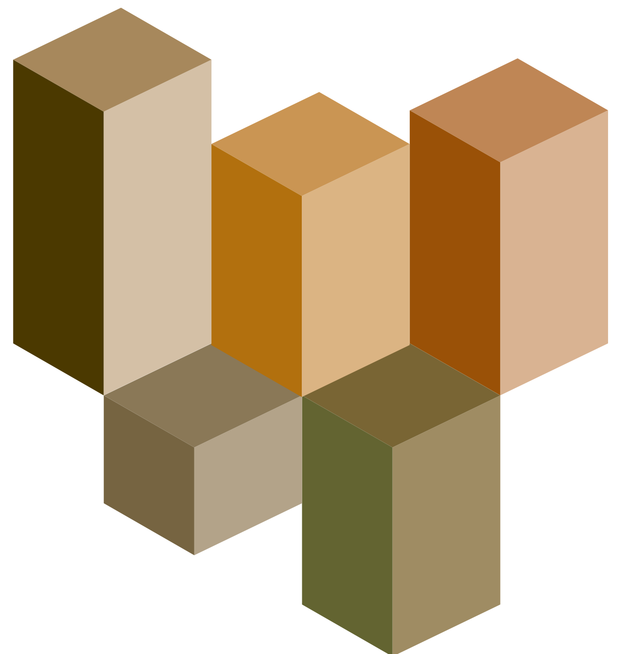

Strength Through Diversity

2005 Annual Report

Diversified Businesses
Satisfied Customers
Sustainable Growth

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Superior Propane 35%[1]

Superior Propane has been in business since 1951 and is Canada's largest distributor of propane, related products and services. It also provides natural gas liquids wholesale marketing services to small and medium sized propane retailers, mainly in the United States.

Operations:
209 locations across Canada comprised of 43 larger market centres and 166 satellite and storage yards.

Number of Employees:
Approximately 1,650

Annual Sales Volume:
Approximately 1.5 billion litres of propane.

Type of Customers:
Diversified geographically and across end-use applications.

The largest customer contributed approximately 1% of gross profit in 2005.

ERCO Worldwide 35%[1]

ERCO Worldwide has been in business since the 1940s and is a leading supplier of chemicals and technology to the pulp and paper industries, a regional Midwest supplier of chloralkali products and the third largest producer of potassium products in North America.

Operations:
10 specialty chemicals plants strategically located; 7 in Canada, 2 in the United States, and 1 to commence operation mid-2006 in Chile.

Number of Employees:
Approximately 510

Annual Sales Volume:
Total chemical sales of 787,000 tonnes.

Type of Customers:
More than 200 customers. The top 10 customers contribute approximately 47% of revenues.

JW Aluminum 17%[1]

JWA has been in business since 1980. The company manufactures specialty flat-rolled aluminum products, primarily serving the heating, ventilation and air conditioning; building and construction; flexible packaging, and other end-use markets in the United States.

Operations:
3 aluminum fabrication facilities located in Mt. Holly, South Carolina, Russellville, Arkansas and St. Louis, Missouri.

Number of Employees:
Approximately 800

Annual Sales Volume:
333 million pounds of specialty, flat-rolled aluminum products sold in 2005.

Type of Customers:
More than 300 customers in the United States. No single customer accounts for more than 7% of sales, with the top 10 customers accounting for approximately 42% of 2005 sales.

Winroc 11%[1]

Winroc has been in business since 1971 and is the largest distributor of specialty construction products to the walls and ceilings industry in Canada and seventh largest in North America.

Operations:
38 branches with 30 locations in western Canada and Ontario; and 8 in Minnesota and parts of the southwestern United States.

Number of Employees:
Approximately 900

Annual Sales Volume:
$487 million of revenues, with 52% derived from drywall and accessories.

Type of Customers:
Approximately 6,900 residential, commercial, new and remodelling customers, diversified geographically. The top 10 customers contributed approximately 14% of 2005 distribution sales.

Superior Energy Management 2%[1]

Superior Energy Management commenced operations in June of 2002, providing fixed-price natural gas supply services to residential, commercial and industrial markets in Ontario and Quebec.

Operations:
Main focus area is Ontario, expanding into Quebec market.

Number of Employees:
Approximately 30

Annual Sales Volume:
Approximately 100,000 GJ/d of natural gas.

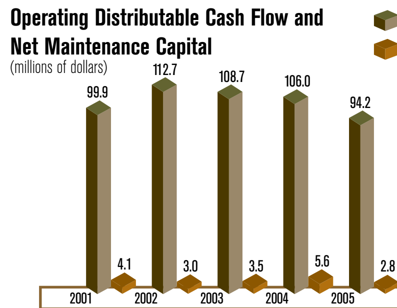
Type of Customers:
Approximately 57,000 commercial, small industrial and residential customers. The largest customer contributed approximately 5% of gross profit in 2005.

Distributable cash flow, operating distributable cash flow, maintenance capital expenditures and growth capital, which are used throughout this document, are terms used in accordance with the definitions contained in Note 1 to the Consolidated Financial Statements. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. Distributable cash flow cannot be assured.

(1) 2005 annual operating distributable cash flow contribution, including JW Aluminum as if it had been acquired on January 1, 2005.

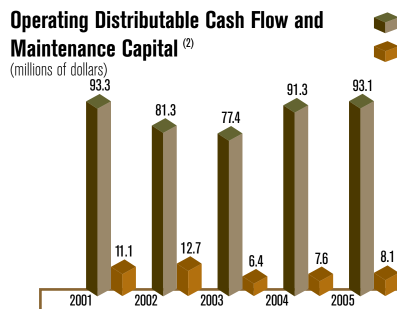
Key Strengths:

- Leading competitive position.
- Geographic and end-use customer diversification.
- Utility-like operating risk profile.



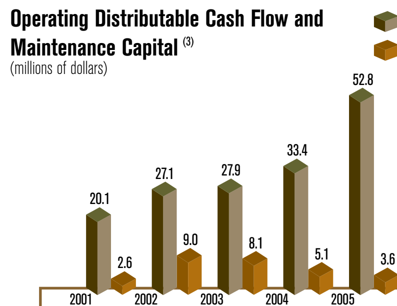
Key Strengths:

- Leading competitive position.
- Geographic and customer diversification.
- Low cost structure.
- Simple and safe manufacturing process.



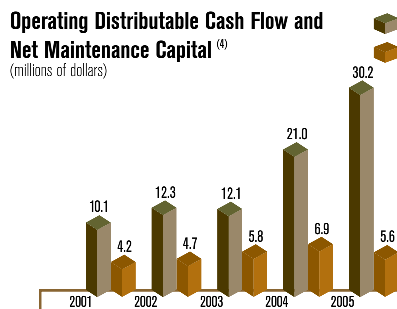
Key Strengths:

- Leader in specialty aluminum markets.
- Diversified products and customers.
- In-house product development capability.
- Flexible manufacturing model.
- No direct exposure to changes in primary aluminum prices.



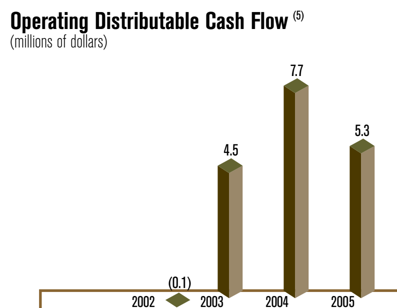
Key Strengths:

- Leading competitive position.
- Geographic and end-use customer diversification.
- Track record of stable and growing financial results and attractive growth potential.



Key Strengths:

- Stable contract-based business.
- Complementary to propane retailing.
- Attractive growth opportunities.

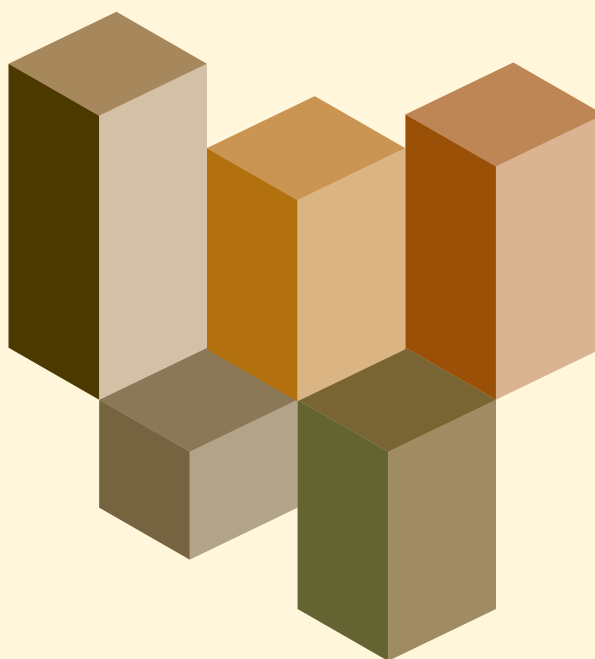


(2) ERCO Worldwide acquired December 19, 2002. Unaudited prior year results are provided for comparison purposes.

(3) JW Aluminum acquired October 19, 2005. Unaudited prior year results are provided for comparison purposes.

(4) Winroc acquired June 11, 2004. Unaudited prior year results are provided for comparison purposes.

(5) 2002 to 2004 restated to give retroactive effect to change in accounting for natural gas customer acquisition costs.



Strength Through Diversified Businesses

Superior Plus Income Fund was established in 1996 and has diversified over time into five strong business platforms, consisting of propane retailing, specialty chemicals, flat-rolled aluminum products, specialty construction products distribution, and fixed-price natural gas retailing. Underpinning the success of our diversification strategy are strong business platforms with the following characteristics:

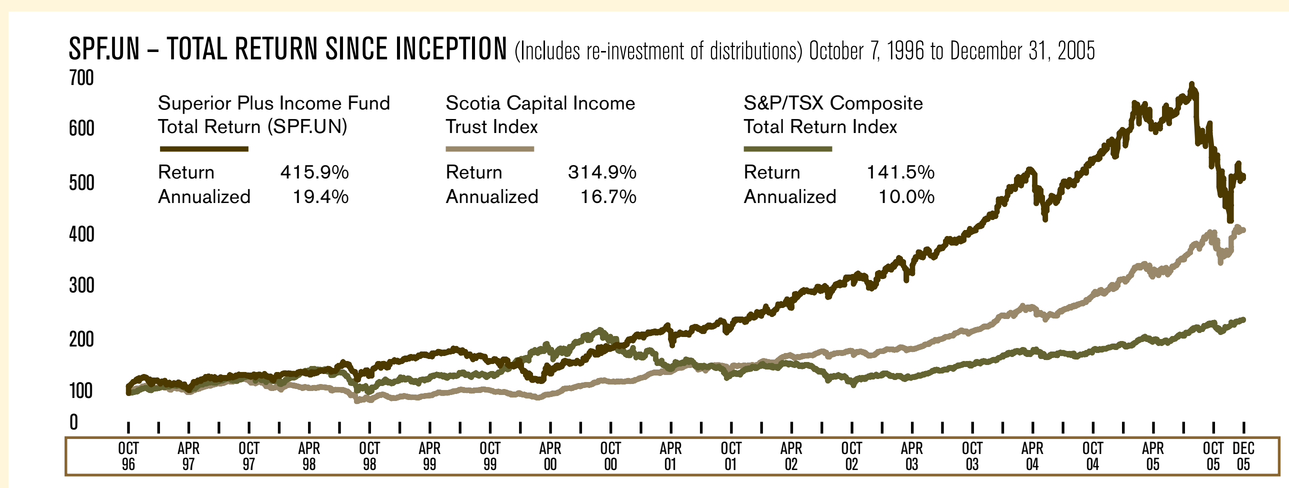
- Mature businesses;
- Low operating risk profiles;
- Strong competitive positions;
- Stable and sustainable cash flows;
- Experienced management capabilities; and
- Visible value growth potential.

Strategic direction, governance, access to capital and other services are provided by the corporate office, enabling the businesses to focus on the execution of their business plans.

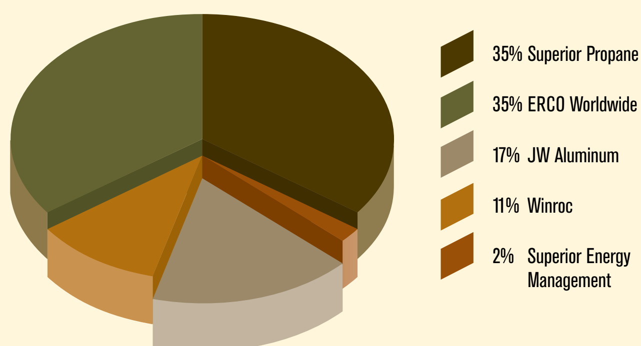
Diversification has reduced Superior's overall business risk, while providing further value growth opportunities to generate stable distributions, growing over time.

Performance Highlights

Superior Plus has outperformed the S&P/TSX Composite Total Return and the Scotia Capital Income Trust indices since inception of the Fund in 1996 to December 31, 2005. Over that period, unitholders earned an annualized total return of 19.4%, including cumulative distributions of $16.31 per trust unit. We remain committed to generating superior returns and long-term value.

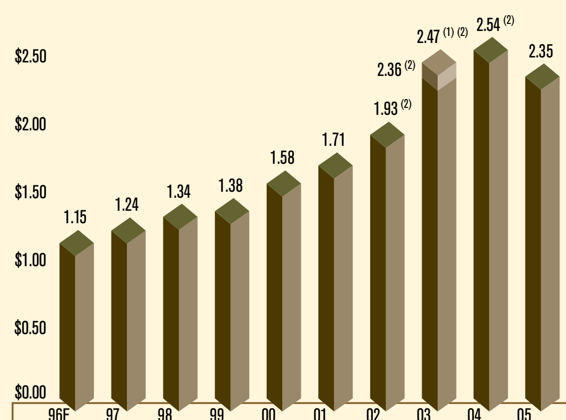


Business Segment Contributions [1]



[1] 2005 annual operating distributable cash flow contribution, including JW Aluminum as if it had been acquired on January 1, 2005.

Distributable Cash Flow ($ per trust unit)



[1] One time Management internalization effect.

[2] Restated to give retroactive effect to change in accounting for natural gas customer acquisition costs.

2005 Highlights

- Soft results from Superior Propane and Superior Energy Management outpaced growth achieved by ERCO Worldwide and Winroc.
- Made growth capital investments of over $500 million to acquire JW Aluminum and expand existing businesses; advanced platform for profitable growth and diversification.
- Rapid rise and volatility of energy costs require repositioning of some of our businesses.
- Expanded management capabilities to support long-term profitability and growth.

For Superior Plus, 2005 was a year of achievements and challenges. We made substantial growth capital investments, expanded our business platforms and added management depth to position Superior Plus for long-term profitability and growth. At the same time, the rapid rise in energy prices, warm weather, and the strengthening of the Canadian dollar and resulting impacts on our customers have negatively affected the results of some of our businesses. In response to these new realities, we are adapting our strategies to improve the operating performance of these businesses.

While distributable cash flow grew modestly to $187.0 million compared to $184.4 million generated in 2004, distributable cash flow per trust unit decreased 7% to $2.35 compared to $2.54 generated in 2004. This reduction reflected weaker business performance from certain of our businesses and dilution resulting from the conversion of debentures and warrants throughout the year.

RESULTS FROM OPERATIONS

Superior Propane contributed $94.2 million in operating distributable cash flow in 2005, compared to $106.0 million in 2004. The results were negatively impacted by the rapid rise and high volatility of crude oil, natural gas, and propane prices over the last two years, coupled with warm weather across Canada. These conditions have continued into 2006. An increased focus on customer service and retention programs is expected to result in long-term benefits, but caused the cost structure to increase in 2005. Due to these changing business conditions, a business review commenced in late 2005 to right-size the propane retailing business. As part of the review, John Gleason, who joined Superior Plus in April 2005 as Senior Vice-President, Corporate Development, took over the leadership of Superior Propane as President in January 2006. Under his leadership, the team continues to focus on customer service to increase revenues while decreasing the cost structure to position the product and service offerings for future growth.

To achieve greater purchasing scale and improve its operational efficiency, Superior Propane acquired Superior Gas Liquids (SGL) in February, 2005 for $25.6 million. SGL is a natural gas liquids wholesale marketer, providing transportation, storage, risk management, supply and logistics services in Canada and the United States. The acquisition of SGL is expected to further enhance Superior Propane's supply and logistics competencies and increase other service revenues.

Although the propane business in Canada is mature, it continues to provide a solid foundation for stable returns. We are confident that under John's leadership, we can profitably grow the propane retailing business going forward.

ERCO Worldwide, our specialty chemicals business, delivered solid results in 2005, contributing $93.1 million in operating distributable cash flow, compared to $91.3 million in 2004. This strong performance was fuelled by the benefits of ERCO's acquisition of the chloralkali/potassium facility in Port Edwards, Wisconsin in June 2005 for $22.4 million.

The combination of the rising Canadian dollar, and high energy and fibre costs has resulted in several bleached pulp plant closures and continues to have an impact on our North American pulp customer base. In response, ERCO announced the shut-down of its high-cost plant in Thunder Bay, Ontario, resourcing production from its remaining network of seven lower-cost sodium chlorate plants and continues to review opportunities to reposition its sodium chlorate operations in the face of further declines in customer demand.

ERCO Worldwide strengthened its leadership team and advanced its diversification strategy by expanding into potassium products and leveraging its Western Canadian chloralkali production and sales capabilities, which in the fourth quarter comprised 40% of its overall cash flow. Expansion of its sodium chlorate business internationally continues with the construction of ERCO's 55,000 tonne capacity sodium chlorate facility in Chile, scheduled to come on stream in mid-2006. ERCO is well positioned to take advantage of opportunities in the growing Asian and South American markets.

Winroc, our walls and ceilings construction product distribution business, contributed record operating distributable cash flow of $30.2 million in 2005. This was the first full-year contribution since its acquisition by Superior Plus in June 2004. Winroc established a leading market presence in Ontario with the acquisition of Interior Business Supplies in December 2004, followed by the acquisition of Leon's Insulation in April 2005 for $31.7 million. In addition, Winroc expanded its product line and opened four new branches in fast-growing areas such as Fort McMurray, Alberta, and suburban Salt Lake City, Utah. Winroc's profitability is expected to continue to increase due to the growth of its existing distribution operations and its expansion into Ontario. Residential construction rates are expected to moderate while commercial construction demand is anticipated to increase and remodelling demand remains strong. Under strong management, Winroc is well positioned to become a leading competitor in the North American specialty building products market.

Superior Energy Management (SEM), our fixed-price natural gas retailing business, contributed $5.3 million of operating distributable cash flow, a decrease of $2.4 million from 2004. The rapid rise in natural gas prices prompted high-volume commercial customers to select lower margin floating index prices. As a result, SEM has increased its focus on growing the residential market and has built a solid foundation for future growth. During the 2005 third quarter, Greg McCamus became President of SEM. His focus is on the continued profitable growth of the business.

A NEW PLATFORM FOR STABILITY AND GROWTH

In October 2005, Superior Plus acquired **JW Aluminum** (JWA), a manufacturer of specialty flat-rolled aluminum products, headquartered in Mount Holly, South Carolina for $405.4 million. The acquisition of JWA adds another strong business platform and management team to create long-term value growth for Superior Plus. Over its 25 years of operations, JWA has developed a reputation as a premier supplier, providing quality customer service, products, and advanced in-house product development. JWA eliminates direct aluminum commodity price risk by charging customers the cost of primary aluminum plus a conversion fee. This has resulted in consistent growth in profits. In November 2005, the Board approved a US$15 million Phase II expansion of JWA's Russellville, Arkansas facility to support increased 2006 fin stock and converter foil demand. The 42 million pound Russellville expansion will bring annual capacity to over 400 million pounds across JWA's three manufacturing facilities.

STRENGTH THROUGH DIVERSIFICATION

Our diversification strategy continued to be successful in 2005 in reducing our overall business risk, as no single business contributed more than 35% to distributable cash flow after giving full year effect to the acquisition of JWA. Growth capital investments exceeding $500 million are expected to be accretive to unitholder distributions in 2006 and beyond.

STRONG FINANCIAL POSITION

During 2005, Superior Plus financed its growth by accessing public markets. In June, we issued $175 million of 5.75% convertible debentures. In October, we issued 6.2 million trust units priced at $25.75 and $75 million of 5.85% convertible

debentures, raising a total of $410 million. Additionally, the conversion of $48 million of debentures and $17 million in proceeds received from the exercise of trust unit warrants, further strengthened our balance sheet. On March 3, 2006, we completed a $200 million, 10-year, 5.50% senior secured debt issue in the Canadian public bond market. Proceeds will be used to repay the US$145 million JWA acquisition credit facility and other revolving bank debt.

MANAGEMENT CAPABILITIES

During 2005, significant effort was directed towards expanding and strengthening our management capabilities to provide the necessary leadership and experience to adjust our strategies to changes in our business environment and to provide for succession. Superior Propane added one finance and three operating officers. Its management team now consists of seven experienced officers led by John Gleason. ERCO added three officers to its skilled team, guided by Paul Timmons. Winroc, led by Paul Vanderberg, augmented its team to support the growth of its business. SEM, under the leadership of Greg McCamus, is currently expanding its management team. To support the growth and complexity of our businesses, we added three officers at the corporate level. In addition, the Board of Directors has extended the employment agreement of the President and CEO to 2009 and the Executive Chairman will move to the role of Chairman of the Board. Equipped with strong management capabilities, we approach the future with confidence.

