Colabor Income Fund

Interim Consolidated Financial Statements
March 24, 2007 and 2006
1st Quarter
(unaudited)

Financial Statements

The interim consolidated financial statements were not reviewed by the auditor of the Fund.

Colabor Income Fund
Consolidated Earnings

(Unaudited and in thousands of dollars, except earnings per unit)

	2007-03-24 (83 days)	2006-03-24 (83 days)
	$	$
Net sales	162,667	73,463
Earnings before financial expenses and amortization	4,647	1,724
Financial expenses	1,538	149
Amortization of property, plant and equipment	645	208
Amortization of intangible assets	1,525	744
	3,708	1,101
Earnings before non-controlling interest	939	623
Non-controlling interest	393	296
Net earnings	546	327
Basic and diluted net earnings per unit (Note 7)	$0.06	$0.06

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

Colabor Income Fund

Consolidated Deficit
Consolidated Contributed Surplus

(Unaudited and in thousands of dollars)

	2006-03-24 (83 days)	2006-03-24 (83 days)
	$	$
CONSOLIDATED DEFICIT		
Retained earnings (deficit), beginning of period	(977)	279
Net earnings	546	327
	(431)	606
Distributions declared	1,767	986
Deficit, end of period	(2,198)	(380)
CONSOLIDATED CONTRIBUTED SURPLUS		
Contributed surplus, beginning of period	128	
Compensation cost from long-term incentive plan	38	
Acquisition of units by participants of long-term incentive plan	(150)	
	16	

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

Colabor Income Fund
Consolidated Cash Flows

(Unaudited and in thousands of dollars)

	2006-03-24 (83 days)	2006-03-24 (83 days)
	$	$
OPERATING ACTIVITIES		
Net earnings	546	327
Non-cash items		
Amortization of property, plant and equipment	645	208
Amortization of intangible assets	1,525	744
Non-controlling interest	393	296
Compensation cost from long-term incentive plan	38	
Accretion of difference between effective rate and nominal debenture rate	187	
	3,334	1,575
Changes in operating assets and liabilities	1,767	3,754
Cash flows from operating activities	5,101	5,329
INVESTING ACTIVITIES		
Business acquisition (Note 2)	(119,048)	
Property, plant and equipment	(350)	(16)
Cash flows from investing activities	(119,398)	(16)
FINANCING ACTIVITIES		
Bank loans	38,542	(2,000)
Distributions paid to unitholders	(2,285)	(1,479)
Distributions paid to holders of exchangeable Colabor LP units	(1,369)	(1,303)
Repayment of notes payable		(23)
Repayment of long-term debt	(117)	(117)
Repayment of security deposits		(468)
Purchase of units held by the Fund for long-term incentive plan	(238)	
Issue of debentures (Note 2)	47,186	
Issue of trust units (Note 2)	34,171	
Cash flows from financing activities	115,890	(5,390)
Net change in cash	1,593	(77)
Bank overdraft, beginning of period	(3,337)	(252)
Bank overdraft, end of period	(1,744)	(329)

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

Colabor Income Fund
Consolidated Balance Sheets

(in thousands of dollars)

	2007-03-24 (unaudited)	2006-03-24 (unaudited)	2006-12-31
	$	$	$
ASSETS			
Current assets			
Accounts receivable	63,509	21,997	24,501
Withholding taxes recoverable	1,745		1,620
Inventory	40,714	23,182	24,049
Prepaid expenses	2,026	375	494
	107,994	45,554	50,664
Deferred financing expenses	144		
Property, plant and equipment	12,482	3,857	3,866
Intangible assets	123,798	69,304	66,823
Goodwill	32,329	13,459	13,459
	276,747	132,174	134,812
LIABILITIES			
Current liabilities			
Bank overdraft	1,744	329	3,337
Bank loans		6,000	3,377
Accounts payable and accrued liabilities	52,204	24,695	28,234
Distributions payable to unitholders			518
Distributions payable to holders of exchangeable Colabor LP units			456
Rebates payable	14,863	7,442	13,005
Deferred revenue	704	509	739
Notes payable, without interest		6,172	
Instalments on long-term debt	468	468	468
	69,983	45,615	50,134
Bank loans	42,164		
Long-term debt	1,560	2,028	1,677
Debentures	45,014		
Accrued benefit liability for employee benefits	436		
Non-controlling interest	29,493	30,626	30,013
	188,650	78,269	81,824
UNITHOLDERS' EQUITY			
Unitholders' capital account	88,456	54,285	54,285
Option to convert debentures	2,359		
Contributed surplus	16		128
Units held for the long-term incentive plan	(536)		(448)
Deficit	(2,198)	(380)	(977)
	88,097	53,905	52,988
	276,747	132,174	134,812

