



Colabor Income Fund

Interim Consolidated Financial Statements, September 8, 2006 3rd 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)

	2006-09-08 (84 days)	2005-09-09 (74 days)	2006-09-08 (251 days)
	\$	\$	\$
Sales	94,073	81,547	271,313
Rebates	2,788	2,401	8,034
Net sales	<u>91,285</u>	<u>79,146</u>	<u>263,279</u>
Cost of sales	91,839	79,584	265,279
Rebates from suppliers	6,613	5,691	18,945
	<u>85,226</u>	<u>73,893</u>	<u>246,334</u>
Gross profit	6,059	5,253	16,945
Selling, distribution and administrative expenses	<u>2,844</u>	<u>2,289</u>	<u>8,683</u>
Earnings before financial expenses and amortization	<u>3,215</u>	<u>2,964</u>	<u>8,262</u>
Financial expenses	259	161	574
Amortization of property, plant and equipment	215	226	636
Amortization of intangible assets	744	659	2,232
	<u>1,218</u>	<u>1,046</u>	<u>3,442</u>
Earnings before non-controlling interest	1,997	1,918	4,820
Non-controlling interest	<u>935</u>	<u>902</u>	<u>2,266</u>
Net earnings	<u>1,062</u>	<u>1,016</u>	<u>2,554</u>
Basic and diluted earnings per unit (Note 7)	<u>0.18</u>	<u>0.18</u>	<u>0.44</u>

Consolidated Deficit

(Unaudited and in thousands of dollars)

	2006-09-08 (84 days)	2005-09-09 (74 days)	2006-09-08 (251 days)
	\$	\$	\$
Retained earnings (deficit), beginning of period	(695)		279
Net earnings	1,062	1,016	2,554
	367	1,016	2,833
Distributions declared	1,529	1,034	3,995
Deficit, end of period	<u>(1,162)</u>	<u>(18)</u>	<u>(1,162)</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)

	2006-09-08 (84 days)	2005-09-09 (74 days)	2006-09-08 (251 days)
	\$	\$	\$
OPERATING ACTIVITIES			
Net earnings	1,062	1,016	2,554
Non-cash items			
Amortization of property, plant and equipment	215	226	636
Amortization of intangible assets	744	659	2,232
Long-term incentive plan expense (note 6)	34		81
Non-controlling interest	935	902	2,266
Changes in working capital items	3,575	9,796	4,768
Purchase of units held by the Fund for long-term incentive plan (note 6)	(301)		(448)
Cash flows from operating activities	<u>6,264</u>	<u>12,599</u>	<u>12,089</u>
INVESTING ACTIVITIES			
Business acquisitions		(54,285)	
Property, plant and equipment	(249)	(86)	(463)
Cash flows from investing activities	<u>(249)</u>	<u>(54,371)</u>	<u>(463)</u>
FINANCING ACTIVITIES			
Bank loans	1,683	(4,254)	1,801
Distributions paid to unitholders	(1,011)	(541)	(3,970)
Distributions paid to holders of exchangeable Colabor LP units	(987)	(477)	(3,594)
Repayment of notes payable	(6,087)	(8,630)	(6,195)
Long-term debt		250	
Repayment of long-term debt	(78)	(31)	(312)
Repayment of security deposits			(468)
Issue of trust units		54,285	
Cash flows from financing activities	<u>(6,480)</u>	<u>40,602</u>	<u>(12,738)</u>
Net change in cash	<u>(465)</u>	<u>(1,170)</u>	<u>(1,112)</u>
Outstanding cheques, beginning of period	(899)		(252)
Outstanding cheques, end of period	<u>(1,364)</u>	<u>(1,170)</u>	<u>(1,364)</u>

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Colabor Income Fund

Consolidated Balance Sheets

(In thousands of dollars)