DISTRIBUTIONS

In November, the Fund increased its cash distribution by 2.5% to $0.205 per month, or $2.46 on an annualized basis, reflecting accretion from the acquisition of JWA. Distributions of $2.41 per trust unit paid in 2005 resulted in a payout ratio of 103%, due to soft performance from Superior Propane and ERCO Worldwide's sodium chlorate business in the fourth quarter. Steps are being taken to reposition certain of our businesses in response to the changing business environment and are expected to improve distributable cash flow per unit as these initiatives are implemented. However, in light of the negative impact that record warm temperatures experienced across Canada in January and February are having on Superior Propane's 2006 results and continuing difficulties faced by North American pulp producers, we considered it prudent to reduce the monthly distribution rate to $0.185 per trust unit or $2.22 on an annualized basis to ensure our payout ratio is sustainable and our financial strength maintained, pending the improvement of results over time.

2006 OUTLOOK

This year will be a busy one at Superior Plus, as we harness the benefits of the diversification and growth capital invested in 2005 and continue to focus on customer service and improving the operating performance of several of our businesses. With more than 3,500 motivated employees, the commitment of our strengthened business and corporate leadership teams, the strong stewardship of our Board, and the continued support of our unitholders, we will continue to take advantage of growth opportunities within each business segment. Our strong values, entrepreneurial culture and financial strength will allow us to consider other opportunities to create value over time.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and
Chief Executive Officer
March 8, 2006

2005 Highlights

- Reviewed governance structure and substantially strengthened practices and processes.
- Adopted a written Board mandate, replacing existing Board guidelines.
- Increased Board committees from two to three.
- Introduced a written Code of Business Conduct and Ethics to supplement existing principles designed to promote honesty and integrity.

Superior Plus has a performance-oriented culture underpinned by strong ethical and core values. Economic, environmental and social responsibilities are deeply entrenched within our business culture. In 2005, Superior Plus adopted a written Code of Business Conduct and Ethics to supplement its existing principles and value statements that are designed to promote honesty and integrity across its five businesses. In addition, our communication and disclosure, insider trading, and whistleblower policies were reviewed and improved.

The Board is ultimately responsible for overseeing the business of Superior Plus and the affairs of the Fund, providing effective guidance and stewardship. The Board seeks to insure that Superior Plus and the Fund conduct their business with honesty and integrity, with the objective of creating sustainable and long-term value and profitable growth.

Based on its commitment to strong, effective and responsible corporate governance practices, Directors of Superior Plus carefully considered and adapted the Boards' structure, membership and governance processes, policies and procedures as part of its annual strategy session in 2005.

With the advances of Superior Plus' diversification strategy and growth of its businesses, the Board considered it prudent to adapt and strengthen its governance framework. To remain focused on the strategic visions amid the increasing complexities of a larger organization and the challenges of a global economy, the Board increased the number of committees from two to three. The standing committees are Audit; Governance and Nominating; and Compensation. Supported by its committees, the Board's processes are designed to: achieve an appropriate degree of independence from management; oversee human resources policies and procedures, including succession planning; consider, approve and monitor Superior Plus' strategic, operating, capital and financial plans; and monitor its risk management framework, including the integrity of internal financial and management systems.

The Fund is listed on the Toronto Stock Exchange and abides by applicable securities laws. On June 30, 2005, National Policy 58-201 "Corporate Governance Guidelines" and National Policy 58-101 "Disclosure of Corporate Governance Practices" (Governance Guidelines) came into force. Through the Audit Committee, the Board monitors management's compliance with National Policy 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings" related to CEO/CFO certification and financial disclosure standards and requirements. The Board of Superior Plus and management are focused on transparency and accountability of financial reporting and monitor developments in corporate governance, disclosure issues and best practices to be satisfied that Superior Plus continues to carry out high standards of corporate governance.

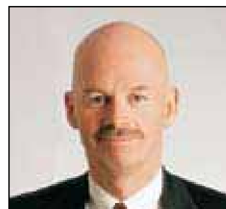
Peter A.W. Green
Chairman, The Frog Hollow Group Inc. and Chairman of Patheon Inc.

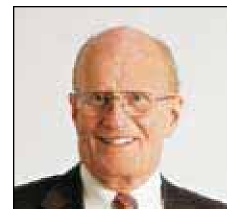
James S.A. MacDonald,
Chairman and Managing Partner, Enterprise Capital Management Inc.

Norman R. Gish
President, Gish Consulting Group

Peter Valentine, Senior Advisor to the CEO, Calgary Health Region and to the Dean of Medicine, University of Calgary

Robert J. Engbloom, Q.C.
Partner, Macleod Dixon LLP


Geoffrey N. Mackey
President and Chief Executive Officer, Superior Plus Inc.


Allan G. Lennox
Principal, AG Lennox & Associates

David P. Smith,
Managing Partner, Enterprise Capital Management Inc.

Grant D. Billing
Executive Chairman, Superior Plus Inc.

"We believe that a sound strategy, prudent corporate governance processes and a business culture based on honesty and integrity are integral to building long-term value for our unitholders."

Board Composition, Independence and Compliance

The Superior Plus Board is composed of nine members with extensive business and board experience, high standards of ethics and strong vision. Of the nine members, seven are independent. Grant Billing, Executive Chair and Geoff Mackey, President and CEO, are management directors. All independent members currently participate in at least one standing committee. Since 2003, Peter Green has served as Lead Director to strengthen the independence of the Board from management. He also serves as Chair of the Governance and Nominating Committee. Based on the 2005 annual Board effectiveness and assessment evaluation it was determined that the Board has the appropriate size and competencies to efficiently discharge its duties and responsibilities.

Superior Plus abides by applicable Canadian securities laws and regulations, including the Audit Committee rules and the Governance Guidelines. Superior's statement of corporate governance practices and related disclosure, including the determination and definitions of independence, Board and committee meeting attendance records, and directorships of Board members in other public entities, are included in the 2006 Information Circular. The Board and Committee mandates, position descriptions for the Executive Chair, the Lead Director, the President and CEO and the committee chairs, together with the Code of Business Conduct and Ethics, the Communication and Disclosure, Insider Trading and Whistleblower policies are posted on the Fund's website.

2005 Highlights

- Increased focus on residential customer sales and retention.
- Re-invested in fleet, tanks, equipment and facilities to support the business.
- Acquired Superior Gas Liquids to position the business for future growth.
- Continued health, safety and environmental compliance yielding a reduction in lost work days and a corresponding overall increase in productivity.
- Business review initiated to address challenging business environment.

In 2005, Superior Propane contributed $94.2 million of operating distributable cash flow, a decrease of $11.8 million or 11% from the previous year. This result was largely due to a combination of three key factors: lower volumes as unusual weather reduced heating and crop drying requirements and high and volatile propane commodity prices encouraged customer conservation; higher delivery costs due to increased fuel costs; and increased maintenance costs incurred to renew tanks and equipment to ready the business for customer growth.

BUSINESS REPOSITIONING

One of the key initiatives in 2005 was our heightened focus on customer service and retention. Tanks and equipment were renewed and an on-board truck computer program was initiated to increase operational efficiency and provide improved customer service. These programs increased Superior Propane's cost structure in the short term, but are expected to provide benefits over time. Unseasonable warm weather, the continued structural decline of automotive volumes and high wholesale propane costs continue to impact sales. In response to these changing business conditions, a review of Superior Propane's business has been initiated. The plan entails aligning the cost structure to current sales volume levels, while continuing to focus on customer service and retention to increase sales. During 2005, Superior Propane's leadership was significantly strengthened to meet the challenges of the business. In January 2006, John Gleason became president of Superior Propane to lead the business repositioning designed to achieve profitable growth in the future.

NEW GROWTH OPPORTUNITIES FOR 2006

In February 2005, Superior Propane acquired Superior Gas Liquids (SGL) for a purchase price of $25.6 million. SGL offers value-added, natural gas liquids wholesale marketing services to primarily small and medium-sized retailers in the United States. Superior Propane's national scope enables SGL to achieve greater economies of scale in purchasing, enhancing its competitiveness while providing Superior Propane with enhanced supply and logistics capabilities, as well as exposure to the United States retail propane market.

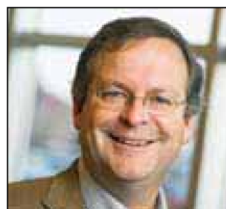
SERVING OUR CUSTOMERS ACROSS CANADA

Superior Propane is Canada's leading provider of propane, related products and services, with a market share of approximately 50%. In North America, Superior Propane ranks number five by sales volumes among retail propane providers.

Propane is an environmentally friendly, clean burning, efficient, portable and economical fuel source. For 55 years, Superior Propane has served the energy needs of Canadians in all major end-use propane applications, including residential, commercial, automotive, construction, oilfield, and agricultural. With operations in all provinces and territories, our geographic and end-use market diversity contributes to mitigating exposure to changes in weather and economic conditions.

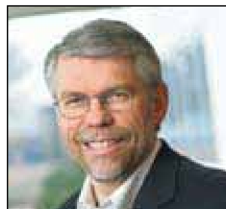
Stable energy demand over time, combined with wholesale propane price changes that are generally passed on to the customer, provide for a "utility-like" operating risk profile.

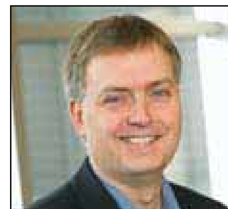
Our customer care culture and a broad range of service offerings differentiate us from our competitors. We provide one-stop shopping, customizing our extensive service offerings including equipment sales and rentals, installation, repair and maintenance services, pricing and payment options, to meet the needs of our customers.


John D. Gleason
President

Frank E. Burdzy
Vice-President,
Business Operations

Terrence N. Gill
Vice-President,
Human Resources


Desmond E. Moult
Vice-President, Finance


Gregory D. Stewart
Vice-President,
Business Services

Andrew W. Carroll
Vice-President,
Business Development

Carl F. Strub III
Vice-President,
Transportation and Operations Services

Superior Propane provides extensive service offerings and one-stop shopping to meet the needs of its customers.

We are able to leverage Superior Propane's industry leading scale to gain efficiencies in procurement, supply and transportation infrastructure, business support services, and the development and implementation of value-added delivery and service programs.

OUTLOOK

The propane business continues to provide a solid foundation for stable returns. A renewed focus on customer care initiated during 2005 is designed to provide efficient, consistent and responsive services in order to solidify customer retention. The repositioning of the business is expected to provide Superior Propane with an opportunity to achieve long-term profitable growth.

2005 Highlights

- Solid financial performance, despite ongoing challenges faced by North American bleached pulp producers.
- Acquisition of Port Edwards chloralkali/potassium facility expands product line.
- Advanced the construction of 55,000 MT/year sodium chlorate plant in Chile.
- Shutdown of Thunder Bay facility improves competitive position.
- Strengthened organization positions ERCO to take advantage of further growth opportunities.

ERCO Worldwide delivered solid operating distributable cash flow of $93.1 million in 2005, an increase of $1.8 million or 2% from the prior year, despite a challenging market environment. Significant market factors included the increasing value of the Canadian dollar, rising energy costs and a decrease in North American sodium chlorate sales volumes due to soft bleached pulp markets, offset by robust chloralkali market conditions.

DEVELOPMENT AND GROWTH

During 2005, we substantially advanced our strategy of expanding our product lines, increasing our operational efficiencies, and capitalizing on new opportunities in the growing Asian and South American sodium chlorate markets. With the acquisition of the Port Edwards, Wisconsin, chloralkali/potassium facility in June 2005, ERCO became a leading producer of potassium products in North America. The Port Edwards facility has a strong competitive position in the regional midwest market. The acquisition has positioned ERCO to profitably leverage its existing western Canadian chloralkali production and sales capability. More importantly, it diversified our product line into potassium products which are used in a diverse range of end-use products, such as agricultural and de-icing chemicals. This business provides a platform for further diversification and growth.

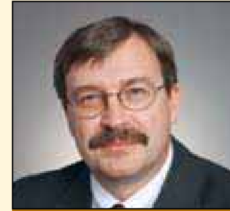
ERCO has maintained its leading market position as the largest North American producer of sodium chlorate, required as a feedstock in the production of chlorine dioxide, an environmentally preferred bleaching agent used in the production of high-quality paper products. We are also the leading global supplier of modern chlorine dioxide generators and related technology, used by pulp mills to convert sodium chlorate into chlorine dioxide. Our technology, blended with our experience and reputation, provide us with a unique competitive advantage, including early access to new market trends.

In North America, the impact of the rising Canadian dollar together with high electricity and fiber costs, continue to put pressure on the bleached pulp producers and has resulted in plant closures, reducing demand for sodium chlorate. In response to this changing environment and uncompetitive electricity costs in Ontario, we announced the shutdown of the 48,000 tonne capacity sodium chlorate plant in Thunder Bay, effective in the first quarter of 2006. Electrical energy represents 70-90% of a plant's variable costs. Redirecting the Thunder Bay production to our seven other lower cost plants that can achieve higher operating rates, enables us to improve our competitive position. ERCO continues to review opportunities to reposition its sodium chlorate operations because of further potential deterioration of the North American sodium chlorate market.

Our five-year electrolytic cell replacement program is approximately two-thirds complete and the improvements in cell design, introduced during 2005, are increasing electrical

ERCO Worldwide has further diversified its customer base and product lines into chloralkali and potassium markets.

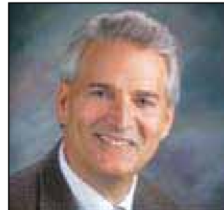
Paul S. Timmons
President

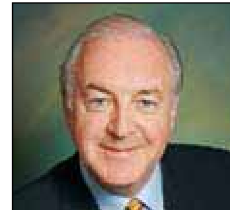

Edward J. Bechberger
Vice-President, and General Manager, International Business

John B. Kamler
Vice-President, Business Development

John H. Engelen
Vice-President, Finance and Systems

Sheila S. Burke
Vice-President, Regulatory Affairs and External Relations


Norman L. Christensen
Vice-President, and General Manager, Chloralkali Operations


Daniel J. Corbett
Vice-President, Human Resources

John N. Clarke
Vice-President, and General Manager, North America Chlorate Business

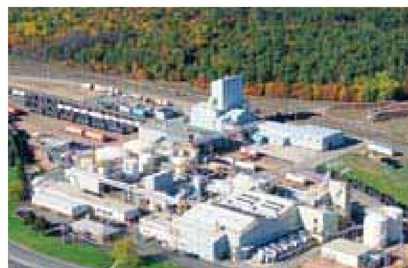
efficiency by approximately 7%. During 2005, our plants in Vancouver, B.C. and Buckingham, Quebec achieved new production records and can sustain high utilization rates.

OFFSHORE OPPORTUNITIES

The construction of the 55,000 tonne annual capacity sodium chlorate plant in Chile continues on time and on budget, bringing ERCO's total capacity to 592,000 metric tonnes across eight facilities. The plant is scheduled to start-up in mid-2006 at a cost of $65 million and will provide CMPC Celulosa S.A. with a long-term sodium chlorate supply to its three pulp mills. Other offshore opportunities continue to emerge as large international mills increase production in lower cost areas and as developing regions of the world increase consumption of paper and related products.

ORGANIZATIONAL STRENGTH

During 2005, we reorganized into three separate segments, North American Chlorate, Chloralkali and International Operations to support our strategy of continuing to diversify the chemical business in North America and growing the sodium chlorate business offshore. We significantly strengthened our management, human resources, customer services, logistical, legal and regulatory affairs capabilities to meet the ongoing business challenges and to position us for future growth.


Port Edwards, Wisconsin Facility

2005 Highlights

- Strong manufacturing performance and low cost structure added substantial value to 2005 results.
- Annual capacity increased to 372 million pounds with the completion of Phase I expansion of Russellville, Arkansas facility.
- Announced a 42 million pound Phase II expansion of the Russellville facility to support increased fin stock and converter foil market demand.
- Superior customer service and product quality continue to drive success.

JW Aluminum (JWA) joined Superior Plus on October 19, 2005, adding operating distributable cash flow of $8.6 million to Superior's 2005 results. On a full year basis, operating distributable cash flow reached $52.8 million, an increase of $19.4 million or 58% over the previous year. JWA has steadily increased sales volumes and profitability over the past 25 years.

FLAT-ROLLED SPECIALITY PRODUCTS

Headquartered in Mount Holly, South Carolina, with two additional facilities in Russellville, Arkansas and St. Louis, Missouri, JWA's almost 800 employees fabricate specialty flat-rolled aluminum products. These include bare and coated "fin stock" for the HVAC (heating, ventilation and air-conditioning) industry, light gauge converter foil for the flexible packaging industry, and heavier gauge sheet for the building and construction markets. In addition, we produce other specialized rolled aluminum products used in a variety of other applications, including lithographic printing, automotive heat shields and telecommunication cable wrap. JWA continues to be a leader in these specialty markets.

COMPETITIVE EDGE

A diverse mix of products and end-use markets clearly differentiates JWA from its competitors and has been a key component of our success. A flexible manufacturing model and a wide mix of products allow JWA to adjust its product mix to meet changing customer demands and achieve industry-leading utilization rates. JWA offers high quality products and customized solutions that facilitate customers' processing requirements. Advanced in-house coating capabilities and our ability to provide custom alloys to meet specific needs, provide significant additional benefits.

INDUSTRY-LEADING TECHNOLOGY

JWA's proprietary furnace design utilizes both scrap and prime metal, providing a cost advantage and lower emissions. State-of-the-art rolling, annealing, and slitting equipment is used to produce top quality products. A constant focus on environmental sustainability has resulted in significant cost savings and recognition for outstanding environmental performance.

STRONG DEMAND FUNDAMENTALS

Fin stock represented 41% of 2005 sales and is expected to further grow in 2006. Fin stock demand has increased due to higher aluminum content required in air conditioning

units as a result of SEER 13 (Seasonal Energy Efficiency Ratio) regulations, implemented in the United States in January 2006. During 2005, JWA completed a 72 million pound expansion of the Russellville facility. In November 2005, we announced a further 42 million pound, Phase II expansion of the Russellville facility to support additional fin stock demand. We believe these capacity expansions will enable us to grow sales volumes profitably while enhancing manufacturing flexibility and customer service levels.

Building sheet products represented 28% of 2005 sales and are used by our customers to manufacture end-use products such as trim coil, roofing, doors and windows, soffits, fascia and gutters. This market is driven primarily by residential repair, remodelling and new home and commercial construction. Over time, we expect to see strong demand in the southeastern United States, as reconstruction efforts get underway after the destruction left by hurricanes Katrina and Rita in 2005, and the 2004 hurricanes in Florida.

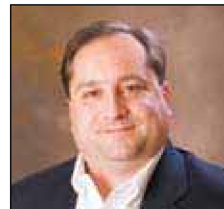
Converter foil products represented 16% of 2005 sales and hold a key position in the flexible packaging market due to aluminum's strong barrier properties (i.e. UV protection/ impermeability) and the non-reactive, lightweight, non-absorbing nature of the metal. In addition, aluminum-based packaging is relatively inexpensive to produce and allows for innovative and creative design.

PASS-THROUGH COMMODITY PRICING

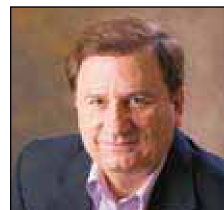
Consistent with industry practice, JWA passes the cost of primary aluminum through to its customers, eliminating direct aluminum price risk and providing the opportunity to generate a metal profit through the use of scrap. In addition, JWA charges a conversion fee or "adder" to generate a traditional profit after covering the cost of manufacturing and transportation.

OUTLOOK

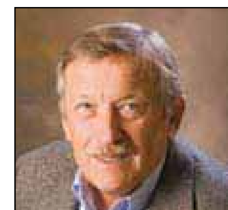
Demand fundamentals are strong in JWA's markets. With our recent capacity additions and our innovative and entrepreneurial approach, we are confident of our ability to drive growth and profitability in 2006 and beyond.



Don E. Kassing
President



Barry G. Peake
Vice-President, Finance



Russell F. Penley
Vice-President, Operations

Blair H. Stewart
Vice-President, Materials and IT

A flexible manufacturing model allows JWA to adjust its wide mix of products to meet changing customer demands and achieve industry-leading utilization rates.

2005 Highlights

- Generated record operating distributable cash flow.
- Established leading market presence in Ontario.
- Opened four new branches in fast growing markets.
- Significant potential to continue profitable growth.

Winroc generated record operating distributable cash flow in 2005 of $30.2 million, an increase of $9.2 million or 44% over the previous full year results.

PRODUCTIVITY PARTNER TO BUILDERS AND REMODELLING CONTRACTORS

Winroc provides “one-stop” walls and ceilings product lines and value-added job site services to builder and remodelling contractors. By delivering product to the right place and at the right time at the construction site, Winroc provides important productivity savings to its customers.

STRONG BUSINESS FUNDAMENTALS

Winroc’s profitability has increased consistently over the past 10 years, driven by a combination of organic growth and acquisitions. In April 2005, Winroc acquired Leon’s Insulation, Ontario’s largest distributor of drywall, insulation and associated products with locations in Burlington and Stouffville, Ontario. Together with the acquisition of IBS with locations in Windsor, London and Cambridge in late 2004, Winroc has developed a strong market presence in Ontario, Canada’s largest regional market. In addition, Winroc also grew organically in 2005, opening new distribution operations in Fort McMurray and Medicine Hat, Alberta, Richmond, B.C. and suburban Salt Lake City, Utah. Winroc is estimated to be the largest specialty distributor in Canada and seventh largest in North America’s $20 billion per year walls and ceilings industry. The fragmented nature of the specialty buildings distribution industry continues to provide attractive consolidation opportunities over time.

