2006 ANNUAL REPORT

Senior Management

Don P. Delmatoff
Vice President of Finance & Administration

Harold S. Edwards
President & Chief Executive Officer

Alex M. Teague
Senior Vice President

Board of Directors

John W. H. Merriman

John M. Dickenson
Chairman Emeritus

Gordon E. Kimball

Lecil E. Cole

Allan M. Pinkerton

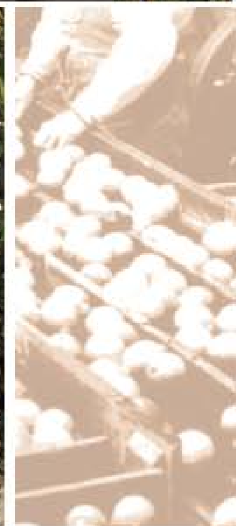
Alan M. Teague
Chairman

Samuel R. Edwards
Vice Chairman

John W. Blanchard
Vice Chairman

Robert M. Sawyer
Vice Chairman

Ronald L. Michaelis



Management

Pete Dinkler, Vice President Lemon Packing
John Chamberlain, Director of Marketing
Eric Tovias, Director, Information Systems
Kathleen Thompson, Director, Human Resources
Gus Gunderson, Director, Southern Operations
David McCoy, Business Development Manager
Tomas Gonzalez, Lemon Packinghouse Assistant Manager
Greg Hamm, Controller
Absent:
Dan Galbraith, Director, Northern Operations
Mario Ortega, Harvest Manager

PRESIDENT'S LETTER TO THE SHAREHOLDERS
2006 ANNUAL REPORT

Limoneira's mission is to preserve and promote its tradition, heritage and legacy in agriculture, community development and land stewardship to maximize value for its shareholders

The Limoneira Company's fiscal year 2006, our one hundred and thirteenth year of operation, was the best financial and operational year for your Company ever. Solid strategy combined with focused teamwork spelled the difference for us this past year and I am proud of the collective efforts throughout the Company. 2006 was a year in which we made significant progress on our many initiatives and projects, and I am encouraged by our short, medium and long-term prospects for value creation. Our team's focused business plans involving diverse operations are not only delivering solid financial and operational results today but are also planting the seeds for significant growth and prosperity tomorrow and well into the future.

2006 was a year of significant philanthropic giving for your Company as well. Not only were we able to provide financial support to over fifty local and regional community-based charities and organizations through the Limoneira Foundation, we also responded to the National need for support caused by the devastating impact of Hurricane Katrina with a significant contribution to the American Red Cross. We were also proud of our contributions towards the Herculean efforts surrounding the re-opening of Santa Paula's local hospital. Limoneira is proud of its giving and considers it an important part of its mission.

We have made great progress on our initiatives to reduce our financial dependence on agricultural operations without compromising future agribusiness opportunities. Limoneira's diversification efforts were rewarded in 2006. We achieved nearly $2.7 million of non-agribusiness operating profits this past year through our activities in real estate (agricultural land leases, farm worker housing and residential/commercial property development) and yield-producing investments. When combined with best-ever results in our agribusiness operations in 2006, our overall financial results achieved new heights. We accomplished this while building reliable cash-producing operations that will help protect against future earnings volatility inherent in agricultural production. We achieved these results while aggressively redeveloping over 250 acres of agricultural properties in Ventura and Santa Barbara Counties and acquiring the 100 acre Jencks ranch contiguous to our property in Porterville, California. This was all done while simultaneously reducing long-term debt.

Your Board of Directors and Management team are diligently working on Limoneira's portfolio of assets to not only make them more valuable but also more consistent and reliable in performance. We are doing this by identifying the risks associated with each of our businesses and structuring our business operations and assets to balance these risks

with present and future financial performance. The results over time will yield more stable, less volatile financial growth which will allow us to more consistently return on these assets to our shareholders in the form of more valuable assets and steadily increasing cash flows and dividends. While we still have a long way to go in this area our initial progress is encouraging.

2006 OPERATIONS

AGRIBUSINESS

Operationally, Limoneira enjoyed excellent results from all of its agribusiness. Lemons enjoyed solid yields, average fresh utilization and record level sales prices thanks to the efforts of our marketing partner Sunkist and the strong efforts of everyone on Limoneira's team. We produced and marketed over 18 million pounds of avocados this year (our biggest production year by far) and are delighted with the marketing and sales efforts of our marketing partner Calavo (NASDAQ: CVGW) as they managed through California's largest crop ever coming in the face of high levels of imports from Mexico and Chile. Our orange results continue to grow and exceed expectations thanks to the very strong efforts of our field team in the San Joaquin Valley and, subject to favorable weather conditions, we should continue to see growth in this category as our acreage matures and our yields increase. Our specialty crops, especially our specialty citrus (Cara Caras, Satsumas, Bloods and Minneolas), outperformed our operational and financial expectations for the third year in a row. Also contributing to our operating profit this past year has been our rapidly growing organic recycling business in partnership with Agromin (www.agromin.com) In total, we experienced 84 percent growth in our agribusiness operating profits versus fiscal year 2005 and attribute this success to the dedicated efforts of everyone on the Limoneira team, favorable growing conditions (including weather), focused business plans and solid efforts from our marketing and sales partners.

The following tables summarize our agribusiness results:

Limoneira Acreage

	2006
Lemons	1,842 acres
Oranges:	
Valencias	195 acres
Navels	782 acres
Avocados	1,410 acres
Specialty Crops	465 acres
Leased Land	509 acres
Unplanted	1,925 acres
Total	7,128 acres

Results of Agricultural Operations – Operating Profits

	2006	2005
Lemons	$ 5,374,000	$5,213,000
Oranges:		
Valencias	$ 486,000	$ 88,000
Navels	$ 986,000	$ 459,000
Avocados	$ 5,820,000	$1,048,000
Specialty Crops	$ 773,000	$ 767,000
Other Sources	$ 753,000	$ 389,000
TOTAL	$14,192,000	$7,964,000

We continue to enjoy exciting results from our burgeoning agritourism, filming and gift pack businesses. We are regularly hosting elegant dinners in our orchards, sponsoring orchard and packing house tours, offering back-country jeep tours and providing thrilling balloon rides above our spectacular orchards. We are also making great strides forward with our filming business as well as our gift pack and fulfillment business. For more information on these exciting operations please visit our websites at www.limoneira.com, www.limoneiratours.com, www.orchardfreshgiftbaskets.com and www.limoneiraorchards.com. After you've seen these web sites, please pay us a visit and enjoy our many offerings. The vision for these businesses is to promote our desirable lifestyle to the people that will visit and eventually inhabit our local community. This will facilitate our efforts in community development since this is truly one of the most beautiful places in the world to visit and live. So far so good!

REAL ESTATE OPERATIONS

Perhaps the most important and exciting progress we have made this year is with our real estate development projects in Santa Paula. Following 18 months of community outreach, listening and project design, we submitted our specific plans to the City of Santa Paula for the annexation and development of 500 acres east of Santa Paula – an area known as East Area 1 – into a residential and commercial development project that includes parks, recreation facilities, educational facilities, nature trails, senior living and a list of community benefits too long to list in this letter. We are diligently working on a comprehensive environmental impact report and mitigation plan for this project and are busy working together with the Santa Paula community and City Staff on this plan. For a peek at this exciting project please visit our website at www.eastarea1.com. This immensely valuable project (for Limoneira and for the Santa Paula community) will go to a vote of the citizens of Santa Paula for annexation approval and a C.U.R.B. line adjustment most likely in the fall of 2007. Between now and then our entire Company will be canvassing the Santa Paula community in a grass roots effort to further shape the project to the needs and wants of the community as well as to communicate the many benefits of this project. Going hand in hand with this East Area 1 project is the already entitled yet un-annexed development project of East Area 2 – contemplated to be a 50 acre commercial real estate development project managed concurrently with the development of East Area 1. We feel both of these projects are vital to Santa Paula's prosperous future and both are consistent with Limoneira's historical leadership building in the Santa Paula community.

At this time, we are diligently working to expand our farm worker housing business by an additional 85 housing units to compliment our existing 200 units currently in use. This infill project is nearing entitlement (following extensive work with the County of Ventura) and we expect to begin construction by the end of 2007/beginning of 2008. Besides providing a valuable strategic resource for our agribusiness operations by providing housing for our workforce we are also serving a tremendously underserved demand for farm worker housing in Ventura County. Currently 50 percent of our farm worker houses are occupied by our employees and the other 50 percent are occupied by outside farm worker tenants.

