The Strength of the
Network

2005 Annual Report

Colabor Income Fund (TSX:CLB.UN)

COLABOR

Our Mission

To provide the best range of food and non-food products at the best prices to our affiliated wholesalers and the other distributors who do business with us.

To be innovative, efficient, and proactive with regard to market needs.

To encourage growth and realize profits so that we enable our employees and unitholders to achieve their objectives.

Our Markets

Retail: convenience stores, grocery stores, independent markets

Food services: cafeterias of various institutions, restaurants, hotels

National accounts: service-station convenience stores, fast-food chains

Our Network

Quebec – New Brunswick – Nova Scotia – Newfoundland

Our Values

Respect – Teamwork – Initiative – Efficiency

Contents

The Colabor Income Fund

The Fund is an unincorporated, open-ended, limited-purpose trust established under the laws of the province of Quebec under a Declaration of Trust dated May 19, 2005. On June 28, 2005, the Fund completed an initial public offering of Fund units. Taking into account the exercise of the over-allotment option as at July 20, 2005, 5,775,000 $10 units were issued for overall gross proceeds of $57,750,000 to acquire and hold 53.2% of Colabor Limited Partnership ("Colabor LP"), with the remaining 46.8% interest being held by Colabor Investments Inc. (the "Vendor", formerly Colabor Inc.) in the form of exchangeable units of the Fund. The Fund's units are listed on the Toronto Stock Exchange under the symbol CLB.UN.

Colabor LP

Colabor was founded in 1962 and is now one of the largest master distributors of food, food-related and non-food products, which it purchases and supplies to wholesale distributors that redistribute the products to over 25,000 customers operating in the retail and food-services market segments serving Quebec and the Atlantic provinces.

The Strength of the Colabor Network[1]

Colabor serves some 60 small and medium-sized distributors, including 31 affiliated wholesalers, entrepreneurs that have the organization's success at heart. Colabor distributes about 35,000 products from 550 suppliers and manufacturers. These products are redistributed to more than 25,000 points of sale. Colabor also markets 600 products under its private brands and owns commercial banners operated by some 270 convenience stores and small and medium-sized grocery stores.

Highlights of the Colabor Income Fund's Financial Statements

(for the 187-day period ended December 31, 2005)

- Conclusion of the initial public offering of 5,775,000 units to raise funds of $57,750,000 ($54,285,000 net of the underwriters' commission)
- Increase in gross sales of 5.4% and in earnings before interest, taxes, depreciation, and amortization (EBITDA) of $1,063,000, or 13.6% higher than the same period of the previous year
- Distributable cash of $8,121,000
- Distributable cash per unit of $0.7475
- Distributed cash per unit of $0.5207, for an annual return of 10.25% considering the issue of units at $10 each
- Distribution ratio of distributable cash of 69.66%

[1] The data are given on pages 3 and 14 of the Colabor Income Fund prospectus of June 17, 2005, published for the initial public offering.

Jacques Landreville

A Great Start

Message to Unitholders

The best way to assess the value of an income fund lies in its capacity to respect its monthly distributions to unitholders. Although we do not have a long way to look back in this regard, since the Colabor Income Fund was created on June 28, 2005, we are proud to present these first financial results, from June 28 to December 31, 2005, with distributable cash of $8,121,000, distributable cash per unit of $0.7475, cash distributed per unit of $0.5207, and a distribution ratio of distributable cash of 69.66%.

The Fund's board of trustees advocates a prudent, stable policy concerning distributions, aiming for an annual distribution ratio on distributable cash of between 85% and 90%. A cash surplus is planned to accommodate seasonal fluctuations in sales and capital needs, which may include taking advantage of growth opportunities or meeting unplanned expenses. Of course, part of this surplus cash could eventually be used to raise the monthly distributions once it is possible to foresee that the surpluses will be stable over the long term.

To meet the expectations of unitholders, the Fund must be able to count on an operating company that generates revenues that fulfil market expectations. In this regard, Colabor is a promising company. For more than 40 years, the organization has always had sustained growth and generated profits. The company remains concentrated on its growth objectives in all of its markets, while paying particular attention to two priorities: quality of service to wholesalers and use of information technologies in the supply chain.

