

# *Dominion* *Citrus*

**FOR IMMEDIATE RELEASE**

**Toronto, August 8, 2005**

**For more information:**

**Investors:**

E. A. Atkinson  
VP Finance, CFO &  
Corporate Secretary  
416-521-6288

**Media:**

J. L. Lavergne  
President & CEO  
416-521-6289

## **Second Quarter 2005 Report to Shareholders**

Six months ended June 25, 2005 and June 26, 2004

### **DOMINION CITRUS LIMITED ANNOUNCES SECOND QUARTER NET EARNINGS**

#### **Second Quarter Highlights**

- **Revenue of \$32,814,000 down \$1,600,000, or 4.6%, from last year.**
- **Net earnings of \$701,000 up from net earnings of \$605,000 reported last year.**
- **Fully diluted earnings per share of \$0.030, up \$0.004 per share from last year.**
- **The Company declared a semi-annual dividend of \$0.070313 per preference share, which was paid in July.**

- **Generated operating cash flow before changes in working capital of \$973,000.**
- **The Company continues to pursue the conversion to an income trust.**
- **The new processing and refrigerated warehouse facility in Toronto is scheduled to open in Q-3, 2005.**
- **Subsequent to quarter end, the Company declared a semi-annual dividend of \$0.025 per common share, payable September 29, 2005 to shareholders of record on September 12, 2005.**
- **Hired an experienced sales and marketing executive with food industry experience for Delta.**

**TORONTO, August 8, 2005: Dominion Citrus Limited (TSX:DMN)** announced revenues of \$32,814,000 for the second quarter, a decrease of 4.6% from the same period last year and net earnings of \$701,000 (\$0.030 per share fully diluted versus net earnings of \$605,000 (\$0.026 per share fully diluted) reported last year.

"Poor growing conditions in key U.S. production areas, lower commodity pricing on products processed by the Company and reduced orders for maple syrup impacted our second quarter performance," said Jacques Lavergne, President and CEO. "The 2005 results also include a \$400,000, pre tax, favourable settlement of a lawsuit whereas the 2004 results included \$128,000, pre tax, proceeds and reserve adjustments related primarily to an insurance settlement."

Lavergne continued, "We believe that we have stabilized revenues at Delta and continue to pursue other initiatives such as the new warehouse that should position us for future growth".

**Dominion Citrus Limited 2<sup>ND</sup> Quarter Results**  
**3 months ended June 25, 2005 & June 26, 2004**

	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenue	\$32,814,000	\$34,414,000
Operating Income	\$622,000	\$1,024,000
Other Income (Expense)	\$279,000	\$(172,000)
Income Before Portfolio Income	\$901,000	\$852,000
Portfolio Income	-	\$1,000
Net Earnings	\$701,000	\$605,000
Basic EPS	\$0.032	\$0.027
Fully Diluted EPS	\$0.030	\$0.026

**6 months ended June 25, 2005 & June 26, 2004**

	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenue	\$61,558,000	\$64,451,000
Operating Income	\$1,553,000	\$2,317,000
Other Income (Expense)	\$239,000	\$(164,000)
Income Before Portfolio Income	\$1,792,000	\$2,153,000
Portfolio Income	\$21,000	\$3,000
Net Earnings	\$1,304,000	\$1,432,000
Basic EPS	\$0.062	\$0.069
Fully Diluted EPS	\$0.059	\$0.064

## **Fiscal 2005 Outlook**

The segments of the food industry in which the Company participates will remain highly competitive resulting in continuing volume and margin pressures while the impact of weather, which has had a negative impact on the first half, is difficult to forecast. Consolidation of participants in the business segments in which we compete remains the single largest opportunity for future margin and cost improvement.

## **About Dominion**

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 Company provides procurement, processing, repacking, sorting, grading, warehousing and distribution services to over 400 customers, with its major domestic markets being Ontario and Quebec. The Company also supplies products to customers in the United States and Europe. The website can be accessed at [www.dominioncitrus.com](http://www.dominioncitrus.com).

## **Caution regarding Forward-Looking Statements**

This release 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 press release 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 onto 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.

