GENIVAR

Genivar Income Fund

First Quarter Report

For the three-month period ended March 31, 2007

Management's Discussion & Analysis

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The following management's discussion and analysis of financial condition and results of operations («MD&A») dated as of May 8, 2007, is intended to assist readers in understanding GENIVAR Income Fund (the «Fund»), its business environment, strategies, performance and risk factors. In this MD&A, the «Fund», «we», «us» and «our» mean GENIVAR Income Fund. This MD&A should be read together with the interim consolidated financial statements as at March 31, 2007, and accompanying notes of the Fund, the audited consolidated financial statements of the Fund for the period extending from May 25, to December 31, 2006 included in the Fund's 2006 Annual Report and in conjunction with the prospectus of the Fund dated May 16, 2006. The Fund's consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles («GAAP»).

This MD&A focuses on the Fund's first quarter results, being from January 1 to March 31, 2007 and, consequently, no comparative financial information is provided in the Fund's unaudited interim consolidated financial statements. In order to enhance the purpose and the relevance of this MD&A, certain financial and operating results of the Fund for the three-month period ended March 31, 2007 are compared to the unaudited combined results of the GENIVAR Engineering Services Business for the period of three months ended March 31, 2006, which were carved out from GENIVAR Inc. (the «Non-controlling Unitholder»). Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the unaudited consolidated financial results.

The GENIVAR Engineering Services Business means the professional consulting engineering services and related services business that was previously carried on by GENIVAR Inc. and which is now carried on by the Fund through GENIVAR Limited Partnership («GENIVAR LP»).

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. These statements relate to future events or future performance and reflect the expectations of management («Management»), regarding the growth, results of operations, performance and business prospects and opportunities of GENIVAR LP or of the Engineering Services industry. Such forward-looking statements reflect current beliefs of Management and are based on information currently available. In some cases, forward-looking statements can be identified by terminology such as «may», «will», «should», «expect», «plan», «anticipate», «believe», «estimate», «predict», «potential», «continue» or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, investors should specifically consider various factors, including the risks outlined under the heading "Risk Factors", which may cause actual results to differ materially from any forward-looking statement. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, GENIVAR Income Fund and related parties do not assume any obligation to update or revise them to reflect new events or circumstances, other than as required by current legislation.

OVERVIEW OF THE FUND

The Fund offers a broad diversity of professional consulting services in planning, engineering, architecture, environmental services, project management and a variety of project services throughout all execution phases : from the initial development studies through the design, construction, commissioning and maintenance phases. We have developed a multidisciplinary team approach where resources work closely with clients to develop optimized solutions which are on time and on budget. We are a fee-for-service business which operates in five distinct market segments such as: building, industrial and power, urban infrastructure, transportation and environment.

The Fund is one of the largest Engineering Services firm in Canada in terms of number of employees, with more than 1,800 managers, professionals, technicians and technologists and support staff in over 40 offices in Canada and abroad.

HIGHLIGHTS OF THE FIRST QUARTER

The following MD&A covers the period from January 1 to March 31, 2007, which is the first quarter of the first full fiscal year of the GENIVAR Income Fund. The Fund maintained its solid financial performance during the first three months of 2007, during which time it completed the integration of four recently acquired firms: Martoni, Cyr & Associates, Cochrane Design Group, Kazmar & Associates and Groupe GLD. In conjunction with these acquisitions, we continued to strengthen our organizational structure and business processes, while fostering operating and business development synergies.

We have maintained sequential quarterly revenue and earnings growth since the Fund was initially listed on the Toronto Stock Exchange in May 2006, as shown in the following summary:

SUMMARY OF QUARTERLY RESULTS

	2007	2006		
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	**Q1** FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)	**Q4** FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	**Q3** FOR THE PERIOD FROM JULY 2 TO SEPTEMBER 30 (UNAUDITED)	**Q2** FOR THE PERIOD FROM MAY 25 TO JULY 1 (UNAUDITED)
Revenues	**$ 54,343**	**$ 49,703**	**$ 42,555**	**$ 17,523**
Net revenues (1)	**$ 44,168**	**$ 36,733**	**$ 33,732**	**$ 14,216**
Gross margin	**$ 21,076**	**$ 17,533**	**$ 16,196**	**$ 7,176**
EBITDA	**$ 8,090**	**$ 7,437**	**$ 7,024**	**$ 3,354**
Net earnings	**$ 2,672**	**$ 2,577**	**$ 2,364**	**$ 1,403**
Basic net earnings per unit	**$ 0,24**	**$ 0,23**	**$ 0,21**	**$ 0,13**
Weighted average number of units	11,000,000	11,000,000	11,000,000	11,000,000
Diluted net earnings per unit	$ 0,24	$ 0,23	$ 0,21	$ 0,13
Diluted weighted average number of units	18,927,381	18,927,381	18,927,381	18,927,381

