Colabor Income Fund
Consolidated Financial Statements
December 31, 2005

Raymond Chabot Grant Thornton LLP
Chartered Accountants

Raymond Chabot Grant Thornton

Auditors' Report

To the Unitholders of
Colabor Income Fund

We have audited the consolidated balance sheet of Colabor Income Fund as at December 31, 2005 and the consolidated statements of earnings and retained earnings and cash flows for the initial 187-day period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

/S/Raymond Chabot Grant Thornton S.E.N.C.R.L.

Chartered Accountants

Montréal
February 8, 2006

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Colabor Income Fund
Consolidated Earnings and Retained Earnings
Initial 187-day period ended December 31, 2005
(In thousands of dollars, except earnings per unit)

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Sales	221,656
Rebates	6,564
Net sales	215,092
Cost of sales	216,631
Rebates from suppliers	16,427
	200,204
Gross profit	14,888
Selling, distribution and administrative expenses	6,018
Earnings before financial expenses and amortization	8,870
Financial expenses	427
Amortization of property, plant and equipment	532
Amortization of intangible assets	1,652
	2,611
Earnings before non-controlling interest	6,259
Non-controlling interest (Note 12)	2,973
Net earnings	3,286
Distributions declared	3,007
Retained earnings, end of period	279
Basic and diluted earnings per unit (Note 18)	0.57

The accompanying notes are an integral part of the consolidated financial statements and Note 4 provides additional information on earnings.

Colabor Income Fund
Consolidated Cash Flows
Initial 187-day period ended December 31, 2005
(In thousands of dollars)

	$
OPERATING ACTIVITIES	
Net earnings	3,286
Non-cash items	
Amortization of property, plant and equipment	532
Amortization of intangible assets	1,652
Non-controlling interest	2,973
Changes in working capital items (Note 5)	11,951
Cash flows from operating activities	20,394
INVESTING ACTIVITIES	
Business acquisition (Note 2)	(54,285)
Property, plant and equipment	(322)
Cash flows from investing activities	(54,607)
FINANCING ACTIVITIES	
Bank loans	(7,029)
Distributions paid to unitholders	(2,514)
Distributions paid to holders of exchangeable Colabor LP units	(2,214)
Repayment of notes payable	(8,630)
Long-term debt	250
Repayment of long-term debt	(187)
Issue of trust units	54,285
Cash flows from financing activities	33,961
Net changes in cash and outstanding cheques, end of period	(252)

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

Colabor Income Fund
Consolidated Balance Sheet

December 31, 2005
(In thousands of dollars)

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ASSETS	
Current assets	
Accounts receivable (Note 6)	21,916
Inventory	22,504
Prepaid expenses	183
	44,603
Property, plant and equipment (Note 7)	4,049
Intangible assets (Note 8)	70,048
Goodwill	13,459
	132,159
LIABILITIES	
Current liabilities	
Outstanding cheques	252
Bank loans (Note 9)	8,000
Accounts payable and accrued liabilities	21,362
Distributions payable to unitholders	493
Distributions payable to holders of exchangeable Colabor LP units	434
Rebates payable	6,316
Deferred revenue	263
Notes payable, without interest	6,195
Instalments on long-term debt	468
	43,783
Long-term debt (Note 10)	2,145
Security deposits (Note 11)	468
Non-controlling interest (Note 12)	31,199
	77,595
UNITHOLDERS' EQUITY	
Unitholders' capital account (Note 13)	54,285
Retained earnings	279
	54,564
	132,159

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

On behalf of the Board

/S/Jacques Landreville
Trustee

/S/Robert Panet-Raymond
Trustee

Colabor Income Fund
Notes to Consolidated Financial Statements
December 31, 2005
(Amounts in the tables are in thousands of dollars, except earnings per unit)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Colabor Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Québec on May 19, 2005. The Fund was created to indirectly acquire and hold a 53.2% interest in Colabor, Limited Partnership ("Colabor LP"). Colabor LP distributes and markets food, food-related and non-food products.

The Fund commenced its operations on June 28, 2005 and did not have any business activities from its date of incorporation on May 19, 2005.

2 - INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITION

On June 28, 2005, the Fund completed an initial public offering to issue 5,500,000 units of the Fund (the "Units") for $10 each for a total of $55,000,000. On July 20, 2005, the underwriters fully exercised their Over-Allotment Option through the issuance of 275,000 additional units at $10 for a total of $2,750,000. The net proceeds to the Fund, net of underwriters' compensation of $3,465,000, was $54,285,000.