Winroc services the builder/contractor market, representing 50 – 60% of total industry revenues, with the remainder generated through big-box home centres and independent lumber yards that service the do-it-yourself market. Winroc’s multi-location distribution network, strong local market position and Allroc purchasing operation, provide purchasing scale and product line breadth to competitively service its markets. Overall industry demand has grown steadily over time. Approximately 50% of Winroc’s sales are estimated to be to commercial construction and remodelling and 50% to the residential construction and renovation markets. Commercial construction demand has historically lagged residential construction. Remodelling expenditures continue to steadily increase.

GEOGRAPHIC AND PRODUCT DIVERSIFICATION

In 2005, 63% of Winroc's sales were derived from Canada and 37% from the southern and mid-western United States. Winroc employs approximately 900 people and operates from 38 branches. Its 6,900 customers are diversified, both geographically and by product category, with the 10 largest customers representing approximately 14% of sales. Winroc's core business of drywall, steel-framing, insulation and ceiling products represent approximately 90% of sales. Other products include plaster products, tools, fasteners and exterior cladding products and coatings.

GROWTH POTENTIAL

Winroc's experienced management team has substantial operations, purchasing, and business integration skills. During 2005, Winroc further strengthened its team and core competencies. Customer, supplier and employee support remains firmly entrenched in our core values. We have the people, the commitment and the skills to further tap our growth potential and become a leading specialty building products distributor in North America over time.

Paul Vanderberg
President

James Empey
Vice-President, Finance

Wade Wilson
Vice-President, Operations, Western Canada

Peter Welly
Vice-President, Operations U.S. and Acoustical

Bob Hancock
Vice-President, Allroc Sales and Marketing

Colin Ramsden
Regional Operations Manager, BC

By delivering product to the right place and at the right time at the construction site, Winroc provides important productivity savings to its customers.

Jake Kooy
Regional Operations Manager, Prairies

Bob Jordan
Regional Operations Manager, Ontario

2005 Highlights

- Record high natural gas prices created a challenging fixed-price natural gas market environment, particularly in the commercial segment.
- Strategic transition with increased focus on residential customers.
- Expanded contracted customer base.
- Strengthened leadership and support systems in anticipation of continued growth and profitability.

In 2005, Superior Energy Management (SEM) contributed operating distributable cash flow of $5.3 million to Superior Plus, a decrease of $2.4 million from the prior year. Since its start-up in June 2002, SEM has contributed $17.4 million of operating distributable cash flow with minimal capital investment. Superior's brand recognition, established credit strength and supplier relationships are key components of SEM's continued success.

FIXED-PRICE NATURAL GAS BUSINESS

Headquartered in Mississauga, Ontario, SEM provides natural gas retailing services under fixed-price term contracts to mid-sized commercial, industrial and residential customers in Ontario. In spring 2004, following initial deregulation of Quebec's commercial and light industrial natural gas markets, SEM entered the market in the Gaz Metropolitain franchise region. Providing natural gas supply at a fixed price for a term of one to five years, removes short-term price volatility for customers, protecting against long-term commodity price increases. SEM has developed an experienced sales network in the residential and commercial markets. Residential agents market door-to-door, while commercial sales agents and experienced in-house staff work with customers to develop an energy management plan that fits their budget and business objectives.

In order to capture a fixed selling margin for the term of the customer contract, a fixed-price natural gas supply matching the volume and term of the customer obligation, is contracted with various producers and financial counterparties. Currently, SEM sources fixed-price natural gas obligations from 12 physical and financial suppliers to achieve supplier diversification and to effectively manage volume and counterparty risk. The local distribution companies (LDCs) such as Union Energy, Enbridge Gas and Gaz Metropolitan, are required to provide SEM with transportation, storage and distribution, as well as billing and collection services. As such, natural gas retailing is a stable, contract based, profitable business.

STRATEGIC TRANSITION TO POSITION FOR GROWTH

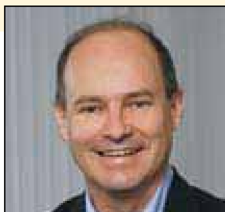
2005 was a year of strategic transition, as SEM increased the focus on growing its residential and small commercial customer base. A record high natural gas price environment during 2005 compressed demand and profitability from larger commercial/industrial accounts. Many of these consumers opted to meet their natural gas requirements on a short-term floating rate basis. Residential customers tend to prefer longer term, predominantly five-year agreements to manage their energy costs, particularly in a high and volatile natural gas pricing environment. In 2005, SEM added 28,000 residential

customers, doubling its total customer base to 57,000. Natural gas volumes increased by 32% to 37 million gigajoules in 2005. The increase in residential customers has expanded the average remaining term of SEM's sales contracts at year-end from 32 months in 2005 to 45 months in 2006. The growth in residential sales fosters increased stability and profitability going forward.

During the third quarter of 2005, Greg McCamus became President of SEM and is focusing on enhancing SEM's sales channels, customer service systems and processes. We are well positioned to continue to profitably grow our fixed-price natural gas business in Ontario and Quebec and to expand that service capability to other North American gas markets over time. SEM continues to evaluate the merits of entering the deregulated electricity market in Ontario.

Providing natural gas supply at a fixed price for a term of up to five years removes short-term volatility and protects our customers against commodity price increases.

Greg L. McCamus
President



Gary F. Schein
Controller

Kris B. Plotzke
Portfolio Manager,
Natural Gas

Shiraz H. Ladha
Director,
Business Operations & Systems

Selected Historical Information

SUPERIOR PROPANE

(millions of dollars except litres of propane and per litre amounts)	Year Ended December 31 2005	2004	2003	2002	2001
Litres of propane sold (millions)	**1,468**	1,546	1,625	1,688	1,733
Propane sales margin (cents per litre)	**15.8**	15.7	15.5	14.8	15.0
Revenues	**856.2**	720.2	727.1	619.0	787.5
Cost of products sold	**571.8**	433.5	436.5	328.8	486.8
Gross profit [1]	**284.4**	286.7	290.6	290.2	300.7
Cash operating, administrative and tax costs	**187.4**	175.1	178.4	174.5	196.7
Cash generated from operations before changes in net working capital	**97.0**	111.6	112.2	115.7	104.0
Maintenance capital expenditures, net	**2.8**	5.6	3.5	3.0	4.1
Operating distributable cash flow	**94.2**	106.0	108.7	112.7	99.9

(1) Includes gross profit from other service revenues.

ERCO WORLDWIDE

(millions of dollars except thousands of metric tonnes ("MT") and per MT amounts)	Year Ended December 31 2005	2004	2003	2002 [1]	2001 [1]
Total chemical sales (MT)	**787**	649	574	544	538
Average chemical selling price (dollars per MT)	**519**	571	573	611	594
Revenues	**431.6**	396.0	356.3	361.9	351.8
Cost of products sold	**224.7**	202.8	183.3	181.4	172.2
Gross profit	**206.9**	193.2	173.0	180.5	179.6
Cash operating, administrative and tax costs	**105.7**	94.3	89.2	86.6	75.2
Cash generated from operations before changes in net working capital	**101.2**	98.9	83.8	94.0	104.4
Maintenance capital expenditures, net	**8.1**	7.6	6.4	12.7	11.1
Operating distributable cash flow	**93.1**	91.3	77.4	81.3	93.3

(1) ERCO Worldwide was acquired effective December 19, 2002. Prior year results are unaudited and provided for comparison purposes.

JW ALUMINUM

(millions of dollars except millions of pounds and per pound amounts)	Year Ended December 31 2005 [1]	2004 [1]	2003 [1]	2002 [1]	2001 [1]
Sales volumes (millions of pounds)	**332.6**	280.3	228.6	208.9	185.7
Gross profit (cents per pound)	**20.0**	17.7	18.5	20.8	16.2
Revenues	**546.1**	443.0	321.9	323.8	304.4
Cost of products sold	**479.2**	393.4	279.5	280.3	274.4
Gross profit	**66.9**	49.6	42.4	43.5	30.0
Cash operating, administrative and tax costs [2]	**10.5**	11.1	6.4	7.4	7.3
Cash generated from operations before changes in net working capital	**56.4**	38.5	36.9	36.1	22.7
Maintenance capital expenditures, net	**3.6**	5.1	8.1	9.0	2.6
Operating distributable cash flow	**52.8**	33.4	27.9	27.1	20.1

(1) JW Aluminum was acquired effective October 19, 2005. Prior year results are unaudited and provided for comparison purposes.

(2) Only tax costs associated with the period from October 19, 2005 to December 31, 2005 have been included.

WINROC

(millions of dollars)	2005	2004 [1]	2003 [1]	2002 [1]	2001 [1]
		Year Ended December 31			
Revenues	**486.6**	384.3	310.9	282.2	288.0
Cost of products sold	**368.8**	300.0	245.6	220.6	230.2
Gross profit	**117.8**	84.3	65.3	61.6	57.8
Cash operating, administrative and tax costs	**82.0**	56.4	47.4	44.6	43.5
Cash generated from operations before changes in net working capital	**35.8**	27.9	17.9	17.0	14.3
Maintenance capital expenditures, net	**5.6**	6.9	5.8	4.7	4.2
Operating distributable cash flow	**30.2**	21.0	12.1	12.3	10.1

(1) Winroc was acquired effective June 11, 2004. Prior year results are unaudited and provided for comparison purposes.

SUPERIOR ENERGY MANAGEMENT

(millions of dollars except per gigajoule ("GJ") and per GJ amounts)	2005	2004 [2]	2003 [2]	2002 [1] [2]
		Year Ended December 31		
Natural gas sold (millions of GJs)	**37**	28	21	2
Natural gas sales margin (cents per GJ)	**39.2**	47.7	38.8	22.5
Revenues	**288.4**	211.3	152.2	11.4
Cost of products sold	**273.9**	197.9	144.1	10.9
Gross profit	**14.5**	13.4	8.1	0.5
Cash operating, administrative and selling costs	**9.2**	5.7	3.6	0.6
Operating distributable cash flow	**5.3**	7.7	4.5	(0.1)

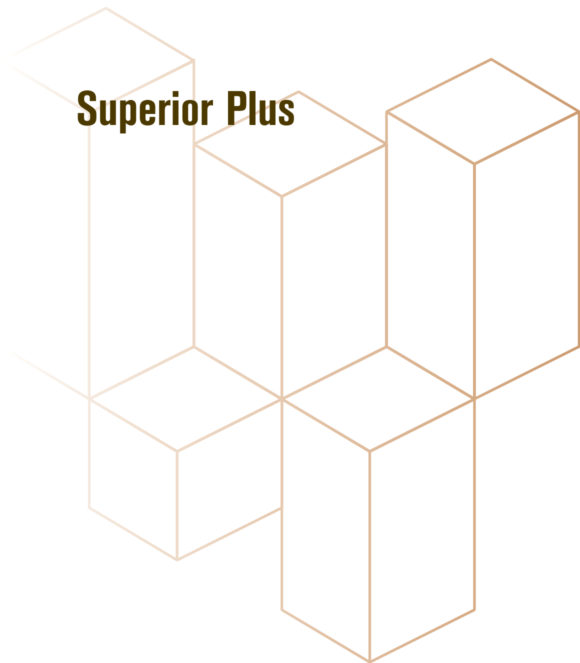
(1) Superior Energy Management commenced business operations in June 2002.

(2) Restated to give retroactive effect to change in accounting for natural gas customer acquisition costs.

CONSOLIDATED FINANCIALS

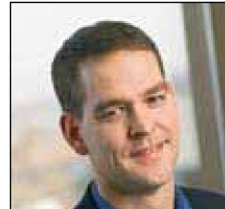
(millions of dollars except average number of trust units and per trust unit amounts)	2005	2004	2003	2002	2001
		Year Ended December 31			
Revenues	**2,171.4**	1,552.8	1,234.3	640.9	787.5
Gross profit	**636.1**	542.8	471.7	295.8	300.7
Operating distributable cash flow [1]	**231.4**	219.4	190.6	115.7	99.9
Distributable cash flow [1]	**187.0**	184.4	146.5	90.7	78.3
Per trust unit [1]	**$ 2.35**	$ 2.54	$ 2.47	$ 1.93	$ 1.71
Average number of trust units outstanding (millions)	**79.7**	72.7	59.4	46.9	45.8
Growth capital	**525.3**	126.3	129.8	579.4	2.1
Total assets [1]	**2,327.8**	1,552.1	1,445.1	1,392.8	654.9
Current and long-term debt	**624.8**	446.2	317.8	443.4	101.0

(1) Restated to give retroactive effect to change in accounting for natural gas customer acquisition costs.



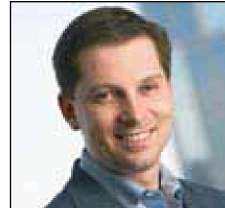
Superior Plus

W. Mark Schweitzer
Executive Vice-President and Chief Financial Officer



Derren J. Newell
Vice-President, Business Process and Compliance

Trevor G. Bell
Vice-President, Tax



Clint G. Warkentin
Vice-President and Treasurer

Theresia R. Reisch
Vice-President, Investor Relations and Corporate Secretary

Jay M. Bachman
Manager, Corporate Reporting

Superior Plus is committed to maintaining a strong financial position to support the execution of its business plans.

Management's Discussion and Analysis

As at March 8, 2006

Organization and Structure

The Superior Plus Income Fund (the "Fund") holds a 100% interest in Superior Plus Inc. ("Superior") consisting of investments in common share equity (the "Common Shares"), and $1.469 billion of unsecured subordinated notes due October 1, 2026 that bear interest at a weighted average interest rate of 12.4% (the "Shareholder Notes"). The distributable cash flow of the Fund is solely dependent on the results of Superior and is derived from dividends or returns of capital on the Common Shares and interest earned on the Shareholder Notes. Superior has five operating businesses: a propane retailing business operating under the trade name "Superior Propane"; a specialty chemicals business operating under the trade name "ERCO Worldwide"; a manufacturer of specialty, flat-rolled aluminum products operating as "JW Aluminum"; a walls and ceilings construction product distribution business operating under the trade name "Winroc"; and a natural gas retailing business operating under the trade name "Superior Energy Management".

Cash Distributions

The Fund distributes to holders of trust units ("Unitholders"), interest earned on the Shareholder Notes and dividends or returns of capital declared on the Common Shares, after interest payments to holders of the convertible unsecured subordinated debentures (the "Debentures") of the Fund ("Debentureholders"), and provision for administrative expenses and reserves of the Fund. The Fund targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions.

The Fund increased its monthly distribution by 2.5% to $0.205 per trust unit effective with the November 2005 monthly distribution, based on expected sustainable distributable cash flow including accretion from the acquisition of JW Aluminum ("JWA"). For 2005, distributions paid to Unitholders reached $2.41 per trust unit, an increase of 6% over 2004 distributions paid of $2.28 per trust unit, representing a payout ratio of 103% and 90% for 2005 and 2004 respectively. See "Distributions Paid to Unitholders" for further details. The payout ratio exceeded 100% in 2005 principally due to soft performance from Superior Propane and ERCO Worldwide's sodium chlorate business in the fourth quarter. Steps are being taken to reposition certain of our businesses in response to the changing business environment and are expected to improve distributable cash flow per unit as these initiatives are implemented. However, in light of the negative impact that record warm temperatures across Canada in January and February are having on Superior Propane's 2006 results and continuing difficulties faced by North American pulp producers, it was considered prudent to reduce the monthly distribution rate to $0.185 per trust unit or $2.22 on an annualized basis to ensure our payout ratio is sustainable and our financial strength maintained, pending the improvement of results over time.

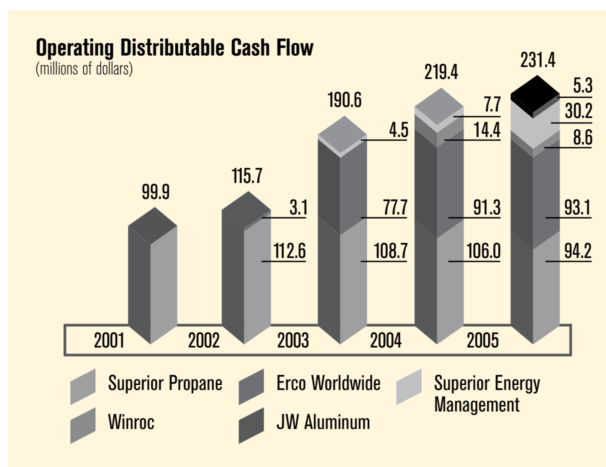
For income tax purposes, distributions paid in 2005 of $2.41 per trust unit are classified as other income of $1.676 per trust unit, a return of capital of $0.108 per trust unit and a dividend of $0.626 per trust unit. A summary of cash distributions since inception and related tax information is posted under the "Investor Information" section of Superior's website at www.superiorplus.com. For 2006, approximately $1.87 per trust unit is expected to be distributed in the form of other income, $0.09 in the form of return of capital, with any remainder expected to be classified as a taxable dividend.

Distributable Cash Flow

Distributable cash flow of the Fund available for distribution to Unitholders, is equal to cash generated from operations before natural gas customer acquisition costs and changes in net working capital, less amortization of natural gas customer acquisition costs and maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to sustain the ongoing capacity of Superior's operations and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures incurred to expand the capacity of Superior's operations or to increase its profitability ("growth capital"), are excluded from the calculation of distributable cash flow. See Note 1 to the Consolidated Financial Statements for the calculation of distributable cash flow. Distributable cash flow is the main performance measure used by management and investors to evaluate the performance of the Fund and its businesses. Readers are cautioned that distributable cash flow, maintenance capital expenditures and growth capital are not defined performance measures under Canadian generally accepted accounting principles ("GAAP"), and that distributable cash flow cannot be assured. The Fund's calculation of distributable cash flow, maintenance capital expenditures and growth capital may differ from similar calculations used by comparable entities. Operating distributable cash flow is distributable cash flow before corporate and interest expenses. It is also a non-GAAP measure and is used by management to assess the performance of its operating businesses.

Distributable cash flow increased modestly for the ninth consecutive year, reaching $187.0 million, an increase of $2.6 million (1%) over 2004 results. The full year contribution of record results from Winroc acquired in June 2004, and the initial inclusion of JWA results acquired on October 19, 2005, was substantially offset by softer performance from Superior Propane and higher borrowing costs due to higher interest rates and increased debt levels incurred to finance growth capital investments. Distributable cash flow per trust unit was $2.35 in 2005, down $0.19 (7%) from 2004 as a 10% increase in the average number of trust units outstanding outpaced the increase in distributable cash flow. The average number of trust units outstanding increased in 2005 as a result of trust units issued to partially finance the acquisition of JWA and the conversion of Debentures and warrants into trust units.

As outlined in the facing chart, the diversification of the Fund's earning base continued in 2005 with Superior Propane, ERCO Worldwide, JWA, Winroc and Superior Energy Management ("SEM") contributing 41%, 40%, 4%, 13% and 2% of operating distributable cash flow, respectively and is expected to diversify further in 2006 with a full year's contribution from JWA. After giving effect to the acquisition of JWA as if it were owned by Superior for all of 2005, Superior Propane, ERCO Worldwide, JWA, Winroc and SEM would have contributed 35%, 35%, 17%, 11% and 2% of operating distributable cash flow respectively.



2002 to 2004 restated to give effect to change in accounting for natural gas acquisition costs. (See Note 3(b) to the Consolidated Financial Statements).

Net earnings for 2005 were $106.1 million, compared to $112.4 million in 2004. Distributable cash flow increased relative to net earnings in 2005 compared to the prior year, due to increased non-cash amortization charges partially offset by higher non-cash recoveries of trust unit incentive plan compensation and future income taxes in Canada, and the commencement of payment of cash income taxes in the United States. The increase in amortization expense reflects ERCO Worldwide's announcement in August 2005 to close its Thunder Bay sodium chlorate plant in the first quarter of 2006, resulting in the accelerated amortization of the plant's $40 million net book value over its remaining expected period of operation, combined with the excess of JWA's amortization of capital equipment over cash maintenance capital expenses. The recovery of trust unit incentive plan compensation expense was driven by the decline in the Fund's trust unit market value during the second half of 2005. Net earnings for 2005 were reduced by management retention bonuses paid in the second quarter of $1.3 million (2004 – $2.6 million), which were in turn used to repay a portion of trust unit purchase loans advanced as part of the management internalization transaction in 2003. These costs have been excluded from the calculation of distributable cash flow, consistent with the previous accounting for management internalization costs.

Fourth Quarter Results

Fourth quarter distributable cash flow reached $60.0 million, an increase of $4.2 million (8%) over the prior year quarter. Operating distributable cash flow increased by $9.7 million (15%) as the initial contribution from JWA acquired on October 19, 2005 and improved results from Winroc were partially offset by softer performance from Superior Propane attributable to lower space heating demand and higher operating costs. Interest costs increased by $5.2 million due to increased debt levels incurred to finance growth capital investments made during 2005 as well as higher interest rates. Distributable cash flow per trust unit was $0.70 in the fourth quarter, down $0.04 (5%) from the prior year period as the 8% increase in distributable cash flow was more than offset by a 14% increase in the average number of trust units outstanding. Distributable cash flow increased relative to net earnings in the fourth quarter of 2005 compared to the prior year period for similar reasons impacting the year-over-year comparison. Further discussion of the 2005 fourth quarter results is provided in the Fund's Fourth Quarter and 2005 Earnings Release, dated March 8, 2006.