Other Limoneira real estate activities in 2006 consist of the following:

- Sale of a restaurant building in Oxnard, California for $1.5 million in 2006 resulting in a $300,000 gain
- Continued work on the development of a residential/commercial project for our Limco Del Mar Limited Partnership with the City of Ventura
- Preliminary entitlement work with the Planning Commission of San Luis Obispo County for a development project of "Ranchettes" associated with Limoneira's Windfall Farms (720 acres) investment
- Acquisition of the Jencks Ranch in Porterville, California – agricultural property contiguous to our Porterville ranch
- Addition of new operating tenants for Limoneira's Mercantile
- Exploration of real estate investment opportunities in Ventura, Santa Barbara and San Luis Obispo Counties
- Exploration of luxury home construction projects in the Paradise Valley, Arizona market place
- Expansion of our agricultural land leases to 509 acres

Operating profits from our real estate businesses grew by 62 percent in 2006.

Results of Real Estate Operations – Operating Profits

	2006	2005
Housing & Commercial	$ 816,000	$ 404,000
Leased Land	$ 938,000	$ 676,000
TOTAL	$1,754,000	$1,080,000

INVESTMENTS

Limoneira realized operating profits of $1.4 million from its investments in 2006 down from $2.0 million in 2005 (which included the one time sale of its investment in Mission Produce, Inc). Included in this 2006 investment profit are gains made from financing instruments yielding above market interest rates, dividends from Limoneira's equity investment in Calavo Growers, Inc. and capital gains realized on the one time sale of real estate (restaurant in Oxnard, California.) These investments continue to provide Limoneira with valuable earnings and cash flows essential to mitigate the volatility of our agricultural earnings and cash flows.

RETAIL OPERATIONS – STRATEGIC SHIFT

Following a character building year of challenges and learning with our retail operations we have decided to restructure our business strategy to find high quality tenants to operate our retail real estate assets instead of focusing on developing these skills in-

house. Consequently, we have successfully restructured our Mercantile operations to profitably introduce two new, high quality operating tenants to run our gasoline and car wash operations, our convenience store operations and our restaurant operation. This shift in operational strategy allows Limoneira to enjoy high quality operations with our retail assets while reducing our operational risk by putting expert operators behind the wheel of these businesses.

COFFEE OPERATIONS - DISCONTINUED

After careful deliberation we have chosen to exit our coffee operations. We concluded that the competitive advantage created through our relationship with high quality coffee production in Brazil was not sufficient to provide a satisfactory return on investment for our capital. The coffee market in the United States is a crowded one, and our ability to add value above and beyond our competition was not probable – hence our exit from this business. We have concluded that our business plans are best served with focus on agribusiness, real estate and investments – not coffee or retail operations.

SAFETY

One of Limoneira's greatest accomplishments in 2006 was the successful implementation of a culture of safety throughout our Company. Besides the obvious benefit of this initiative in providing our employees with a safer place to work we have successfully reduced our workers' compensation insurance experience modification rate to 0.65, down from a high of 1.51 in 2004. This was accomplished by reducing the number of accidents experienced at Limoneira through safety awareness training. The financial consequence of this ongoing action has been a reduction in our workers' compensation insurance cost of over $1.3 million per year versus the 2004 policy period. This savings falls right to Limoneira's bottom line and further safeguards our most important asset – our people!

2006 FINANCIALS

As a result of our successful operations, Limoneira's 2006 operating profit of $14.5 million grew by 41 percent versus 2005. Our earnings before tax from continuing operations of $6.6 million, including extraordinary expenses related to our real estate development projects, grew by 119 percent versus 2005 and represents the highest earnings in our Company's history. Also, we are pleased with the progress we have made implementing the discipline of cash flow management into our businesses. Limoneira's cash flow from operations of $8.2 million in combination with our cash flows from investing and financing activities allowed us to execute the following actions – each of which make Limoneira a more valuable company:

- Long-term debt reduction of $414,000
- Capital expenditures totaling $4.9 million in 2006
- Payment of a "special dividend" to our shareholders bringing our dividend payout to $2.6 million in 2006
- Repurchase of over three percent of our common stock for $5.8 million in 2006

Financially and operationally 2006 was a great year for our Company!

2007 – A DYNAMIC OPERATING ENVIRONMENT

At this writing, the Limoneira team has been battling extreme wind and temperature conditions over the past three weeks that have tested our resolve and resiliency. I am pleased with the efforts of our team and our collective ability to anticipate and respond to the many challenges we have faced. Following severe east winds and unseasonably warm conditions, an arctic blast of cold air consumed the entire State of California sending a mass of frigid air throughout the state for an entire week. In Porterville and Ducor we experienced eight straight nights of temperatures in the mid-20 degree levels with Friday and Saturday, January 12 and 13, experiencing temperature recordings right at 20 degrees. In Ventura and Santa Barbara Counties we experienced low temperatures in the mid-high 20 degree levels those same two nights. The good news is that we saw this weather coming and accelerated harvests and prepared to fight the cold. The bad news is that the severity of the cold event was greater than our efforts and we sustained major damage to our crops.

At this writing we are forecasting the following results post-freeze:

- Lemons
    - San Joaquin Valley – 35 percent harvested and 65 percent lost
    - Ventura/Santa Barbara Counties – 25 percent lost and 75 percent OK
    - Overall lemon operating profit forecasts remain unchanged because of remaining market opportunities
- Valencia Oranges
    - 80 percent lost
- Navel Oranges
    - 10 percent picked – 90 percent lost
- Specialties
    - 30 percent of specialties are non-citrus and are OK
    - 20 percent specialty citrus harvested – 80 percent specialty citrus lost
- Avocados
    - 30 percent lost – 70 percent OK
    - We should pick up some price increase as a result of the California crop reduction caused by the freeze

We do have crop insurance and expect to realize some benefit from this policy. Despite this, we are forecasting our total agribusiness operating profits to be reduced by 30 percent versus our plan and our total operating profits to be reduced by 20 percent versus our plan.

Our plan for 2007 called for a reduction in agribusiness operating profit resulting from a dramatically lower avocado harvest forecast of 8.0 million pounds versus 18.0 million pounds harvested in 2006. The plan was made pre-freeze and our avocado volume estimate now (post-freeze) is approximately 6.0 million pounds – a 67 percent reduction versus last year!

Pre-freeze, we forecasted agribusiness operating profits 21 percent below 2006 (because of avocado production volatility) and total operating profits 4 percent greater than last year; due to strong anticipated growth in our housing and commercial real estate business, our agricultural leased land, our organic recycling operations and our investments. In summary, we were forecasting an earnings year similar to 2006 – despite the reduced Agribusiness operating profit.

Post-freeze, the financial picture has changed. At this writing, we are now forecasting a 36 percent decrease in our Agribusiness operating profit and a 20 percent decrease in our total operating profit. Additionally, our earnings will suffer and are now forecasted to be 45 percent of plan and 45 percent of last year. I am confident that our earnings and resulting cash flows will be sufficient for us to continue with our many value-creating projects despite this setback caused by the freeze.

This extreme weather event and its negative impact on our financial performance reinforce the importance of Limoneira's diversification strategy. The result of our diversification efforts over the past three years has significantly reduced the overall impact of this catastrophic freeze on our Company and at this writing leave us with optimism of enjoying a profitable year in the black. We still have a long way to go before we close 2007's books, however, I believe we will achieve earnings and cash flows that leave us sufficient resources to properly execute all the initiatives currently underway.

SUMMARY – 2006 REVIEW AND 2007 FORECAST

Limoneira enjoyed its best operational and financial year in its 113 year history in 2006. We achieved these results while continuing to invest and plan for the future. Our diversification strategy has taken hold and we realized significant new earnings and cash flows in 2006. Our real estate development projects are in full swing and show tremendous promise. Our investments are producing valuable cash yields which promise to mitigate future reductions in agricultural operating profits. Most importantly, we made significant strides forward in our mission to preserve and promote our tradition, heritage and legacy in agriculture, community development and land stewardship for the benefit of our shareholders. As a result, spirits are high at Limoneira.

Our forecasts for 2007 have changed significantly since we first built our operating plans for the year. The devastating freeze on our Northern and Southern properties are forecasted to reduce our agricultural operating profits by an estimated 36 percent against our plan and 50 percent versus 2006. Our preliminary forecasts are for a reduction in earnings before tax of 55 percent versus plan and versus 2006. While this adversity is challenging our team, we are dynamically developing and implementing mitigating strategies for our short-term results without compromising our medium-term and long-term value creating activities.

The freeze of 2007 provides a humbling reminder of the risks inherent in productive agriculture. After 113 years of operations we have learned that these extreme weather events are a normal part of our business cycle, and we are diligently building mechanisms to further mitigate these risks and reduce their negative impact on our Company. Our future continues to get brighter, and I would like to reiterate my sincere gratitude for the opportunity to lead this group at this juncture in Limoneira's history. This truly is an extraordinary company filled with extraordinary people doing extraordinary things.