Subsequent to the initial public offering, the Fund indirectly acquired a 53.2% interest in Colabor LP, which carries out the food, food-related and non-food products distribution and marketing activities recently acquired from Colabor Investments Inc. (formerly Colabor Inc.) (the "Vendor") for a cash consideration of $54,285,000. The remaining 46.8% interest in Colabor LP is held by the Vendor as exchangeable Colabor LP units. The purchase price allocation was as follows:

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Current assets	57,661
Property, plant and equipment	4,259
Customer relationships (a)	64,500
Trademarks (a)	7,200
Goodwill (a)	13,459
Bank loans	(15,029)
Deferred revenue	(502)
Notes payable	(14,825)
Other current liabilities	(28,546)
Long-term debt	(2,550)
Security deposits	(468)
	85,159
Non-controlling interest (a)	(30,874)
Net assets acquired	54,285

Colabor Income Fund
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2 - INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITION (Continued)

(a) The Vendor transferred substantially all of its assets and liabilities to Colabor LP for notes payable and units of Colabor LP. Since Colabor LP was a wholly-owned subsidiary of the Vendor when the Vendor transferred its distribution and marketing assets to Colabor LP, this transaction was recognized at the carrying amount in accordance with Section 3840 of the Handbook of the Canadian Institute of Chartered Accountants, *Related Party Transactions,* and Abstract EIC-145 of the Emerging Issues Committee, *Basis of Accounting for Assets Acquired upon the Formation of an Income Trust.* As a result of changes in December 2005 to Abstract EIC-151, *Exchangeable Securities Issued by Subsidiaries of Income Trusts,* the Fund retroactively amended the amount recognized as the non-controlling interest. At the time of acquisition, this item was measured at the carrying amount of Colabor LP's equity. The amount is now equivalent to the exchange value of the units at the time of issuance. The Fund therefore adjusted the purchase price allocation to reflect the new excess of the purchase price over the carrying amount of net assets. Accordingly, the Fund considered that the units held by non-controlling interests do not have the same economic characteristics as the Fund's units and therefore evaluated the non-controlling interest accordingly.

The results of operation have been consolidated in earnings since the acquisition date.

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management’s best knowledge of current events and actions that the Fund may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

These financial statements include the accounts of the Fund and its two subsidiaries, Colabor Operating Trust and Colabor Limited Partnership.

Revenue recognition

The Fund recognizes revenue on delivery of products, when the sale is accepted by the customer and when recovery is reasonably assured.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Colabor Income Fund
Notes to Consolidated Financial Statements
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(Amounts in the tables are in thousands of dollars, except earnings per unit)

3 - ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets

The Fund reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of assets is less than their carrying amount, an impairment loss must be recognized. An impairment loss is measured as the amount by which the carrying amount of the assets exceeds their fair value.

Amortization

Property, plant and equipment are amortized over their estimated useful lives according to the following methods, annual rate and periods:

	Methods	Rate and periods
Furniture and fixtures, warehouse equipment and warehouse vehicles	Diminishing balance	20%
Computer hardware and software	Straight-line	4 years
Warehouse software	Straight-line	7 years
Leasehold improvements	Straight-line	Lease term of 20 years

Goodwill and intangible assets

Goodwill is the excess of the cost of the acquired business over the net amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is impaired. The impairment test consists of a comparison of the fair value of the Fund's business with its carrying amount. When the carrying amount of the business exceeds the fair value, the Fund compares the fair value of any goodwill relating to the business to its carrying amount. An impairment loss is recognized in earnings in an amount equal to the excess. The fair value of the business is calculated using discounted cash flows.

Intangible assets include customer relationships and trademarks. Customer relationships are amortized on a straight-line basis over their estimated useful lives of 20 years and trademarks are not amortized.

Income taxes

The Fund and the entities it controls are not subject to income taxes.

Colabor Income Fund
Notes to Consolidated Financial Statements
December 31, 2005
(Amounts in the tables are in thousands of dollars, except earnings per unit)

3 - ACCOUNTING POLICIES (Continued)

Earnings per unit and information on number of units

Earnings per unit are determined using the weighted average number of Fund units outstanding during the period. Diluted earnings per unit are calculated using the if-converted method and include all items with a dilutive effect.

Stock-based compensation

The Fund, through its subsidiary Colabor LP, offers a long-term stock-based compensation plan (the "Plan") to some employees. During the rights vesting period, the Fund recognizes a compensation expense based on the fair value of the units on the award date.