A more detailed discussion and analysis of the annual financial and operating results of Superior's businesses is provided on the following pages.

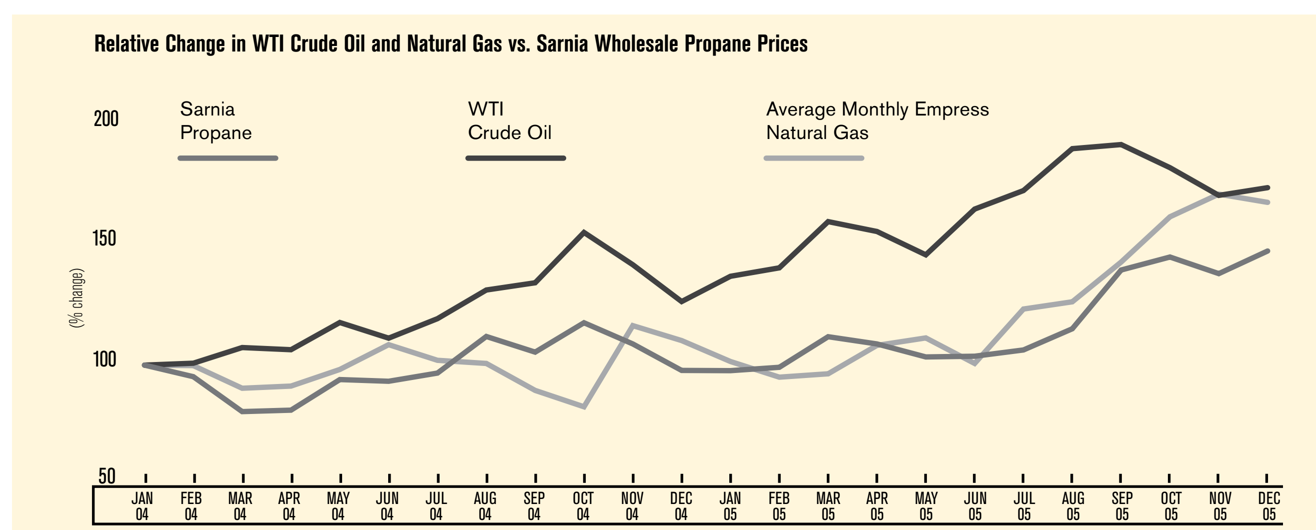
Superior Propane

Superior Propane generated operating distributable cash flow of $94.2 million in 2005, representing 35% of the Fund's total after giving effect to the ownership of JWA for all of 2005. Compared to 2004, Superior Propane's operating distributable cash flow decreased by $11.8 million (11%) due to lower propane sales volumes and increased operating costs, partially offset by increased other service gross profit contributed from the Superior Gas Liquids ("SGL") wholesale operations acquired in February 2005 and lower net maintenance capital expenditures. Condensed operating results for 2005 and 2004 are provided in the following table. See Note 17 to the Consolidated Financial Statements for detailed comparative business segment results and page 18 of this Annual Report for selected historical information for the last five years.

(millions of dollars except per litre amounts)	2005		2004	
	$	**¢/litre**	$	¢/litre
Gross profit				
Propane sales	**231.7**	**15.8**	243.2	15.7
Other services	**52.7**	**3.6**	43.5	2.8
Total gross profit	**284.4**	**19.4**	286.7	18.5
Less: Cash operating, administration and tax costs	**(187.4)**	**(12.8)**	(175.1)	(11.3)
Cash generated from operations before changes in net working capital	**97.0**	**6.6**	111.6	7.2
Maintenance capital expenditures, net	**(2.8)**	**(0.2)**	(5.6)	(0.4)
Operating distributable cash flow	**94.2**	**6.4**	106.0	6.8
Propane retail volumes sold (millions of litres)	**1,468**		**1,546**	

Propane sales gross profit was $231.7 million, down $11.5 million (5%) from 2004 as sales volumes declined by 5% (78 million litres). Auto propane sales volumes declined by 30 million litres (15%) due to the continued structural decline in this end-use market, representing 40% of the overall decline in sales volumes. Residential and commercial sales volumes declined by 25 million litres (5%) as warmer weather, coupled with a 20% increase in average wholesale propane costs in 2005 compared to the prior year, encouraged customer conservation and reduced demand. Average temperatures in 2005 across Canada were 4% warmer than 2004 and the last five year average. As shown in the following chart, wholesale propane costs increases were driven by higher crude oil and natural gas prices experienced in the aftermath of the Gulf coast hurricanes in the third quarter of 2005. Industrial sales volumes increased by 4 million litres (1%) due to the addition of 16 million litres of refined fuel sales volumes acquired over the last year in southwestern Ontario. Agricultural sales volumes declined by 27 million litres (21%) as lower crop drying demand in the prairies resulted from unusually wet weather experienced in the second quarter which significantly reduced the size of the crop planted. Approximately 50% of Superior Propane's sales volumes are due to heating related applications and 50% are related to economic activity levels.

Propane sales margins averaged 15.8 cents per litre in 2005, and were comparable to 2004 levels despite the volatile and rising wholesale propane costs experienced in the second half of 2005 as sales margins typically decline during periods of rising propane commodity prices due to delays in passing on prices to customers. Conversely, sales margins typically increase when propane commodity prices decline.



Gross profit from other services reached $52.7 million in 2005, an increase of $9.2 million (21%) over the prior year, due to contributions from SGL acquired in February 2005 and transportation surcharge fee income, partially offset by reduced profitability of fixed-price propane sales programs as hedging costs increased in the aftermath of the Gulf coast hurricanes in the third quarter.

Despite the challenging business conditions experienced in 2005, total gross profit was within 1% of 2004, reflecting Superior Propane's leading market share and considerable operational and customer diversification. Superior Propane's operational risks are well distributed across its 43 market operations, with the largest five markets representing approximately 27% of cash generated from operations. Superior Propane's customer base is well diversified geographically and across end-use applications as illustrated in the table below. Its largest customer contributed approximately 1% of gross profits in 2005.

Superior Propane Annual Sales Volumes and Gross Profit

By End-Use Application	2005		2004	
Applications:	**Volume** [1]	**GP** [2]	Volume [1]	GP [2]
Residential	**183**	**59.9**	192	61.6
Commercial	**315**	**60.9**	331	63.3
Agricultural	**100**	**11.5**	127	14.2
Industrial	**696**	**78.8**	692	80.1
Automotive	**174**	**20.6**	204	24.0
Other Services	**–**	**52.7**	–	43.5
	1,468	**284.4**	1,546	286.7
Average margin [3]	**15.8**		15.7	

By Region	2005		2004	
Regions:	**Volume** [1]	**GP** [2]	Volume [1]	GP [2]
Atlantic	**110**	**32.3**	115	32.6
Quebec	**257**	**49.9**	283	52.4
Ontario	**342**	**80.1**	350	78.4
Sask./Man.	**202**	**27.2**	226	28.6
AB/NWT/YK	**334**	**54.5**	345	55.2
BC	**223**	**40.4**	227	39.5
	1,468	**284.4**	1,546	286.7
Average margin [3]	**15.8**		15.7	

(1) **Volume:** Volume of retail propane sold (millions of litres)

(2) **GP:** Gross profit (millions of dollars)

(3) **Average margin:** Average propane retail sale margin (cents per litre)

Cash operating, administration and tax costs were $187.4 million, an increase of $12.3 million (7%) from 2004. Fuel costs increased by $2.5 million as a result of higher fuel prices and were substantially mitigated through the implementation of transportation fee surcharges during the year. Tank and equipment maintenance costs increased by $3.7 million in an effort to ready the business to support growth and service initiatives focused on the residential and commercial end-use markets. The SGL business added $1.6 million of incremental costs in 2005. Cash operating costs were 12.8 cents per litre, an increase of 1.5 cents per litre (13%) over 2004 due to the 7% increase in costs coupled with the 5% decrease in sales volumes. Unseasonably warm weather and high wholesale propane cost trends have continued into the first quarter of 2006 and are expected to dampen sales volume levels. In response to these changing business conditions, a review of Superior Propane's cost structure has been initiated towards improving its operational efficiencies and to position its product and service offerings for future growth. In January 2006, Mr. John Gleason took over leadership of Superior Propane as President. Mr. Gleason joined Superior in April 2005 as Senior Vice President Corporate Development and brings considerable experience in the areas of finance, business development and operations management gained over a 14-year period with MDS Inc., a global health and life science company.

Net maintenance capital expenditures were $2.8 million in 2005, a decrease of $2.8 million from 2004 levels. Gross expenditures were $7.4 million in 2005 and 2004 and were directed largely towards the renewal of the delivery fleet. Proceeds on disposals reached $4.6 million in 2005, an increase of $2.8 million over the prior year. Disposal proceeds realized in 2005 included the sale of Superior Propane's primary transportation fleet operations in eastern Canada to a national trucking company. In conjunction with the sale, a seven-year transportation service agreement was entered into with the purchaser which is anticipated to be cost neutral going forward.

Growth capital expenditures of $27.5 million (2004 – $4.2 million) included the $25.6 million acquisition of SGL in February 2005 and the acquisition of a southwestern Ontario refined fuels distribution business during the third quarter. SGL is a Calgary-based, natural gas liquids wholesale marketing business, servicing over 80 small and medium-sized propane retailers based mainly in the United States. Wholesale sales volumes were approximately 470 million litres in 2005, resourced from approximately 50 suppliers. SGL has subsequent to its acquisition, taken on the management of Superior Propane's supply and logistic requirements.

OUTLOOK

For 2006, Superior Propane's operating distributable cash flow is anticipated to be lower than 2005. Unseasonably warm weather and high wholesale propane cost trends have continued into the first quarter of 2006 and are expected to dampen sales volume levels. These business challenges are anticipated to be addressed in 2006 by taking steps to improve Superior Propane's operating efficiency while positioning its product and service offerings for future growth. The full year's ownership of SGL, combined with the outsourcing of its primary transportation fleet operations in eastern Canada, is expected to sharpen Superior Propane's operating focus and profitability.

BUSINESS RISKS

Competition. Propane retailing is a local, relationship-based business, in which propane competes for market share based on price and level of service. There are close to 200 propane retailers in Canada. Barriers to entry are relatively low. Propane is subject to vigorous competition from other sources of energy, including natural gas, fuel oil, electricity, wood, gasoline, diesel and other fuels. Propane prices are affected by crude oil and natural gas prices.

Seasonality and Weather Conditions. Historically, overall propane demand from non-automotive end-use applications has been stable. However, weather and general economic conditions affect propane market volumes. Weather influences the demand for propane primarily for space heating uses and also for agricultural applications, such as crop drying. Approximately three-quarters of Superior Propane's annual cash flow is typically generated in the October-March winter heating season. Superior Propane accumulates propane inventory during the summer months for delivery to customers during the winter heating season. The cost of inventory may be higher or lower than market prices for propane at the time of sale and can impact profitability.

Propane Demand, Supply and Pricing. Propane represents less than 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Demand for traditional propane end-use applications is increasing marginally with general economic growth. Increases in the cost of propane encourage customers to conserve fuel consumption and to invest in more energy efficient equipment, reducing demand. Automotive propane demand is presently declining at a rate of approximately 15 to 20% per year due to the development of more fuel-efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven. Reversal of this market trend will require increased support of governments and original equipment vehicle manufacturers. Based on the most recently available industry data, it is estimated that on an annual basis, approximately 11.8 billion litres of propane are produced in Canada of which about 3.6 billion litres are consumed domestically. The remainder is exported to the United States. Superior Propane's supply is currently purchased from 20 propane producers in Canada. Superior Propane leases underground propane storage capacity in Marysville, Michigan and at Fort Saskatchewan, Alberta and accumulates propane storage positions during the summer months to provide it with further supply security and distribution capacity in periods of supply disruption and high demand in the winter season. Propane is mainly purchased under annual contracts, with pricing arrangements based on industry posted prices at the time of delivery. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in propane supply costs are normally passed through to customers, but timing lags may result in both positive and negative gross margin fluctuations.

Fixed-Price Offerings. Superior Propane offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, Superior Propane uses its physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. Gains and losses from the

customers' contract and the mitigating supply transaction are recorded simultaneously into income at the time of settlement. See Note 15(ii) to the Consolidated Financial Statements for fixed-price propane purchase and sale commitment amounts.

Employee and Labour Relations. As of December 31, 2005, Superior Propane had 1,463 regular and 192 part-time employees. Approximately 411 or 28% of its employees are unionized through six provincial or regional certifications in British Columbia/Yukon, Manitoba, Ontario and Quebec with expiry dates ranging from December 2005 to April 2008. Collective bargaining agreements are renegotiated in the normal course of business and are not expected to materially affect Superior Propane's business.

Environmental, Health and Safety Risk. Slight quantities of propane may be released during transfer operations. The storage and transfer of propane has limited impact on soil or water given that a release of propane will disperse into the atmosphere. To mitigate risks, Superior Propane has established a comprehensive program directed at environmental, health and safety protection. This program consists of an environmental policy, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

ERCO Worldwide

ERCO Worldwide generated operating distributable cash flow of $93.1 million in 2005, representing 35% of the Fund's total after giving effect to the ownership of JWA for all of 2005. Compared to 2004, operating distributable cash flow increased by $1.8 million (2%), as the Port Edwards chloralkali/potassium facility acquired in June 2005 contributed operating distributable cash flow of $14.9 million, outpacing lower contributions from sodium chlorate and technology operations.

Condensed operating results for 2005 and 2004 are provided in the following table. See Note 17 to the Consolidated Financial Statements for detailed comparative business segment results and page 18 of this Annual Report for selected historical information for the last five years.

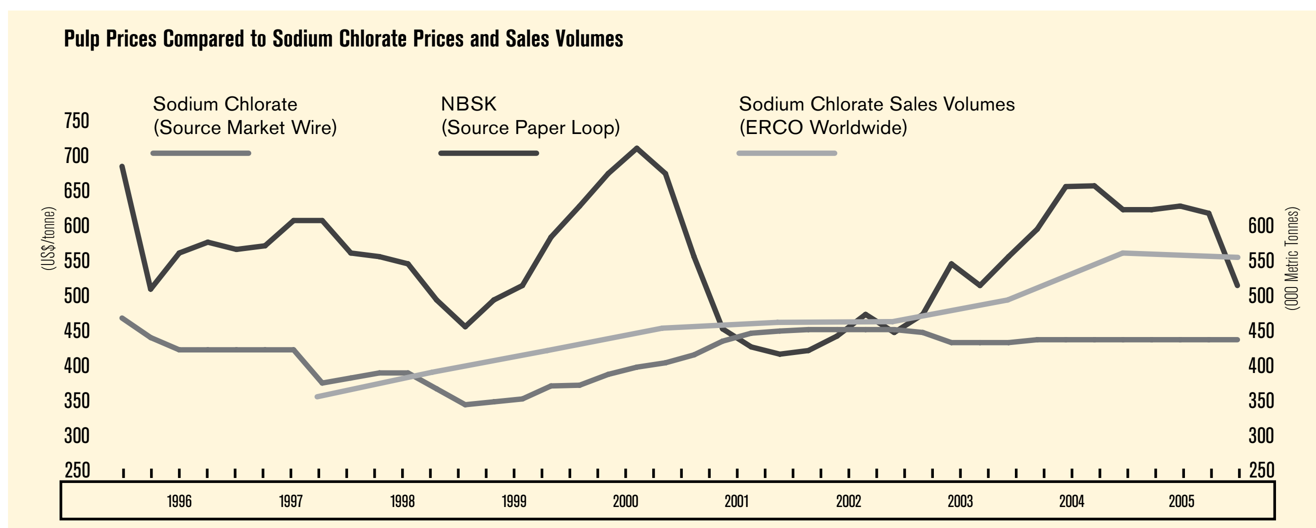
(millions of dollars except per metric tonne ("MT") amounts)	**2005**		2004	
		$/MT		$/MT
Revenue				
Chemicals	**408.2**	**519**	370.3	571
Technology	**23.4**	**30**	25.7	40
Cost of sales				
Chemicals	**(213.2)**	**(271)**	(191.2)	(295)
Technology	**(11.5)**	**(15)**	(11.6)	(18)
Gross profit	**206.9**	**263**	193.2	298
Less: cash operating, administration and tax costs	**(105.7)**	**(134)**	(94.3)	(145)
Cash generated from operations before changes in net working capital	**101.2**	**129**	98.9	153
Maintenance capital expenditures, net	**(8.1)**	**(10)**	(7.6)	(12)
Operating distributable cash flow	**93.1**	**119**	91.3	141
Chemical volumes sold (thousands of MT)	**787**		649	

Gross profit of $206.9 million, increased by $13.7 million (7%) over 2004 as increased chemical gross profits were partially offset by a $2.2 million reduction in technology gross profits due to normal course royalty license expirations. Chemical gross profits increased by $15.9 million (9%) as the addition of the Port Edwards business, coupled with a robust chloralkali pricing environment in the second half of 2005, more than offset an $8.1 million (10%) decline in gross profits from sodium chlorate operations. Sodium chlorate gross profit was impacted by a 1% (6,000 tonnes) decline in sales volumes reflecting softening bleached pulp market conditions in North America, a 1% decline in average selling prices due to the impact of the appreciation of the Canadian dollar on sales priced in United States dollars, and a 1% increase in production costs due to increased electricity costs. ERCO Worldwide's

foreign exchange hedging program in 2005 generated realized gains of $15.3 million and substantially mitigated the impact of the 7% year over year average appreciation of the Canadian dollar against the United States dollar denominated sales. (See “Business Risks – Foreign Currency Rate Risk” for discussion of hedge positions). Total chemical sales reached 787,000 metric tonnes in 2005, an increase of 138,000 tonnes (21%) over 2004 of which 144,000 tonnes was generated by the Port Edwards facility. Sodium chlorate and chloralkali/potassium production capacity utilization averaged 96% (2004 – 96%) and 92% (2004 – 97%) respectively. Average chemical revenue and cost of sales per tonne statistics declined in 2005 from 2004 levels as a result of the addition of chloralkali/potassium product sales from Port Edwards which have lower average selling and production costs than ERCO Worldwide’s existing product mix.

Cash operating, administration and tax costs were $105.7 million in 2005, an increase of $11.4 million over the prior year. Increased expenses in 2005 included the addition of Port Edwards operating costs of $11.4 million, $1.5 million of United States cash income taxes, and $1.1 million of severance and related costs with respect to the planned closure in the first quarter of 2006 of the 48,000 tonne capacity Thunder Bay sodium chlorate plant. This was partially offset by $2.1 million of non-recurring costs associated with exiting the calcium hypochlorite business in 2004.

Chloralkali/potassium sales contributed 29% of operating cash flow from chemical operations before maintenance capital expenditures, up from 12% in 2004, reflecting the increased diversification of ERCO Worldwide’s product line. Sodium chlorate sales represent 71% of ERCO Worldwide’s operating cash flow from chemical operations before maintenance capital expenditures and are principally sold to bleached pulp manufacturers. Sodium chlorate is required to generate chlorine dioxide that bleaches the pulp and represents approximately 5% of the variable cost to manufacture bleached pulp. As a result, sodium chlorate sales volumes and prices tend to be very stable over time despite the volatility of bleached pulp prices (see the following chart). ERCO Worldwide’s top 10 customers comprised approximately 47% of its revenues in 2005, with its largest customer representing 7% of its revenues.



Maintenance capital costs of $8.1 million in 2005, increased by $0.5 million over 2004 due principally to the addition of the Port Edwards plant. For 2006, maintenance capital expenditures are expected to rise to the $8 million to $10 million range, reflecting a full year of ownership of the Port Edwards plant.

Growth capital expenditures aggregated $58.6 million in 2005, compared to $5.7 million in 2004 and were directed towards opportunities in the growing South American sodium chlorate market, increasing operational efficiencies, and expanding product

lines. Construction of the 55,000 tonne sodium chlorate plant in Chile continues on time and on budget. The plant is scheduled to start up in mid-2006 with full production expected by the end of the third quarter, at a cost of $65 million and will provide CMPC Celulosa S.A. with a long-term contracted sodium chlorate supply to its three pulp mills. Expenditures of $27.5 million were incurred during 2005 ($28.9 million cumulatively). Remaining construction costs are anticipated to be funded from existing revolving term bank credit facilities. Work on the five-year sodium chlorate cell replacement program continued with $7.9 million spent in 2005 ($19.5 million cumulatively). The project is approximately two-thirds complete with expenditures of $11.5 million anticipated over the next three years. Improvements in cell design are yielding an approximate 7% increase in electrical efficiency, generating estimated annual energy savings of $1.5 million. The cell replacement program is considered to be growth capital in nature as the project will improve the production efficiency of the business. On June 5, 2005, the Port Edwards, Wisconsin chloralkali/potassium facility was acquired for $22.4 million on a debt-free basis, providing ERCO Worldwide with the opportunity to profitably leverage its existing chloralkali production and sales capability and diversifying its product line into potassium products.