Although it is derived from the operating results of the operating company, the longer-term value of a new income fund depends on the quality of its administrators. Our board of trustees is composed of five experienced administrators, three of whom are from sectors other than food services:

- Donald Dubé is the president of Edfrex Inc., an affiliated wholesaler with operations in the Atlantic provinces
- Daniel Lachapelle is president of Dubé & Loiselle Inc., an affiliated wholesaler operating in the province of Québec
- Jacques Landreville is president and CEO of Uni-Sélect Inc., a North America–wide distributor of auto parts
- Richard Lord is president and CEO of Richelieu Hardware Ltd, the largest distributor of specialized hardware in Canada
- Robert Panet-Raymond is a corporate administrator. During his career, he was vice-president of the Canadian Imperial Bank of Commerce and president and CEO of Rôtisseries St-Hubert Ltée.

At a time when investors are becoming more concerned about the governance rules of publicly traded companies, I can testify to the skill and sense of responsibility of the trustees of the Colabor Income Fund. All of the governance policies required by the regulatory authorities are in place, and each administrator is prepared to do everything possible to ensure that the Fund generates substantial revenues for the unitholders.

On behalf of the board of trustees, I would like to thank management and staff at Colabor LP for their constant commitment to offering prompt and professional services to affiliated wholesalers and other distributors who do business with us. Our people are innovative, efficient, and proactive with regard to the needs of the market. This is the best guarantee of consistent monthly distributions to all our unitholders.

Jacques Landreville

Chairman of the board of trustees
Colabor Income Fund

Gilles C. Lachance

Growth, Confidence, Profitability

Operating Report of Colabor LP

A Historic Year

We have just ended another year of growth and profitability. The year 2005 was also marked by a historic change in our corporate life, as we completed an initial public offering in June. From a purchasing cooperative in 1962, to a private company in 1973, we have now become a publicly traded company in the form of an income fund listed on the Toronto Stock Exchange with the symbol CLB.UN.

Growth: A Constant Priority

In 2005, we were true to our history of sustained growth as the business volume of our affiliated wholesalers continued to rise. We registered sales of $402.5 million, representing an increase of 9.2% over the preceding year.[1] To put this growth in perspective, we may note that the average annual rate of growth in the business of the food-services industry in Canada as a whole has been 3.7% since 1998.[2]

The Boucherville Distribution Centre

Here are some performance indicators that show the constant improvements in efficiency at our Boucherville distribution centre.

	2002	**2003**	**2004**	**2005**
Number of cases shipped	8,340,772	9,873,536	10,995,961	11,876,016
Cost per case	$ 0.265	$ 0.232	$ 0.220	$ 0.224
Cases/hour productivity	51.54	61.92	66.78	68.74

A Safe, Harmonious Working Climate

There were no union grievances in 2005 – a good reflection of the spirit of cooperation and trust that prevails in the warehouse. We signed a new four-year collective agreement with our warehouse employees, represented by the Syndicat des travailleurs et travailleuses de Colabor (CSN), that will end on December 31, 2008.

With regard to health and safety on the job, 2005 stood out for the low number of work-related accidents. We also obtained a score of 4.8 out of 5 from the mutual society Aon for the compliance of our interventions and our management of on-the-job health and safety files. Very few of the companies in this mutual society have earned such high scores.

[1] These results are calculated on an annual basis as they appeared in the financial statements of Colabor Inc., the Vendor.

[2] Source: Statistics Canada. Data contained on page 12 of the Colabor Income Fund prospectus, June 17, 2005, for the initial public offering.

Customer Service, Expo Colabor, and the VIP Club

We are improving our procedures at every level from year to year, and 2005 was no exception: we processed all orders more accurately and more quickly.

Over the years, Expo Colabor has become an unique and essential opportunity to get together for hundreds of suppliers, wholesalers, retailers, and operators in the retail and food-services sector. They gather in Saint-Hyacinthe for four days to find about the latest items on the market and take advantage of extraordinary offers. The event features some 495 manufacturers presenting more than 7,000 products in a sales area measuring more than 70,000 square feet. Sales at Expo Colabor in 2005 totalled $52 million, compared to $42.7 million in 2004, for an increase of 21.8%.

In 2005, the VIP Club continued with its successes for customers in food services. As you know, this customer-loyalty program enables some 1,500 food-services operators to obtain supplementary discounts on 600 popular products distributed by Colabor LP.

Our Community Involvement

During 2005, Colabor continued its involvement with Moisson Rive-Sud and L'Accueil Bonneau, two organizations that help the most disadvantaged people in our society. We also made donations to several humanitarian organizations, including the Fondation de l'hôpital Pierre-Boucher, the Centre de répit et de dépannage de Boucherville, and the Red Cross.