Respectfully submitted,

Harold S. Edwards
President & CEO

FORWARD LOOKING STATEMENTS

This Annual Report contains statements relating to future results of Limoneira Company (including certain projections and business trends) that are "forward-looking statements". Forward-looking statements frequently are identifiable by the use of words such as "believe," "anticipate," "expect," "intend," "will," and other similar expressions. Our actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: increased competition, general economic and business conditions, energy costs and availability, pricing pressures on agricultural products, adverse weather and growing conditions confronting growers, new governmental regulations, as well as other risks and uncertainties. These forward-looking statements are made only as of the date hereof, and we undertake no obligation to update or revise the forward-looking statements, whether as of a result of new information, future or otherwise.

Consolidated Balance Sheets

October 31, 2006 and 2005

	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	$ 4,000	$ 5,373,000
Accounts receivable	2,861,000	2,054,000
Note receivable (Note 7)	4,264,000	-
Inventoried cultural costs	995,000	1,072,000
Supplies	393,000	352,000
Prepaid expenses	717,000	830,000
Income taxes receivable	-	863,000
Current assets of discontinued operations	56,000	339,000
Total current assets	9,290,000	10,883,000
Property, plant and equipment:		
Land	31,434,000	31,434,000
Land improvements	11,399,000	11,005,000
Buildings	11,661,000	11,835,000
Equipment	20,916,000	21,544,000
Orchards	17,089,000	18,227,000
Construction in progress	5,483,000	3,143,000
Subtotal	97,982,000	97,188,000
Less accumulated depreciation	(35,699,000)	(35,559,000)
Total property, plant and equipment	62,283,000	61,629,000
Equity in investments (Note 5)	1,365,000	1,238,000
Investment in Calavo Growers, Inc. (Note 2)	9,750,000	9,620,000
Notes receivable (Notes 5, 7 and 13)	1,300,000	5,564,000
Other assets (Note 2)	1,492,000	1,396,000
Revolving funds and memberships	569,000	605,000
Non-current assets of discontinued operations	912,000	-
Total Assets	$ 86,961,000	$ 90,935,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,084,000	$ 1,080,000
Growers payable	870,000	865,000
Accrued liabilities (Notes 10 and 13)	1,951,000	1,701,000
Current portion of long-term debt (Note 8)	324,000	492,000
Current liabilities of discontinued operations	366,000	205,000
Total current liabilities	5,595,000	4,343,000
Long-term liabilities:		
Long-term debt (Note 8)	14,191,000	14,437,000
Pension liability (Note 11)	2,915,000	4,035,000
Deferred income taxes (Note 10)	10,821,000	10,151,000
Long-term liabilities of discontinued operations	274,000	-
Total long-term liabilities	28,201,000	28,623,000
Total liabilities	33,796,000	32,966,000
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock - $100.00 par value (100,000 shares authorized: 30,000 shares issued and outstanding at October 31, 2006 and 2005) Series B (8.75% coupon rate)	3,000,000	3,000,000
Common Stock - $.01 par value (3,000,000 shares authorized: 1,106,288 and 1,141,122 shares issued and outstanding at October 31, 2006 and 2005, respectively)	11,000	11,000
Additional paid-in capital	31,683,000	37,471,000
Retained earnings	21,898,000	21,233,000
Accumulated other comprehensive loss (Notes 2 and 11)	(3,427,000)	(3,746,000)
Total stockholders' equity	53,165,000	57,969,000
Total Liabilities and Stockholders' Equity	$ 86,961,000	$ 90,935,000

See notes to consolidated financial statements.

Consolidated Statements of Operations

For the years ended October 31, 2006 and 2005

	2006	2005
Revenues:		
Ventura County Fruit Exchange lemon sales	$ 29,376,000	$ 24,980,000
Less: Limoneira packinghouse charges	(9,271,000)	(7,649,000)
Less: Payments to affiliated growers	(7,076,000)	(4,693,000)
Net lemon revenue	13,029,000	12,638,000
Other crops, net of outside packinghouse charges:		
Avocados (Note 5)	9,559,000	3,941,000
Navels	2,554,000	1,557,000
Valencias	878,000	500,000
Specialty citrus crops	1,571,000	1,334,000
Other specialty crops	330,000	441,000
Leased land	938,000	676,000
Mercantile	4,465,000	4,325,000
Housing and commercial	1,844,000	1,640,000
Other income	1,390,000	591,000
Total Revenues	36,558,000	27,643,000
Expenses:		
Picking and hauling	5,917,000	4,645,000
Cultural costs	9,206,000	8,460,000
Mercantile	4,462,000	4,702,000
Housing and commercial	1,533,000	1,100,000
Selling, general and administrative (Note 2)	5,796,000	3,883,000
Depreciation and amortization expense (Note 2)	2,362,000	2,325,000
Interest expense	850,000	1,048,000
Total Expenses	30,126,000	26,163,000
Gain on sale of investment (Note 5)	-	1,542,000
Net gain (loss) on the sale of assets	120,000	(31,000)
Income from continuing operations before income taxes and equity in earnings of investments	6,552,000	2,991,000
Income taxes (Note 10)	(2,354,000)	(978,000)
Equity in earnings of investments (Note 5)	217,000	330,000
Income from continuing operations	4,415,000	2,343,000
Loss from discontinued operations, net of income tax benefit of $616,000 in 2006 and $125,000 in 2005	(929,000)	(190,000)
Net income	3,486,000	2,153,000
Preferred dividends	(262,000)	(262,000)
Net income applicable to common stock	$ 3,224,000	$ 1,891,000
Earnings (loss) per common share, basic and diluted		
Earnings per common share, basic and diluted, from continuing operations	$ 3.66	$ 2.00
Loss per common share, basic and diluted, from discontinued operations	(0.82)	(0.18)
Earnings per common share, basic and diluted	$ 2.84	$ 1.82
Dividends per share - common	$ 2.25	$ 2.25

See notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended October 31, 2006 and 2005

	Preferred Stock		Common Stock		Additional		Accumulated Other	
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Total
Balance at November 1, 2004	30,000	$ 3,000,000	976,371	$10,000	$ 14,684,000	$ 22,566,000	$ (2,994,000)	$ 37,266,000
Dividends - common	-	-	-	-	-	(2,412,000)	-	(2,412,000)
Dividends - preferred	-	-	-	-	-	(262,000)	-	(262,000)
Issuance of common stock	-	-	172,957	1,000	23,449,000			23,450,000
Repurchase of common stock	-	-	(8,206)	-	(662,000)	(812,000)	-	(1,474,000)
Comprehensive income:								
Net income	-	-	-	-	-	2,153,000	-	2,153,000
Minimum pension liability adjustment, net of tax benefit of $349,000	-	-	-	-	-	-	(524,000)	(524,000)
Unrealized holding loss of security available-for-sale, net of tax benefit of $152,000	-	-	-	-	-	-	(228,000)	(228,000)
Comprehensive income								1,401,000
Balance at October 31, 2005	30,000	3,000,000	1,141,122	11,000	37,471,000	21,233,000	(3,746,000)	57,969,000
Dividends - common	-	-	-	-	-	(2,559,000)	-	(2,559,000)
Dividends - preferred	-	-	-	-	-	(262,000)	-	(262,000)
Repurchase of common stock	-	-	(34,834)	-	(5,788,000)	-	-	(5,788,000)
Comprehensive income:								
Net income	-	-	-	-	-	3,486,000	-	3,486,000
Minimum pension liability adjustment, net of tax provision of $160,000	-	-	-	-	-	-	241,000	241,000
Unrealized holding gain of security available-for-sale, net of tax provision of $52,000	-	-	-	-	-	-	78,000	78,000
Comprehensive income								3,805,000
Balance at October 31, 2006	30,000	$ 3,000,000	1,106,288	$11,000	$ 31,683,000	$ 21,898,000	$ (3,427,000)	$ 53,165,000

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended October 31, 2006 and 2005