(1) Net revenues are defined as Revenues less subconsultants and other direct expenses.

Business operations contributed to our excellent performance in all of our market segments and regions. Our growth was supported by the contribution of our recent acquisitions, despite the time spent on integration and related costs. Capital expenditures during the first quarter were significant, totalling $2.1 million. A non-recurring expenditure of $0.8 million, net of the sale of a building, was incurred in connection with the expansion of our Quebec City office. The estimated disbursements to be made by the Fund during the second and third quarters, in order to complete this expansion project, will respectively be in the amounts of $0.8 million and $0.3 million. To integrate our Quebec City personnel more effectively, we consolidated three separate offices under one roof. As a result, following the expansion, we sold one building and terminated an existing lease. The Fund also incurred $0.8 million expenditure in order to purchase computer software and hardware, in addition to $0.5 million for equipment and furniture. These expenditures were necessary due to the increase in our staffing levels as a result of internal growth and acquisitions. Despite certain non-recurring investments, the Fund generated $5.8 million in distributable cash, compared with declared distributions of $4.7 million.

As at March 31, 2007, the Fund's backlog stood at $156.4 million. We were awarded a number of projects during the first quarter, reflecting our proven expertise in the areas of project management, engineering, sustainable development and the environment. For example, we were commissioned to provide project management services on a number of healthcare sector projects, including the University of Montreal Hospital Centre (CHUM) development (in partnership) and Grey Bruce Regional Health Centre's new facilities in Ontario. In the education sector, our services were retained by the Toronto Catholic School Board for the expansion of James Cardinal McGuigan Secondary School and by Concordia University, a longstanding client, for the new John Molson School of Management. Our engineering and architecture team was commissioned to develop a sports complex in Kitchener, featuring one of the most environmentally conscious building designs in Canada. On the strength of our mechanical and electrical expertise, GENIVAR's services were retained by the University of Quebec in Abitibi-Temiscamingue to provide mechanical and electrical engineering services for the new First Nations pavilion, in Val D'Or. In the industrial sector, we began work on two large-scale pulp and paper projects. For Abitibi Consolidated's Fort Frances division in Ontario, our mandate includes detailed engineering, construction management and start-up services for a new 45.5 MW renewable energy cogeneration plant. For SFK Pulp's mill in the Lac Saint Jean region, our engineering services were retained for the installation of a new pressure diffuser aimed at improving the brown pulp washing process, thus reducing mill effluent. Demand remained high in the urban infrastructure and transportation market segments, with work beginning on several projects, including the installation of a water and wastewater network that will service the 1,000 residents of East Selkirk, Manitoba.

GENIVAR continued to develop its Caribbean operating base in Trinidad and Tobago, with no fewer than 15 new contracts awarded during the first quarter, including a mandate to develop the national water and wastewater master plan. GENIVAR's services were also retained to manage Trinidad and Tobago's water and wastewater infrastructure modernization program. We now have more than 80 employees in Port of Spain.

On May 2, 2007, The Fund announced the acquisition of Nove Environment Inc. This transaction reflects our commitment to continue developing our environmental studies services, a cornerstone of our service offer in all of our market segments. In the coming quarters, The Fund will continue to implement its business plan. The outlook is positive in all of our regions and market segments.

The GENIVAR Income Fund will hold its first annual meeting on May 17, 2007.

NON-GAAP MEASURES

The Fund uses non-GAAP measures that are used by Canadian open-ended income funds as indicators of financial performance measures under GAAP and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable. The Fund believes these measures are useful supplemental measures that may assist investors in assessing an investment in Units of the Fund.