	2006-09-08 (unaudited) \$	2005-09-09 (unaudited) \$	2005-12-31 \$
ASSET			
Current assets			
Accounts receivable	27,061	24,797	21,916
Inventory	23,957	27,101	22,504
Prepaid expenses	198	557	183
	<u>51,216</u>	<u>52,455</u>	<u>44,603</u>
Property, plant and equipment	3,876	4,119	4,049
Intangible assets	67,816	71,041	70,048
Goodwill	13,459	13,459	13,459
	<u>136,367</u>	<u>141,074</u>	<u>132,159</u>
LIABILITIES			
Current liabilities			
Outstanding cheques	1,364	1,170	252
Bank loans	9,801	10,775	8,000
Accounts payable and accrued liabilities	28,653	29,898	21,362
Distributions payable to unitholders	518	493	493
Distributions payable to holders of exchangeable Colabor LP units	456	434	434
Rebates payable	9,102	2,668	6,316
Deferred revenue	1,567	1,072	263
Note payable, without interest		6,195	6,195
Instalments on long-term debt	468	468	468
	<u>51,929</u>	<u>53,173</u>	<u>43,783</u>
Long-term debt	1,833	2,301	2,145
Security deposits		468	468
Non-controlling interest	29,849	30,865	31,199
	<u>83,611</u>	<u>86,807</u>	<u>77,595</u>
UNITHOLDERS' EQUITY			
Unitholders' capital account	54,285	54,285	54,285
Contributed surplus (note 6)	81		
Units held by the Fund for long-term incentive plan (note 6)	(448)		
Retained earnings (deficit)	(1,162)	(18)	279
	<u>52,756</u>	<u>54,267</u>	<u>54,564</u>
	<u>136,367</u>	<u>141,074</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

September 8, 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.

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.

3 - CHANGES IN AN ACCOUNTING POLICIES

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. These changes was applied retroactively with restatement of prior period. Following application of these changes, for the 74-day period ended september 9, 2005, amortization of intangible assets were raised by \$310,000 and non-controlling interest were reduced by \$310,000.

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

September 8, 2006

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

4 - TRANSACTIONS WITH VENDOR

	2006-09-08 (84 days)	2005-09-09 (74 days)	2006-09-08 (251 days)
	\$	\$	\$
Earnings (1)			
Rebates	2,632	2,310	7,625
Selling, distribution and administrative expenses			
Rent	468	412	1,404
Computer services	95	82	342
	<u>2006-09-08</u>	<u>2005-09-09</u>	<u>2005-12-31</u>
	\$	\$	\$
Balance sheet			
Rebates payable	8,883	2,582	6,128
Note payable		6,195	6,195

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

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 251-day period ended September 8, 2006, the Fund recognized \$4,743,752 which has been estimated on the basis of meeting certain requirements to be entitled to the rebates (\$1,570,880 for the 84-day period ended September 8, 2006 and \$1,328,002 for the 74-day period ended September 9, 2005)

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. 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.

On February 21, 2006, the Fund granted \$447,565 under the plan. As at September 8, 2006, 35,140 units have been acquired on the market for a total of \$447,565. For the 251-day period ended September 8, 2006, compensation expense amounted to \$80,930 (\$34,335 for the 84-day period ended September 8, 2006).

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

September 8, 2006

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

7 - EARNINGS PER UNIT

The following table presents basic and diluted earnings per unit:

	2006-09-08 (84 days)		
	Earnings	Weighted average number of units	Earnings per unit
	\$		\$
Basic and diluted earnings per unit	<u>1,062</u>	<u>5,749,796</u>	<u>0.18</u>
	2006-09-09 (74 days)		
	Earnings	Weighted average number of units	Earnings per unit
	\$		\$
Basic and diluted earnings per unit	<u>1,016</u>	<u>5,689,527</u>	<u>0.18</u>
	2006-09-08 (251 days)		
	Earnings	Weighted average number of units	Earnings per unit
	\$		\$
Basic and diluted earnings per unit	<u>2,554</u>	<u>5,762,976</u>	<u>0.44</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.