Growth in Sales

As mentioned above, sales for Colabor LP, on an annual basis, grew by 9.2%. As in previous years, this increase is due to organic growth of our organization and the addition of several distributors.

The table below shows the sales performance per region since 2001.

Sales distribution (by territory, $ million)	**2005**	**2004**	**2003**	**2002**	**2001**
Quebec	360.8	332.5	298.0	318.0	294.5
Atlantic provinces	41.7	36.2	34.9	36.2	37.0
Total	402.5	368.7	332.9	354.2	331.5

A Future Full of Promise

Since the very beginning, our sustained growth and profitability have always enabled us to have an enthusiastic outlook for the future. Of course, the new owner, the Colabor Income Fund, enhances this vision by providing us with the mission of ensuring the organization's stability and profitability.

Our Advantageous Competitive Position

As leader in the independent wholesalers market in Quebec and Atlantic Canada, we enjoy top-notch competitive advantages, a position that builds on five strengths:

1. The entrepreneurship and loyalty of our affiliated wholesalers, with whom we have signed 10-year supply contracts, and who represent about 89% of our sales

2. The confidence of our customers in the retail sector (convenience stores, grocery stores), food services (cafeterias, restaurants, hotels), and national accounts (service-station convenience stores, chains), representing more than 25,000 points of sale

3. The efficiency of our Boucherville distribution centre, with its leading-edge functional design, engineering, and warehousing and shipping technology

4. Our integration of information technologies, outsourced to Groupe informatique Colabor Inc. (GIC), with the goal of integrating the entire supply chain, from manufacturer to consumer, at the lowest cost and with the greatest efficiency

5. The quality of our management team, who have an average of more than 20 years' experience in the food-services and distribution industry

Our Corporate Strategy

We have taken on the corporate objective of expanding our position as top wholesaler in the food-distribution industry in Quebec and Atlantic Canada and becoming a market leader in Canada, serving both independent wholesalers and national and institutional accounts. To reach this goal, we have formulated three development axes: organic growth of the organization, new acquisitions, and continuing to pursue improvements to and profitability of our operations.

Organic Growth of the Organization

We will continue to improve our position with regard to being a "multi-service point of sales" for our affiliated wholesalers and other independent distributors, so that they will increase their purchases at Colabor. We will add new national and institutional accounts. We will broaden our range of products to include fruits and vegetables, fresh and packaged meat, and packaged products, and we will further develop our private-brand products, which constitute a growth niche for the future.

New Acquisitions to Increase Distributable Cash

Our infrastructure and expertise enable us to broaden our network without having to make considerable investments. The trustees of the Income Fund have issued general guidelines and principles with regard to acquisitions, including that of increasing distributable cash with each transaction.

Without revealing the agenda, it is possible to foresee moves in a number of sectors related to Colabor's activities: acquisitions of wholesalers in new product families (fruits and vegetables, fresh and packaged meats, packaged products, etc.), expansion of business in other regions of Canada, acquisition of commercial banners, and so on.

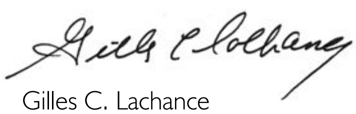
Improving Profitability

Colabor will continue its efforts to increase the profitability of its operations by different means, such as the use of new technologies to improve its distribution system.

Thank You to the Entire Team

The accomplishments of 2005 met the expectations of the unitholders and management. These accomplishments are all due to the people who make up the organization, the men and women who place their skills at the service of the company, often with great dedication. We thank the people in sales and marketing, in banners, in national accounts, in the warehouse, in the finance and human resources departments, and in administration. We have the privilege of working alongside such capable and devoted employees, and we owe them our sincere thanks.

Finally, thank you to our thousands of customers: convenience-store and supermarket owners in the retail sector; restaurant owners, chefs, and cooks in thousands of food-services establishments; and the purchasers and marketing specialists in the national accounts. You are both our reason for being and the true key to our success.



Gilles C. Lachance

President and CEO
Colabor LP

Michel Loignon CA

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis ("MD&A") of Colabor Income Fund (the "Fund") relates to the results of operations, cash flows and financial situation since the initial public offering that is from June 28, 2005 to December 31, 2005. The MD&A should be read in conjunction with the audited financial statements and notes thereto for the 187-day period ended December 31, 2005. These financial statements are in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These financial statements have been published on SEDAR at www.sedar.com.

This report also contains information that is a non-GAAP measure of performance, such as the concept of distributable cash. Since this concept is not defined in Canadian GAAP, it may not be comparable with that of other funds.