Non-GAAP measures used by the Fund are Net revenues, EBITDA, distributable cash and payout ratio. These measures are defined at the end of this MD&A in the glossary.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE FIRST QUARTER	
	2007 FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)	**2006** FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (COMBINED-UNAUDITED) (1)
Net revenues	**$ 44,168**	**$ 27,336**
EBITDA	**$ 8,090**	**$ 5,824**
Net earnings (2)	**$ 2,672**	–
Earnings per Fund Unit (2)		
Basic	$ 0.24	–
Diluted	$ 0.24	–

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE FIRST QUARTER **2007**	
	FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)	PER UNIT (UNAUDITED)
Distributable Cash	**$ 5,778**	**$ 0.3053**
Aggregate Distributions, all Units	**$ 4,730**	**$ 0.25**
Actual payout ratio	**81.9%**	–

BALANCE SHEET

IN THOUSANDS OF DOLLARS	**2007** AS AT MARCH 31 (UNAUDITED)	**2006** AS AT DECEMBER 31 (AUDITED)
Total Assets	**$ 273,054**	**$ 248,838**
Long-term financial liabilities	–	–

(1) This combined financial information was carved out from GENIVAR Engineering Services Business regrouping all of the engineering activities of GENIVAR Inc., the Non-controlling Unitholder.

(2) Net earnings and Earnings per Fund Unit have not been presented on a comparative basis due to the changes made in regard to the capital structure of the preceding entities as a result of the IPO completed on May 25, 2006.

(3) See "Distributable cash".

RESULTS OF OPERATIONS

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE FIRST QUARTER	
	2007 FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED	**2006** FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (COMBINED-UNAUDITED) (1)
Revenues	**$ 54,343**	**$ 36,307**
Deduct: Subconsultants and other direct expenses	$ 10,175	$ 8,971
Net revenues	**$ 44,168**	**$ 27,336**
Direct project costs	$ 23,092	$ 13,088
Gross margin	**$ 21,076**	**$ 14,248**
Marketing, general and administrative expenses	$ 12,986	$ 8,424
EBITDA	**$ 8,090**	**$ 5,824**
Interest	$ 295	$ 117
Depreciation of property, plant and equipment	$ 599	$ 381
Amortization of intangible assets	$ 2,458	$ 1,241
Earnings before income tax expense and non-controlling interest	**$ 4,738**	**$ 4,085**
Income tax expense (2)	**$ 141**	–
Earnings before non-controlling interest	**$ 4,597**	–
Non-controlling interest (2)	$ 1,925	–
Net earnings (2)	**$ 2,672**	–
Basic net earnings per Unit	**$ 0.24**	–
Weighted average number of Units (3)	11,000,000	–
Diluted net earnings per Unit	$ 0.24	–
Diluted weighted average number of Units (3)	18,927,381	–

(1) This combined financial information was carved out from GENIVAR Engineering Services Business regrouping all of the engineering activities of GENIVAR Inc., the Non-controlling Unitholder.

(2) Income taxes, non-controlling interest and net earnings have not been presented on a comparative basis due to the changes in the capital structure of the preceding entities and the Fund in connection with the IPO on May 25, 2006.

(3) As at May 8, 2007, the number of Units is identical to what it was as at March 31, 2007.

RESULTS OF OPERATIONS [1]

REVENUES

We operate in one reportable segment, consulting services. Our revenues for the three-month period ended March 31, 2007 increased by $18.0 million (49.7%) from $36.3 million in 2006 to $54.3 million in 2007.

Revenues from growth through acquisitions[2] accounted for approximately $16.2 million from which $4.9 million were generated by way of the Cochrane acquisition, $0.8 million by way of the Kazmar acquisition and $0.5 million originated from the Groupe GLD acquisition concluded in the first quarter of 2007. Finally, $10 million originated from acquisitions concluded in fiscal 2006 and are detailed as follows: $7.9 million for MacViro, $1.7 million for Martoni Cyr and $0.4 million for Labelle Ryan.

Revenues from organic growth accounted for $1.8 million.

Our net revenues, expressed as revenues less costs for subconsultants and other direct expenses that are recoverable directly from our clients, were in the amount of $44.2 million for the three-month period ended on March 31, 2007and $27.3 million for the same period in 2006, an increase of $16.9 million.