OUTLOOK

ERCO Worldwide's results in 2006 are expected to moderate from 2005 levels. Ownership of the Port Edwards chloralkali/potassium plant for a full year in 2006, the start-up of the new sodium chlorate plant in Chile in mid-2006, and increased international sodium chlorate sales are expected to generate incremental profitability. This is expected to be outweighed by the impacts of softening sodium chlorate demand from North American bleached pulp producers, the appreciation of the strengthening Canadian dollar on U.S. dollar denominated sales, and increased electrical costs. The planned closure of the 48,000 tonne sodium chlorate plant in Thunder Bay during the first quarter of 2006 is expected to enable ERCO Worldwide to shift production to its remaining lower cost seven North American chlorate plants.

BUSINESS RISKS

Competition. ERCO Worldwide, one of four global sodium chlorate companies, competes with Eka Chemicals, the Kemira Group ("Kemira") and the Canexus Income Fund ("Canexus") on a worldwide basis. The business also competes with a number of smaller regional producers. Key competitive factors include price, product quality, logistics capability, reliability of supply, and technical capability and service. Of the global producers, Kemira and Canexus do not provide chlorine dioxide generators or related technology. The business also competes with chloralkali producers, such as Dow Chemicals, and potassium producers such as Occidental Chemicals, Olin Corporation and Ashta Chemicals and PPG Industries.

In addition, the end-use markets for ERCO Worldwide's products are correlated to the general economic environment and the competitiveness of its customers which is outside of its control. North American bleached pulp producers are experiencing global competitive pressure as a result of increased fiber and energy costs and the impact of exchange rates which may result in reduced demand for sodium chlorate in North America.

Foreign Currency Rate Risk. Approximately 50% of ERCO Worldwide's production is manufactured in Canada and sold to customers in the United States and offshore and are denominated in US dollars. ERCO Worldwide manages its exposure to fluctuations between the US and Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior Plus divisions. Approximately 93%, 55% and 10% of ERCO Worldwide's estimated US dollar revenue stream for 2006, 2007 and 2008, respectively, have been hedged. (See "Foreign Currency Hedging" and Note 15(iv) to the Consolidated Financial Statements).

Supply Arrangements. ERCO Worldwide uses four primary raw materials to produce its chemical products: electricity, salt, potash and water. Electricity comprises 70% to 90% of variable production costs. The business has long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located. These contracts generally provide ERCO Worldwide with some portion of firm power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to reduce its overall power costs by selling ancillary services back to the power producer or to the power

grid. In jurisdictions where electrical costs are deregulated, fixed-price term supply contracts are entered into in order to manage production costs. Approximately 36% of ERCO Worldwide's annual power requirements are located in deregulated electricity jurisdictions, of which approximately 45% of their annual requirements have been sourced through fixed-cost electrical contracts, for remaining terms up to twelve years with three investment grade counter-parties (See Note 15(iii) to the Consolidated Financial Statements). The ten-year power agreement at ERCO Worldwide's Valdosta facility expires in December 2006 at which time power costs are expected to increase.

ERCO Worldwide purchases salt from third-party suppliers at each of its plants with the exception of the Bruderheim, Hargrave and Saskatoon facilities, which are self-supplied through long-term salt reserves that are solution-mined on site. Salt purchase contracts are typically fixed-price contracts with terms of one year or greater, often with automatic renewals. Salt costs typically comprise about 10% of variable production costs of sodium chlorate.

Environmental Risk. ERCO Worldwide's operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental and health and safety laws, regulations and requirements. ERCO Worldwide is a founding member of Responsible Care®, an initiative of the Canadian Chemical Producers Association, an association that promotes the safe and environmentally sound management of chemicals. ERCO Worldwide manages its environmental and safety risk in a manner consistent with Responsible Care® protocols and strives to achieve an environmental and safety record that compares favourably with other businesses in the chemical industry. The business has not had a material environmental or safety incident for over 12 years and has steadily reduced the number of safety and environmental incidents at all of its facilities.

Employee and Labour Relations. As at December 31, 2005, ERCO Worldwide had 509 employees of which approximately 126 (25%) are unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements which expire from 2007 to 2009.

JW Aluminum

Superior acquired JWA on October 19, 2005 on a debt-free basis for cash consideration of $405.4 million. JWA is a manufacturer of specialty, flat-rolled aluminum products primarily serving the heating ventilation and air conditioning, building and construction and flexible packaging end-use markets in the United States. The acquisition of JWA provides Superior with further business diversification and an additional platform for value growth. JWA's strong competitive position, history of stable and growing profitability and experienced management team are consistent with Superior's acquisition criteria and objectives. The accounting for the acquisition is more fully described in Note 4 to the Consolidated Financial Statements.

JWA contributed $8.6 million of operating distributable cash flow to Superior's 2005 results during the 74-day period since its acquisition, consistent with expectations. Had JWA been owned by Superior for the full year in 2005, it would have represented approximately 17% of the Fund's total operating distributable cash flow. Condensed unaudited operating results for JWA for the years ended December 31, 2005 and 2004 are provided below for comparison purposes:

	October 19 – December 31		Years Ended December 31			
(millions of dollars except per pound amounts)	**2005**		**2005**		2004	
		¢/lb		**¢/lb**		¢//lb
Gross profit	**12.5**	**17.6**	**66.9**	**20.0**	49.6	17.7
Less: Cash operating, administration and tax costs	**(3.4)**	**(4.8)**	**(10.5)**	**(3.1)**	(11.1)	(4.0)
Cash generated from operations before changes in net working capital	**9.1**	**12.8**	**56.4**	**16.9**	38.5	13.7
Maintenance capital expenditures, net	**(0.5)**	**(0.7)**	**(3.6)**	**(1.1)**	(5.1)	(1.8)
Operating distributable cash flow	**8.6**	**12.1**	**52.8**	**15.8**	33.4	11.9
Aluminum sold (millions of pounds)	**71**		**333**		280	

Sales volumes by product	October 19 – December 31 2005	Years Ended December 31 2005	2004
Fin stock	43%	41%	35%
Building sheet	26%	25%	29%
Convertor foil	13%	16%	16%
Other products	18%	18%	20%
Total	100%	100%	100%

Operating distributable cash flow for 2005 reached $52.8 million, an increase of $19.4 million (58%) over the prior year due to improved sales volumes and conversion margins. Gross profit increased by 35% over 2004 to $66.9 million in 2005 as a result of a 19% increase in sales volumes and an 11% increase in conversion margins. Increased sales volumes in 2005 were supported by the completion of the Russellville 72 million pound annual capacity Phase 1 expansion during the third quarter. Increased sales volumes were directed principally to the growing fin stock market. Conversion margins were higher in all product categories compared to the prior year and more than offset the increase in energy costs experienced in 2005. Cash operating and administrative costs of $10.5 million in 2005 included cash income taxes of $1.3 million incurred during Superior's 74-day ownership period in 2005. Cash operating and administrative costs in 2004 included costs associated with the integration of the Russellville and St. Louis plants that were acquired in April 2004.

Growth capital expenditures of $1.9 million were incurred since JWA was acquired by Superior and were related to the completion of the Russellville Phase 1 expansion and initial expenditures on the US$15 million, 42 million pound Phase 2 expansion at Russellville that was announced in Superior's third quarter earnings news release.

OUTLOOK

For 2006, Superior's operating distributable cash flow is expected to benefit from a full year's ownership of JWA as well as from a full year's contribution from the Russellville Phase I expansion that was completed during the third quarter of 2005, and the initial contribution from the US$15 million Phase II expansion at Russellville which is expected to be completed by the end of the third quarter 2006. The Phase II expansion is expected to provide an 11% increase in JWA's annual capacity and will further increase manufacturing flexibility. Increased capacity will be directed principally towards the fin stock market which is growing due to increased aluminum content now required in the manufacture of air-conditioning equipment as a result of recent energy efficiency legislation implemented in the United States. Demand and conversion margins for JWA's other products are expected to be comparable to 2005 levels. JWA expects to be subject to cash income taxes in 2006, at a rate of 15% to 20% of cash generated from operations before changes in net working capital. Maintenance capital expenditures are expected to be in the $6 million to $7 million range.

BUSINESS RISKS

Competition. The market in which JWA operates is highly competitive. JWA competes primarily on the basis of price, product quality, ability to meet customer demands, product selection, efficiency, customer service and technical support. Some of JWA's competitors have greater capital resources, more efficient technologies, or may have lower raw material and energy costs and may be able to sustain longer periods of price competition.

In addition, the end-use markets for certain flat-rolled aluminum products are highly competitive. Aluminum may be substituted with other materials, such as steel, plastic, composite material and glass, for various applications, including in the automotive end-use markets. In the past, customers have demonstrated a willingness to substitute other materials for aluminum. The willingness of customers to accept substitutes for aluminum products could have a material adverse effect on JWA's financial results.

Demand. Certain end-use markets for aluminum rolled products, such as the construction and industrial and transportation markets, experience demand cycles that are correlated to the general economic environment which is outside of JWA's control. A recession or a slowing of the economy in any of the geographic segments in which JWA operates or a decrease in manufacturing activity in industries such as HVAC, automotive, construction and packaging and consumer goods, could have a material adverse effect on JWA's financial results. JWA cannot predict the timing, extent and duration of the economic cycles in the markets in which its customers operate.

Environmental. JWA is subject to a broad range of environmental, health and safety laws and regulations. Such laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination and working conditions for JWA's employees. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites and installation of pollution control facilities, can be significant. Changes in these laws and regulations could result in additional compliance costs which could be significant. In addition, these laws and regulations may also result in substantial environmental liabilities, including liabilities associated with past activities. JWA establishes reserves for potential environmental liabilities where it is appropriate to do so; however, predicting the existence or cost of potential environmental liabilities or remediation costs is difficult, and, as a result, any reserves established could ultimately be inadequate.

Availability of Raw Materials. Prices for the raw materials required by JWA are subject to continuous volatility and may increase from time to time. JWA's sales are made on the basis of a "margin over metal price" and JWA is therefore not directly exposed to fluctuations in primary aluminum prices. However, if primary aluminum prices increase significantly, JWA's working capital requirements would increase and demand for JWA's products could decline as some of JWA's customers could decide to substitute other materials for its products. Changes in availability and pricing of scrap aluminum relative to primary aluminum pricing could have an adverse impact on financial results. In addition, if costs of raw materials other than aluminum increase, JWA may not be able to pass on the entire cost of the increases to its customers or offset fully the effects of these higher raw material costs through productivity improvements. Any one of these factors could have an adverse effect on JWA's financial results.

Energy Supplies. JWA consumes substantial amounts of energy in its production processes. A number of factors could materially adversely affect its energy position including: increases in costs of natural gas; significant increases in costs of supplied electricity or fuel related to transportation; interruptions in energy supply due to equipment failure or other causes; and the inability to extend energy supply contracts upon expiration on economical terms. If energy costs were to rise, or if energy supplies or supply arrangements were disrupted, it could have an adverse effect on JWA's financial results.

Customer Concentration. JWA's ten largest customers accounted for approximately 42% of JWA's total sales and operating revenues in 2005, with the top customer representing approximately 7% of JWA's total sales and operating revenues in 2005. A significant downturn in the business or financial condition of JWA's significant customers could materially affect JWA's results of operations. In addition, if JWA's existing relationships with significant customers materially deteriorate or are terminated in the future and JWA is not successful in replacing business lost from such customers, its results of operations could be adversely affected. The contracts under which JWA supplies its customers are subject to renewal, renegotiation or re-pricing at periodic intervals. A failure to successfully renew, renegotiate or re-price such agreements could result in a reduction or loss in customer purchase volume or revenue, and if JWA is not successful in replacing business lost from such customers, its results of operations could be adversely affected.

Winroc

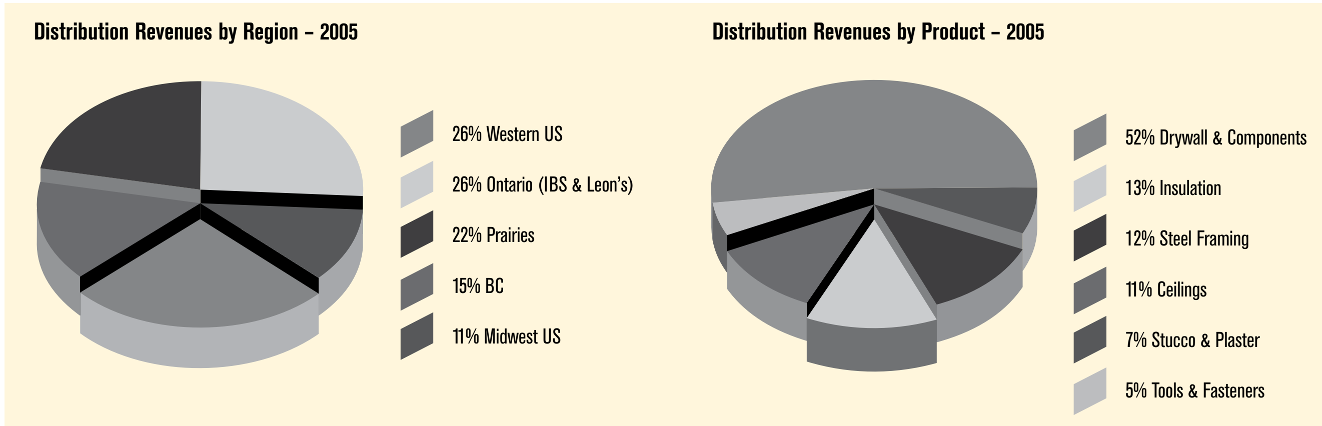
Winroc generated operating distributable cash flow of $30.2 million in 2005, representing 11% of the Fund's total after giving effect to the ownership of JW Aluminum for all of 2005. This performance represented an increase of $15.8 million (110%) from the $14.4 million of operating distributable cash flow generated in 2004 subsequent to Superior acquiring Winroc on June 11, 2004 for cash consideration of $104.2 million on a debt-free basis. Compared to full prior year period which are presented for comparative purposes, Winroc's operating distributable cash flow increased by 44% ($9.2 million), driven by the expansion of its distribution network into the Ontario market. Condensed operating results for the years 2005 and 2004 (unaudited) are provided in the following table. See Note 17 to the Consolidated Financial Statements for detailed comparative business segment results and page 19 of this Annual Report for selected historical information for the last five years.

	Years Ended December 31		June 11 – December 31
(millions of dollars)	**2005**	2004	2004
Distribution sales gross profit	**113.4**	79.9	46.9
Direct sales gross profit	**4.4**	4.4	2.6
Gross profit	**117.8**	84.3	49.5
Less: Cash operating, administration and tax costs	**(82.0)**	(56.4)	(32.5)
Cash generated from operations before changes in net working capital	**35.8**	27.9	17.0
Maintenance capital expenditures, net	**(5.6)**	(6.9)	(2.6)
Operating distributable cash flow	**30.2**	21.0	14.4

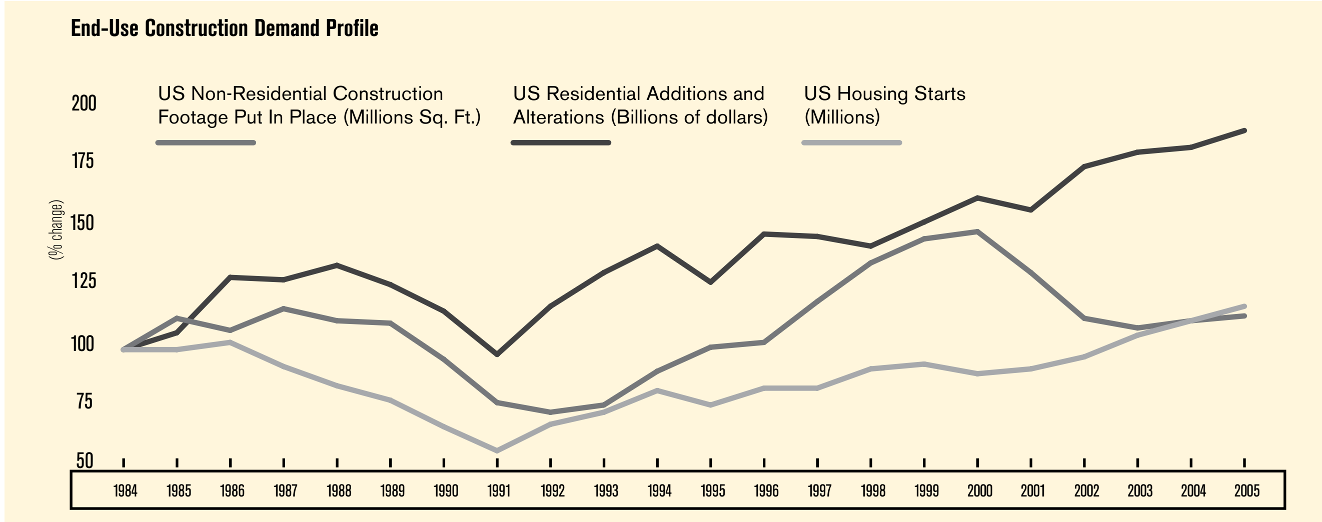
Distribution sales gross profit reached $113.4 million in 2005, an increase of 42% ($33.5 million) over 2004. Higher sales volumes contributed to improved gross profit as drywall sales, which are an indicator of overall sales volumes, increased by 27%. More than three-quarters of the increase in sales volumes was generated by the expansion into Ontario through the acquisitions of Leon's Insulation Inc. ("Leon's") in April 2005 and Interior Building Supplies ("IBS") in December 2004 with the remaining growth generated by Winroc's operations in the United States and from four new greenfield operations that were opened during the year. Gross margins improved with higher product prices, particularly from operations in the United States and improved purchasing performance from operations acquired in Ontario. Direct sales gross profit generated by Allroc, Winroc's wholesale business, was $4.4 million in 2005 and was comparable to 2004 performance. Cash operating, administration and tax costs were $82.0 million in 2005, an increase of 45% ($25.6 million) over 2004 due principally to the year over year increase in the number of distribution branches from 32 to 38, increased sales volumes, and higher corporate costs incurred to support growth in the business. Cash income taxes incurred in the United States were $2.6 million in 2005, an increase of $2.1 million over 2004 due to increased profitability and a full year of ownership in 2005. Maintenance capital expenditures of $5.6 million in 2005 were moderately lower than 2004 levels as higher expenditures were incurred in early 2004 to support anticipated distribution volume growth. Maintenance capital expenditures in 2006 are anticipated to be in the $6 to $7 million range.

Growth capital expenditures in 2005 were $31.9 million and were comprised principally of the Leon's acquisition. Pursuant to the Leon's acquisition agreement, Winroc may also be obligated to pay up to $5.0 million of additional consideration over the next five years based on Leon's profitability. Any additional consideration paid will be considered growth capital in the period in which the payment is made. Growth capital expenditures of $12.2 million were incurred in December 2004 to acquire IBS. These two acquisitions provide Winroc with five distribution branches and a leading market presence in Ontario, which is the largest regional market in Canada.

Winroc enjoys considerable geographic and customer diversification servicing over 6,900 customers across 38 distribution branches. (See "Distribution Revenues by Region" pie chart). Winroc's 10 largest customers represent approximately 14% of its annual distribution sales. Winroc enjoys a strong position in the distribution markets where it operates, supported by its complete walls and ceilings product line and procurement capabilities. (See "Distribution Revenues by Product" pie chart).



Sales to commercial builders and contractors are comprised of Winroc's full product line whereas sales to residential builders and contractors are principally comprised of gypsum board and accessories, insulation and plaster products. Demand for walls and ceiling construction products is influenced by overall economic conditions with approximately 50% of sales from servicing residential new construction and remodelling activity and 50% of sales from servicing commercial new construction and remodelling activity. Overall demand has grown steadily over time as new commercial construction demand trends have historically lagged new residential construction, while remodelling expenditures have increased steadily. (See "End-Use Construction Demand Profile" chart).



OUTLOOK

For 2006, Winroc's operating distributable cash flow performance is anticipated to increase modestly as a result of the full year ownership of Leon's and new distribution branches opened during 2005. New residential construction demand is expected to moderate and be offset by increased new commercial construction activity and consistent remodelling demand. Winroc continues to explore opportunities to profitably expand its distribution operations through a combination of opening new greenfield locations and acquisitions.

BUSINESS RISKS

Competition. The North American walls and ceilings construction product business generates estimated annual sales revenues of more than $20 billion. Specialty distributors such as Winroc service the builder/contractor market representing 50% to 60% of total industry revenues with the remainder sold through big-box home centres and independent lumber yards that service the "do-

it-yourself" market as well as direct sales to modular home manufacturers. The specialty walls and ceilings distribution business is a local, relationship-based business in which distributors compete on a basis of price and service. Barriers to entry are relatively low. Winroc positions itself as a productivity partner with the installing contractor, providing value-added "stock and scatter" job site service. Winroc's multi-location distribution network, strong market position and Allroc purchasing operation, provide it with purchasing scale, product line breadth and knowledge that assists its customers, providing it with a competitive advantage over smaller competitors. The specialty distribution sector is highly fragmented with the top seven competitors representing an estimated 35% of overall North American industry revenues.

Demand, Supply and Pricing. Demand for walls and ceilings building materials is affected by changes in general and local economic factors including demographic trends, employment levels, interest rates, consumer confidence and overall economic growth. These factors in turn impact the level of existing housing sales, new home construction, new non-residential construction, and office/commercial space turnover.