Forward-looking Statements

The MD&A is intended to assist unitholders in understanding the nature and extent of changes and trends as well as risks and uncertainty and actual results may differ significantly from information reported or inferred in these statements. The main factors that could result in a significant difference between the Fund's actual results and the projections or expectations set out in the forward-looking statements are described under *Risk Management* of this MD&A.

General

Formation of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the province of Québec under a Declaration of Trust dated May 19, 2005. On June 28, 2005, the Fund completed an initial public offering of Fund units. Taking into account the exercise of the over-allotment option as at July 20, 2005, 5,775,000 $10 units were issued for overall gross proceeds of $57,750,000 to acquire and hold 53.2% of Colabor Limited Partnership ("Colabor LP"), with the remaining 46.8% interest being held by Colabor Investments Inc. (the "Vendor", formerly Colabor Inc.) in the form of exchangeable units of the Fund.

Additional information on the Fund and the initial public offering transactions may be obtained in the Prospectus dated June 17, 2005.

The Fund units are listed on the Toronto Stock Exchange under the symbol CLB.UN.

Description of Activities

Colabor was founded in 1962 and is one of the largest master distributors of food, food-related and non-food products, which it purchases and supplies to wholesale distributors who redistribute the products to over 25,000 customers operating in the retail or food-service market segments serving Québec and the Atlantic provinces.

Scope of MD&A

This MD&A relates to the results of the Fund since the June 28, 2005 initial public offering until December 31, 2005, that is 187 days. It also relates to the fourth quarter, i.e., the 113-day period since September 9, 2005.

The Fund's fiscal year comprises thirteen 28-day periods, three quarters comprise three 28-day periods and the fourth quarter includes four 28-day periods. The Fund's year end is December 31.

Since the Fund does not have comparative financial statements for the corresponding period in 2004, and, in order to help readers compare, the Fund's results have been compared with the audited results of Colabor Investments Inc. (the "Vendor") for the 186-day period ended December 31, 2004 and the 112-day period starting September 10, 2004 for the fourth quarter, and these results were corrected to reflect special aspects of the Fund's activities, in particular customer rebates and amortization of intangible assets.

Highlights of the 187-day Period Ended December 31, 2005

- Conclusion of the initial public offering of 5,775,000 units for a cash injection of $57,750,000 ($54,285,000 net of the underwriters' fee)
- Increase in gross sales of about 5.4% and earnings before financial expenses and amortization (EBITDA) of $1,063,000, or 13.6% compared to the same period last year
- Distributable cash per unit: $0.7475; distributed cash per unit: $0.5207; distribution ratio of distributable cash: 69.66%

Results of Operations

Colabor Income Fund
Consolidated Earnings
('000)

	Quarter ended					Year ended				
	December 31, 2005 (113 days)		December 31, 2004 (112 days)		Change %	December 31, 2005 (187 days)		December 31, 2004 (186 days)		Change %
Sales	**140,109**	**100.0 %**	**132,050**	**100.0 %**	**6.1 %**	**221,656**	**100.0 %**	**210,283**	**100.0 %**	**5.4 %**
Rebates	4,163	3.0 %	3,907	3.0 %	6.6 %	6,564	3.0 %	6,216	3.0 %	5.6 %
Net sales	135,946	97.0 %	128,143	97.0 %	6.1 %	215,092	97.0 %	204,067	97.0 %	5.4 %
Cost of sales	137,047	97.8 %	129,728	98.2 %	5.6 %	216,631	97.7 %	206,068	98.0 %	5.1 %
Rebates from suppliers	10,736	7.7 %	10,367	7.9 %	3.6 %	16,427	7.4 %	15,653	7,5 %	4.9 %
	126,311	90,1 %	119,361	90,3 %	5.8 %	200,204	90.3 %	190,415	90,5 %	5.1 %
Gross profit	9,635	6.9 %	8,782	6.7 %	9.7 %	14,888	6.7 %	13,652	6.5 %	9.1 %
Selling, distribution and administrative expenses	3,729	2.7 %	3,533	2.7 %	5.5 %	6,018	2.7 %	5,845	2.8 %	3.0 %
Earnings before financial expenses and amortization	**5,906**	**4.2 %**	**5,249**	**4.0 %**	**12.5 %**	**8,870**	**4.0 %**	**7,807**	**3.7 %**	**13.6 %**
Financial expenses	266	0.2 %	201	0.2 %	32.3 %	427	0.2 %	350	0.2 %	22.0 %
Amortization of property, plant and equipment	306	0.2 %	334	0,2 %	-8.4 %	532	0.2 %	586	0.3 %	-9.2 %
Amortization of intangible assets	993	0.7 %	993	0.8 %	0.0 %	1,652	0,8 %	1,652	0.8 %	0.0 %
	1,565	1.1 %	1,528	1.2 %	2.4 %	2,611	1.2 %	2,588	1,3 %	0.9 %
Earnings before non-controlling interest	**4,341**	**3.1 %**	**3,721**	**2.8 %**	**16.7 %**	**6,259**	**2.8 %**	**5,219**	**2,4 %**	**19.9 %**