However, the first period of 2006 includes $1.5 million in revenues, which exceeded largely the anticipated revenues due to some very profitable projects which were completed during this period. Consequently, during the first period of 2006, the direct project costs and marketing, general and administrative expenses, all of which are expressed as a percentage of net revenues, decreased and the gross margin and the EBITDA increased. It is important to note that these measures in terms of net revenues may slightly change from one period to another and for analysis comparison, should be evaluated on a yearly basis.

EXPENSES

Our operating expenses consist of two major components which are our direct project costs and marketing, general and administrative expenses. The highest operating expense is compensation which includes salaries and employee benefits, payroll taxes and other staffing services. Direct project costs include payroll costs relating to the delivery of consulting services and project delivery. Marketing, general and administrative expenses include payroll costs of marketing and other administrative support staff, such as accounting, communications, information technology, quality, health and safety, purchasing and human resources, as well as other fixed costs such as occupancy costs, non-recoverable client services costs, technology costs, office costs, professional services costs and insurance. Other expenses include depreciation of property, plant and equipment, amortization of intangible assets and net interest expense.

We believe that the key performance indicators of our business are direct project costs, gross margin and marketing, general and administrative expenses, all of which are expressed as a percentage of net revenues.

(1) Combined information for the three-month period ended March 31, 2006, was carved out from GENIVAR Engineering Services Business.

(2) Growth through acquisitions is derived from revenues of acquired businesses after March 31, 2006.

DIRECT PROJECT COSTS

For the three months ended March 31, 2007, direct costs represented 52.3% of net revenues compared to 47.9% for the same period in 2006 (see preceding comments on 2006 net revenues).

As a percentage of net revenues, direct costs for the last three complete quarters remained constant:

- 52.3% Q1-2007
- 52.3% Q4-2006
- 52.0% Q3-2006

GROSS MARGIN

For the three months ended March 31, 2007, the gross margin represented 47.7% of net revenues compared to 52.1% for the same period in 2006 (see preceding comments on 2006 net revenues).

As a percentage of net revenues, gross margin for the last three complete quarters remained constant:

- 47.7% Q1-2007
- 47.7% Q4-2006
- 48.0% Q3-2006

MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

Marketing, general and administrative expenses for the three months ended March 31, 2007 increased to $13.0 million compared to $8.4 million for the same reference period in 2006. As a percentage of net revenues, marketing, general and administrative expenses represent 29.4% for the three-month period ended on March 31, 2007, compared to 30.8% for the same period in 2006 (see preceding comments on 2006 net revenues).

As a percentage of net revenues, marketing, general and administrative expenses for the last three complete quarters are characterized by an increase in the last quarter:

- 29.4% Q1-2007
- 27.5% Q4-2006
- 27.2% Q3-2006

The percentage increase is mainly attributable to integration costs of acquisitions completed in December, 2006 and during the first 2007 quarter.

EBITDA

EBITDA for the three months ended March 31, 2007 stood at $8.1 million, up $2.3 million from $5.8 million for the same period in 2006, thus representing a 38.9% increase. As a percentage of net revenues, EBITDA margin stood at 18.3% compared to 21.3% for the same period in 2006 (see preceding comments on 2006 net revenues).

As a percentage of net revenues, EBITDA decreased in the last quarter, compared to the two preceding complete quarters:

- 18.3% Q1-2007
- 20.2% Q4-2006
- 20.8% Q3-2006

As a consequence of additional marketing, general and administrative expenses, EBITDA proportionally decreased during the first 2007 quarter.

INTEREST

Interest expense for the three months ended March 31, 2007, increased to $0.3 million compared to $0.1 million during the same period in 2006.

DEPRECIATION AND AMORTIZATION

Depreciation of property, plant and equipment, was $0.6 million for the three months ended March 31, 2007 compared to $0.4 million for the same period in 2006. The underlying cause is the depreciation of additional assets acquired through various business acquisitions during the three last quarters of fiscal year 2006 and the first quarter of fiscal year 2007.

Amortization of intangible assets, for the three months ended March 31, 2007, was $2.5 million compared to $1.2 million for the same period in 2006. The amortization expense increase is attributable to business acquisitions completed in the three last quarters of fiscal year 2006, as well as those completed in the first quarter of fiscal year 2007.