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

Colabor Income Fund
Notes to Interim Consolidated Financial Statements

March 24, 2007

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

1 - BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. They are also consistent with the policies outlined in the Fund's audited financial statements for the year ended December 31, 2006 and those of Summit Food Service Distributors Inc ("Summit") for the ended April 2, 2006 as presented in the prospectus dated December 21, 2006 in connection with the acquisition of substantially all of the assets of Summit (see Note 2 - Public Offering and Business Acquisition). The interim financial statements should be read in conjunction with the previously mentioned financial statements.

2 - PUBLIC OFFERING AND BUSINESS ACQUISITION

On January 4, 2007, the Fund issued 2,825,000 subscription receipts at $8.85 each ("subscription receipts") to purchase a Fund unit, and 7% extendible convertible unsecured subordinate debentures totalling $50,000,000 ("debentures").

On January 8, 2007, the Fund acquired substantially all of the net assets of Summit, a company carrying on business in the same sector as that of the Fund.

At that date, the subscription receipts were exchanged for units. Moreover, the Fund issued 1,130,000 units at $8.85 to the shareholder of Summit. On January 28, 2007, there was a partial exercise of the over-allotment option by the underwriters of 120,000 units at $8.85.

After compensation of $3,303,000 paid to underwriters and other expenses of $1,404,000, the Fund's net proceeds was $34,171,000 for units and $47,186,000 for debentures.

Including direct acquisition costs of $1,145,000, the preliminary allocation of the purchase price is determined as follows:

	$
Current assets	59,979
Property, plant and equipment	8,911
Customer relationships	46,500
Trademarks	12,000
Goodwill	18,870
Current liabilities	(26,776)
Accrued benefit liability for employee benefits	(436)
	119,048

The acquisition is financed as follows:

	$
Purchase price	119,048
Issue expenses	1,404
Financing costs	245
	120,697

Colabor Income Fund
Notes to Interim Consolidated Financial Statements
March 24, 2007
(Unaudited, amounts in the tables are in thousands of dollars, except earnings per unit)

2 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITION (continued)

	$
Net proceeds from issue of units (i)	34,761
Net proceeds from issue of debentures (i) (ii)	48,000
New credit facilities (iii)	37,936
	120,697

(i) Issue costs of $1,404,000 and the underwriters' compensation are applied against the units and debentures.

		$
(ii)	Liability component of debentures	44,827
	Equity component of debentures	2,359
		47,186

(iii) The Fund negotiated new operating credit facilities with a banking syndicate for an amount of $70,000,000, for three years.

Results of operations are consolidated in the statement of earnings since the acquisition date.

3 - CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Fund adopted recommendations of the CICA Handbook, Section 1530, Comprehensive Income; Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; Section 3861, Hedges; and Section 3251, Equity. These sections apply to fiscal years beginning on or after October 1, 2006 and establish standards for the recognition, measurement, disclosure and presentation of financial assets and liabilities and non-financial derivatives, as well as the use and application of hedging. Section 1530 establishes standards for reporting and display of comprehensive income, which is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with generally accepted accounting principles, are recognized in comprehensive income, but excluded from net income.

According to these new standards, all financial assets are classified as held for trading, held-to-maturity, loans and receivables or available-for-sale. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are initially recorded in the balance sheet at their fair value. After their initial valuation, financial instruments must be measured at their fair value except for held-to-maturity investments or loans and receivables and other financial liabilities which must be recognized at amortized cost. The effective interest rate for financial liabilities and the gains and losses resulting from a change in the fair value of a financial asset or liability held for trading, are included in net income in the periods in which they arise. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in comprehensive income until the financial asset derecognized, at which time the gain or loss will be recognized in net earnings.