Sales

Colabor's sales are derived from the sale of food, food-related and non-food products to wholesale distributors servicing clients in the retail and food-service segments. Products are sold either directly from its Distribution Centre ("warehouse sales") or through direct delivery from manufacturers and suppliers ("direct sales"). Gross profit is generated primarily by warehouse sales.

The following table presents Colabor's sales for the periods indicated:

Colabor Income Fund
Sales by Channel
('000)

	Quarter ended					Year ended				
	December 31, 2005 (113 days)		December 31, 2004 (112 days)		Change %	December 31, 2005 (187 days)		December 31, 2004 (186 days)		Change %
Retail										
Private brands	2,774	2.0 %	2,504	1.9 %	10.8 %	4,398	2.0 %	4,053	1.9 %	8.5 %
Brand name products	48,081	34.3 %	47,185	35.7 %	1.9 %	72,287	32.6 %	72,822	34,7 %	-0.7 %
	50,855	**36.3 %**	**49,689**	**37.6 %**	**2.3 %**	**76,685**	**34.6 %**	**76,875**	**36.6 %**	**-0.2 %**
Foodservice										
Pivate brands	9,559	6.8 %	8,504	6.4 %	12.4 %	14,256	6.4 %	13,128	6.2 %	8.6 %
Brand name products	43,717	31.2 %	37,812	28.6 %	15.6 %	70,486	31.8 %	62,589	29.8 %	12.6 %
Frozen food	35,978	25.7 %	36,045	27,4 %	-0.2 %	60,229	27.2 %	57,691	27.4 %	4.4 %
	89,254	**63.7 %**	**82,361**	**62.4 %**	**8.4 %**	**144,971**	**65.4 %**	**133,408**	**63.4 %**	**8.7 %**
Total sales	**140,109**	**100.0 %**	**132,050**	**100.0 %**	**6.1 %**	**221,656**	**100.0 %**	**210,283**	**100.0 %**	**5.4 %**
Warehouse sales	97,654	69.7 %	86,574	65.6 %	12.8 %	154,328	69.6 %	137,857	65.6 %	11.9 %
Direct sales	42,455	30.3 %	45,476	34.4 %	-6.6 %	67,328	30.4 %	72,426	34.4 %	-7.0 %
Total sales	**140,109**	**100.0 %**	**132,050**	**100.0 %**	**6.1 %**	**221,656**	**100.0 %**	**210,283**	**100.0 %**	**5.4 %**

In the 187-day period ended December 31, 2005, sales increased by $11,373,000 compared to the corresponding period in 2004, a 5.4% increase to $221,656,000. This growth in sales, which is mainly from the food-services sector, is primarily attributable to the performance of affiliated wholesalers who experienced improved sales in their respective business and markets and to the recruiting of new wholesale distributors in this sector.

The Company's private labels increased by $1,473,000, or 8.6%, which is a clear reflection of one of the Company's strategies to grow through private label development.

Moreover, brand name products, primarily in the food-services sector, and frozen food increased by $7,362,000, or 5.4%, and $2,538,000, or 4.4% respectively, increases that mirror the trend towards restaurant food consumption and the continued growth trend in the demand for frozen food products, resulting from the increasing popularity of ready-to-serve products.

These explanations also explain the sales growth in the last quarter compared to the same period in 2004.

The increase from 65.6% to 69.6% in the proportion of warehouse sales to total sales is primarily attributable to new agreements with suppliers to distribute their products through the warehouse.

Rebates

Rebates to affiliated-wholesalers were 3% of their sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers of the Vendor, whereas the rebate rate on sales to other customers was 2.24% of their sales.

Rebates from Suppliers

A significant portion of Colabor's gross profit is derived from rebates from suppliers. Rebates from suppliers consist of (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentive plans, (ii) rebates received from suppliers based on buying volume, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

For the 187-day period ended December 31, 2005, rebates from suppliers increased by $774,000, or 4.9%, to $16,427,000 compared to $15,653,000 for the corresponding period in 2004. The fourth quarter contributed $369,000, or 3.6%, to this growth. These increases result primarily from an increase in purchases following higher sales combined with new supplier agreements.