NET EARNINGS

The Fund's net earnings for the three-months ended March 31, 2007 amounted to $2.7 million or $0.24 per Unit on both a basic and a diluted basis.

DISTRIBUTABLE CASH

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	2007 FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)	2007 PER UNIT (UNAUDITED)
Cash flows		
Cash flows from operating activities	$ 1,654	–
Change in non-cash working capital items	$ 6,135	–
Current income tax expense	$ 75	–
Income taxes paid	($ 50)	–
Capital expenditures paid	($ 1,348)	–
Capital expenditures paid for non-recurring items (2)	($ 808)	–
Interest unpaid	$ 120	–
Distributable cash (1)	**$ 5,778**	**$ 0.3053**
Actual payout ratio	**81.9%**	–
Actual payout ratio adjusted for non-recurring items (2)	**71.8%**	–
Fund's Units distributions	$ 2,749	$ 0.2500
Class B Non-subordinated Exchangeable LP Units distributions	$ 799	$ 0.2500
Class C Subordinated Exchangeable LP Units distributions	$ 1,182	$ 0.2500
Aggregate distributions, all Units (1)	**$ 4,730**	**$ 0.2500**
Distributable cash (1)	**$ 5,778**	**$ 0.3053**
Capital expenditures paid	($1,348)	–
Capital expenditures paid for non-recurring items (2)	($808)	–
Long-term incentive plan unpaid	$69	–
Interest paid	($ 175)	–
Income taxes paid	($ 50)	–
EBITDA	**$ 8,090**	–

(1) Distributable cash and distributable cash per Unit amounts are calculated for the combined interest of the Fund's Units and Non-subordinated Exchangeable LP Units and Subordinated LP Units, which total 18,927,381.

(2) Non-recurring capital expenditures pertain to a construction project which had for objective to expand square footage of the main office in Quebec City, net of the proceeds from disposal of a second building of $449.

DISTRIBUTABLE CASH

During the three months ended March 31, 2007, the Fund generated $5.8 million of available distributable cash. The amount estimated in the Fund's prospectus, prorated for the same period, was $5.3 million. Based on a payout ratio of 90% of the anticipated annual distributable cash stated in the Fund's Prospectus, the total distributions were $4.7 million.

The actual payout ratio for the quarter is 81.9%. As a strategy of the Fund to regroup the employees in a single office space and creating a cost-effective synergy, the Fund used $ 0.8 million in the last quarter to expand square footage of the main office in Quebec City, net of the proceeds from the disposal of $0.5 million resulting from the sale of a second building. These capital expenditures are non-recurring items and should be excluded from the payout ratio to analyze the performance of the Fund. Adjusted payout ratio for the quarter is 71.8% which is more adequately comparable to the payout ratio of the Fund for the 220 day-period from IPO to December 31, 2006 which was 72.5%.

On a per-Unit basis, distributable cash was $0.3053 for the period, compared to $0.2778 for the equivalent period as regards the proportionate share of the anticipated annual distributable cash stated in the Fund's prospectus.

This apparent favorable difference can be explained by the fact that the 90-day period, extending from January 1 to March 31, 2007, is shorter than the Fund's normal annual working capital cycle and may not be representative of the annual Fund's distributable cash.

BACKLOG

As at March 31, 2007, our backlog of revenues, which represents future revenues that stem from existing signed contracts to be executed, stood at $156.4 million. If we consider that our field of business measures backlog in terms of months of work, we can foresee that it represents approximately 9 months of upcoming work.

LIQUIDITY AND CAPITAL RESOURCES

IN THOUSANDS OF DOLLARS	2007 FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)
Cash Flows	
Cash flows provided from operating activities	$ 1,654
Cash flows provided from financing activities	$ 11,130
Cash flows used for investing activities	($ 12,225)
Change in cash position during the quarter	**$ 559**
Distributions paid	**($ 4,198)**
Capital expenditures (including capital expenditures paid for non-recurring items)	**($ 2,156)**

CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES

For the three months ended March 31, 2007, cash flows from operations generated $7.8 million of cash of which $6.1 million were used in non-cash working capital items for net cash from operating activities of $1.7 million. The $6.1 million increase in working capital is mainly attributable to working capital items coming from the Cochrane Design Group and Kazmar acquisitions. For these acquisitions, the Fund has not acquired working capital items such as accounts receivable, billings in excess of costs and anticipated profits and accounts payable balances at the acquisition date, and as such, these items impact negatively on the working capital by an amount of $3.6 million (59% of the increase). The remaining increase is consistent with an increase in revenues from organic growth.