	2006		2005	
Cash flows from operating activities:				
Net income from continuing operations		$ 4,415,000		$ 2,343,000
Adjustments to reconcile net income from continuing operations to cash provided by operating activities:				
Depreciation and amortization	2,362,000		2,325,000	
(Gain) loss on disposal/sale of fixed assets	(120,000)		31,000	
Write-off of intangible asset	20,000		-	
Orchard write-offs	565,000		-	
Gain on sale of investment	-		(1,542,000)	
Equity in earnings of investments	(217,000)		(330,000)	
Provision for deferred income taxes	458,000		395,000	
Total adjustments		3,068,000		879,000
Changes in operating assets and liabilities:				
Increase in accounts receivable	(807,000)		(148,000)	
(Increase) decrease in inventoried cultural costs	77,000		(73,000)	
Increase in supplies	(41,000)		(56,000)	
(Increase) decrease in prepaid expenses	113,000		(335,000)	
(Increase) decrease in income taxes receivable	863,000		(774,000)	
Increase in accounts payable and growers payable	1,009,000		311,000	
Increase (decrease) in accrued liabilities	250,000		(818,000)	
Decrease in other long-term liabilities	(719,000)		(778,000)	
Total changes in operating assets and liabilities		745,000		(2,671,000)
Net cash provided by operating activities		8,228,000		551,000
Cash flows from investing activities:				
Capital expenditures	(4,936,000)		(6,723,000)	
Net proceeds from sale of assets	1,480,000		49,000	
Net cash proceeds on sale of investment	-		1,000,000	
Cash distribution from Limco Del Mar, Ltd.	90,000		90,000	
Cash distribution from Mission Produce, Inc.	-		164,000	
Collection of note receivable	-		2,963,000	
(Decrease) increase in other assets and revolving funds and memberships	(85,000)		127,000	
Net cash used in investing activities		(3,451,000)		(2,330,000)
Cash flows from financing activities:				
Issuance of long-term debt	-		185,000	
Repayments of long-term debt	(414,000)		(3,790,000)	
Dividends paid-Common	(2,559,000)		(2,412,000)	
Dividends paid-Preferred	(262,000)		(262,000)	
Issuance of common shares	-		13,450,000	
Repurchase of common shares	(5,788,000)		(162,000)	
Net cash provided by (used in) financing activities		(9,023,000)		7,009,000
Net increase (decrease) in cash and cash equivalents		(4,246,000)		5,230,000
Net cash (used in) generated by discontinued operations		(1,123,000)		(324,000)
Cash and cash equivalents at beginning of year		5,373,000		467,000
Cash and cash equivalents at end of year		$ 4,000		$ 5,373,000
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest		$ 801,000		$ 1,105,000
Cash paid during the year for income taxes, net of refunds received		$ 1,452,000		$ 1,346,000
Non-cash transactions:				
Minimum pension liability adjustment, net of tax benefit		$ (241,000)		$ 524,000
Non-cash consideration received on sale of investment		$ -		$ 5,576,000
Non-cash payment for purchase of investment		$ -		$ 10,000,000
Unrealized holding (gain) loss on security, net of tax benefit		$ (78,000)		$ 228,000
Write-off of goodwill and intangible assets		$ 920,000		$ -

See notes to consolidated financial statements.

Limoneira Company
Notes to Consolidated Financial Statements
Years Ended October 31, 2006 and 2005

1. Business:

Limoneira Company, a Delaware Corporation (the "Corporation"), engages primarily in growing citrus and avocados, picking and hauling citrus, packing lemons, and housing and other real estate operations. The Corporation also packs lemons for other growers including certain members of the Board of Directors and their affiliated companies. Lemon packing expenses are allocated to the Corporation and others primarily based on volume. The Corporation is also engaged in agri-tourism activities as well as leasing certain of its assets for filming activities related to feature films, television programs, commercials and advertisements.

The Corporation markets its products primarily through Sunkist Growers, Inc., ("Sunkist") and Calavo Growers, Inc. ("Calavo"). The financial statements represent the consolidated financial position, results of operations and cash flows of Limoneira Company and its wholly owned subsidiaries, Limoneira Land Company, Limoneira Company International Division, LLC and Limoneira Mercantile, LLC ("Mercantile"). Mercantile was formed in 2004 as a California limited liability company and currently leases a gas station, convenience store, car wash and fast-food restaurant to third-party operators. All significant inter-company accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies:

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Supplies - Supplies are stated at the lower of cost (principally first-in, first-out) or market.

Inventoried Cultural Costs – Inventoried cultural costs represent those costs incurred during the year to grow crops in the San Joaquin Valley subsequent to the final harvest of the crop and thus are for the benefit of the following year's crops.

Property, Plant and Equipment – Property, plant and equipment is stated at original cost, net of accumulated depreciation. Depreciation is computed using straight-line and accelerated methods at rates based upon the estimated useful lives of the related assets as follows:

Land Improvements	10 – 20
Buildings	10 – 50
Equipment	5 - 20
Orchards	20 – 40

Depreciation expense was $2,358,000 and $2,325,000 for 2006 and 2005, respectively and amortization expense was $4,000 and $-0- for 2006 and 2005, respectively.

During 2006 and 2005 the Corporation capitalized $1,238,000 and $302,000, respectively, of costs related to its real estate development projects.

Capitalized Interest – Capitalized interest is recorded on non-bearing orchards and significant construction in progress using the average interest rate during the year. Interest of $182,000 and $112,000 was capitalized during the years ended October 31, 2006 and 2005, respectively, and is included in property, plant and equipment.

Other Assets – Other assets is comprised mainly of investments in mutual water companies and intangible assets. The investments in mutual water companies are recorded at cost. Intangible assets not subject to amortization were $36,000 at October 31, 2006 and 2005. Intangible assets subject to amortization

were $36,000 at October 31, 2006, net of accumulated amortization of $4,000, and $-0- at October 31, 2005. During 2003, the Corporation paid $150,000 to obtain certain propagation and patent rights for an agricultural variety. Additionally, the Corporation will receive the exclusive ownership rights to the related U.S. Patent for the life of that Patent once it has been issued. In 2005, the Patent was submitted to the United States Patent Office and the Corporation was required to pay an additional $50,000 plus related expenses of $13,000. During 2006 the Corporation paid an additional $9,000 of expenses related to the patent. Upon approval of the Patent, the amounts paid by the Corporation will be amortized over the life of the Patent. Included in other assets at October 31, 2006 and 2005 were $222,000 and $213,000 respectively, of costs relating to the Patent.

Investment in Calavo - In June 2005, the Corporation entered into a stock purchase agreement with Calavo. Pursuant to this agreement, the Corporation purchased 1,000,000 shares, or approximately 6.9%, of Calavo's common stock for $10,000,000 and Calavo purchased 172,857 shares, or approximately 15.1%, of the Corporation's common stock for $23,450,000. Under the terms of the agreement, the Corporation received net cash consideration of $13,450,000. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities", the Corporation has classified its investment as "available-for-sale securities". Changes in the fair value of available-for-sale securities result in unrealized holding gains or losses. At October 31, 2006 the Corporation recorded an unrealized holding gain of $130,000 to reflect an increase in the market value of Calavo common stock. The carrying amount of the investment was increased by $130,000 and a corresponding increase in stockholders' equity, net of $52,000 of income taxes, was recorded. In 2005, the Corporation recorded an unrealized holding loss of ($380,000) to reflect a decline in the market value of Calavo common stock. The carrying amount of the investment was reduced by $380,000 and a corresponding reduction in stockholders' equity, net of $152,000 of income taxes, was recorded. The partial recovery in 2006 of the unrealized holding loss recorded in 2005 appears to be due to the improvement in 2006 of the California avocado crops which positively impacted Calavo's stock price. The Corporation evaluated the near-term prospects of Calavo in relation to the net unrealized holding loss at October 31, 2006. Based on that evaluation and the Corporation's ability and intent to hold the investment for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider the Calavo investment to be other-than-temporarily impaired at October 31, 2006. Additionally, the Corporation leases office space to Calavo and received rental income of $207,000 and $147,000 in 2006 and 2005, respectively.

Intangible Assets – The Corporation evaluates its intangible assets annually or whenever events or changes in circumstances indicate an impairment of the assets value may exist. During 2006, in connection with the Corporation's decision to exit the coffee business, the Corporation wrote-off $900,000 of goodwill that was recorded in connection with the acquisition in December, 2005 of Movin' Mocha, a California general partnership (see Note 9).

Impairment of Long-Lived Assets – The Corporation evaluates long-lived assets, other than intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated undiscounted future cash flows from the use of an asset are less than the carrying value of that asset, a write-down is recorded to reduce the carrying value of the asset to its fair value. No long-lived assets were deemed to be impaired in 2006 or 2005.

Self-Insurance Reserves – The Corporation is partially self-insured for workers' compensation claims and maintains insurance coverage that limits its exposure on an individual case and on a yearly aggregate basis. The Corporation accrues costs for actual reported claims and for claims incurred but not yet reported based on historical experience and other factors.

Revolving Funds and Memberships - Revolving funds and memberships represent the Corporation's investments in various cooperative associations. The Corporation pays to Sunkist and certain other cooperatives an annual assessment based on sales volume or other criteria. These funds are typically held for five years at which time they are refunded to the Corporation. Revolving funds related to the Corporation's fruit packed at outside packinghouses are withheld from payments made to the Corporation during the year and also refunded, typically in five years. These funds are recorded as long-term assets on the consolidated balance sheet until they are refunded.