# *Dominion* *Citrus*

## **Management's Discussion and Analysis Second Quarter 2005**

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 Company provides procurement, processing, repacking, sorting, grading, warehousing and distribution services to over 400 customers, with its major domestic markets being Ontario and Quebec. The Company also supplies products to customers in the United States and Europe.

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

The results for the first half of 2005 include the operations of Bo-Fruits for the complete period whereas the results for the first half of 2004 only include Bo-Fruits from February 24, 2004.

### **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.

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## Summary Annual Statistics

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenue (\$000's)	131,619	120,491	106,510
Operating income (\$000's)	4,761	4,692	3,410
Net earnings (\$000's)	1,324	2,687	2,206
Basic earnings per share	\$0.06	\$0.143	\$0.135
Fully diluted earnings per share	\$0.06	\$0.131	\$0.123
Cash dividends per common share	\$0.05	\$0.05	\$0.04
Total assets (\$000's)	38,627	38,293	31,934
Long-term liabilities (\$000's)	4,090	4,842	1,648
Shares outstanding (Basic Weighted Average)	19,754,788	17,780,081	16,286,155

## Summary Quarterly Statistics

	<b>2005</b>		<b>2004</b>				<b>2003</b>	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue (\$000's)	32,814	28,744	34,631	32,537	34,414	30,037	29,659	29,934
Operating income (\$000's)	622	931	1,376	1,068	1,024	1,293	1,418	1,059
Net earnings (\$000's)	701	603	(784)	676	605	827	659	611
Basic earnings per share	\$0.032	\$0.030	(\$ 0.043)	\$ 0.034	\$ 0.027	\$ 0.042	\$ 0.028	\$ 0.033
Fully diluted earnings per share	\$0.030	\$0.029	(\$ 0.036)	\$ 0.032	\$ 0.026	\$ 0.038	\$ 0.028	\$ 0.030

## Non-GAAP Measures

In the ensuing tables, Dominion 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.

Management believes that the data in the tables below provide a uniform comparability of earnings arising from its operating activities and from those extraneous to its operating activities, although they include non-GAAP measurements. The net earnings of the Company has been segregated into two streams: the operating income less other income (expense), as outlined on the attached income statement, and the sum of the portfolio and Catanti related income (loss), both on an after tax basis. This indicates that, on an annual basis, the ongoing normal core operations have continued to improve in 2004 over 2003 and 2002.

## Other Selected Annual Information (\*)

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Net earnings from operations before portfolio, Catanti related income (expense) (\$000's)	2,750	2,569	2,139
Net earnings from portfolio, Catanti related income (expense) (\$000's)	(1,426)	118	67
<b>Net earnings (\$000's)</b>	<b>1,324</b>	<b>2,687</b>	<b>2,206</b>
Basic earnings per share from operations before portfolio and Catanti related income (expense)	\$0.132	\$0.136	\$0.131
Basic earnings per share from portfolio and Catanti related income (expense)	(\$0.072)	\$0.007	\$0.004
<b>Basic earnings per share</b>	<b>\$0.06</b>	<b>\$0.143</b>	<b>\$0.135</b>
Shares outstanding (Basic Weighted Average)	19,754,788	17,780,081	16,286,155

## Other Selected Quarterly Information (\*)

	<b>2005</b>		<b>2004</b>				<b>2003</b>	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net earnings from operations before portfolio & Catanti related income (expense) (\$000's)	701	582	647	673	604	826	721	609
Net earnings from portfolio & Catanti related income (expense) (\$000's)	-	21	(1,431)	3	1	1	(62)	2
<b>Net earnings (\$000's)</b>	<b>701</b>	<b>603</b>	<b>(784)</b>	<b>676</b>	<b>605</b>	<b>827</b>	<b>659</b>	<b>611</b>
Basic earnings from operations before portfolio & Catanti related income (expense)	\$0.032	\$0.029	\$0.029	\$ 0.034	\$ 0.027	\$ 0.042	\$ 0.032	\$ 0.033
Basic earnings from portfolio & Catanti related income (expense)	\$0.000	\$0.001	(\$0.072)	\$ 0.000	\$ 0.000	\$ 0.000	(\$0.004)	\$ 0.000
<b>Basic earnings per share</b>	<b>\$0.032</b>	<b>\$0.030</b>	<b>(\$ 0.043)</b>	<b>\$ 0.034</b>	<b>\$ 0.027</b>	<b>\$ 0.042</b>	<b>\$ 0.028</b>	<b>\$ 0.033</b>

(\*) All references to net earnings and EPS are on an after tax basis.