Housing starts reflect the level of new residential construction activity. The level of new commercial construction activity has historically lagged new residential activity as commercial infrastructure is put in place to service residential development. Renovation activity trends have historically followed existing home resales and turnover of occupants in commercial building space. Winroc's sales are moderately seasonal, consistent with new construction and renovation market activity, with approximately 53% of annual revenues generated during the second and third quarters.

Winroc carries a comprehensive product line comprised of approximately 30,000 stock-keeping units. Its six principal product lines (See "Distribution Revenues by Product" pie chart), are sourced from over 100 suppliers. Winroc is not reliant on any one supplier to source product within its principal product lines. Winroc leverages its purchasing capability through its Allroc purchasing division, which provides third-party purchasing services to 12 independent distributors and retailers. Winroc purchases its products pursuant to various purchasing programs and does not enter into long-term purchase contracts.

The walls and ceilings specialty distribution business is a "margin-based" business where the level of profitability is dependent on the difference earned between selling prices and wholesale product cost, management of operating expenses and working capital. Changes in product costs are normally passed through to customers, but timing lags may result in both positive and negative fluctuations of gross margins.

Employee and Labour Relations. As at December 31, 2005, Winroc had 892 employees of which approximately 67 (8%) are unionized at three locations. Collective bargaining agreements expire between 2007 and 2008, and are renegotiated in the normal course of business.

Health, Safety and Environment. Distribution of walls and ceilings construction products is a physically challenging job. Winroc maintains safe working practices through proper procedures and direction and utilization of equipment such as forklift trucks, cranes and carts. Winroc handles and stores a variety of construction materials and maintains appropriate materials handling compliance programs.

Superior Energy Management ("SEM")

SEM generated operating distributable cash flow of $5.3 million in 2005, representing 2% of the Fund's total after giving effect to the ownership of JWA for all of 2005. Compared to 2004, SEM's operating distributable cash flow decreased by $2.4 million (31%) as the impact of lower margins and higher operating costs were only partially offset by increased natural gas sales volumes. Effective January 1, 2005, SEM began to capitalize customer acquisition costs and amortize capitalized costs on a straight line basis over the term of customer contract. Previously, customer acquisition costs were expensed at the time natural gas deliveries commenced under new contracts. This change in accounting policy results in improved matching of up-front contract acquisition costs with the economic benefits derived from gas sales over the term of the customer contract and has been retroactively applied.

Capitalized costs are treated as "growth capital" and the amortization of capitalized costs are deducted from distributable cash flow. This change in accounting increased SEM's operating distributable cash flow for the years ended December 31, 2005 and 2004 by $4.6 million and $1.9 million respectively as detailed below. (See also Note 3(b) to the Consolidated Financial Statements).

	Years Ended December 31	
	2005	2004
Operating distributable cash flow, previous accounting policy	**$ 0.7**	$ 5.8
Capitalized customer acquisition costs	**7.0**	3.1
Amortization of capitalized costs	**(2.4)**	(1.2)
Operating distributable cash flow, new accounting policy	**$ 5.3**	$ 7.7

Condensed operating results are provided in the following table. See Note 17 to the Consolidated Financial Statements for detailed comparative business segment results and page 19 of this Annual Report for selected historical information for the last four years since its inception.

(millions of dollars except per gigajoule("GJ") amounts)	**2005**		2004	
		¢/GJ		¢/GJ
Gross profit	**14.5**	**39.2**	13.4	47.9
Less: Cash operating, administration and selling costs	**(9.2)**	**(24.9)**	(5.7)	(20.4)
Operating distributable cash flow	**5.3**	**14.3**	7.7	27.5
Natural gas sold (millions of GJs)	**37**		28	

SEM provides fixed price, term natural gas sales to commercial and light industrial consumers in Ontario and Quebec and to residential customers in Ontario. Gross profit reached $14.5 million, an increase of 8% from 2004. Sales volumes increased by 32% to 37 million GJs in 2005 as SEM's focus on growing its residential customer base resulted in the doubling of its customer base from 29,000 at the end of 2004 to 57,000 at the end of 2005. Sales margins decreased 18% to 39.2 cents/GJ in 2005. High natural gas prices, experienced since the fall of 2004, encouraged large volume, commercial/industrial fixed-price customers to purchase their gas on a lower margin, floating-rate basis. This effect, coupled with increased pipeline transportation costs, was only partially offset by increased margins received from the growth in higher margin residential customers. Cash operating, administration and selling costs were $9.2 million in 2005, an increase of $3.5 million (61%) over 2004. Increased customer administration costs and amortization of customer acquisition costs accounted for half of the increase in costs, and were driven by the year over year increase in customers serviced by SEM. The remainder of the expense increase related to costs incurred to strengthen SEM's management team and increased overhead to support SEM's expanded activity level.

SEM invested $7.0 million during 2005 (2004 – $3.1 million) to grow its customer base, resulting in a net increase of 28,500 customers (2004 – 18,000). SEM sells fixed-price natural gas for terms up to five years. At December 31, 2005, the average remaining term of SEM's contracts was 45 months, an increase of 41% over the prior year-end as the majority of SEM's customer contracts entered into during 2005 were for a five year term. SEM's largest customer represented 5% of 2005 gross profits (2004 – 6%). At December 31, 2004, SEM's largest fixed-price natural gas supplier represented 29% (2004 – 44%) of its supply portfolio. At December 31, 2005, approximately 15% SEM's sales volumes were to residential customers (2004 – 8%).

OUTLOOK

SEM plans to continue to grow its fixed-price natural gas business in 2006, with emphasis on growing its residential business in Ontario and commercial business in Quebec. This, combined with the growth in SEM's contracted customer base during 2005, is expected to result in increased operating distributable cash flow in 2006.

BUSINESS RISKS

Fixed Price Offerings. SEM resources its fixed-price term natural gas sales commitments by entering into various forward financial and physical natural gas and US dollar foreign exchange purchase contracts for similar terms and volumes to create an effective Canadian dollar fixed-price cost. SEM transacts with 12 financial and physical natural gas counterparties. The financial condition of each counterparty is evaluated and credit limits established to reduce SEM's exposure to credit risk of non-performance. See "Foreign Currency Hedging" and Note 15(ii) and 15(iv) to the Consolidated Financial Statements for fixed-price natural gas and foreign exchange purchase commitment amounts. A marginally long fixed-price natural gas position is maintained in order that SEM's sales force can market fixed-price offerings to potential customers with a known cost of gas. Unmatched forward natural gas and foreign exchange positions are monitored daily in compliance with SEM's risk management policy.

Balancing. SEM purchases natural gas to meet its estimated commitments to its customers based upon their historical consumption of gas as determined by the local natural gas distribution utility ("LDC") that services a particular customer. Depending on several factors including weather and customer attrition, customer natural gas consumption may vary from the volume purchased by SEM. Consumption variances must be reconciled and settled at least annually and may require SEM to purchase or sell natural gas at market prices which could adversely impact SEM's profitability. To mitigate potential balancing risk, SEM accrues estimated balancing costs on an ongoing basis and actively monitors and manages its balancing positions.

Regulatory Environment. SEM operates in the highly regulated natural gas industry in the provinces of Ontario and Quebec. Changes to existing legislation could impact SEM's operations. As part of the ABC services (Agent, Billing & Collection services), LDCs are mandated to perform certain services on behalf of SEM including invoicing, collection and assuming specific bad debt risks associated with SEM's customers under these types of customer arrangements. In addition, the LDCs perform regulated services that include storage and distribution of the natural gas. If the rules mandating LDCs to provide ABC services were withdrawn, there is no assurance the LDCs would continue to provide these services. This could require SEM to resource these services directly, potentially adversely impacting its profitability and business risk.

Corporate

Cash corporate administrative costs were $8.7 million in 2005, an increase of $2.8 million over 2004. Approximately one-third of the increase was due to increased costs incurred to expand and strengthen our management capacities at the corporate office. The remainder of the increase was related to inter-divisional allocations of United States income taxes, and increased public company costs.

Cash income taxes of $5.8 million were incurred with respect to operations in the United States (2004 – nil) and have been charged to the business from which the taxable income was derived. In Canada, cash taxes were limited to federal and provincial capital taxes of $3.4 million (2004 – $3.5 million), similar to the prior year levels as income taxes were fully deferred. Capital taxes have been allocated to Superior's four business segments operating in Canada based on net taxable capital deployed. For 2006, cash taxes in the United States are expected to increase as a result of a full year's ownership of JWA. Canadian cash taxes are anticipated to be consistent with 2005 levels.

Interest expense on Superior's revolving term bank credits and term loans was $22.8 million in 2005, an increase of $7.3 million over 2004, due to higher United States and Canadian dollar floating interest rates as well as increased average debt levels incurred principally to partially finance the acquisition of JWA.

Interest on the Fund's convertible unsecured subordinated debentures (the "Debentures") was $12.9 million in 2005, down $0.7 million from 2004, due to the conversion of $48.4 million 8% Debentures into 2.6 million trust units during 2005 as well as conversions throughout 2004. (See "Cash Flow and Financing Activity"). This was partially offset by interest associated with the issuance of $175.0 million 5.75% Debentures in June 2005 and $75.0 million 5.85% Debentures in October 2005.

Quarterly Financial and Operating Information

Quarterly financial and operating information for 2005 and 2004 are provided in the table below. Superior's overall operating cash flow and working capital funding requirements are modestly seasonal as approximately three-quarters of Superior Propane's operating cash flow is generated during the first and fourth quarters of each year as approximately 50% of its sales are generated from space heating end-use applications. Net working capital funding requirements follow a similar seasonal trend, peaking during the first quarter of each year and declining to seasonal lows during the third quarter. The seasonality of Winroc's operating cash flow and working capital funding requirements are modestly complementary to Superior Propane's as new construction and remodelling activity typically peaks during the second and third quarter of each year. ERCO Worldwide, JWA and SEM's operating cash flow and net working capital requirements do not have significant seasonal fluctuations.

Quarterly Financial and Operating Information [1]

(millions of dollars except per trust unit amounts)	2005 Quarters				2004 Quarters			
	Fourth	**Third**	**Second**	**First**	Fourth	Third	Second	First
Propane sales volumes (millions of litres)	**420**	**277**	**286**	**485**	438	290	302	514
Chemical sales volumes (thousands of metric tonnes)	**225**	**224**	**175**	**164**	170	163	161	155
Aluminum sales volumes (millions of pounds)	**71.0**	**–**	**–**	**–**	–	–	–	–
Natural gas sales volumes (millions of GJs)	**9**	**9**	**9**	**9**	7	7	7	7
Gross profit	**185.5**	**149.6**	**137.2**	**163.8**	155.2	130.2	116.0	141.4
Net earnings	**21.7**	**24.0**	**18.9**	**41.5**	33.5	20.8	21.1	37.0
Per basic trust unit	**$ 0.25**	**$ 0.30**	**$ 0.24**	**$ 0.54**	$ 0.45	$ 0.28	$ 0.29	$ 0.53
Per diluted trust unit	**$ 0.25**	**$ 0.30**	**$ 0.24**	**$ 0.52**	$ 0.44	$ 0.27	$ 0.29	$ 0.49
Distributable cash flow	**60.0**	**33.4**	**29.9**	**63.7**	55.8	36.7	31.4	60.5
Per basic trust unit	**$ 0.70**	**$ 0.42**	**$ 0.38**	**$ 0.83**	$ 0.74	$ 0.50	$ 0.44	$ 0.86
Per diluted trust unit	**$ 0.67**	**$ 0.42**	**$ 0.38**	**$ 0.79**	$ 0.70	$ 0.49	$ 0.43	$ 0.77
Net working capital [2]	**249.2**	**96.4**	**64.3**	**54.9**	97.9	62.9	36.2	(3.8)

(1) Restated to give retroactive effect of change in accounting for natural gas customer acquisition costs. (See Note 3(b) to the Consolidated Financial Statements).

(2) Net working capital reflects amounts as at the quarter-end and is comprised of accounts receivable and inventories, less accounts payable and accrued liabilities.

Distributions Paid to Unitholders

As detailed in Note 1 to the Consolidated Financial Statements, distributable cash flow reached $187.0 million in 2005 or $2.35 per trust unit as compared to $184.4 million or $2.54 per trust unit in 2004. The Fund increased its regular monthly distribution by 2.5% to $0.205 per trust unit effective with the November 2005 monthly distribution, based on expected sustainable distributable cash flow including accretion from the acquisition of JW Aluminum. For 2005, distributions paid to Unitholders reached $2.41 per trust unit, an increase of 6% over 2004 distributions of $2.28 per trust unit. As detailed in the table on page 38, the Fund paid out 103% and 90% of its distributable cash flow in 2005 and 2004 respectively resulting in $5.0 million of excess distributions being funded from debt in 2005 as compared to undistributed distributable cash flow of $18.4 million in 2004 which was reinvested in the business. The payout ratio exceeded 100% in 2005 principally due to the soft performance from Superior Propane and ERCO Worldwide's sodium chlorate business in the fourth quarter.

(millions of dollars except per trust unit amounts)	**2005**		2004	
		Trust Unit		Trust Unit
Distributions paid in the calendar year	**192.0**	**$ 2.41**	179.1	$ 2.465
Less: March "top-up" distribution paid with respect to prior year	**–**	**–**	(13.1)	(0.185)
Distributions paid with respect to current year's distributable cash flow	**192.0**	**$ 2.41**	166.0	$ 2.28
Distributable cash flow (funded from debt) reinvested	**(5.0)**	**(0.06)**	18.4	0.26
Distributable cash flow (Note 1 to the Consolidated Financial Statements)	**187.0**	**$ 2.35**	184.4	$ 2.54
Distribution payout ratio	**103%**		90%	

Capital Resources and Financing Activity

The Fund's distributions to Unitholders are sourced entirely from its equity and Shareholder Note investments in Superior. The Fund's investments are in turn financed by trust unit equity and by the Debentures. The quoted market value of the Fund's trust unit capital and Debentures was $2.0 billion and $341 million, respectively, based on closing prices on December 31, 2005 on the Toronto Stock Exchange.

Superior's net working capital requirements are financed from revolving term bank credit facilities and by proceeds raised from a trade accounts receivable sales program. Maintenance capital requirements are funded from operating cash flow. Distributions are funded by operating cash flow after deducting amortization of natural gas customer acquisition costs, maintenance capital expenditures and other provisions as deemed appropriate. Capital required to finance Superior's growth is funded by a combination of equity capital, retained distributable cash flow, and debt as appropriate to maintain a strong and flexible financial position to support the efficient execution of its business plans. Superior and the Fund have financed their growth over time consistent with these financing policies as demonstrated by the following table:

(millions of dollars)	2001	2002	2003	2004	**2005**	Total	
Acquisitions & other capital expenditures							
Superior Propane	2.1	(5.1)	(0.3)	4.2	**27.5**	28.4	
ERCO Worldwide	–	584.5	130.1	5.7	**58.6**	778.9	
JWA	–	–	–	–	**407.3**	407.3	
Winroc	–	–	–	116.4	**31.9**	148.3	
	2.1	579.4	129.8	126.3	**525.3**	1,362.9	
Financed by:							
Total debt [1]	2.1	549.1	(295.3)	(18.3)	**314.0**	551.6	40%
Trust unit capital [2]	–	30.3	413.1	126.2	**216.3**	785.9	58%
Distributable cash flow reinvested (borrowed)	–	–	12.0	18.4	**(5.0)**	25.4	2%
	2.1	579.4	129.8	126.3	**525.3**	1,362.9	100%
Debt leverage:							
Senior Debt/EBITDA [3] [4] [5]	1.7	2.6	2.0	2.2	**2.4**		
Total Debt/EBITDA [1] [4] [5]	2.8	4.2	3.1	2.7	**3.5**		

[1] Total Debt financing includes changes in senior debt, proceeds from the trade accounts receivable sales program, and Debentures issued by the Fund, net of Debentures converted into trust unit capital and notes payable and deferred consideration issued to vendors of businesses acquired.

[2] Trust unit capital financing represents trust unit capital issued directly and through conversion of Debentures and Warrants into trust units.

[3] Senior Debt includes senior debt and proceeds from trade accounts receivable sales programs.

[4] EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation and amortization calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

[5] Restated to give retroactive effect to change in accounting for natural gas customer acquisition costs.

Net working capital funding requirements, excluding acquisitions, increased by $58.7 million in 2005 over 2004 due mainly to the impact of higher wholesale propane costs at Superior Propane and the impact of higher aluminum costs at JWA since its acquisition. (See Note 17 to the Consolidated Financial Statements for comparative net working capital levels by division).

Growth capital expenditures amounted to $525.3 million in 2005 (2004 – $126.3 million) and were comprised of $485.1 million of acquisitions and $40.2 million of other capital expenditures. Details on growth capital expenditures by division are provided in the table on page 38 as well as in the reviews of operating results by division.

For 2005, financing requirements totaled $591.0 million, including increased net working capital requirements of $58.7 million, growth capital expenditures of $525.3 million and $7.0 million of capitalized natural gas customer acquisition costs which were funded by net proceeds received from the issuance of trust units and the exercise of warrants of $167.9 million, net proceeds received from issue of convertible debentures of $239.4 million, additional revolving term debt and term loan borrowings of $169.8 million and $13.9 million of notes payable and deferred consideration issued to vendors of businesses acquired in 2005.

Liquidity

	As at December 31, 2005			
(millions of dollars)	Total Amount	Borrowings	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities	425.0	248.8	22.3	153.9
Accounts receivable sales program	100.0	100.0	–	–

Superior has revolving, three year term, bank credit facilities with nine banks aggregating $425.0 million, an increase of 20% over prior year end levels. The credit facilities are renewable annually. As at December 31, 2005, $153.9 million was available under the credit facilities and is considered to be sufficient to meet Superior's net working capital funding requirements and expected growth capital expenditures. Principal covenants are described in "Contractual Obligations and Other Commitments" on page 40.

Superior has entered into an agreement to sell, with limited recourse, certain accounts receivables on a 30-day revolving basis to an entity sponsored by a Canadian Chartered Bank to finance a portion of its working capital requirements and represents an off-balance sheet obligation. The receivables are sold at a discount to face value based on prevailing money market rates. As at December 31, 2005, proceeds of $100.0 million (2004 – $100.0 million) had been raised from this program and were used to repay revolving term bank credits. (See Note 5 to the Consolidated Financial Statements). Superior is able to adjust the size of the sales program on a seasonal basis in order to match the fluctuations of its accounts receivable funding requirements. The program requires Superior to maintain a minimum secured credit rating of BB and meet certain collection performance standards. Superior is currently fully compliant with program requirements.

Superior's secured long-term debt credit ratings are BBB (low) by the Dominion Bond Rating Service with a stable outlook and BBB- by Standard & Poor's (BB+ unsecured) with a stable outlook.

On March 3, 2006, Superior completed a 10 year, $200.0 million 5.50% senior secured debt issue in the Canadian public bond market. Proceed will be used to repay the JW Aluminum bank acquisition credit facility and other revolving bank debt.

Contractual Obligations and Other Commitments

			Payments Due In			
(millions of dollars)	Notes [1]	Total	2006	2007-2008	2009-2010	Thereafter
Revolving term bank credits & term loans	8	624.8	2.0	422.1	17.7	183.0
Convertible Debentures	9	318.1	–	68.2	–	249.9
Operating leases [2]	15 (i)	91.9	22.5	34.9	17.1	17.4
Natural gas, aluminum, propane & electricity purchase commitments	15 (ii)(iii)	1,183.5	347.9	422.5	286.8	126.3
Future employee benefits	10	22.7	4.8	9.6	8.3	–
Total contractual obligations		2,241.0	377.2	957.3	329.9	576.6

(1) Notes to the Consolidated Financial Statements.

(2) Operating lease commitments together with the accounts receivable sales program comprise Superior's off-balance sheet obligations.

Revolving term bank credits and term loans are secured by a general charge over the assets of Superior and certain of its subsidiaries. Debt covenants limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's senior debt (including proceeds raised from the accounts receivable sales program) exceeds three times EBITDA (as previously defined) for the last 12 month period as adjusted for the pro forma impact of acquisitions. At December 31, 2005, this ratio was 2.4 to 1.0 (December 31, 2004 – 2.2 to 1.0).

Debentures are obligations of the Fund and consist of $8.9 million Series 1, 8% Debentures maturing July 31, 2007; $59.3 million Series 2, 8% Debentures due November 1, 2008; $174.9 million Series 1, 5.75% Debentures maturing December 31, 2012 and $75.0 million Series 1, 5.85% Debentures maturing October 31, 2015. The 8% Series 1, 8% Series 2, 5.75% Series 1 and 5.85% Series 1 Debentures are convertible at the option of the holder into trust units at $16.00, $20.00, $36.00 and $31.25 per trust unit, respectively. The Fund may elect to satisfy interest and principal Debenture obligations by the issuance of trust units. Superior has swapped $100 million principal amount of the fixed interest Debenture obligations into a floating interest rate obligation. Including the Fund's Debentures, Superior's total leverage ratio increased from 2.7 times at December 31, 2004 to 3.5 times at December 31, 2005.

After giving effect to the $200.0 million 10-year bond issue on March 3, 2006, approximately two-thirds of Superior's revolving term bank credits and term loans and Debenture obligations were not repayable for at least five years and approximately 50% of Superior's total debt obligations (including accounts receivable sales program) are subject to fixed interest rates.

