005</u>
(a) Produce Wholesaling and Processing		
Revenues	\$21,731,000	\$24,110,000
Operating income	394,000	753,000
Amortization of property, plant and equipment	151,000	131,000
Amortization of deferred financing costs	37,000	37,000
Property, plant and equipment expenditures	136,000	37,000
Segment assets	18,818,000	19,615,000

	<u>2006</u>	<u>2005</u>
(b) Other Food		
Revenues	\$ 3,972,000	\$ 4,634,000
Operating income	(176,000)	178,000
Amortization of property, plant and equipment	84,000	91,000
Amortization of deferred financing costs	-	-
Property, plant and equipment expenditures	(26,000)	-
Segment assets	16,069,000	16,730,000

(c) Total		
Revenues	\$25,703,000	\$28,744,000
Operating income	218,000	931,000
Amortization of property, plant and equipment	235,000	222,000
Amortization of deferred financing costs	37,000	37,000
Property, plant and equipment expenditures	110,000	37,000
Assets	34,887,000	36,345,000