Selling, Distribution and Administrative Expenses

Selling, distribution and administrative expenses include the costs associated with purchasing, warehousing and distributing products, as well as general and administrative expenses. Fixed costs include energy costs relating to the operation of the Distribution Centre, rent, property taxes and general and administrative expenses, whereas variable costs include packaging material, repair and maintenance costs related to warehouse equipment usage and, to some extent, warehouse employee wages.

These expenses increased by $173,000, or 3%, for the 187-day period compared to the corresponding period in 2004. As a percentage of gross sales, these costs were down from 2.8% in 2004 to 2.7% for the 187-day period ended December 31, 2005. The rate remained unchanged at 2.7% for the fourth quarter of 2004 and 2005.

Earnings Before Financial Expenses and Amortization

These earnings are used as a basis to calculate distributable cash and increased by $1,063,000, or 13.6%, compared to the corresponding period in the previous year. The rate on gross sales increased from 3.7% for the 186-day period ended December 3l, 2004 to 4.0% for the same period in 2005. The rate increased to 4.2% for the fourth quarter in 2005 compared to 4.0% for the fourth quarter in 2004.

Financial Expenses

Financial expenses totalled $427,000, a $77,000, or 22%, increase for the 187-day period ended December 31, compared to the same period in 2004. The increase, which results primarily from a $65,000 increase in the fourth quarter compared to 2004, is attributable essentially to higher interest rates on a larger bank loan as a result of higher receivables and inventory following an increase in sales and an increase in bank charges compared to 2004. However, as a percentage of gross sales, the rate remains stable at 0.2%.

Amortization

Amortization of Property, Plant and Equipment

Amortization of property, plant and equipment totalled $532,000, down by $54,000, or 9.2%, for the 187-day period ended December 31, 2005, compared to $586,000 for the corresponding period in the previous year. Amortization is composed of the amortization of furniture and fixtures, warehouse equipment and warehouse vehicles, computer hardware, computer software and leasehold improvements.

Amortization of Intangible Assets

If the Fund had been in operation in 2004, the amortization of the customer relationships would have been similar to that for the 187-day period ended December 31, 2005 since customer relationships are amortized on a straight-line basis over their estimated useful lives of 20 years. New accounting rules were applied retroactively as at the Fund creation date, June 28, 2005, to comply with new guidance in EIC-151 entitled *Exchangeable Securities Issued by Subsidiaries of Income Trusts*. (See *Changes in Accounting Policies*.)

Distributable Cash

The following table sets forth the calculation of distributable cash for the 187-day period ended December 31, 2005.

('000)

Earnings before financial expenses and amortization (as per Fund's December 31, 2005 financial statements)		**8,870**
Deduct:		
Financial expenses	427	
Acquisition of property, plant and equipment	322	749
Distributable cash		**8,121**
Number of units:		
Colabor LP ordinary units	5,775,000	
Colabor LP exchangeable units held by the Vendor	5,087,439	10,862,439
Distributable cash per unit		**$ 0.7475**
Distributions paid (as specified in the June 17, 2005 prospectus)		
From June 28, 2005 to July 31, 2005	$ 0.0937	1,018
From August 1, 2005 to December 31, 2005	$ 0.0854 / month	4,638
		5,656
Distributable cash per unit		**$ 0.5207**
Distribution ratio of distributable cash		**69.66%**

Distributions were paid from cash from activities.

Distributions

The Fund intends to make equal monthly cash distributions to unitholders of its available cash to the maximum extent possible, net of acquisitions of property, plant and equipment, financial expenses and certain reserves that the Board of Trustees may deem necessary.

Seasonality

Although the distribution ratio of distributable cash for this 187-day period, i.e. June 28 to December 31, 2005 is 69.66%, readers should be aware that the Fund's first and second quarters in a regular year, i.e. the period of January 1, to June 17, may reflect seasonal factors that affect the distribution ratio.

Colabor's business is subject to normal industry seasonal fluctuations due to weather conditions and holiday periods. Sales are generally lower at the beginning of the year due to lower consumer spending following the Christmas holiday season, increase progressively thereafter during spring and summer months as sales of food consumed away from home increase and reach their peak in the last four months before year-end and following Colabor's yearly trade show held annually in September.