Operating leases consist of rail cars, premises and other equipment. Rail car leases comprise 31% of total operating lease commitments and are used to transport ERCO Worldwide's finished product to its customer locations and by Superior Propane to transport propane from supply sources to its branch distribution locations.

Natural gas, propane and aluminum fixed-price supply commitments are used to resource similar volume and term fixed-price sales commitments to customers of SEM, Superior Propane and JWA. ERCO Worldwide has entered into fixed-price electricity contracts for a term of up to 12 years representing approximately 28% of its annual power requirements in deregulated jurisdictions.

Superior Propane's pension plans have an unrecorded accrued net benefit asset of $25.9 million (2004 – $27.6 million) and is not included with future employee benefit obligations shown above. (See Note 10 to the Consolidated Financial Statements).

Unitholders' Capital

The weighted average number of trust units outstanding in 2005 increased by 10% to 79.7 million trust units compared to the prior year. The increase resulted from Debenture conversions and the exercise of trust unit warrants in 2004 and 2005, as well as the issuance of 6.2 million trust units in October 2005 to partially finance the acquisition of JWA.

As at December 31, 2005 and 2004, the following trust units, and securities convertible into trust units, were outstanding:

(millions)	**December 31, 2005** Convertible Securities	Trust Units	December 31, 2004 Convertible Securities	Trust Units
Trust units outstanding		**85.5**		75.9
Series 1, 8% Debentures (convertible at $16 per trust unit)	**$ 8.9**	**0.6**	$ 13.9	0.9
Series 2, 8% Debentures (convertible at $20 per trust unit)	**$ 59.3**	**3.0**	$ 102.6	5.1
Series 1, 5.75% Debentures (convertible at $36 per trust unit)	**$ 174.9**	**4.9**	–	–
Series 1, 5.85% Debentures (convertible at $31.25 per trust unit)	**$ 75.0**	**2.4**	–	–
Warrants (exercisable @ $20 per trust unit)	**2.3**	**2.3**	3.1	3.1
Trust units outstanding, and issuable upon conversion of Debenture and Warrant securities		**98.7**		85.0

The trust unit warrants are exercisable until May 2008 and represent a potential $46.0 million source of future equity capital. In addition, as at December 31, 2005, there were 1,177,000 trust unit options outstanding (December 31, 2004 – 960,000 trust units) with a weighted average exercise price of $22.82 per trust unit (2004 -$20.71 per trust unit). The number of trust units issued upon exercise of the trust unit options is equal to the growth in the value of the options at the time the options are exercised, (represented by the market price less the exercise price) times the number of options exercised, divided by the current trust unit market price.

Foreign Currency Hedging

SEM and Superior Propane contract a portion of their fixed-price natural gas and propane purchases in US dollars and enter into forward US dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost. ERCO Worldwide enters into US dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in US dollars. Interest expense on Superior's US dollar debt is also used to mitigate the impact of foreign exchange fluctuations on its US dollar distributable cash flow. Superior's US dollar debt acts as a balance sheet hedge against its US dollar net assets. Superior hedges its net US dollar future cash flows with external third-party contracts after first matching internally SEM's and Superior Propane's forward US dollar purchase requirements against ERCO Worldwide's US dollar revenues where possible.

As at December 31, 2005, SEM and Superior Propane had hedged approximately 100% of their US dollar natural gas and propane purchase obligations and ERCO Worldwide had hedged 93%, 55%, and 10% of its estimated US dollar revenue stream for 2006, 2007, and 2008 respectively, as shown in the table below. (See Note 15(iv) to the Consolidated Financial Statements).

(US$ millions)	2006	2007	2008	2009	2010	2011	Total
SEM – US$ forward purchases	148.7	124.7	112.7	107.2	52.9	1.2	547.4
Superior Propane – US$ forward purchases	0.8	–	–	–	–	–	0.8
ERCO – US$ forward sales	(123.1)	(71.0)	(12.6)	–	–	–	(206.7)
Net US$ forward purchases	26.4	53.7	100.1	107.2	52.9	1.2	341.5
SEM – Average US$ forward purchase rate	1.26	1.23	1.22	1.21	1.17	1.14	1.23
Superior Propane – Average US$ forward purchase rate	1.25	–	–	–	–	–	1.25
ERCO – Average US$ forward sales rate	1.27	1.24	1.23	1.21	1.17	1.14	1.26
Net average external US$/Cdn$ exchange rate	1.25	1.23	1.22	1.21	1.17	1.14	1.22

Outlook

In 2006, we anticipate distributable cash flow per trust unit to be comparable to or lower than 2005. Increased distributable cash flow is expected from a full year's contribution from JWA and improved results at Winroc and SEM. Offsetting this are expected lower results at Superior Propane as a result of record warm weather experienced to date in the first quarter, lower results at ERCO Worldwide due to decreasing demand for sodium chlorate from North American bleached pulp producers, and increased borrowing costs. Distributable cash flow per trust unit is expected to improve over time with the return of normal weather and the repositioning of Superior Propane's cost structure, along with a full year's contribution from ERCO's Chile project and stability in North American pulp markets.

Over the longer term, the Fund plans to continue its disciplined diversification strategy by taking advantage of profitable growth opportunities within each division and to acquire other businesses that have risk profiles appropriate for an income fund structure. Acquisitions must be accretive to Unitholder distributions and be financed in a manner that maintains Superior's existing financial strength.

Sensitivity Analysis

The Fund's estimated cash flow sensitivity in 2005 to the following changes are provided in the following chart:

	Change	Change	Impact on Distributable Cash Flow	Per Trust Unit
Superior Propane				
Change in sales margin	$0.005/litre	3%	$7.3 million	$0.09
Change in sales volume	50 million litres	3%	$6.3 million	$0.07
ERCO Worldwide				
Change in sales price	$10.00/tonne	2%	$7.0 million	$0.08
Change in sales volume	15,000 tonnes	2%	$4.2 million	$0.05
JW Aluminum				
Change in sales margin	$0.01	5%	$2.1 million	$0.03
Change in sales volumes	15 million pounds	4%	$1.9 million	$0.02
Winroc				
Change in sales margin	1% change in average gross margin	4%	$3.5 million	$0.04
Change in sales volume	4% of sales revenues	4%	$2.4 million	$0.03
Superior Energy Management				
Change in sales margin	$0.02/GJ	5%	$0.8 million	$0.01
Change in sales volume	2 million GJ	5%	$0.8 million	$0.01
Corporate				
Change in Cdn$/US$ exchange rate [1]	$0.01	1%	$0.5 million	$0.01
Corporate change in interest rates [2]	0.5%	15%	$2.1 million	$0.03

(1) After giving effect to US$ forward sales contracts. See "Foreign Currency Hedging".

(2) After giving effect to the March 3, 2006 $200.0 million bond issue.

Business Risks – Corporate

Interest Rates. Superior maintains a substantial floating interest rate exposure through a combination of floating interest rate borrowings and the use of derivative instruments. (See Notes 8 and 9 to the Consolidated Financial Statements). Demand levels for approximately 50% of Superior Propane's sales and substantially all of ERCO Worldwide's, JWA's and Winroc's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase as does sales demand from Superior's customers, thereby increasing Superior's ability to pay higher interest costs and vice versa. In this way, a common relationship between economic activity levels, interest rates and Superior's ability to pay higher or lower rates are generally aligned, providing Superior with a natural business hedge against interest rates.

Foreign Exchange Risk. A portion of Superior's net cash flows are denominated in US dollars. Accordingly, fluctuations in the Canadian/United States dollar exchange rate can impact profitability. Superior mitigates this risk by hedging. See "Sensitivity Analysis".

Critical Accounting Estimates. Application of accounting estimates requires certain assumptions to be made regarding future events. These estimates require experience and judgement and are subject to the inherent risk of inaccuracy, particularly where they relate to events expected to take place well into the future. Long-term estimates are examined on a regular basis and adjusted prospectively when necessary.

The Accounting Standards Board has issued new accounting standards related to the presentation and measurement of Financial Instruments which will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. It will require:

- All financial instruments be recognized on the balance sheet at their fair value;
- Certain gains and losses on the translation of assets and liabilities will be recorded in other comprehensive income, a new line item on the balance sheet; and
- Certain gains and losses on items designated as hedges will now be recorded through either the statement of earnings or other comprehensive income, depending on the nature of the hedging relationship.

The Fund has not assessed the future impact of these proposals on the financial statements.

Selected Financial Information

	Years Ended December 31		
(millions of dollars except per trust unit amounts)	**2005**	2004 [3]	2003 [1] [3]
Total assets (as at December 31)	**2,327.8**	1,552.1	1,445.1
Total revenues	**2,171.4**	1,552.8	1,234.3
Gross profit	**636.1**	542.8	471.7
Net earnings (loss)	**106.1**	112.4	(18.9)
Per trust unit basic	**$ 1.33**	$ 1.55	$ (0.32)
Per trust unit diluted	**$ 1.32**	$ 1.53	$ (0.32)
Cash generated from operations before changes in working capital	**205.1**	198.8	15.4
Distributable cash flow	**187.0**	184.4	146.5
Per trust unit	**$ 2.35**	$ 2.54	$ 2.47
Cash distributions per trust unit [2]	**$ 2.41**	$ 2.465	$ 2.28
Current and long-term debt (as at December 31)	**624.8**	446.2	317.8

(1) 2003 results include a one-time expense of $141.3 million ($92.5 million after tax) related to the internalization of management. (See Note 16(i) to the Consolidated Financial Statements).

(2) Cash distributions per trust unit paid in fiscal year.

(3) Restated to give retroactive effect to change in accounting for natural gas customer acquisition costs. (See Note 3(b) in the Consolidated Financial Statements).

Disclosure Controls and Procedures

Disclosure Controls and Procedures are designed and implemented by, or under the supervision of the issuer's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to ensure that material information relating to the issuer is communicated to them by others in the organizations as it becomes known and is appropriately disclosed as required under the continuous disclosure requirements of securities legislation. In essence, these types of controls are related to the quality and timeliness of financial and non-financial information in securities filings. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as at December 31, 2005, by and under the supervision of Superior's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

Forward-looking Statements

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Fund or Superior. Many of these statements can be identified by looking for words such as "believe," "expects," "expected," "will," "intends," "projects," "anticipates," "estimates," "continues" or similar words. The Fund and Superior believe the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Fund's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and neither the Fund nor Superior undertakes any obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Additional information relating to the Fund and Superior, including the 2005 Annual Information Forms are available free of charge on our website at www.superiorplus.com and on the Canadian Securities Administrators' website at www.sedar.com.

Management's Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

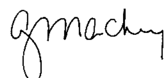
The financial statements of the Superior Plus Income Fund (the "Fund") and all of the information in this annual report are the responsibility of the management of Superior Plus Inc., the Fund's wholly-owned subsidiary and operating entity.

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that are based on management's best judgements. Actual results may differ from these estimates and judgements. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Fund's assets are safeguarded, transactions are accurately recorded, and the financial statements realistically report the Fund's operating and financial results in a timely manner. Financial information presented elsewhere in this annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Directors of Superior Plus Inc. is responsible for reviewing and approving the financial statements and primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting. The Audit Committee meets with management and its external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for the Board's consideration in approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board and approval by the Unitholders, the engagement or re-appointment of the external auditors.

Deloitte & Touche LLP, an independent firm of chartered accountants, was appointed by a vote of Unitholders at the Fund's last annual meeting to audit the Fund's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. Deloitte & Touche LLP has full and free access to the Audit Committee.



Geoffrey N. Mackey
President & Chief Executive Officer
Superior Plus Inc.
Calgary, Alberta
February 24, 2006

W. Mark Schweitzer
Executive Vice-President and Chief Financial Officer
Superior Plus Inc.

Auditors' Report

TO THE UNITHOLDERS OF SUPERIOR PLUS INCOME FUND:

We have audited the consolidated balance sheets of Superior Plus Income Fund as at December 31, 2005 and 2004 and the consolidated statements of net earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Alberta
February 24, 2006

Consolidated Balance Sheets

As at December 31

(millions of dollars)	2005	2004
ASSETS		(Restated)
CURRENT ASSETS		
Accounts receivable (Note 5)	**336.1**	165.0
Inventories (Note 6)	**193.4**	93.6
	529.5	258.6
Property, plant and equipment (Note 7)	**1,167.6**	741.0
Intangible assets (Note 7)	**89.4**	49.9
Goodwill (Note 7)	**541.3**	502.6
	2,327.8	1,552.1
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**280.3**	160.7
Distributions and interest payable to Unitholders and Debentureholders	**25.0**	17.0
Current portion of term loans (Note 8)	**2.0**	–
	307.3	177.7
Revolving term bank credits and term loans (Note 8)	**622.8**	446.2
Convertible unsecured subordinated debentures (Note 9)	**314.3**	116.0
Future employee benefits (Note 10)	**17.7**	18.6
Future income tax liability (Note 11)	**262.8**	121.7
TOTAL LIABILITIES	**1,524.9**	880.2
UNITHOLDERS' EQUITY		
Unitholders' capital (Note 12)	**1,338.3**	1,122.0
Retained earnings from operations	**368.4**	262.3
Accumulated distributions on trust unit equity	**(903.1)**	(711.1)
Deficit	**(534.7)**	(448.8)
Currency translation account	**(0.7)**	(1.3)
TOTAL UNITHOLDERS' EQUITY	**802.9**	671.9
	2,327.8	1,552.1

(See Notes to the Consolidated Financial Statements)

David Smith
Director

Peter Valentine
Director

Consolidated Statements of Net Earnings and Deficit

Years Ended December 31

(millions of dollars, except per trust unit amounts)	**2005**	2004
		(Restated)
REVENUES	**2,171.4**	1,552.8
Cost of products sold	**1,535.3**	1,010.0
Gross profit	**636.1**	542.8
EXPENSES		
Operating and administrative	**382.6**	313.2
Amortization of property, plant and equipment	**115.3**	78.2
Amortization of intangible assets	**6.0**	5.5
Interest on revolving term bank credits and term loans (Note 8)	**22.8**	15.5
Interest on convertible unsecured subordinated debentures	**12.9**	13.6
Amortization of convertible debenture issue costs	**1.7**	1.6
Management internalization costs (Note 16(i))	**1.3**	2.6
Income tax expense (recovery) of Superior (Note 11)	**(12.6)**	0.2
	530.0	430.4
NET EARNINGS	**106.1**	112.4
DEFICIT, BEGINNING OF YEAR	**(448.8)**	(382.1)
Net earnings	**106.1**	112.4
Distributions to Unitholders (Note 12)	**(192.0)**	(179.1)
DEFICIT, END OF YEAR	**(534.7)**	(448.8)
Net earnings per trust unit, basic (Note 13)	**$ 1.33**	$ 1.55
Net earnings per trust unit, diluted (Note 13)	**$ 1.32**	$ 1.53

(See Notes to the Consolidated Financial Statements)

Consolidated Statements of Cash Flows

Years Ended December 31

(millions of dollars)	2005	2004
		(Restated)
OPERATING ACTIVITIES		
Net earnings	**106.1**	112.4
Items not affecting cash		
Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	**123.0**	85.3
Amortization of natural gas customer acquisition costs	**2.4**	1.2
Trust unit incentive plan compensation expense (recovery) (Note 14)	**(4.6)**	3.2
Future income tax expense of Superior (Note 11)	**(21.8)**	(3.3)
Cash generated from operations before natural gas customer acquisition costs and changes in working capital	**205.1**	198.8
Natural gas customer acquisition costs capitalized	**(7.0)**	(3.1)
Increase in non-cash operating working capital items	**(58.7)**	(28.1)
Cash flows from operating activities	**139.4**	167.6
INVESTING ACTIVITIES		
Maintenance capital expenditures, net	**(17.0)**	(15.8)
Other capital expenditures, net	**(40.2)**	(6.2)
Acquisitions (Note 4)	**(471.2)**	(120.1)
Cash flows from investing activities	**(528.4)**	(142.1)
FINANCING ACTIVITIES		
Revolving term bank credits and term loans	**1.6**	142.9
Net proceeds from sale of accounts receivable (Note 5)	**–**	–
Distributions to Unitholders	**(192.0)**	(179.1)
Receipt of management internalization loans receivable (Note 16(i))	**1.3**	2.6
Proceeds from exercise of trust unit warrants (Note 12)	**16.5**	8.1
Net proceeds from issue of 5.75% Series 1 convertible unsecured subordinated debentures	**167.6**	–
Net proceeds from issue of trust units, to finance JW Aluminum Company (“JWA”) acquisition	**151.4**	–
Net proceeds from issue of 5.85% Series 1 convertible unsecured subordinated debentures, to finance JWA acquisition	**71.8**	–
JWA acquisition credit facility	**170.8**	–
Cash flows from financing activities	**389.0**	(25.5)
Change in Cash	**–**	–
Cash at Beginning and End of Year	**–**	–

(See Notes to the Consolidated Financial Statements)

Notes to Consolidated Financial Statements

(Tabular amounts in Canadian millions of dollars, unless noted otherwise, except per trust unit amounts)

1. Distributable Cash Flows

Years Ended December 31	2005	2004
		(See Note 3(b))
Cash generated from operations before natural gas customer acquisition costs and changes in working capital	**205.1**	198.8
Plus: Management internalization costs (Note 16(i))	**1.3**	2.6
Less: Maintenance capital expenditures, net	**(17.0)**	(15.8)
Amortization of natural gas customer acquisition costs	**(2.4)**	(1.2)
Distributable cash flow	**187.0**	184.4
Distributable cash flow per trust unit, basic (Note 13)	**$ 2.35**	$ 2.54
Distributable cash flow per trust unit, diluted (Note 13)	**$ 2.27**	$ 2.40

Distributable cash flow of the Superior Plus Income Fund (the "Fund") available for distribution to its unitholders ("Unitholders"), is equal to cash generated from operations before natural gas customer acquisition costs and changes in working capital, less amortization of natural gas customer acquisition costs and maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to sustain the ongoing operating capacity of Superior Plus Inc. ("Superior") and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures incurred to expand the capacity of Superior's operations or to increase its profitability ("growth capital"), are excluded from the calculation of distributable cash flow. Distributable cash flow is the main performance measure used by management and investors to evaluate Fund and business segment performance. Readers are cautioned that distributable cash flow, maintenance capital expenditures and growth capital are not defined performance measures under Canadian generally accepted accounting principles ("GAAP"), and that distributable cash flow cannot be assured. The Fund targets to pay out substantially all of its sustainable distributable cash flow through regular monthly distributions. The Fund's calculation of distributable cash flow, maintenance capital expenditures and growth capital may differ from similar calculations used by comparable entities.

2. Organization

The Fund is a limited purpose, unincorporated trust governed by the laws of the Province of Alberta. The Fund's investments in Superior are comprised of Class A and B Common Shares (the "Common Shares") and $1,469.2 million unsecured subordinated notes, due October 1, 2026, bearing interest at a weighted average rate of 12.4% (the "Shareholder Notes"). Cash is received monthly by the Fund from Superior in the form of interest income earned on the Shareholder Notes, and dividends or returns of capital received on the Common Share investment in Superior. The Fund's investments in Superior are financed by trust unit equity and convertible unsecured subordinated debentures (the "Debentures"). (See Notes 9 and 12).

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared according to GAAP applied on a consistent basis and include the accounts of the Fund, its wholly-owned subsidiary, Superior and Superior's subsidiaries. The accounting principles applied are consistent with those as set out in the Fund's annual financial statements for the year ended December 31, 2004, except as noted below. All significant transactions and balances (including the Shareholder Notes) between the Fund, Superior and Superior's subsidiaries have been eliminated on consolidation.

(b) Change in Accounting Policy

Effective January 1, 2005, the Fund retroactively adopted a new accounting policy for Superior Energy Management's natural gas customer acquisition costs. Previously, customer acquisition costs were expensed at the time natural gas deliveries commenced under new contracts. Under the new policy, customer acquisition costs are capitalized and amortized on a straight-line basis over the term of the customer contract. This new policy provides improved matching of up-front contract acquisition costs with the economic benefits derived from gas sales over the term of the customer contract. The cumulative effect of the change in policy on the balance sheet as at December 31, 2004 was to increase intangible assets by $3.1 million, increase the future income tax liability by $1.1 million and increase retained earnings from operations by $2.0 million.

For the year ended December 31, 2004, the effect of the new policy on distributable cash flow resulted in an increase of $1.9 million. The effect on net earnings was to reduce operating and administrative costs by $1.9 million and increase future income taxes by $0.7 million, resulting in an increase in net earnings of $1.2 million. The effect on basic and diluted distributable cash flow per trust unit was an increase of $0.03 to $2.54 and $2.40 per trust unit respectively. The effect on basic and diluted net earnings per trust unit was an increase of $0.02 to $1.55 and $1.53 per trust unit respectively.

(c) Business Segments

Superior operates five distinct business segments; the delivery of propane and propane related services and accessories operating under the Superior Propane trade name; the manufacture and sale of specialty chemicals and related products and services operating under the ERCO Worldwide trade name ("ERCO"); the manufacture and sale of specialty flat rolled aluminum products operating as JW Aluminum Company ("JWA" or "JW Aluminum"); the distribution of walls and ceilings construction products operating under the Winroc trade name; and the sale of natural gas under fixed-price term contracts operating under the Superior Energy Management trade name ("SEM"). (See Note 17).