Revenues and Cultural Costs - Revenues pertaining to crops being harvested during the fiscal year are generally recognized in that year. Cultural costs incurred are expensed when the related crop is harvested.

The Corporation's citrus sales made through the Ventura County Fruit Exchange in 2006 and 2005 are reported gross of packinghouse charges. Citrus and other crops packed and sold by outside packinghouses in 2006 and 2005 are reported net of packinghouse charges. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, selling price is fixed or determinable and collectibility is reasonably assured.

Product Pools - The Corporation records income from products grade fruit based on actual quantities delivered to Sunkist valued at the expected return per ton as estimated by Sunkist.

Selling, General and Administrative – Selling, general and administrative costs ("SG&A") were $5,796,000 and $3,883,000 for 2006 and 2005, respectively and primarily included the following:

	2006	2005
Labor and benefits	$2,153,000	$1,893,000
Incentives	968,000	275,000
Legal and professional	432,000	450,000
Consulting and other	2,243,000	1,265,000
	$5,796,000	$3,883,000

Incentives are comprised of costs related to the management and salaried incentive programs and the bonus plan for hourly employees.

Income Taxes – Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

Earnings Per Share –Basic and diluted earnings per common share are computed based on the weighted average number of common shares outstanding.

	2006	2005
Weighted average outstanding common shares	1,136,000	1,039,000
Net income applicable to common stock	$3,224,000	$1,891,000
Earnings per common share, basic and diluted	$2.84	$1.82

Fair Value of Financial Instruments – The October 31, 2006 and 2005 carrying amounts of the Corporation's cash and cash equivalents, accounts receivable, notes receivable, accounts payable and grower payable approximate their estimated fair values because of short maturities and/or interest rates that are comparable to those currently available to the Corporation for financial instruments with similar terms. Based on the borrowing rates currently available to the Corporation for bank loans with similar terms and average maturities, the fair value of long-term debt is approximately $2,128,000 and $3,600,000 less than its carrying amount as of October 31, 2006 and 2005, respectively.

Reclassifications - Certain reclassifications have been made to the 2005 consolidated financial statements to conform to the 2006 presentation.

Contingencies – The Corporation is involved in litigation arising in the normal course of its business. The Corporation does not believe that this pending litigation will have a material adverse effect on its consolidated financial position or results of operations.

Recent Accounting Pronouncements— In December of 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". Except for certain limitations, SFAS No. 123R requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, as allowed under the original provisions of SFAS No. 123. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal

periods beginning after December 15, 2005. The Corporation does not currently believe this statement will have any significant impact on the Corporation's consolidated financial position or results of operations, since the Corporation does not anticipate any future stock options to be granted.

In May of 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections". SFAS No. 154 is a replacement of APB No. 20 and FASB Statement No. 3. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a voluntary change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS No. 154 also addresses the reporting of a correction of an error by restating previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Corporation will adopt this pronouncement beginning in 2007.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140". SFAS No. 155 permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument the pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Corporation will adopt SFAS No. 155 on November 1, 2006 and does not expect that the adoption will have a material impact on its financial position or results of operations.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" (FIN 48). This interpretation clarifies the application of SFAS No. 109, "Accounting for Income Taxes", by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, but earlier adoption is permitted. The Corporation will adopt FIN 48 no later than November 1, 2007. The Corporation is currently assessing the impact the adoption of FIN 48 will have on its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value and expands disclosures about fair measurements. SFAS No. 157 does not require any new fair value measurements. However, the application of SFAS No. 157 may change current practice for some entities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Corporation will adopt SFAS No. 157 in the first quarter of fiscal 2009. The Corporation is currently assessing the impact of the adoption of SFAS No. 157 will have on its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)". SFAS No. 158 requires company plan sponsors to display the net over-or under-funded position of a defined benefit postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of other comprehensive income in shareholders' equity. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. We will adopt SFAS No. 158 as of the end of fiscal 2007. The Corporation is currently assessing the impact the adoption of SFAS No. 158 will have on its financial position and results of operations.

3. Leases:

During 2006, the Corporation was involved in three operating leases for agricultural land totaling 490 acres for purposes of expanding the Corporation's production of citrus and avocados. One lease provides for an adjustment to rent for inflation. The Corporation also has an operating lease for pollinating equipment

and for some of its packinghouse equipment. Total lease expense for 2006 and 2005 was $369,000 and $360,000, respectively. In addition, the Corporation has made prepayments for the lease of the pollination equipment totaling $159,000. These prepayments are included in the consolidated assets of the Corporation at October 31, 2006 and will be expensed over the last year of the lease.

Minimum future lease payments are as follows:

2007	$306,000
2008	238,000
2009	240,000
2010	242,000
2011	215,000
Thereafter	201,000
Total	$1,442,000

4. Stock Option Plan / Stock Grant Program:

During 2002, the Corporation adopted a stock grant program for key employees, which replaced its stock option and related stock appreciation rights plan for key employees. There were 0 and 100 shares granted under the stock grant program in 2006 and 2005, respectively. As of October 31, 2006 and 2005, there were no stock options outstanding. There are currently 5,143 shares outstanding that are subject to repurchase by the Corporation with a value of $101,000. This is the only remaining obligation of the old stock option and stock appreciation rights plan. The Corporation applies APB Opinion No. 25 and related interpretations in accounting for its stock grant program.

5. Equity Investments:

The Corporation has a 1.3% interest in Limco Del Mar, Ltd. ("Del Mar") as a general partner and a 21.8% interest as a limited partner. The investment is recorded based on the equity method of accounting. The Corporation provided Del Mar with farm management, orchard land development and accounting services, which resulted in cash receipts of $128,000 and $116,000 in 2006 and 2005, respectively. The Corporation also performed contract lemon packing services for Del Mar in the amount of $352,000 and $468,000 in 2006 and 2005, respectively. Fruit proceeds due to Del Mar were $269,000 and $371,000 at October 31, 2006 and 2005, respectively. The Corporation borrowed $600,000 from Del Mar during 2006. The interest rate on this borrowing was 3.00% and there was no amount outstanding at October 31, 2006. Additionally, the Corporation paid interest to Del Mar of $11,000 in 2006. No amounts were borrowed during 2005.

The Corporation owned a 21% interest in Mission Produce, Inc. ("Mission"). The investment was recorded based on the equity method of accounting. The investment allowed the Corporation to vertically integrate its avocado operations. The original cost of the Corporation's investment exceeded its proportionate share of Mission's net assets by $1,002,000. The Corporation had been amortizing this excess over 15 years beginning in 1997 and stopped the amortization in 2002 upon the early adoption of SFAS No. 142. In June of 2005, the Corporation sold its investment in Mission back to Mission for $6,576,000. The sale to Mission consisted of $1,000,000 cash, net settlement of shares repurchased by the Corporation of $1,312,000 and a note receivable of $4,264,000. The Corporation realized a pre-tax gain on this sale of $1,542,000. In connection with the sale of its investment, the Corporation repurchased from Mission the 6,906 shares of the Corporation's common stock that Mission owned for $190 per share. Prior to the sale the Corporation's avocados were marketed primarily by Mission. Subsequent to the sale, and currently, the Corporation's avocados are marketed by Calavo. Sales of the Corporation's avocados totaled $9,559,000 and $3,941,000 for the years ended October 31, 2006 and 2005, respectively. There was no amount receivable by the Corporation from Calavo at October 31, 2006 or 2005.

The Corporation and Priske Jones, Inc. each owns a 50% interest in a limited liability corporation, Vista Pointe, LLC, which was formed in 1996 for the purpose of developing 9 estate lots and 28 single-family homes in Santa Paula. Limoneira Land Company made a capital contribution of land into Vista Pointe, LLC.