## **Revenue**

Revenue for the second quarter of fiscal 2005 was \$32,814,000, down 4.6% from the \$34,414,000 reported for the same period last year.

Revenue in the *fresh produce wholesaling and processing* business segment ("Produce") of \$28,910,000 was down 0.9% from the \$29,168,000 reported last year. This reflects poor growing conditions in key U.S. production areas and lower commodity pricing on products processed by the Company.

In the *other food* business segment, revenue of \$3,904,000 was down \$1,342,000 or 25.6%. This was due to the de-listing of two Catanti product lines in 2004 (previously reported) and the loss of some US based maple syrup co-packing business to a new competitor. Some of this business has since been reclaimed and a senior sales and marketing executive with food industry experience has been hired to increase revenues by increasing geographic penetration and adding new markets.

## **Gross Margin**

Gross margin for the second quarter of \$5,206,000 decreased by \$338,000 from last year, to 15.9% of revenue from 16.1% in 2004.

Second quarter margins in the Produce segment improved to 15.1% of revenue from 14.9%. This largely reflects commodity costs rising less than selling prices.

In the *other food* business segment, gross margins for the second quarter declined to 21.6% from 22.6% in 2004. This decline reflects the inclusion in 2004 of the favourable impact of a non-recurring pre-tax insurance recovery of \$94,000 at Apple Valley and lower selling prices for maple products.

## **Expenses**

Total expenses for the second quarter of 2005 increased by \$64,000 to \$4,584,000.

Warehouse and delivery expenses of \$2,859,000 increased modestly by \$28,000 over last year driven by higher labour and fuel costs with reductions in cold storage and amortization expenses.

Selling expenses of \$663,000 for the second quarter of 2005 increased by only \$7,000 from the \$656,000 reported in 2004 due to tight cost control over discretionary items.

General and administrative expenses of \$1,062,000 increased by \$29,000 from the second quarter of 2004 driven largely by the reversal of a small restructuring reserve which was not repeated in 2005.

### **Other Income (Expense)**

Foreign exchange trading gains of \$107,000 were up \$45,000 from 2004 as there were more trading opportunities in the second quarter of 2005.

Net interest expense for the second quarter of 2005 declined by \$21,000 due to lower year over year term debt levels and improved cash balances resulting from the liquidation of the portfolio investments, offset by higher average interest rates approximating 0.5%.

Lastly, the Company received proceeds of \$385,000, net of legal expenses, from the settlement of its lawsuit against Producom.

### **Income Taxes**

Income taxes for the second quarter of 2005 declined to \$200,000 despite the higher pre tax income versus 2004. This reflects the treatment of the settlement proceeds from Producom as a capital gain offset by available capital losses. This reduction in taxes versus last year was partially offset by a lower mix of manufacturing and processing profits and the inclusion, in 2004, of a small over provision.

### **Fully Diluted Net Earnings**

Net earnings for the second quarter of 2005 were \$701,000, a 15.9% increase from the \$605,000 earned in 2004. Earnings per share ("EPS") of \$0.030 were 15.4% higher than the \$0.026 reported in 2004.

### **Liquidity and Capital Resources**

The Company had cash of \$1,737,000 as at June 25, 2005, an improvement of \$3,479,000 over June 26, 2004 and \$2,442,000 from the overdraft of \$705,000 at December 31, 2004. The improvement from year-end is largely due to the sale of the investment portfolio and a reduction in trade receivables. Cash flow used in operating activities for the second quarter declined to \$503,000 from \$1,567,000 mainly due to improvements in receivables and inventories resulting from the lower revenues, partially offset by lower payables and higher prepaid expenses and advances related to insurance and deposits on equipment for the new warehouse.

