



## **Colabor Income Fund**

### **Interim Consolidated Financial Statements**

**June 16, 2006**

**2nd quarter of 2006**

(unaudited)

#### Financial Statements

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## Colabor Income Fund

### Consolidated Earnings

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

	2006-06-16 (84 days)	2006-06-16 (167 days)
	\$	\$
<b>Sales</b>	101,542	177,240
Rebates	3,011	5,246
Net sales	<u>98,531</u>	<u>171,994</u>
Cost of sales	99,546	173,440
Rebates from suppliers	7,373	12,332
	<u>92,173</u>	<u>161,108</u>
<b>Gross profit</b>	6,358	10,886
Selling, distribution and administrative expenses	<u>3,035</u>	<u>5,839</u>
Earnings before financial expenses and amortization	<u>3,323</u>	<u>5,047</u>
Financial expenses	166	315
Amortization of property, plant and equipment	213	421
Amortization of intangible assets	744	1,488
	<u>1,123</u>	<u>2,224</u>
Earnings before non-controlling interest	2,200	2,823
Non-controlling interest	<u>1,035</u>	<u>1,331</u>
<b>Net earnings</b>	<u>1,165</u>	<u>1,492</u>
Basic and diluted earnings per unit (Note 7)	<u>0.20</u>	<u>0.26</u>

### Consolidated Deficit

(Unaudited and in thousands of dollars)

	2006-06-16 (167 days)
	\$
<b>Retained earnings, beginning of period</b>	279
Net earnings	<u>1,492</u>
Distributions declared	<u>1,771</u>
<b>Deficit, end of period</b>	<u>(695)</u>

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)

	2006-06-16 (84 days) \$	2006-06-16 (167 days) \$
<b>OPERATING ACTIVITIES</b>		
Net earnings	1,165	1,492
Non-cash items		
Amortization of property, plant and equipment	213	421
Amortization of intangible assets	744	1,488
Long-term incentive plan expense (note 6)	47	47
Non-controlling interest	1,035	1,331
Changes in working capital items and deferred revenue	(2,561)	1,193
Purchase of units held by the Fund for long-term incentive plan (note 6)	(147)	(147)
Cash flows from operating activities	<u>496</u>	<u>5,825</u>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment and cash flows from investing activities	<u>(198)</u>	<u>(214)</u>
<b>FINANCING ACTIVITIES</b>		
Bank loans	2,118	118
Distributions paid to unitholders	(1,480)	(2,959)
Distributions paid to holders of exchangeable Colabor LP units	(1,304)	(2,607)
Repayment of notes payable	(85)	(108)
Repayment of long-term debt	(117)	(234)
Repayment of security deposits	<u>(468)</u>	<u>(468)</u>
Cash flows from financing activities	<u>(868)</u>	<u>(6,258)</u>
<b>Net change in cash</b>	<u>(570)</u>	<u>(647)</u>
Outstanding cheques, beginning of period	<u>(329)</u>	<u>(252)</u>
Outstanding cheques, end of period	<u>(899)</u>	<u>(899)</u>

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

## Colabor Income Fund

### Consolidated Balance Sheets

(In thousands of dollars)

	2006-06-16 (unaudited)	2005-12-31
	\$	\$
<b>ASSET</b>		
Current assets		
Accounts receivable	29,990	21,916
Inventory	26,720	22,504
Prepaid expenses	678	183
	<u>57,388</u>	<u>44,603</u>
Property, plant and equipment	3,842	4,049
Intangible assets	68,560	70,048
Goodwill	13,459	13,459
	<u>143,249</u>	<u>132,159</u>
<b>LIABILITIES</b>		
Current liabilities		
Outstanding cheques	899	252
Bank loans	8,118	8,000
Accounts payable and accrued liabilities	30,704	21,362
Distributions payable to unitholders		493
Distributions payable to holders of exchangeable Colabor LP units		434
Rebates payable	10,305	6,316
Deferred revenue	910	263
Note payable, without interest	6,087	6,195
Instalments on long-term debt	468	468
	<u>57,491</u>	<u>43,783</u>
Long-term debt	1,911	2,145
Security deposits		468
Non-controlling interest	30,357	31,199
	<u>89,759</u>	<u>77,595</u>
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' capital account	54,285	54,285
Contributed surplus (note 6)	47	
Units held by the Fund for long-term incentive plan (note 6)	(147)	
Retained earnings (deficit)	(695)	279
	<u>53,490</u>	<u>54,564</u>
	<u>143,249</u>	<u>132,159</u>

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

# Colabor Income Fund

## Notes to Interim Consolidated Financial Statements

June 16, 2006

(Unaudited, 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 indirectly acquired and holds a 53.2% interest in Colabor, Limited Partnership ("Colabor LP"). Colabor LP distributes and markets food, food-related and non-food products. The remaining 46.8% interest in Colabor LP is held by Colabor Investments Inc. (the "Vendor"), a company with significant influence, as exchangeable Colabor LP units.

### 2 - 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, 2005. The interim financial statements and related notes should be read in conjunction with the Fund's audited financial statements for the year ended December 31, 2005.

### 3 - SEASONAL NATURE OF OPERATIONS IN INTERIM PERIOD

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.

### 4 - TRANSACTIONS WITH VENDOR

	2006-06-16 (84 days)	2006-06-16 (167 days)
Earnings	\$	\$
Rebates (1)	2,867	4,993
Selling, distribution and administrative expenses		
Rent (1)	468	936
Computer services (1)	132	247
	<u>2006-06-16</u>	<u>2005-12-31</u>
Balance sheet	\$	\$
Rebates payable	10,146	6,128
Note payable	6,087	6,195

(1) These transactions, concluded in the normal course of operations, are recognized at the exchange amount.

## Colabor Income Fund

### Notes to Interim Consolidated Financial Statements

June 16, 2006

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

#### 5 - 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 167-day period ended June 16, 2006, the Fund recognized \$3,172,872, which has been estimated on the basis of meeting certain requirements to be entitled to the rebates (\$1,786,820 for the 84-day period ended June 16, 2006).

#### 6 - 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. Colabor LP, 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.

On February 21, 2006, the Fund granted \$447,565 under the plan. As at June 16, 2006, 11,700 units have been acquired on the market for a total of \$147,045. For the 167-day period ended June 16, 2006, compensation expense amounted to \$46,595.

#### 7 - EARNINGS PER UNIT

The following table presents basic and diluted earnings per unit:

	2006-06-16 (84 days)		
	Earnings	Weighted average number of units	Earnings per unit
	\$		\$
Basic and diluted earnings per unit	<u>1,165</u>	<u>5,764,275</u>	<u>0.20</u>
	2006-06-16 (167 days)		
	Earnings	Weighted average number of units	Earnings per unit
	\$		\$
Basic and diluted earnings per unit	<u>1,492</u>	<u>5,769,605</u>	<u>0.26</u>

The units hypothetically issued following the exchange of exchangeable Colabor LP units have not been included in the calculation of diluted earnings because the impact has an anti-dilutive effect. In addition, the units held in the long-term incentive plan have not been included in the diluted earnings calculation because the impact of the unrecognized future compensation cost of the units relating to this plan does not have a dilutive effect.