The following are condensed (unaudited) financial statements of the investees for the years ended October 31, 2006 and 2005:

	2006		
	Del Mar	Vista Pointe	Total
Assets	$2,821,000	$29,000	$2,850,000
Liabilities	$-0-	$-0-	$-0-
Equity	2,821,000	29,000	2,850,000
Total Liabilities and Equity	$2,821,000	$29,000	$2,850,000
Revenues	$1,545,000	$-0-	$1,545,000
Expenses	606,000	-0-	606,000
Net Income	$939,000	$-0-	$939,000

	2005		
	Del Mar	Vista Pointe	Total
Assets	$2,272,000	$29,000	$2,301,000
Liabilities	$-0-	$-0-	$0
Equity	2,272,000	29,000	2,301,000
Total Liabilities and Equity	$2,272,000	$29,000	$2,301,000
Revenues	$750,000	$-0-	$750,000
Expenses	563,000	-0-	563,000
Net Income	$187,000	$-0-	$187,000

Limoneira Company's investment and equity earnings of the investees are as follows:

	Mission	Del Mar	Vista Pointe	Total
Investment Balance 10/31/04	$4,911,000	$1,272,000	$13,000	$6,196,000
Equity earnings	287,000	43,000	-0-	330,000
Cash distribution	(164,000)	(90,000)	-0-	(254,000)
Sale of investment	(5,034,000)	-0-	-0-	(5,034,000)
Investment Balance 10/31/05	-0-	$1,225,000	$13,000	$1,238,000
Equity earnings	-0-	217,000	-0-	217,000
Cash distribution	-0-	(90,000)	-0-	(90,000)
Investment Balance 10/31/06	$-0-	$1,352,000	$13,000	$1,365,000

6. Windfall Investors, LLC:

In September of 2005, the Corporation, along with Windfall, LLC ("Windfall"), formed a partnership, Windfall Investors, LLC ("Investors"). Also, in September of 2005, Investors purchased a 724 acre ranch in Creston, California (the "Ranch") for $12,000,000. Investors is engaged in the management and operation of equestrian breeding and training facilities on the Ranch; the subdivision, re-parcelization, development and construction of improvements on all or a portion of the Ranch; the development, construction and marketing of residential lots and/or housing units on the Ranch; and such other activities as may be deemed appropriate and reasonable.

The Corporation and Windfall each made initial capital contributions to Investors of $300 and $1,700, respectively. The Corporation accounts for its investment in Investors under the historical cost method. To fund the purchase of the Ranch, Investors secured a long-term loan from Farm Credit West (the "Bank") for $9,750,000. The remaining $2,250,000 of the purchase was provided from an $8,000,000 revolving line of credit provided to Investors by the Bank under an agreement entered into between Investors and the Bank in September of 2005. The balance of the revolving line of credit will be used to fund the operations of Investors, including debt service costs. The $12,000,000 in borrowings to purchase the Ranch is secured by the real property, buildings and equipment of the Ranch.

The indebtedness outstanding under the revolving line of credit is guaranteed, jointly and severally, by the Corporation and Windfall. This guarantee shall remain in effect for the entire four-year term of the revolving line of credit. Should Investors be in default at any time during that term, the Bank could declare the outstanding balance due and payable. The maximum amount of potential future payment for the Corporation and Windfall because of a default by Investors under the term of the agreement is $8,000,000. Conditions of default include, among other things, failure to make scheduled payments, declaration of bankruptcy, material adverse change in financial condition and breach of any term or representation in the loan agreements. At October 31, 2006 and 2005, there was $5,264,000 and $2,781,000, respectively outstanding under the revolving line of credit that was guaranteed by the Corporation and Windfall.

Operating profits and losses earned by the Ranch operations are shared by the Corporation and Windfall 15% and 85%, respectively.

7. Notes Receivable:

In connection with the sale of land in 2004 (see Note 13), the Corporation recorded a note receivable at October 31, 2004 of $4,263,000. In April of 2005, the Corporation received the $2,963,000 current portion of this note including interest at 5.00%. The remaining $1,300,000 will become due and payable in April 2009 at an interest rate of 7.00% and is secured by real property.

In connection with the sale of its investment in Mission in June of 2005 (see Note 5), the Corporation recorded a note receivable of $4,264,000. This note is due and payable in June of 2007 and is secured by 355,000 shares of Mission common stock. The terms of this note require quarterly, interest-only payments at an interest rate equal to the prime rate plus 1.00%. The interest rate at October 31, 2006 was 9.25%.

8. Long-Term Debt:

Long-term debt at October 31, is comprised of the following:

	2006	2005
Central Coast Federal Land Bank Association loan secured by property with a net book value of $11,719,000. The interest rate is fixed for the life of the loan at 5.5%. The loan is payable in quarterly installments through November 2022.	$8,140,000	$8,369,000
City National Bank loan secured by property with a net book value of $8,351,000 as of October 31, 2006. The interest rate is fixed at 6.15% for the life of the loan. Interest only is payable until 2009. Thereafter, the loan is payable in monthly installments through November 2018.	6,375,000	6,375,000
Santa Clara Valley Bank unsecured line of credit for Mercantile with interest at prime rate plus .25%. Total amount of line of credit is $500,000 and the interest rate at October 31, 2005 was 7.00%. This line of credit expired in March of 2006.	-0-	185,000
Sub-Total	14,515,000	14,929,000
Less Current Portion	324,000	492,000
Total Long-Term Debt	$14,191,000	$14,437,000

In October of 2001, the Corporation entered into a credit arrangement with City National Bank whereby it can borrow up to $10,000,000 on an unsecured line of credit, which was renewed in March of 2004 and again in May of 2006. There were no amounts outstanding at October 31, 2006 or 2005 under this arrangement. Additionally, the credit arrangement allows for an additional $5,000,000 to be made available to the Corporation for equipment acquisition loans. Loans for equipment expenditures are payable in sixteen substantially equal quarterly installments. There were no amounts outstanding at October 31, 2006 or 2005 under this arrangement. This credit arrangement will expire in April of 2008.

The Corporation, under the terms of this agreement, is subject to various financial covenants. At October 31, 2006, the Corporation was out of compliance with one of these covenants and has received a waiver for this out of compliance condition.

Beginning in 2004, the Corporation utilizes a standby letter of credit to satisfy workers' compensation insurance security deposit requirements. At October 31, 2006, this outstanding letter of credit totaled $648,000.

Principal payments on Long-Term Debt are due as follows:

2007	$324,000
2008	342,000
2009	408,000
2010	670,000
2011	692,000
Thereafter	12,079,000
Total	$14,515,000

9. Discontinued Operations:

In December 2005, Limoneira Company International Division, LLC entered into an agreement whereby it acquired substantially all of the assets, liabilities and operations of Movin' Mocha ("Mocha"), a California general partnership. The purchase price of $1,000,000 was payable $500,000 at closing, $250,000 on the first anniversary of the closing and $250,000 on the second anniversary of the closing. Mocha owns and operates coffee houses and coffee carts in seven locations in the Modesto-Fresno corridor. Additionally, Mocha owns and operates a bakery facility. This acquisition was accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations".

In October 2006, the Corporation decided, that because of continuing operational losses in its retail coffee and coffee distribution businesses, it would exit the coffee business. In connection with that decision, the Corporation has approved a plan to exit the retail coffee and coffee distribution business. Sales and operating losses for 2006 were $1,223,000 and ($1,545,000), respectively. Sales and operating losses for 2005 were $52,000 and ($315,000), respectively. In addition, the Corporation wrote off $900,000 of goodwill that was recorded in connection with the acquisition of Mocha. The Corporation also wrote off $330,000 of coffee inventory and supplies. The assets and liabilities of the coffee business were comprised of the following at October 31, 2006 and 2005:

	2006	2005
Cash	$(3,000)	$4,000
Accounts Receivable	10,000	36,000
Supplies	21,000	297,000
Prepaid Expenses	28,000	2,000
Deferred Taxes	349,000	-0-
Fixed Assets, Net	563,000	-0-
Total Assets	$968,000	$339,000
Accounts Payable	$102,000	$205,000
Current Portion Long Term Debt	264,000	-0-
Long Term Debt	274,000	-0-
Total Liabilities	$640,000	$205,000

10. Income Taxes:

The components of the provisions for income taxes (from continuing operations) for 2006 and 2005 are as follows:

	2006	2005
Current:		
Federal	$1,544,000	$368,000
State	488,000	215,000
Total Current Provision	2,032,000	583,000
Deferred:		
Federal	62,000	335,000
State	260,000	60,000
Total Deferred Provision	322,000	395,000
Total Provision	$2,354,000	$978,000

The income tax provision differs from the amount which would result from the statutory federal income tax rate primarily as a result of dividend exclusions, the exclusion of some export revenue and state income taxes.

Deferred income taxes result principally from differences between the financial and tax reporting of expense items such as depreciation, state income taxes, vacation accruals, pension liability and net operating loss carryforwards. The state net operating loss carryforward was utilized in 2005. The liability relating to the acquired assets is the tax liability arising from the difference between the fair market value of the assets and the original tax basis due to the tax deferred treatment of certain mergers and exchanges.