### **Financing Activities**

Long-term debt increased by \$83,000 during the quarter. The Company borrowed \$500,000 to finance its building expansion at Bo-Fruits, repaid \$432,000 of its long-term debt and amortized \$15,000 of the convertible debenture equity. It also paid a

dividend of \$0.025 per common share, or \$495,000.

### **Investing Activities**

\$178,000 was spent on capital expenditures during the quarter, largely on the Bo-Fruits building, information technology and production equipment.

### **Debt**

Dominion's total debt as at June 25, 2005 was \$8,520,000, reductions of \$930,000 and \$322,000 from June 26 and December 31, 2004 respectively. The June 2005 balance is comprised of a current portion of long-term liabilities of \$970,000, \$4,782,000 in convertible debenture financing, \$2,200,000 in a non-revolving term credit facility and \$568,000 of mortgages.

The Company is in compliance with all its banking covenants.

### **Commitments**

Dominion has commitments for equipment, primarily for the new processing and refrigerated warehousing facility, totaling \$1,104,000 as at June 25, 2005. The Company will be assessing whether to lease or purchase the equipment.

### **Fiscal 2005 Outlook**

The segments of the food industry in which the Company participates will remain highly competitive resulting in continuing volume and margin pressures while the impact of weather, which has had a negative impact on the first half, is difficult to forecast. Consolidation of participants in the business segments in which we compete remains the single largest opportunity for future margin and cost improvement.

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**THREE MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>REVENUE</b>	\$ <b>32,814,000</b>	\$ 34,414,000
<b>COST OF GOODS SOLD</b>	<b>27,608,000</b>	28,870,000
<b>GROSS MARGIN</b>	<b><u>5,206,000</u></b>	<u>5,544,000</u>
<b>EXPENSES</b>		
Warehouse and delivery	<b>2,859,000</b>	2,831,000
Selling	<b>663,000</b>	656,000
General and administrative	<b>1,062,000</b>	1,033,000
	<b><u>4,584,000</u></b>	<u>4,520,000</u>
<b>OPERATING INCOME</b>	<b><u>622,000</u></b>	<u>1,024,000</u>
<b>OTHER INCOME (EXPENSE)</b>		
Foreign exchange	<b>107,000</b>	62,000
Interest expense – current	<b>(81,000)</b>	(78,000)
Interest expense - long term	<b>(159,000)</b>	(161,000)
Interest income	<b>27,000</b>	5,000
Other income (Note 2)	<b>385,000</b>	-
	<b><u>279,000</u></b>	<u>(172,000)</u>
<b>INCOME BEFORE PORTFOLIO INCOME</b>	<b>901,000</b>	852,000
<b>PORTFOLIO INCOME</b>		
Dividend income	<u>-</u>	<u>1,000</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>901,000</b>	853,000
<b>INCOME TAXES</b>	<b><u>200,000</u></b>	<u>248,000</u>
<b>NET EARNINGS FOR THE QUARTER</b>	<b><u>\$ 701,000</u></b>	<b><u>\$ 605,000</u></b>
<b>EARNINGS PER SHARE: (Note 4)</b>		
Basic	<b><u>\$ 0.032</u></b>	<u>\$0.027</u>
Fully diluted	<b><u>\$ 0.030</u></b>	<u>\$0.026</u>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