Under the terms of the Plan, units purchased on the open market on behalf of plan members are recognized at cost and applied against unitholders' equity. If the fair market value of the units on the award date is greater than the acquisition price paid by the Fund, the difference is recognized as contributed surplus. If the fair market value of the units on the award date is less than the acquisition price paid by the Fund, the difference is applied against retained earnings.

4 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

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Interest on long-term debt	74
Interest on bank loans	342

5 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	$
Accounts receivable	4,837
Inventory	7,140
Prepaid expenses	1,081
Accounts payable and accrued liabilities	(7,184)
Rebates payable	6,316
Deferred revenue	(239)
	11,951

Cash flows relating to interest paid amount to $426,986 for the period ended December 31, 2005.

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Notes to Consolidated Financial Statements
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6 - ACCOUNTS RECEIVABLE

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Trade accounts (a)	
Clients controlled by trustees	1,293
Other	15,492
Rebates from suppliers receivable	5,085
Other	46
	21,916

(a) One customer accounts for 11% of total trade accounts receivable.

7 - PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	Net
	$	$	$
Furniture and fixtures	272	30	242
Warehouse equipment	1,805	207	1,598
Warehouse vehicles	735	71	664
Computer hardware and software	423	100	323
Warehouse software	971	122	849
Leasehold improvements	96	2	94
Software under development	279		279
	4,581	532	4,049

8 - INTANGIBLE ASSETS

	Cost	Accumulated amortization	Net
	$	$	$
Customer relationships	64,500	1,652	62,848
Trademarks	7,200		7,200
	71,700	1,652	70,048

9 - CREDIT FACILITIES

Credit facilities, for a maximum authorized amount of $32,030,000, include a $30,000,000 operating credit and a $2,030,000 credit for the use of a letter of guarantee. These credit facilities are secured by book debts and inventory and are renewable in June 2006. As at December 31, 2005, the letter of guarantee, in the amount of $2,028,000, is used with respect to the commitment described in Note 17. These credit facilities bear interest at the prime rate (5% as at December 31, 2005).

The Fund is required to comply with a financial ratio under the terms of the credit agreement, which it does as at December 31, 2005.

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10 - LONG-TERM DEBT

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Loan, secured by property, plant and equipment, bank's base rate less 1.5% (5.5% as at December 31, 2005), maturing in July 2011	2,613
Instalments due within one year	468
	2,145

Under the terms of the credit agreement, the Fund is required to comply with a financial ratio, which it does as at December 31, 2005.

The instalments on long-term debt for the next five years are $468,000 annually.

11 - SECURITY DEPOSITS

Security deposits arise principally from customers. They bear interest at the prime rate (5% as at December 31, 2005) and mature according to the terms of the supply agreements. Customers have assigned their deposits as security for their debts.

12 - NON-CONTROLLING INTEREST

The non-controlling interest represents the exchangeable units of Colabor LP issued to the Vendor further to the transaction described in Note 2. Each exchangeable Colabor LP unit entitles the holder to a special voting unit and all or a portion can be exchanged for units on a one-for-one basis (the "Exchange Rights").

Subject to the lock-up provisions described below, these Exchange Rights may be exercised by the Vendor.

The Vendor has agreed not to transfer, pledge, exchange for units or otherwise dispose of any exchangeable Colabor LP units for a period of ten years following closing (the "Lock-Up"). Notwithstanding the Lock-Up, the Vendor will be entitled, starting on the second anniversary of closing and on each subsequent anniversary of closing (collectively, the "Release Dates"), to exchange or dispose of a number of exchangeable Colabor LP units based on the increase in value of the units from closing to such Release Date. On each Release Date, the Vendor will have the right to exchange or dispose of a number of exchangeable Colabor LP units having a value equal to 75% of the increase in value of the underlying units and a number of exchangeable Colabor LP units having a value equal to 25% of such increase will be set aside and released as described below (the "Remaining Units"). The increase in value for determining the number of exchangeable Colabor LP units which may be exchanged or disposed of as of each Release Date, if any, will be equal to the number of the Vendor’s exchangeable Colabor LP units still subject to the Lock-Up at such date (excluding the Remaining Units) multiplied by the difference between the market price of the units on the Release Date and the greater of (i) $10 or (ii) the highest market price on each of the previous Release Dates. At the end of the Lock-Up period, the Vendor will be entitled to exchange or dispose of all of its exchangeable Colabor LP units with the exception of the Remaining Units which will be released over a five-year period starting on the eleventh anniversary of closing.