Variable costs are managed to mitigate the impact of seasonality. However, a significant portion of Colabor's costs, including the rent and energy costs related to the operation of its Distribution Centre, are fixed and cannot be adjusted for seasonality.

The Fund declares monthly distributions to unitholders of record on the last day of each month and pays the distributions on or about the 15th of the following month. The current annual distribution per unit should be $1.025.

Liquidity and Cash Resources

During the 187-day period ended December 31, 2005, the Fund completed its initial public offering, including the exercise of the over-allotment option as at July 20, 2005, of 5,775,000 units for proceeds of $57,750,000 ($54,285,000 net of the underwriters' fees) to acquire and hold 53.2% of Colabor LP for a consideration of $54,285,000.

During this period, the Fund generated cash flows from operations of about $20,394,000. It acquired $322,000 in property, plant and equipment, primarily for the upgrade of its management information system and to acquire forklifts and paid distributions to public unitholders and holders of exchangeable units of Colabor LP of about $4,728,000.

The Fund has a $30 million operating line of credit available. As at December 31, 2005, the Fund has used $8 million of this operating line of credit. In the opinion of management of the Fund, cash flows from operations and funds from the operating line of credit are sufficient to support planned acquisitions of property, plant and equipment, working capital requirements and monthly cash distributions of $0.0854 per unit.

The Fund is required to comply with a financial ratio (debt/earnings before financial expenses, income taxes, depreciation and amortization and customer rebates) less than 1.75:1.00 under the terms of the credit agreement with a lending institution. Based on the institution's method of calculation, this ratio is about 0.42:1.00 for the period ended December 31, 2005.

Contractual Obligations

('000)	Payments Due by Period				
Contractual obligations	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Long-term debt	$ 2,613	$ 468	$ 936	$ 936	$ 273
Operating lease	$ 35,240	$ 2,028	$ 4,056	$ 4,056	$ 25,100
Outsourcing of computer services	$ 4,921	$ 518	$ 1,036	$ 1,036	$ 2,331
Total	$ 42,774	$ 3,014	$ 6,028	$ 6,028	$ 27,704

Off-balance Sheet Transactions

The Fund does not have any off-balance sheet transaction obligations.

Risk Management

The Fund is exposed to various industry-related risks that could impact its profitability and which are beyond management's control, including the following:

- Dependence on affiliated-wholesalers:

  Sales generated by affiliated-wholesalers account for nearly 88% of the Fund's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.

  This risk has been mitigated, on a going-forward basis after the closing of the offering, by the completion of agreements to amend the affiliate agreements to provide for an initial ten-year term, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses. However, there is no assurance that Colabor LP will be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationship existing between the affiliated-wholesalers, Colabor LP and the Vendor, encouraging affiliated-wholesalers to increase their purchases from Colabor.

- Absence of long-term agreements between affiliated-wholesalers and their customers

  In accordance with general industry practice, the affiliated-wholesalers do not normally enter into long-term agreements with their customers. As a result, customers may, without notice or penalty, terminate their relationship with affiliated-wholesalers. In addition, even if customers should decide to continue their relationship with the affiliated-wholesalers, there can be no guarantee that they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by affiliated-wholesalers, or decrease in the volume purchased or price paid by them for products, could affect Colabor LP's sales and result in an adverse effect on Colabor LP's financial condition and results of operations and the amount of cash available for distribution to unitholders. In the past, affiliated-wholesalers, using their knowledge of the respective markets in which they operate, have been able to differentiate themselves from their competitors by providing personalized services to their customers, including flexible delivery schedules and products offering tailored to the needs of their customers; management believes they will continue to do so in the future.

- Customer Choices

  Colabor's success also depends on the continuing interest of customers in the products it distributes. Any change in customer choices could have an impact on the demand for products distributed by Colabor.

Significant Accounting Estimates

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated events. Significant estimates relate exclusively to the allowance for excess or obsolete inventory, accounting for rebates from supplier and goodwill.

- Allowance for excess or obsolete inventory

  Inventory is valued at the lower of net realizable value or cost calculated using the first in, first out method. The Fund records an allowance for obsolescence that is calculated on the basis of assumptions relating to future demand for its products and conditions in the markets in which the products are sold. The allowance, which reduces inventory to the net realizable value, is then applied against inventory on the balance sheet. Management makes estimates and judgments at the time of determining these allowances. If actual market conditions are less favourable than management's assumptions, additional allowances may be required.