	<u>2005</u>	<u>2004</u>
<b>REVENUE</b>	<b>\$ 61,558,000</b>	\$ 64,451,000
<b>COST OF GOODS SOLD</b>	<b>51,038,000</b>	53,015,000
<b>GROSS MARGIN</b>	<b><u>10,520,000</u></b>	<u>11,436,000</u>
<b>EXPENSES</b>		
Warehouse and delivery	<b>5,728,000</b>	5,682,000
Selling	<b>1,259,000</b>	1,269,000
General and administrative	<b>1,980,000</b>	2,168,000
	<b><u>8,967,000</u></b>	<u>9,119,000</u>
<b>OPERATING INCOME</b>	<b><u>1,553,000</u></b>	<u>2,317,000</u>
<b>OTHER INCOME (EXPENSE)</b>		
Foreign exchange	<b>268,000</b>	289,000
Interest expense – current	<b>(152,000)</b>	(146,000)
Interest expense - long term	<b>(305,000)</b>	(319,000)
Interest income	<b>43,000</b>	12,000
Other income (Note 2)	<b>385,000</b>	-
	<b><u>239,000</u></b>	<u>(164,000)</u>
<b>INCOME BEFORE PORTFOLIO INCOME</b>	<b><u>1,792,000</u></b>	<u>2,153,000</u>
<b>PORTFOLIO INCOME</b>		
Dividend income	-	3,000
Income on disposal of portfolio investments	<b>21,000</b>	-
	<b><u>21,000</u></b>	<u>3,000</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>1,813,000</b>	2,156,000
<b>INCOME TAXES</b>	<b><u>509,000</u></b>	<u>724,000</u>
<b>NET EARNINGS FOR THE SIX MONTHS</b>	<b><u>\$ 1,304,000</u></b>	<u>\$ 1,432,000</u>
<b>EARNINGS PER SHARE:</b> (Note 4)		
Basic	<b><u>\$ 0.062</u></b>	<u>\$ 0.069</u>
Fully diluted	<b><u>\$ 0.059</u></b>	<u>\$ 0.064</u>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	As at:	
ASSETS	<u>June 25/05</u>	<u>Dec.31/04</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,737,000	\$ -
Accounts receivable	11,813,000	12,288,000
Inventories	11,854,000	11,743,000
Portfolio investments, at market value	-	2,562,000
Prepaid expenses and advances	<u>1,278,000</u>	<u>203,000</u>
	<b>26,682,000</b>	26,796,000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>6,703,000</b>	6,945,000
<b>OTHER ASSETS</b>	<b>4,985,000</b>	4,884,000
<b>FUTURE INCOME TAXES</b>	<u>2,000</u>	<u>2,000</u>
	<b><u>\$ 38,372,000</u></b>	<b><u>\$ 38,627,000</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ -	\$ 705,000
Cheques in transit	4,077,000	1,291,000
Accounts payable and accrued liabilities	11,559,000	14,343,000
Current portion of long-term liabilities	970,000	979,000
Income taxes payable	<u>59,000</u>	<u>59,000</u>
	<b>16,665,000</b>	17,377,000
<b>LONG-TERM PAYABLES</b>	<b>425,000</b>	401,000
<b>LONG-TERM LIABILITIES</b>	<b>2,768,000</b>	3,111,000
<b>CONVERTIBLE DEBENTURE</b>	<b>4,782,000</b>	4,752,000
	<u>24,640,000</u>	<u>25,641,000</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>	<b>8,703,000</b>	8,703,000
<b>CONTRIBUTED SURPLUS</b>	<b>21,000</b>	15,000
<b>EQUITY COMPONENT OF DEBENTURE</b>	<b>425,000</b>	425,000
<b>RETAINED EARNINGS</b>	<u>4,583,000</u>	<u>3,843,000</u>
	<b><u>13,732,000</u></b>	<b><u>12,986,000</u></b>
	<b><u>\$ 38,372,000</u></b>	<b><u>\$ 38,627,000</u></b>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>RETAINED EARNINGS - BEGINNING OF PERIOD</b>	<b>\$3,843,000</b>	\$3,644,000
Net earnings for the six months	<b>1,304,000</b>	1,432,000
Dividends payable / paid – common shares	<b>(495,000)</b>	(494,000)
Dividends payable / paid – preference shares	<u><b>(69,000)</b></u>	<u>(72,000)</u>
<b>RETAINED EARNINGS - END OF PERIOD</b>	<u><b>\$4,583,000</b></u>	<u>\$4,510,000</u>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings for the quarter	\$ 701,000	\$ 605,000
Items not involving current cash flows -		
Amortization of property, plant and equipment	224,000	237,000
Amortization of deferred financing costs	37,000	39,000
Amortization of debenture discount	15,000	16,000
Stock option expense	3,000	1,000
Loss on disposal of property, plant and equipment	(7,000)	(13,000)
	973,000	885,000
Net change in non-cash working capital -		
Accounts receivable	635,000	(1,151,000)
Inventories	(2,858,000)	(3,416,000)
Prepaid expenses and advances	(988,000)	(206,000)
Cheques in transit	1,682,000	243,000
Accounts payable and accrued liabilities	236,000	1,951,000
Income taxes	(183,000)	127,000
	(503,000)	(1,567,000)
<b>FINANCING ACTIVITIES</b>		
Other assets	-	(26,000)
Repayment of long-term liabilities	(432,000)	(247,000)
Proceeds from long-term liabilities	500,000	-
Dividends paid	(495,000)	-
	(427,000)	(273,000)
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(178,000)	(280,000)
Proceeds on disposal of portfolio investments	-	167,000
Acquisition of Bo-Fruits, net of cash acquired (Note 3)	-	(33,000)
Proceeds on disposal of property, plant and equipment	18,000	31,000
Cost of issue of common and preference shares	-	(3,000)
	(160,000)	(118,000)
<b>CHANGE IN CASH</b>	<b>(1,090,000)</b>	<b>(1,958,000)</b>
<b>CASH - BEGINNING OF PERIOD</b>	<b>2,827,000</b>	<b>216,000</b>
<b>CASH (INDEBTEDNESS) – END OF PERIOD</b>	<b>\$ 1,737,000</b>	<b>\$ (1,742,000)</b>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