The components of deferred income tax assets (liabilities) at October 31, 2006 and 2005 are as follows:

	2006	2005
Short-Term Deferred Income Tax Assets (Liabilities):		
Labor Accruals	$86,000	$66,000
Property Taxes	(189,000)	(197,000)
State Income Taxes	140,000	9,000
Prepaid Insurance	(22,000)	-0-
Short-Term Deferred Income Tax Assets (Liabilities):	$15,000	$(122,000)
Long-Term Deferred Income Tax Assets (Liabilities):		
Depreciation	$(2,787,000)	$(2,603,000)
Amortization	154,000	105,000
Asset Impairment Charge	-0-	322,000
State Income Taxes	-0-	160,000
Pension	1,161,000	1,562,000
Other	82,000	21,000
Calavo Stock	100,000	152,000
Book and Tax Basis Difference of Acquired Assets (Primarily Land)	(9,531,000)	(9,870,000)
Long-Term Deferred Income Tax Assets (Liabilities):	$(10,821,000)	$(10,151,000)
Deferred Tax Asset related to loss on discontinued operations (Goodwill)	349,000	-0-
Total Deferred Income Tax Assets (Liabilities)	$(10,457,000)	$(10,273,000)

The current deferred income tax asset is included in prepaid expenses at October 31, 2006 and the current deferred income tax liability is included in accrued liabilities at October 31, 2005. The deferred tax asset related to loss on discontinued operations is included in non-current assets of discontinued operations at October 31, 2006.

11. Retirement Plans:

Effective December 31, 1991, the Corporation merged the Limoneira Hourly and Piece Rated Pension Plan and their salaried plan, into the Sunkist Retirement Plan, Plan L (the "Plan"). All participants became members of the Plan at that time, and all assets became part of the Sunkist Retirement Plan L Trust. The Plan is administered by the Sunkist Retirement Investment Board.

The Plan is a noncontributory, defined benefit, single employer pension plan, which provides retirement benefits for all eligible employees of the Corporation. Since Limoneira Company's Defined Benefit Pension Plan is a single employer plan within the Master Trust, its liability is not commingled with that of the other plans holding assets in the Master Trust. Limoneira Company has an undivided interest in its assets.

Benefits paid by the Plan are calculated based on years of service, highest five-year average earnings, primary Social Security benefit and retirement age.

The Plan is funded consistent with the funding requirements of federal law and regulations. There were funding contributions of $1,375,000 and $1,240,000, respectively for 2006 and 2005. Plan assets are invested in a group trust consisting primarily of stocks (domestic and international), bonds, real estate trust funds, short-term investment funds and cash. The weighted average asset allocations at October 31, 2006 and 2005, by asset category, are as follows:

	2006	2005
Asset Category		
Equity	59%	48%
Fixed income	41	27
Cash	-0-	2
All other	-0-	23
Total	100%	100%

The investment policy has been established to provide a total investment return that will, over time, maintain purchasing power parity for the Plan's variable benefits and keep the Corporation's plan funding at a reasonable level. The primary asset classes utilized to attain these objectives are equity securities, fixed income securities and all other, with target allocations of 60%, 35% and 5%, respectively.

SFAS No. 87 "Employers' Accounting For Pensions" requires the Corporation to recognize an additional minimum liability at least equal to the amount by which the actuarial present value of the accumulated benefit obligation exceeds the fair value of the plans' assets, along with an increase for the prepaid benefit cost or decrease for the accrued benefit cost. In 2006, the Corporation recorded $401,000 to recognize a decrease in the additional minimum pension liability. A corresponding increase in stockholders' equity, net of $160,000 of income taxes, was recorded. In 2005, the Corporation recorded $873,000 to recognize an increase in the additional minimum pension liability. A corresponding decrease in stockholders' equity, net of $349,000 of income taxes, was recorded. The Accumulated Benefit Obligation ("ABO") represents the year-end pension obligation based on past and current salaries, not future compensation levels. It assumes that compensation to plan participants does not change. Attrition of current participants is considered. If the pension plan is terminated, the amount of any unfunded accumulated benefit obligation continues as a liability of the employer. The accumulated benefit obligation is used in calculating the minimum pension liability which is recorded on the consolidated balance sheet.

The additional minimum pension liability is calculated as follows:

	2006	2005
Accumulated Benefit Obligation	$14,618,000	$14,094,000
Fair Value of Plan Assets at October 31	(11,703,000)	(10,059,000)
Prepaid Benefit Cost	2,547,000	1,828,000
Additional Minimum Pension Liability	$5,462,000	$5,863,000

The following table sets forth the Plan's consolidated funded status and net periodic benefit cost as of October 31, 2006 and October 31, 2005.

	2006	2005
Actuarial present value of benefit obligations:		
(based on future projected salaries)		
Projected benefit obligation at October 31	$14,618,000	$14,094,000
Fair value of plan assets at October 31	(11,703,000)	(10,059,000)
Unfunded status	$2,915,000	$4,035,000
Prepaid benefit cost included in pension liability in the consolidated statement of financial position	$2,548,000	$1,828,000
Accumulated other comprehensive loss – reduction in stockholders' equity, net of income taxes	$(3,277,000)	$(3,518,000)
Net periodic benefit cost	$655,000	$462,000
Employer contribution	$1,375,000	$1,240,000
Benefits paid	$801,000	$723,000
Weighted-average assumptions used to determine benefit obligations at October 31		
Discount rate	5.75%	5.75%
Projected salary increases	n/a	n/a
Weighted-average assumptions used to determine net cost for years ended October 31		
Discount rate	5.75%	5.75%
Expected long-term return on plan assets	7.25%	7.5%
Projected salary increases	n/a	n/a

To develop the expected long-term rate of return on asset assumptions, the Corporation considered the historical returns and the future expectation for returns for each asset class, as well as the target allocation of the pension portfolio.

The Corporation expects to contribute $1,300,000 to the Plan in 2007. Additionally, the following benefit payments are expected to be paid as follows:

2007	$753,000
2008	772,000
2009	801,000
2010	817,000
2011	861,000
2012-2016	4,632,000
Total	$8,636,000

Effective June 30, 2004, the Corporation froze the Plan and no additional benefit will accrue to participants subsequent to that date. Freezing the Plan resulted in a curtailment gain and related reduction in the projected benefit obligation of $840,000.

Additionally in 2004, the Corporation replaced its existing qualified cash or deferred compensation plan maintained under Section 401(k) of the Internal Revenue Code ("IRC") with a new plan also maintained under Section 401(k) of the IRC. Under this new plan the Corporation, beginning in January 2005, will contribute an amount equal to 4% of an employees' annual earnings beginning after one year of employment. Employees may elect to defer up to 100% of their annual earnings subject to IRC limits. The Corporation will make an additional "dollar for dollar" matching contribution on these deferrals up to 4% of an employee's annual earnings. Employees are 100% vested in the Corporation's contribution after six years of employment. Participants vest in any matching contribution at a rate of 20% per year beginning after one year of employment. During 2006 and 2005, the Corporation contributed to the new plan and recognized expense of $411,000 and $308,000, respectively.

12. Fruit Growers Supply Cooperative:

Limoneira Company is a member of Fruit Growers Supply ("FGS"), a cooperative. FGS sells supplies to non-members. The profits made by these transactions are allocated to all members based on carton purchases. The profits are then distributed to the members through a dividend five to seven years after they are allocated. Limoneira Company currently has been allocated $1,254,000 for future payments, however, the allocation of profits is subject to approval by the FGS Board of Directors and members may receive amounts less than those originally allocated. The Corporation will record the amounts ultimately disbursed by FGS as dividend income when received. The Corporation recognized dividend income of $165,000 and $143,000 in 2006 and 2005, respectively.

13. Sales of Land and Buildings:

In October of 2004, the Corporation sold a parcel of land in Morro Bay, California. The sale was recognized under the installment method and as a result, the gain of $161,000 was deferred. The deferred gain is included in accrued liabilities at October 31, 2006 and 2005. In connection with the sale, the Corporation recorded a note receivable of $4,263,000. Principal of $2,963,000 and interest was paid in April 2005 and $112,000 of the deferred gain was recognized as income at that time. The remaining principal balance and interest is payable in April 2009. Interest accrues at 7% on this remaining principal balance.

In May of 2006, the Corporation sold a parcel of land with a building in Oxnard, California. The sale resulted in a recognized gain in 2006 of $278,000.

14. Segment Information:

During 2006, the Corporation operated and tracked results in two reportable operating segments, agri-business and retail operations. Prior to 2005, the Corporation solely operated the agri-business segment. The reportable operating segments of the Corporation are strategic business units with different products and services, distribution processes and customer bases. The agri-business segment includes farming and citrus packing operations, leased land and housing. The retail operations segment includes the gas station, convenience store, car wash, coffee house, and restaurant businesses of Mercantile. The Corporation measures operating performance, including revenues and earnings before interest, taxes and depreciation, of its operating segments and allocates resources based on its evaluation. The Corporation does not allocate assets or specifically identify them to its operating segments. Included in other income in the table below

is the gain on sale of land and a building of $278,000 and equity in earnings of investments of $217,000 for the year ended October 31, 2006. Revenues from one customer of the Corporation's agri-business segment represent $13,029,000 of the Corporation's consolidated revenues for 2006.