Receivables and work in progress represent approximately 106 days of annual sales which is comparable to the previous quarter and correspond to the industry standards for comparable businesses.

CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES

Financing activities generated $11.1 million of cash. This is attributable to an increase of $15.8 million in bank advances. Most of these were used for business acquisitions. The Fund used $4.2 million to pay distributions to Unitholders.

CASH FLOWS USED BY INVESTING ACTIVITIES

Investing activities used up $12.2 million of cash. Business acquisitions used up to $10.1 million of this amount and capital expenditures incurred totaled $2.1 million. Capital expenditures include an amount of $0.8 million related to a construction project to expand square footage of the main office in Quebec City, net of the proceeds from disposal of a second building of $0.5 million.

As at March 31, 2007, the net cash position of the Fund amounted to ($22.8) million as detailed hereafter:

IN THOUSANDS OF DOLLARS	2007 AS AT MARCH 31 (UNAUDITED)
Cash	$ 8.7
Bank advances	($ 23.1)
Advances from the Non-controlling Unitholder	($ 8.4)
Net cash position	**($ 22.8)**

Management believes that the cash flows are strong enough to sustain organic growth and continue to finance the distributions to Unitholders through cash generated from operations.

The credit facility available to GENIVAR LP consists of a revolving term facility of up to $40 million (or the US dollar equivalent thereof). The credit facility has a three-year term from Closing. The credit facility may be used for general corporate purposes and to finance future acquisitions. With respect to acquisitions, certain conditions as to, inter alia, the nature of the acquired business, level of interest acquired, financial covenants and security, will have to be met to the satisfaction of the Bank of Montreal (the «Bank»).

On each anniversary of the Closing, the term of the credit facility can be extended at GENIVAR LP's request for an additional one-year period, subject to the prior approval of the Bank and payment of an extension fee.

The credit facility is secured by a first priority security interest and hypothec over the universality of movable assets of GENIVAR LP, GENIVAR Ontario Inc. and, to the extent required by the Bank, GENIVAR LP's other present and future subsidiaries and GENIVAR LP's general partner, with each such entity, as the case may be, providing a first priority security interest and hypothec over the universality of its movable assets, subject to certain exclusions and permitted liens as well as by a first priority pledge by the Trust over the Units of GENIVAR LP held by the Trust.

As of March 31, 2007, the Fund had $8.7million in cash and total borrowings of $31.5 million. From this amount, $23.1 million were financed by the Bank and, as per agreed upon by the Fund and the Bank, $8.4 million by the Non-controlling Unitholder. The interest rate applied is identical to the one used by the Bank.

FORMATION OF THE FUND

On May 25, 2006, the Fund completed an initial public offering («IPO»). Pursuant to the IPO, including the exercise by the underwriters of an over-allotment option to purchase 1,000,000 Units, the Fund issued a total of 11,000,000 Units to the public in exchange of proceeds amounting to $110 million.

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Quebec pursuant to the Fund's declaration of trust. The Fund was created to indirectly acquire and hold a limited partnership interest in GENIVAR LP and all of the outstanding shares of GENIVAR GP Inc. («GENIVAR GP»), the general partner of GENIVAR LP. GENIVAR LP has been formed to acquire, own and operate the GENIVAR Engineering Services Business. The Fund is entirely dependent upon the operations and assets of GENIVAR LP in which the Fund indirectly holds 11,000,000 Class A partnership Units, representing a 58.12% interest. The Non-controlling Unitholder holds 3,195,536 Class B partnership Units (the "Non-subordinated Exchangeable LP Units") and 4,731,845 Class C partnership Units of GENIVAR LP (the «Subordinated Exchangeable LP Units»), together representing the remaining 41.88% interest in GENIVAR LP. The Non-subordinated Exchangeable LP Units are exchangeable at any time into Units on a one-for-one basis, subject to an adjustment. The Subordinated LP Units are exchangeable, no earlier than July 1, 2008, into Units, on a one-for-one basis, subject to an adjustment. In addition, the Non-controlling Unitholder holds 7,927,381 Special Voting Units of the Fund. These Special Voting Units are the only ones currently outstanding. Each Special Voting Unit will be cancelled upon the exchange of a Non-subordinated Exchangeable LP Unit or Subordinated LP Unit.