	<u>2005</u>	<u>2004</u>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings for the six months	<b>\$1,304,000</b>	\$ 1,432,000
Items not involving current cash flows -		
Amortization of property, plant and equipment	<b>446,000</b>	465,000
Amortization of deferred financing costs	<b>74,000</b>	71,000
Amortization of debenture discount	<b>30,000</b>	31,000
Stock option expense	<b>6,000</b>	3,000
Income on disposal of portfolio investments	<b>(21,000)</b>	-
Loss on disposal of property, plant and equipment	<b>(7,000)</b>	(13,000)
	<b>1,832,000</b>	1,989,000
Net change in non-cash working capital -		
Accounts receivable	<b>475,000</b>	531,000
Inventories	<b>(111,000)</b>	(1,109,000)
Prepaid expenses and advances	<b>(1,075,000)</b>	(206,000)
Cheques in transit	<b>2,786,000</b>	1,954,000
Accounts payable and accrued liabilities	<b>(2,765,000)</b>	(1,453,000)
Income taxes	-	105,000
	<b>1,142,000</b>	1,811,000
<b>FINANCING ACTIVITIES</b>		
Other assets	-	(32,000)
Repayment of long-term liabilities	<b>(852,000)</b>	(259,000)
Proceeds from long-term liabilities	<b>500,000</b>	-
Dividends paid	<b>(559,000)</b>	(572,000)
	<b>(911,000)</b>	(863,000)
<b>INVESTING ACTIVITIES</b>		
Proceeds on disposal of portfolio investments	<b>2,583,000</b>	167,000
Acquisition of property, plant and equipment	<b>(215,000)</b>	(474,000)
Acquisition of Bo-Fruits, net of cash acquired (Note 3)	<b>(175,000)</b>	(1,201,000)
Investment in Catanti	-	(2,000)
Proceeds on disposal of property, plant and equipment	<b>18,000</b>	31,000
Cost of issue of common and preference shares	-	(3,000)
	<b>2,211,000</b>	(1,482,000)
<b>CHANGE IN CASH</b>	<b>2,442,000</b>	(534,000)
<b>INDEBTEDNESS - BEGINNING OF PERIOD</b>	<b>(705,000)</b>	(1,208,000)
<b>CASH (INDEBTEDNESS) - END OF PERIOD</b>	<b>\$1,737,000</b>	\$(1,742,000)

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED June 25, 2005 AND June 26, 2004**  
**(Unaudited)**