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12 - NON-CONTROLLING INTEREST (Continued)

		$
5,087,439 exchangeable Colabor LP units issued during the Fund's initial public offering		30,874
Non-controlling interest for the period		
Earnings before non-controlling interest	6,259	
Other consolidating items	88	
	6,347	
Vendor's holding in Colabor LP	46.8%	2,973
Distributions declared to holders of exchangeable Colabor LP units		(2,648)
Balance, end of period		31,199

13 - UNITHOLDERS' CAPITAL ACCOUNT

Units

Unlimited number of units with one vote each. Each unit is redeemable at the lesser of 90% of the weighted average price of the trust unit during the last ten trading days of the units on an open market and the closing market price on the redemption date. All redemptions are subject to a $50,000 maximum cash per month. Redemptions in excess of this amount will be settled through the distribution of notes issued by a subsidiary of the Fund.

Special voting units

Unlimited number of special voting units, each entitling the holder to one vote and attached to the exchangeable Colabor LP unit with which it is issued.

	$
Issued and fully paid	
5,775,000 units	54,285
5,087,439 special voting units	–
	54,285

The units and special voting units were issued on the closing of the Fund's initial public offering as described in Note 2.

Colabor Income Fund
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December 31, 2005

(Amounts in the tables are in thousands of dollars, except earnings per unit)

13 - UNITHOLDERS' CAPITAL ACCOUNT (Continued)

Long-term incentive plan

Under the terms of the Fund's long-term incentive plan (the "Plan") established on June 28, 2005, units may be issued to certain Fund employees based on the Fund's financial return based on certain distributable cash targets. The Fund or a trustee appointed to administer the Plan will purchase units in the market and will hold the units until such time as ownership vests to each participant. Generally, one-third of these units will vest equally over the three years following the grant of the awards. Plan participants will be entitled to receive distributions on all units held for their account prior to the applicable vesting date. Unvested units held by the trustee for a plan participant will be forfeited if the participant resigns for a reason other than his retirement or is terminated for cause prior to the applicable vesting date, and those units will be sold and the proceeds returned to the Fund. Distributions on these units will also be remitted to the Fund. For the period ended December 31, 2005, no units were granted under the Plan.

14 - ECONOMIC DEPENDENCE

Sales to customers with which the Fund has procurement contracts maturing in 2015 represent 88.1%. One of these customers accounts for 13.8% of the Fund's sales.

15 - RELATED PARTY TRANSACTIONS

The majority of rebates, i.e. $6,306,292, is paid to the Vendor at a rate of 3% of sales to preferred customers and shareholders of the Vendor. This is consistent with the various contracts governing relationships between the Fund and the Vendor following the transaction described in Note 2. These contracts are in effect until 2015.

Sales to customers controlled by trustees totalled $21,623,080 for the period ended December 31, 2005. These transactions were concluded in the normal course of business and are measured at the exchange amount.

16 - FINANCIAL INSTRUMENTS

The fair value of accounts receivable, bank loans, accounts payable and accrued liabilities, distributions payable, rebates payable and notes payable is comparable to their carrying amount given that they will mature shortly.

The fair value of the long-term loan is equivalent to its carrying amount because it bears interest at a variable rate based on market rates.

The fair value of security deposits could not be determined since it is practically impossible to find financial instruments on the market having substantially the same economic characteristics.

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(Amounts in the tables are in thousands of dollars, except earnings per unit)

17 - COMMITMENTS

The Fund has entered into a long-term lease agreement expiring in August 2022 which calls for minimum lease payments of $35,240,000 for the rental of a building. The Fund’s obligation under the lease is secured by a bank letter of credit for $2,028,000. Minimum lease payments under the lease for the next five years are $2,028,000 annually.

The Fund has also entered into a service agreement expiring in June 2015 which calls for minimum lease payments of $4,921,000 for computer services provided by the Vendor's subsidiary. Minimum payments for the next five years are $518,000 annually.

18 - EARNINGS PER UNIT

The following table presents the basic and diluted earnings per unit:

	Earnings	Weighted average number of units	Earnings per unit
	$		$
Basic and diluted earnings per unit	3,286	5,742,647	0.57

The exchangeable Colabor LP units have not been included in the calculation of diluted earnings per unit because they are anti-dilutive (or their potential conversion was anti-dilutive).