Year Ended October 31, 2006

	Agri-Business	Retail Operations	Corporate & Other	Total
Revenues	$30,703,000	$4,465,000	$1,390,000	$36,558,000
Operating expenses	(16,656,000)	(4,462,000)	(5,796,000)	(26,914,000)
Depreciation and amortization expense	-0-	-0-	(2,362,000)	(2,362,000)
Interest expense	-0-	-0-	(850,000)	(850,000)
Gain on sale of assets	-0-	-0-	120,000	120,000
Income taxes	-0-	-0-	(2,354,000)	(2,354,000)
Equity in earnings of investments	-0-	-0-	217,000	217,000
Income from continuing operations	$14,047,000	$3,000	$(9,635,000)	$4,415,000

15. Subsequent Events (Unaudited):

Subsequent to October 31, 2006, the Corporation purchased a parcel of land adjacent to the Corporation's farming operations in Porterville, California. This 101 acre parcel was purchased for $900,000, and consists of 88 acres of full-bearing Valencia and Navel oranges and 13 acres of unimproved land. Per the purchase agreement, Limoneira Company owns all of the crops on trees as of the date of purchase. The Corporation plans to harvest these crops in fiscal year 2007.

Also subsequent to October 31, 2006, the Corporation entered into an agreement with Templeton Santa Barbara, LLC ("Templeton") whereby the Corporation secured a one-year, short-term "bridge loan" of $20,000,000 for the purchase and estimated entitlement costs of four development parcels in Santa Maria, California. The interest rate on this loan is equal to the London Inter-bank Offered rate plus 1.5% and is secured by the purchased properties. The rate on this loan at inception was 6.875%.The Corporation will receive a one-year Promissory Note of $20,000,000 from Templeton at an interest rate equal to the Prime Rate plus 2.0%. In addition, the Corporation will earn from Templeton a loan fee of 1.0% on $20,000,000. At the end of one year, the Corporation will maintain an option to participate in the real estate project as a 20% equity participant and/or participate as a lender receiving a preferred interest rate.

In addition, subsequent to October 31, 2006, the Corporation formed 6037 East Donna Circle, LLC ("Donna Circle") for the purpose of developing a single family residence near Scottsdale, Arizona. In December of 2006 Donna Circle purchased a parcel for $1,367,000 with plans to build a 7,000 square-foot residence.

In January 2007, California experienced multiple consecutive days of sub-freezing overnight temperatures. As a result, California's agricultural industry, including the Corporation, suffered significant crop losses. The Corporation is currently assessing the extent of the damage as well as the impact this damage will have on its 2007 results of operations.

Lastly, subsequent to October 31, 2006, the Corporation entered into a shareholder rights agreement with The Bank of New York acting as rights agent. In connection with this agreement, on October 31, 2006 the Corporation's Board of Directors adopted a resolution creating a series of 20,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock, $.01 Par Value. There were no shares of this stock issued and/or outstanding at October 31, 2006. Also in connection with this agreement, on October 31, 2006 the Corporation's Board of Directors authorized and declared a dividend distribution of one "Right" (as defined by the agreement) for each share of common stock outstanding on December 20, 2006. Each "Right" represents the right to purchase one one-hundredth of a share of the above referenced Junior Preferred Stock. If a triggering event (as defined by the agreement) occurs, the Board of Directors has the option to allow rights holders to exercise their rights under the agreement.

ERNST & YOUNG

Ernst & Young LLP
Warner Center Plaza 5
Suite 500
21800 Oxnard Street
Woodland Hills
California 91367-7534

Phone: (818) 703-4700
Fax: (818) 347-9235
www.ey.com

Report of Independent Auditors

The Board of Directors and Stockholders of Limoneira Company

We have audited the accompanying consolidated balance sheet of Limoneira Company (the "Company") as of October 31, 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements as of October 31, 2005, and for the year then ended, were audited by other auditors whose report dated January 27, 2006 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limoneira Company at October 31, 2006, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

January 12, 2007

Limoneira Company
Member of Sunkist Growers, Inc.; Calavo Growers, Inc.

2005-2006 Land Utilization Acreage
Consolidated

	Producing	Non-Bearing	Total
Lemons	1,699	143	1,842
Valencias	195	0	195
Navels	673	109	782
Avocados	1,120	290	1,410
Specialty Crops	307	158	465
Total Planted Acreage	3,994	700	4,694
Land Leased to Third Parties	509	0	509
Pastures and Other	0	1,925	1,925
Total Acreage	4,503	2,625	7,128

Included in the above amounts are 490 acres of land leased by Limoneira under long term leases.

Crop Production
Consolidated (in 000's)

	Field Boxes 2005-06 Actual	2006-07 Estimates
Lemons	1,378	1,053
Valencias	98	0
Navels	287	32
Specialty Citrus	135	165
All Varieties	1,898	1,250
Affiliated Growers Citrus	749	292
Total Citrus	2,647	1,542
Avocados (Pounds)	17,722	5,600

Results of Agricultural Operations
Operating Profit

	2006	2005
Lemons	$5,374,000	$5,213,000
Oranges		
Valencias	486,000	88,000
Navels	986,000	459,000
Avocados	5,820,000	1,048,000
Specialty citrus crops	880,000	655,000
Pistachios and other	(107,000)	112,000
Other sources	753,000	389,000
Total	$14,192,000	$7,964,000

NOTES

New Santa Paula Community Development

The New Santa Paula Community Development has been master planned and thoughtfully designed by Limoneira Company in accordance with specifications set by the City of Santa Paula and its residents with future generations in mind.
www.EastArea1.com

Limoneira Tours

The Limoneira Company has assumed a leadership role for agritourism and filming in the Heritage Valley. Unique orchard and packing house tours, dinners in the orchard and balloon rides over the hillsides have been developed. These agritourism activities help to build tourism and revenue and bring positive exposure to Santa Paula and area merchants.
www.LimoneiraTours.com

Filming Locations

The Santa Clara River Valley, affectionately known as the Heritage Valley, offers some of the most spectacular scenery and beauty in the world. Film producers find the lighting opportunities here abundant and unique and feature films, commercials, television and documentaries are filmed on Limoneira's over 7,000 acres of land.
www.LimoneiraOrchards.com

Sunkist Gifts

For over 100 years, Limoneira and Sunkist have worked together to grow the world's highest quality citrus. New Sunkist gift packs have been developed by Limoneira Company. When you purchase a Sunkist gift for your family, friends or business associates, you can feel confident that the recipient will instantly recognize the quality, vitality and heritage that the Sunkist brand conveys.
www.Sunkist-gifts.com

Tradition and Heritage

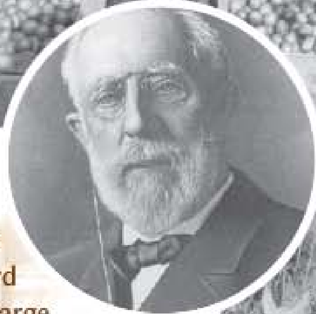
The Limoneira Company has been a fixture in Santa Paula for over 100 years. Co-founders Nathan Blanchard and Wallace Hardison signed the incorporation papers officially creating the Limoneira Company on March 4, 1893 bringing into existence an endeavor born of their imaginations. On this day over a century ago, these two men set in motion an agricultural experiment on a scale previously unknown in Ventura County, and in the classic nineteenth century entrepreneurial spirit, directed the full weight of their determination to its realization.

Orchard Fresh Gifts

Orchard Fresh Gift Baskets, a division of the Limoneira Co., specializes in California Fresh Fruit Gift Baskets, Gourmet Food Gift Baskets and Fresh Fruit Gift Packs that are loaded with hand selected oranges, avocados, lemons and other fresh fruit harvested especially for you, your family, friends and business associates.
www.OrchardFreshGiftBaskets.com

Agromin

Limoneira continues its agricultural entrepreneurial spirit with its partnership with Agromin, an innovative organic recycling program. Agromin Corporation is a manufacturer of premium soil products and the Green Waste recycler for 15 cities in Santa Barbara, Los Angeles and Ventura Counties.
www.Agromin.com



COMPANY MISSION AND COMMITMENT TO AGRICULTURE

The Limoneira Company's heritage is based in agriculture. Nathan Blanchard is credited with establishing the first large scale, successful citrus orchard in Santa Paula, and the company has introduced a number of innovations that have progressed agriculture. Limoneira is fully committed to continuing and further developing this agricultural tradition.

Limoneira's mission is to preserve and promote its tradition, heritage and legacy in agriculture, community development and land stewardship to maximize value for its shareholders.

Limoneira Company
1141 Cummings Road
Santa Paula, CA 93060
Phone: 805.525.5541 Fax: 805.525.8211
www.Limoneira.com