	<u>2005</u>	<u>2004</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$234,000</u>	<u>\$186,000</u>
Income taxes paid	<u>\$267,000</u>	<u>\$120,000</u>

**DOMINION CITRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED June 25, 2005 AND June 26, 2004**  
**(Unaudited)**

	<u>2005</u>	<u>2004</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$384,000</u>	<u>\$370,000</u>
Income taxes paid	<u>\$393,000</u>	<u>\$574,000</u>

**DOMINION CITRUS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

*The interim unaudited consolidated financial statements should be read in conjunction with the company'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 Directors' for overall compliance, have not been subjected to the same degree of testing and verification as the audited annual financial statements.*

### **Comparative Figures**

Certain 2004 figures in the accompanying interim unaudited Consolidated Financial Statements have been reclassified to conform to the 2005 presentation.

#### **1. Interest Expense**

Interest expense for the quarter includes a non-cash expense of \$15,000 (2004 - \$16,000) associated with the amortization of \$425,000 ascribed to the equity component of the \$5,000,000 debenture.

#### **2. Other Income**

The other income of \$385,000 in the quarter represents the settlement of a lawsuit against Producom, net of \$15,000 in legal expenses. For income tax purposes, the proceeds, excluding the recovery of legal expenses, have been treated as a capital transaction.

#### **3. 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 has been earned and paid and has been classified as goodwill under other assets in the balance sheet.

**DOMINION CITRUS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

**4. Earnings Per Share**

Earnings per common share is calculated by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding.

Diluted earnings per share using the treasury stock method is calculated using an adjusted weighted average number of common shares outstanding which reflects the exercise of stock options and debenture conversion.

**Three Months Ended June 25, 2005 & June 26, 2004**

	<b>June 25, 2005</b>	<b>June 26, 2004</b>
Basic earnings per share computation		
Net earnings for the quarter	<b>\$701,000</b>	\$605,000
Less : Preference share dividend	<b>69,000</b>	72,000
Earnings available to common shares	<b>\$632,000</b>	\$ 533,000
Weighted average common shares outstanding	<b>19,805,845</b>	19,770,845
Basic earnings per common share	<b>\$0.032</b>	\$0.027
Diluted earnings per share computation		
Earnings available to common shares	<b>\$632,000</b>	\$ 533,000
Dilutive effect of:		
After-tax income from convertible debentures	<b>83,000</b>	79,000
Earnings available to common shareholders, assuming dilution	<b>\$715,000</b>	\$ 612,000
Weighted average common shares outstanding	<b>19,805,845</b>	19,770,845
Dilutive effect of:		
Employee Stock Options	<b>268,567</b>	444,200
Convertible Debentures	<b>3,571,429</b>	3,571,429
Adjusted fully diluted weighted average common shares outstanding	<b>23,645,841</b>	23,786,474
Diluted earnings per common share	<b>\$0.030</b>	\$0.026

**DOMINION CITRUS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 25, 2005 AND JUNE 26, 2004**  
**(Unaudited)**

**Six Months Ended June 25, 2005 & June 26, 2004**

	June 25, 2005	June 26, 2004
Basic earnings per share computation		
Net earnings for the six months	<b>\$1,304,000</b>	\$1,432,000
Less : Preference share dividend	<b>69,000</b>	72,000
<u>Earnings available to common shares</u>	<u><b>\$1,235,000</b></u>	<u>\$ 1,360,000</u>
<u>Weighted average common shares outstanding</u>	<u><b>19,805,845</b></u>	<u>19,714,132</u>
<u>Basic earnings per common share</u>	<u><b>\$0.062</b></u>	<u>\$0.069</u>
Diluted earnings per share computation		
Earnings available to common shares	<b>\$1,235,000</b>	\$ 1,360,000
Dilutive effect of:		
After-tax income from convertible debentures	<b>161,000</b>	162,000
<u>Earnings available to common shareholders, assuming dilution</u>	<u><b>\$1,396,000</b></u>	<u>\$ 1,522,000</u>
<u>Weighted average common shares outstanding</u>	<u><b>19,805,845</b></u>	<u>19,714,132</u>
Dilutive effect of:		
Employee Stock Options	<b>281,368</b>	483,284
Convertible Debentures	<b>3,571,429</b>	3,571,429
<u>Adjusted fully diluted weighted average common shares outstanding</u>	<u><b>23,658,642</b></u>	<u>23,768,845</u>
<u>Diluted earnings per common share</u>	<u><b>\$0.059</b></u>	<u>\$0.064</u>