GOVERNANCE

DISCLOSURE CONTROLS

The Fund's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Fund's disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Fund in reports filed with securities regulatory authorities is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to the Fund's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer are assisted in this responsibility by the Disclosure Committee which is composed of senior executives of the Fund. Based on an evaluation of the Fund's disclosure controls and procedures, the Fund's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures operated effectively as of December 31, 2006 to ensure that material information relating to the Fund would have been known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting (ICFR) is designed to provide reasonable assurance regarding the reliability of the Fund's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to its ICFR during the three months ended March 31, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are described in the consolidated Financial Statements of the Fund as at December 31, 2006 included in the Fund's 2006 Annual Report. Critical accounting policies have not materially changed except for the application of new accounting standards described below.

NEW ACCOUNTING STANDARDS

Effective January 1, 2007, the Fund adopted the following new accounting standards:

Section 3855 of the CICA Handbook: Financial Instruments, Recognition and Measurement. This section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

This section requires that:

- All financial assets are measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;

- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;

- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship.

Section 3865 of the CICA Handbook: Hedges provide an alternative to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, Hedging Relationships, and on the hedging guidance in Section 1650, Foreign Currency Translation.

Section 1530 of the CICA Handbook: Comprehensive Income. This section establishes standards for reporting and display of certain gains and losses recognized in comprehensive income, but excluded from net income.

Section 1506 of the CICA Handbook: Accounting Changes. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors.

Section 3250 of the CICA Handbook: Surplus has been revised to comply with new accounting standards issued as Section 3855.

These new accounting standards did not have material impact on the consolidated financial statements of the Fund.

RELATED PARTY TRANSACTIONS

During the first quarter, the Fund entered into the following transactions with related parties:

IN THOUSANDS	2007 FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)
Companies controlled by the Non-controlling Unitholder	
Revenues	$ 935
Costs	$ 112
Marketing, general and administrative expenses	$ 31
Non-controlling Unitholder	
Marketing, general and administrative expenses	($ 24)
Net interest expense	$ 116

The Fund uses the services of companies controlled by the Non-controlling Unitholder to realize certain contracts as well as, the Fund is a subconsultant of those companies in certain projects. Companies controlled by the Non-controlling Unitholder offer construction services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties, taking in account the fair market value of comparable goods and/or services.

In the last two quarters, the Fund also retained the services of one of these companies to realize the expansion project of an existing building. Both the Fund and the Construction company occupy the building and the Construction company pays rent to the Fund based on square-footage at current market rates.

Some administrative employees and directors of the Fund also work for the Non-controlling Unitholder and its subsidiaries, and the cost related to these employees is charged to them.

Finally, there are advances made between the Fund and the Non-controlling Unitholder. The interest rate applied is identical to the one used by the Bank. As at March 31, 2007, advances totaled $8.4 million.

OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements.

COMMITMENTS

In the three months ended March 31, 2007, the number of office facilities increased as a result of business acquisitions.

The following table provides a summary of our contractual obligations and should be read in conjunction with notes 14 and 16 to our interim consolidated financial statements.

IN THOUSANDS OF DOLLARS	2007	2008	2009	2010	2011	2012	Thereafter
Lease commitments	$ 4,600	$ 4,330	$ 3,170	$ 2,780	$ 2,454	$ 1,824	$ 4,389
Costs to complete building under construction	$ 296	–	–	–	–	–	–
Closing payment for acquisition completed after year-end (1)	$ 1 200	–	–	–	–	–	–

FOREIGN CURRENCY FORWARD CONTRACTS

Since the Fund operates outside Canada, it is exposed to currency risks as a result of potential exchange rate fluctuations, mainly in Trinidad and Tobago.