- Accounting for rebates from suppliers

  Colabor negotiates procurement contracts with its suppliers that included payment of rebates based on volumes purchased. The procurement contracts with suppliers are reviewed periodically and rebates adjusted according to prevailing market conditions.

- Goodwill

  Goodwill is the excess of the purchase price of the enterprise over its carrying amount on the acquisition date. This goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment of goodwill would be expensed in the year or period it occurs.

Changes in Accounting Policies

As a result of changes in December 2005 in the Emerging Issues Committee's abstract, EIC-151, *Exchangeable Securities Issued by Subsidiaries of Income Trusts*, the Fund reviewed the purchase price allocation to recognize the full amount of the excess of the purchase price over the carrying amount of the net assets instead of on the basis of the Fund's percentage of interest in Colabor LP. Accordingly, the non-controlling interest is now recognized according to Colabor LP's fair value.

Following this change, the Fund revalued its intangible assets, in particular, customer relationships and trademarks, by $34,291,000 and $3,823,000 respectively to $64.5 million and $7.2 million. Goodwill decreased from $16,166,000 to $13,459,000.

This change led to an increase of about $774,000 in the amortization of intangible assets with a corresponding decrease in the non-controlling interest in earnings. Application of these new rules therefore did not impact net earnings.

Outlook

Results for the 187-day period ended December 31, 2005 are ahead of management's expectations. Colabor's outlook for the first quarter of fiscal 2006 is positive.

Management believes that Colabor will continue to benefit from its loyal and entrepreneurial affiliated-wholesalers network, customer-driven distribution network, recent investments in information technology and low operating costs. Management believes that Colabor will also continue to be proactive in terms of expanding its product offering, services provided to affiliated wholesalers and will continue to grow its business through the recruitment of wholesale distributors. Management believes that the volume of sales of frozen food and private label products will continue to grow and that Colabor is well positioned to take advantage of the continued importance of these two products.

Additional Information

Additional information on Colabor Income Fund may be found on SEDAR at www.sedar.com and at its information site www.colaborincomefund.com.

Michel Loignon CA

Vice-president, Finance and Administration
Colabor LP

February 21, 2006

Colabor Income Fund

Consolidated Financial Statements 2005

Corporate Reports

Management Report

The consolidated financial statements and other financial information included in this annual report are the responsibility of management of the Colabor Income Fund (the Fund). These consolidated financial statements have been prepared by management in accordance with generally accounting principles and approved by the board of trustees.

The Fund maintains internal control systems that, according to management, reasonably ensure the accuracy of the financial information and maintain proper standards of conduct in the fund's activities.

The board of trustees fulfils its responsibility regarding the financial statements included in the annual report primarily through its audit committee. This committee, which meets periodically with the Fund's trustees and the external auditors, has reviewed the financial statements of the Fund and has recommended that they be approved by the board of trustees.

The financial statements have been audited by Fund's external auditors, Raymond Chabot Grant Thornton, LLP, chartered accountants.

Boucherville, February 8, 2006

Gilles C. Lachance

President and CEO
Colabor LP

Michel Loignon CA

Vice-president, Finance and Administration
Colabor LP

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.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montreal
February 8, 2006

Consolidated Earnings and Retained Earnings

Initial 187-day period ended December 31, 2005

(In thousands of dollars, except earnings per unit)

	$
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.

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.

Consolidated Balance Sheet

December 31, 2005
(In thousands of dollars)

	$
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

Jacques Landreville — Trustee

Robert Panet-Raymond — Trustee

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:

	$
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

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.

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.

(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

	$
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.

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

6 - Accounts receivable

	$
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.

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

10 - Long-term debt

	$
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-controling 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.

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

12 - Non-controlling interest (Continued)

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.

		$
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.

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

13 - Unitholders' capital account (Continued)

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.

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.

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

15 - Related party transactions (Continued)

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.

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).

Corporate Information

Board of Trustees – Colabor Income Fund

Management Team – Colabor LP

Gilles C. Lachance, President and CEO

Michel Loignon CA, Vice-President, Finance and Administration

Mario Burnham, Vice-President, Sales and Development

Mario D'Amours, Vice-President, Distribution

Marko Potvin, Vice-President, Purchasing and Merchandising
Michel Delisle, Vice-President, Information Technologies

Collaborators

Auditors **Raymond Chabot Grant Thornton, LLP, chartered accountants**

Lawyers **Bélanger Sauvé et McCarhy Tétrault**

Bankers **Canadian Imperial Bank of Commerce and Business Development Bank of Canada**

Colabor Income Fund: TSX: CLB.UN

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