**5. Contractual Obligations**

	<i>Total</i>	<i>Payments Due by Period</i>			
		<i>Less than 1 year</i>	<i>1-3 years</i>	<i>4-5 years</i>	<i>After 5 years</i>
Long-Term Debt	\$ 3,738,000	970,000	2,278,000	83,000	407,000
Operating Leases	<u>1,966,000</u>	<u>714,000</u>	<u>766,000</u>	<u>281,000</u>	<u>205,000</u>

Total Contractual Obligations	<u>\$ 5,704,000</u>	<u>1,684,000</u>	<u>3,044,000</u>	<u>364,000</u>	<u>612,000</u>
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- a) The Company has a contingent lease liability of approximately \$9,583,000, over 15 years, for a new processing and refrigerated warehousing facility, assuming completion of the facility by the landlord by September 2005.
- b) The Company has commitments for equipment, primarily for the new processing and refrigerated warehousing facility, totaling \$1,104,000.

## 6. Segmented Information

The Company 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*.

### Three Months Ended June 25, 2005 & June 26, 2004

	<u>2005</u>	<u>2004</u>
<b>(a) Produce Wholesaling and Processing</b>		
Revenues	<b>\$28,910,000</b>	\$29,168,000
Operating income	<b>556,000</b>	816,000
Amortization of property, plant and equipment	<b>140,000</b>	139,000
Amortization of deferred financing costs	<b>37,000</b>	39,000
Property, plant and equipment expenditures	<b>132,000</b>	233,000
Segment assets	<b>22,859,000</b>	23,943,000
<b>(b) Other Food</b>		
Revenues	<b>\$3,904,000</b>	\$ 5,246,000
Operating income	<b>66,000</b>	208,000
Amortization of property, plant and equipment	<b>84,000</b>	98,000
Property, plant and equipment expenditures	<b>46,000</b>	47,000
Segment assets	<b>15,513,000</b>	17,170,000
<b>(c) Total</b>		
Revenues	<b>\$32,814,000</b>	\$34,414,000
Operating income	<b>622,000</b>	1,024,000
Amortization of property, plant and equipment	<b>224,000</b>	237,000
Amortization of deferred financing costs	<b>37,000</b>	39,000
Property, plant and equipment expenditures	<b>178,000</b>	280,000
Assets	<b>38,372,000</b>	41,113,000

## Six Months Ended June 25, 2005 & June 26, 2004

	<u>2005</u>	<u>2004</u>
<b>(a) Produce Wholesaling and Processing</b>		
Revenues	<b>\$53,020,000</b>	\$53,296,000
Operating income	<b>1,309,000</b>	1,560,000
Amortization of property, plant and equipment	<b>271,000</b>	265,000
Amortization of deferred financing costs	<b>74,000</b>	71,000
Property, plant and equipment expenditures	<b>169,000</b>	373,000
Segment assets	<b>22,859,000</b>	23,943,000
<b>(b) Other Food</b>		
Revenues	<b>\$8,538,000</b>	\$11,155,000
Operating income	<b>244,000</b>	757,000
Amortization of property, plant and equipment	<b>175,000</b>	200,000
Property, plant and equipment expenditures	<b>46,000</b>	101,000
Segment assets	<b>15,513,000</b>	17,170,000
<b>(c) Total</b>		
Revenues	<b>\$61,558,000</b>	\$64,451,000
Operating income	<b>1,553,000</b>	2,317,000
Amortization of property, plant and equipment	<b>446,000</b>	465,000
Amortization of deferred financing costs	<b>74,000</b>	71,000
Property, plant and equipment expenditures	<b>215,000</b>	474,000
Assets	<b>38,372,000</b>	41,113,000