In order to reduce the potential negative impact of fluctuations in the Canadian dollar, the Fund entered into foreign currency forward contracts during the period to cover future sales anticipated in US dollars. Pursuant to these foreign currency forward contracts, the Fund is required to sell US dollars at a predetermined rate.

As at March 31, 2007, the Fund held foreign currency forward contracts to exchange $0.5 million US in the next two months at an average exchange rate of CAN$1.09/US$1. The fair value of these foreign currency forward contracts amounts to $0.03 million and is classified as liabilities even if not realized as at March 31, 2007.

These contracts are not designated as hedging instruments and accordingly, are recorded at fair value.

SUBSEQUENT EVENT

On April 28, 2007, the Fund acquired all the assets, excluding the building, and liabilities of NOVE Environnement («NOVE»), a Quebec-based firm offering environment services, for a cash consideration of $1.2 million. The same day, GENIVAR Inc had acquired all the shares of NOVE for $1.7 million.

NEW INCOME FUND RULES

On October 31, 2006, the Minister of Finance of Canada announced changes to the taxation of publicly traded trusts and, on December 15, 2006, issued subsequent guidelines as to normal growth of existing trusts. The rules applicable to publicly traded trusts and partnerships will be significantly modified. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned by (and distributions made by) a corporation.

Draft tax legislation was issued on December 21, 2006 and parliamentary hearings and discussions have been held since the beginning of 2007 on this matter.

(1) Closing payment are related to the acquisition of NOVE which will be financed by way of the Fund's credit facilities.

In response to these proposed changes, management has analyzed the draft legislation and its implication and is developing a plan to pro-actively respond to the modifications, if and when they occur. With the information currently available, we can formulate the following response to the issue at hand:

- The proposed changes do not impact our business model and business strategies; management believes professional services firms are well suited for income trusts since most professional services firms operate under a partnership structure where the most important assets are the employees and where low capital expenditures are required to operate. The GENIVAR Income Fund is a sustainable model if the proposed modifications are implemented in 2011;

- The proposed changes do not impact our current strategy for cash distribution to Unitholders;

- The proposed changes will not significantly impact our access to additional capital. Under the proposed guidelines, the Fund could issue $210 million in new equity in the four following years which, combined with our existing credit facilities, will sustain our growth plan. We have however made representations to the Minister of Finance to include, under the proposed "safe harbour" rules, all Units on a fully-diluted basis (including exchangeable Units held by the Non-controlling Unitholders) in the calculation of the market capitalization of GENIVAR on October 31, 2006. This adjustment will enable the Fund to raise additional equity of $39 million in the first year of the four-year period up to 2011, if required. The Fund will be able to maintain its growth strategy through organic growth and acquisitions under these new guidelines.

Management and the Board of Trustees will continue to assess the situation as it unfolds and identify the impact of changes to taxation of the Fund as well as manage its strategic options going forward.

RISK FACTORS

The results of operations, business prospects and the financial condition of the Fund are subject to a number of risks and uncertainties and are affected by a number of factors outside of our control. This may cause a decline of the price of the Units and our ability to make distributions on the Units could be adversely affected.

The Fund's risks and uncertainties have not materially changed from those described in the Fund's 2006 Annual Report.

GLOSSARY

NET REVENUES

Net revenues are defined as fees from consulting services less direct costs for subconsultants and other direct expenses that are recoverable directly from our clients. Net revenues are not a measure in accordance with GAAP and do not have standardized meaning prescribed by GAAP. Therefore, net revenues may not be comparable to similar measures presented by other issuers. Investors are cautioned that net revenues should not be construed as an alternative to revenues for the period (as determined in accordance with GAAP), as an indicator of the Fund's performance.

EBITDA

EBITDA is defined as earnings before interest, tax, depreciation and amortization. EBITDA is not an earnings measure in accordance with GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers.

DISTRIBUTABLE CASH

Distributable cash is defined as cash flows from operating activities adjusted for change in non-cash working capital items, income taxes paid, capital expenditures paid (net of proceeds from disposal of capital assets) and interest paid. Distributable cash does not have standardized meaning prescribed by GAAP, but is a measure generally used by Canadian open-ended income funds as an indicator of financial performance. The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

PAYOUT RATIO

Payout ratio is defined as aggregate distributions divided by distributable cash.