The Fund classified accounts receivable as loans and receivables. The bank overdraft, accounts payable, bank loans, long-term debt and debentures were classified as other financial liabilities. These changes had no effect during the adoption of the new recommendations.

Transaction costs for financial liabilities considered as other than financial liabilities are applied against these liabilities and amortized in net earnings under financial expenses.

Colabor Income Fund
Notes to Interim Consolidated Financial Statements
March 24, 2007

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

4 - REBATES FROM SUPPLIERS

In connection with EIC-144, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor, the Fund is required to disclose the amount of any vendor rebate that has been recognized in income but for which the full requirements for entitlement have not yet been met. For the 83-day period ended March 24, 2007, the Fund recognized $2,782,000 ($1,386,000 in 2006) which has been estimated on the basis of meeting certain requirements to be entitled to the rebates

5 - LONG-TERM INCENTIVE PLAN

On February 21, 2007, under the terms of the long-term incentive plan, 11,946 units were released (which cost $150,000). On February 27, 2007, the Fund granted $238,000 under the long-term incentive plan and as at March 24, 2007, 24,500 units were acquired on the market for this purpose. For the 83-day period ended March 24, 2007, compensation expense amounted to $38,000 (nil in 2006).

6 - FUTURE EMPLOYEE BENEFITS

For the 83-day period ended March 24, 2007, total expenses for defined benefit pension plans amounted to $35,000 (nil in 2006).

7 - NET EARNINGS PER UNIT

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

			2007-03-24 (83 days)
	Net earnings	Weighted average number of units	Net earnings per unit
	$		$
Basic and diluted net earnings per unit	546	9,447,410	0.06

			2006-03-24 (83 jours)
	Net earnings	Weighted average number of units	Net earnings per unit
	$		$
Basic and diluted net earnings per unit	327	5,775,000	0.06

Units that were hypothetically issued after the exchange of exchangeable Colabor LP units and the conversion of convertible debentures were not included in the calculation of diluted net earnings per unit because they had an antidilutive effect.

Colabor Income Fund
Notes to Interim Consolidated Financial Statements
March 24, 2007
(Unaudited, amounts in the tables are in thousands of dollars, except earnings per unit)

8 - SUBSEQUENT EVENTS

On October 31, 2006, the Minister of Finance of Canada announced a proposal to apply a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders. The documents released as part of this announcement provided that existing trusts would have a four-year transition period and would not be subject to the new rules until 2011. However, these documents also provide that the application date of 2011 is subject to the possible need to foreclose inappropriate new avoidance techniques. As an example, the proposals provided that, while there is now no intention to prevent existing income trusts from normal growth prior to 2011, any undue expansion of an existing income trust could cause this to be revisited.

After the close of markets on December 15, 2006, i.e. after the underwriting agreement was signed and the preliminary prospectus was filed to arrange a portion of the financing required for the Summit asset acquisition, the Department of Finance issued a press release that provided guidance on what the Department means by “normal growth. The Department indicated that it will not recommend that an income trust will not lose the benefit of the tax deferral to 2011 if the aggregate amount of new equity (including units and debt that is convertible into units) issued by it before 2008 does not exceed $50 million. The Department also provided other safe harbours limiting the issuance of new equity on an annual basis to a percentage of a trust’s market capitalisation as of October 31, 2006.

Draft legislation was tabled on December 21, 2006 which did not provide for any “normal growth” requirement. The March 19, 2007 budget confirmed the federal government’s intention of implementing the measures announced on October 31, 2006 and, finally, Bill 52 was tabled on March 29, 2007 which includes amendments to the Income Tax Act with respect to the taxation of income trusts, including the requirement that income trusts comply with the guidance in the December 15, 2006 press release.

The Fund’s public offering of trust units and convertible debentures, concurrently with the Summit acquisition exceeds both the $50 million threshold and the safe harbours based on market capitalisation. However, the Fund’s management believes that the Summit acquisition was sufficiently advanced that the financing arrangement preceded the Department’s guidance and that the type of financing to acquire the Summit assets could have been modified had the Fund been aware of the Department’s guidance at the time of signing the underwriting agreement with the underwriters. The Fund has initiated steps with the Department of Finance to clarify Colabor’s situation. When it prepared the first quarter of 2007 financial statements, the Fund’s management decided to wait for the Department of Finance’s interpretation before considering whether the Fund is taxable.