(d) Accounts Receivable Sales Program

Superior has a revolving trade accounts receivable sales program under which all transactions are accounted for as sales. Losses on sales depend in part on the previous carrying amount of trade accounts receivable involved in the sales and have been included in interest on revolving term bank credits and term loans. The carrying amount is allocated between the assets sold and retained interests based on their relative fair value at the date of the sale which is calculated by discounting expected cash flows at prevailing money market rates.

(e) Inventories

SUPERIOR PROPANE

Propane inventories are valued at the lower of weighted average cost and market determined on the basis of estimated net realizable value. Appliances, materials, supplies and other inventories are stated at the lower of cost and market determined on the basis of estimated replacement cost or net realizable value, as appropriate. Superior has an inventory of appliances rented to customers under rental contracts. The book value of this inventory is carried in the inventory accounts at cost less accumulated amortization. Amortization is provided on a straight-line basis, generally over a period of five years.

ERCO WORLDWIDE

Inventories are valued at the lesser of cost and net realizable value, the cost of chemical inventories are determined on a first-in, first-out basis. Stores and supply inventories are costed on an average basis. Transactions are entered into from time to time with other companies to exchange chemical inventories in order to minimize working capital requirements and to facilitate distribution logistics. Balances related to quantities due to or payable by Superior are included in inventory.

JW ALUMINUM

Aluminum inventories are valued at the lesser of cost and net realizable value. Cost is calculated on a first-in, first-out basis.

WINROC

Inventories of building products are valued at the lower of cost and net realizable value. Cost is calculated on an average cost basis.

(f) Financial Instruments

The net carrying value of accounts receivable, including the allowance for doubtful accounts, approximates fair value due to the short-term nature of these instruments. The collection risk associated with accounts receivable that are sold pursuant to Superior's accounts receivable sales program (See Note 5), is provided for as part of Superior's overall allowance for doubtful accounts. Superior has a large number of diverse customers, which minimizes overall accounts receivable credit risk.

The carrying value of accounts payable and accrued liabilities, distributions and interest payable to Unitholders and Debentureholders approximates the fair value of these financial instruments due to their short-term maturity. The carrying value of revolving term bank credits approximate their fair values due to the floating interest rate nature and short rollover of these debt securities. The carrying value of term loans and Debentures differs from their fair values due to the fixed interest rate nature and long repayment term of these debt securities. (See Notes 8 and 9 for detailed descriptions of debt securities and mark-to-market disclosure).

(g) Property, Plant and Equipment

Property, plant, and equipment is recorded at cost less accumulated amortization. Major renewals and improvements, which extend the useful lives of equipment, are capitalized, while repair and maintenance expenses are charged to operations as incurred. Disposals are removed at carrying costs less accumulated amortization with any resulting gain or loss reflected in operations.

SUPERIOR PROPANE AND WINROC

Property, plant and equipment assets are amortized over their respective estimated useful lives using the straight-line method except for loaned propane dispensers which use the declining balance method at a rate of 10%. The estimated useful lives of major classes of property, plant and equipment are:

Buildings	20 years
Tanks and cylinders	20 years
Truck tank bodies, chassis and other Winroc distribution equipment	7 to 10 years

ERCO WORLDWIDE

Property, plant and equipment assets are amortized on a straight-line basis over estimated useful lives ranging from 3 to 25 years, with the predominant life of plant and equipment being 15 years.

JW ALUMINUM

Property, plant and equipment are amortized on a straight-line basis over estimated useful lives ranging from 5 to 25 years, with the predominant life of plant and equipment being 15 years.

(h) Intangible Assets

ERCO WORLDWIDE

The value of acquired royalty assets is amortized over the remaining term of the royalty agreements up to 10 years. The costs of patents are amortized on a straight line basis over their estimated useful lives, which approximates 10 years.

JW ALUMINUM

The value of patented and unpatented technology is amortized over the estimated useful lives, being 10 years.

DEFERRED FINANCE CHARGES

Superior defers and amortizes the issue costs incurred in conjunction with its long-term credit facilities to interest expense over the term of the credit facility or debt instrument.

CONVERTIBLE DEBENTURE ISSUE COSTS

Superior defers and amortizes Debenture issue costs over the term of the Debentures adjusted for conversions.

(i) Goodwill

The excess of the Fund's cost of investment in Superior's Common Shares and Shareholder Notes over the corresponding interest in Superior's current assets and property, plant and equipment less current liabilities, long-term debt and future income taxes on the dates of acquisition, has been attributed to goodwill. Superior's cost of subsequent acquisitions in excess of the fair value of the net assets acquired is also recorded as goodwill. Goodwill is not amortized, but is tested for impairment on an annual basis. The net carrying value of goodwill would be written down if the value were permanently impaired.

(j) Revenue Recognition

SUPERIOR PROPANE

Revenues from sales are generally recognized at the time of delivery, or when related services are performed. Amounts billed to customers for shipping and handling are classified as revenues, with the related shipping and handling costs included in cost of goods sold.

ERCO WORLDWIDE

Revenues from chemical sales are recognized as products are shipped. Revenues associated with the construction of chlorine dioxide generators are recognized using the percentage-of-completion method based on cost incurred compared to total estimated cost.

JW ALUMINUM AND WINROC

Revenue is recognized when products are delivered to the customer. Revenue is stated net of discounts and rebates granted.

SUPERIOR ENERGY MANAGEMENT

Revenues are recognized as gas is delivered to local natural gas distribution companies. Costs associated with balancing the amount of gas used by SEM's customers with the volumes delivered by SEM to the local distribution companies are recognized as period costs.

(k) Rebates – Winroc

Purchase rebates are recognized as a reduction of cost of goods sold when the related performance is completed and the inventory is sold. Vendor rebates that are contingent upon Winroc completing a specified level of purchases are recognized as a reduction of cost of goods sold based on a systematic and rational allocation of the cash consideration to each of the underlying transactions that results in progress toward earning that rebate or refund, assuming that the rebate can be reasonably estimated and it is probable that the specified target will be obtained. Otherwise, the rebate is recognized as the milestone is achieved and the inventory is sold.

(l) Future Employee Benefits

Superior has a number of defined benefit and defined contribution plans providing pension and other post-employment benefits to most of its employees, and accrues its obligations under the plans and the related costs, net of plan assets. Past service costs and actuarial gains and losses in excess of 10% are amortized into income over the expected average remaining life of the active employees participating in the plans. (See Note 10).

(m) Income Taxes

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the Unitholders. During 2005 and 2004, the Fund has allocated all of its taxable income to Unitholders, and accordingly, no provision for income taxes has been recorded at the Fund level. Superior is subject to corporate income taxes and follows the liability method of accounting for income taxes. (See Note 11).

(n) Foreign Currency Translation

The accounts of the operations of ERCO, JWA and Winroc in the United States and ERCO's operations in Chile are considered to be self-sustaining foreign operations and are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses at average rates of exchange during the period. Other monetary assets and liabilities held by Superior are converted using the current rate method.

(o) Stock-Based Compensation

Superior has a Trust Unit Incentive Plan ("TUIP") as described in Note 14. The TUIP is a Stock Appreciation Right as defined by the Canadian Institute of Chartered Accountants ("CICA"). Compensation expense recognized represents the difference between the market price of the trust units and the grant price for the outstanding options multiplied by the number of options, reflecting the vesting features of the plan. Upon exercise, the compensation is settled in trust units of the Fund.

(p) Net Earnings per Trust Unit

Basic net earnings per trust unit is calculated by dividing the net earnings by the weighted average number of trust units outstanding during the period. The weighted average number of trust units outstanding during the year is calculated using the number of trust units outstanding at the end of each month during the year. Diluted net earnings per trust unit is calculated by factoring in the dilutive impact of the dilutive instruments, including the exercise of trust unit options, the conversion of Debentures to trust units, and the exercise of trust unit warrants. Superior uses the treasury stock method to determine the impact of dilutive instruments, which assumes that the proceeds from in-the-money trust unit options are used to repurchase trust units at the average market price during the period.

(q) Derivative Financial Instruments

Superior utilizes derivative and other financial instruments to manage its exposure to market risks related to interest rates, foreign currency exchange rates and commodity prices. Gains or losses relating to derivatives that are hedges are deferred and recognized in the same period and in the same financial statement category as the gains and losses on the corresponding hedged transactions.

A derivative must be designated and effective to be accounted for as a hedge. For cash flow hedges, effectiveness is achieved if the changes in the cash flows of the derivatives substantially offset the changes in the cash flows of the hedged position and the timing of cash flows is similar. In the event that a derivative does not meet the designation or effectiveness criterion, the gain or loss on the derivative is recognized in income. If a derivative that qualifies as a hedge is settled early, the gain or loss at settlement is deferred and recognized when the gain or loss on the hedged transaction is recognized. Premiums paid or received with respect to derivatives that are hedges are deferred and amortized to income over the term of the hedge.

Interest Rate Hedging

Superior enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt from a fixed to floating rate basis or vice versa. The differential between the amounts paid and received is accrued and recognized as an adjustment to interest expense related to the underlying debt.

Foreign Exchange Hedging

Superior enters into foreign exchange contracts to hedge the effect of exchange rate changes on identifiable foreign currency denominated revenues and expenses in order to mitigate the potential negative impact of foreign exchange rate fluctuations. (See Note 15(iv)).

Superior has foreign currency denominated assets and liabilities which create an exposure to changes in exchange rates. Superior uses a combination of foreign currency derivatives and US dollar denominated debt to hedge this net exposure.

Electrical Hedging

ERCO uses fixed cost electrical contracts in deregulated electrical markets to help mitigate fluctuations in electricity costs which are the most significant variable productions costs. (See Note 15(iii)).

Commodity Price Hedging

SUPERIOR PROPANE

Superior Propane offers various fixed price propane sales programs to its customers. Customer fixed price volume commitments are resourced with a combination of physical inventory and forward purchase contracts for similar terms, in order to mitigate the potential negative impact of a change in propane commodity pricing.

JW ALUMINUM

JWA fixes the price of metal input costs through a combination of physical inventory and forward purchase contracts upon request by its customers. JWA uses fixed price natural gas contracts to mitigate fluctuations in natural gas costs which are a significant variable production cost.

SUPERIOR ENERGY MANAGEMENT

SEM offers fixed price natural gas contracts to its natural gas customers for terms of up to five years. Fixed price customer volume commitments are resourced with a combination of physical and financial contracts for similar terms, in order to mitigate the potential negative impact of a change in natural gas commodity pricing.

4. Acquisitions

The following acquisitions were completed by Superior during 2005 and 2004:

On October 19, 2005, Superior acquired the shares of JW Aluminum Holding Company, a leading manufacturer of specialty flat rolled aluminum products in the United States, for consideration of $405.4 million (US $344.2 million).

On June 7, 2005, ERCO acquired a chloralkali/potassium business in Port Edwards, Wisconsin for consideration of $22.4 million (the “Port Edwards” acquisition).

On April 11, 2005, Winroc acquired the shares of Leon’s Insulation Inc., and associated entities (collectively “Leon’s”), a distributor of specialty walls and ceilings construction products for consideration of $31.7 million of which $28.7 million was paid in cash (net of $5.3 million in cash acquired). Notes payable of $3.0 million bears interest at the prime bank rate and is repayable over a five year period. Additional consideration of up to $5.0 million is contingently payable over a period of five years based upon Leon’s achieving specified annual targets. Future payments will be treated as additional consideration as the amounts become payable, with a corresponding increase to goodwill.

On February 2, 2005, Superior Propane acquired the business of Foster Energy Corporation, a wholesale marketer of natural gas liquids, for consideration of $25.6 million of which $14.7 million was paid in cash (net of $2.3 million in cash acquired). Deferred consideration is payable over a five-year period and has been recorded at its fair market value of $10.9 million, calculated by discounting future cash payments. Foster Energy is now being operated under the trade name Superior Gas Liquids (“SGL”).

On December 7, 2004, Winroc acquired the assets of Interior Building Supplies Company Ltd. (“IBS”), for consideration of $12.2 million.

On June 11, 2004, Superior acquired all of the shares of the Winroc Corporation, Winroc Supplies Ltd. and Allroc Building Products Ltd. (collectively “Winroc”), a distributor of specialty walls and ceiling construction products in North America, for consideration of $104.2 million.

During 2004, Superior Propane acquired the assets of one propane-related business and one fuel oil distribution business, for consideration of $3.7 million.

Using the purchase method of accounting for acquisitions, Superior consolidated the assets and liabilities from the acquisitions and included earnings as of the closing dates. The consideration paid for these acquisitions has been allocated as follows:

	2005				
	Acquisition of JWA	**ERCO's Acquisition of Port Edwards**	**Winroc's Acquisition of Leon's**	**Superior Propane's Acquisition of SGL**	**Total**
Cash consideration paid	**403.6**	**21.6**	**28.2**	**14.6**	**468.0**
Transaction costs	**1.8**	**0.8**	**0.5**	**0.1**	**3.2**
Total cash consideration	**405.4**	**22.4**	**28.7**	**14.7**	**471.2**
Notes payable and deferred consideration [(1)]	**–**	**–**	**3.0**	**10.9**	**13.9**
Total consideration	**405.4**	**22.4**	**31.7**	**25.6**	**485.1**
Property, plant and equipment	**468.9**	**22.1**	**3.1**	**–**	**494.1**
Goodwill	**–**	**–**	**16.2**	**22.7**	**38.9**
Intangibles	**31.0**	**–**	**2.0**	**1.3**	**34.3**
Working capital, net	**71.1**	**3.2**	**10.4**	**1.6**	**86.3**
Future income tax liability	**(165.6)**	**–**	**–**	**–**	**(165.6)**
Other liabilities	**–**	**(2.9)**	**–**	**–**	**(2.9)**
	405.4	**22.4**	**31.7**	**25.6**	**485.1**

(1) Notes payable and deferred consideration are unsecured obligations and have been included in revolving term bank credits and term loans on the Consolidated Balance Sheets.

	2004			
	Winroc's Acquisition of IBS	Acquisition of Winroc	Superior Propane Acquisitions	Total
Cash consideration paid	11.9	103.2	3.7	118.8
Transaction costs	0.3	1.0	–	1.3
Total cash consideration	12.2	104.2	3.7	120.1
Property, plant and equipment	0.9	18.2	1.4	20.5
Goodwill	6.0	52.5	1.0	59.5
Working capital, net	5.8	37.1	1.3	44.2
Other liabilities	(0.5)	(3.6)	–	(4.1)
	12.2	104.2	3.7	120.1

5. Accounts Receivable

Superior sells, with limited recourse, certain trade accounts receivable on a revolving basis to an entity sponsored by a Canadian chartered bank, and has accounted for the sales in accordance with the CICA guidelines relating to transfers of receivables. The accounts receivable are sold at a discount to face value based on prevailing money market rates. Superior has retained the servicing responsibility for the accounts receivable sold and has therefore recognized a servicing liability. The level of accounts receivable sold under the program fluctuates seasonally with the level of accounts receivable. At December 31, 2005, proceeds of $100.0 million (2004 – $100.0 million) had been received. The fair value of the retained interest arising from the sale at December 31, 2005 was $12.9 million (2004 – $13.1 million) and was estimated by discounting expected cash flows at prevailing money market rates.

Cash flows related to this sales program were as follows:

	2005	2004
Net proceeds, beginning	**100.0**	100.0
Proceeds from collections re-invested in revolving period sales	**1,116.0**	1,164.2
Remittances of amounts collected on sales	**(1,116.0)**	(1,164.2)
Net proceeds from accounts receivable sales	**100.0**	100.0

6. Inventories

	2005	2004
Propane	**77.9**	31.2
Propane retailing materials, supplies, appliances and other	**13.2**	15.0
Chemical finished goods and raw materials	**8.9**	7.7
Chemical stores, supplies and other	**9.9**	8.7
Aluminum finished goods, raw materials and other	**47.2**	–
Walls and ceilings construction products	**36.3**	31.0
	193.4	93.6

7. Property, Plant and Equipment, Intangible Assets and Goodwill

	2005			2004		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**28.5**	**–**	**28.5**	26.3	–	26.3
Buildings	**115.5**	**28.5**	**87.0**	103.9	20.6	83.3
ERCO plant and equipment	**662.1**	**168.1**	**494.0**	600.8	87.6	513.2
Superior Propane retailing equipment	**388.1**	**298.0**	**90.1**	392.9	290.1	102.8
JWA plant and equipment	**453.8**	**7.1**	**446.7**	–	–	–
Winroc distribution equipment	**25.8**	**4.5**	**21.3**	17.6	2.2	15.4
Property, plant and equipment	**1,673.8**	**506.2**	**1,167.6**	1,141.5	400.5	741.0
ERCO royalty assets and patents	**49.0**	**14.9**	**34.1**	50.6	10.3	40.3
JWA technology assets	**30.7**	**0.6**	**30.1**	–	–	–
Winroc intangible assets	**2.1**	**0.2**	**1.9**	–	–	–
Superior Propane intangible assets	**2.8**	**1.8**	**1.0**	–	–	–
Natural gas customer acquisition costs	**11.7**	**4.0**	**7.7**	4.6	1.5	3.1
Deferred finance charges	**21.4**	**6.8**	**14.6**	11.3	4.8	6.5
Intangible assets	**117.7**	**28.3**	**89.4**	66.5	16.6	49.9
Goodwill	**633.4**	**92.1**	**541.3**	594.7	92.1	502.6
Total property, plant and equipment, Intangible assets and Goodwill	**2,424.9**	**626.6**	**1,798.3**	1,802.7	509.2	1,293.5

During the year, ERCO determined that it would shut down its chlorate manufacturing facility in Thunder Bay, Ontario during the first quarter of 2006, as a result of high electrical costs. As at December 31, 2005, the remaining net book value of the facility is $5.7 million and will be amortized prior to its closure. During 2005, amortization incurred with respect to this facility was $41.1 million.

In connection with the closure, ERCO has recorded $1.1 million in costs for the year ended December 31, 2005, related to severance. The remainder of the costs associated with the plant closure are expected to be approximately $3.9 million and will be recognized and recorded in the period in which they are incurred.

8. Revolving Term Bank Credits and Term Loans

	Maturity Dates	Effective Interest Rates [4]	2005	2004
Revolving term bank credits [1]				
Bankers Acceptances ("BA")	2008	Floating BA rate plus applicable credit spread	**137.7**	176.8
LIBOR Loans (US$95.3 million; 2004 – US$58.3 million)	2008	Floating LIBOR rate plus applicable credit spread	**111.1**	70.1
			248.8	246.9
Other Debt				
Notes payable	2009, 2010	Prime	**8.0**	5.0
Deferred consideration	2010	Non-interest bearing	**11.3**	–
Mortgage payable (US$0.9 million; 2004 – US$1.4 million)	2011	7.53%	**1.1**	1.7
			20.4	6.7
Senior Secured Notes				
JWA acquisition credit facility (US$145.0 million) [2]	2007	Floating LIBOR rate plus applicable credit spread	**169.1**	–
Senior secured notes subject to floating interest rates (US$85.0 million; 2004 – US $85.0 million) [3]	2015	Floating LIBOR plus1.7%	**99.1**	102.3
Senior secured notes subject to fixed interest rates (US$75.0 million; 2004 – US $75.0 million) [3]	2013, 2015	6.65%	**87.4**	90.3
			355.6	192.6
Total revolving term bank credits and loans			**624.8**	446.2
Less current maturities			**2.0**	–
Revolving term bank credits and term loans			**622.8**	446.2

(1) During 2005, Superior and its wholly-owned subsidiaries, Superior Plus US Holdings Inc. and Commercial e Industrial ERCO (Chile) Limitada, renewed and expanded their secured revolving term bank credit facilities. Superior has revolving term credit capacity of $425.0 million, an increase of $70.0 million from December 31, 2004 levels. These facilities are secured by a general charge over the assets of Superior and certain of its subsidiaries.

(2) On October 19, 2005, Superior Plus US Holdings Inc. entered into a secured non-revolving term bank facility for US $145.0 million (Cdn$169.1 million at December 31, 2005) to partially finance the acquisition of JWA. The facility is secured by a general charge over the assets of Superior and certain of its subsidiaries.

(3) Senior Secured Notes (the "Notes") totaling US$160.0 million (Cdn$186.5 million at December 31, 2005) are secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments begin in 2009. The estimated fair value of the Notes at December 31, 2005 was Cdn$183.5 million. In conjunction with the issue of the Notes, Superior swapped US$85.0 million (CDN $99.1 million at December 31, 2005) of the fixed rate obligation into a US dollar floating rate obligation. The estimated fair value of the US$85.0 million interest rate swap at December 31, 2005 was a gain of $0.2 million (2004 – $2.4 million gain).

(4) The fixed interest rate obligation on $100.0 million of the Fund's Debentures (see Note 9) was swapped into a floating-rate obligation. The estimated fair value of this swap agreement at December 31, 2005 was a gain of $2.6 million (2004 – $5.8 million gain).

Repayment requirements of the revolving term bank credits and term loans are as follows:

Current portion	2.0
Due in 2007	171.1
Due in 2008	251.0
Due in 2009	12.6
Due in 2010	5.1
Subsequent to 2010	183.0
Total	624.8

Interest paid on revolving term bank credits and term loans during 2005 amounted to $22.8 million (2004 – $15.5 million) comprised of $26.1 million (2004 – $22.3 million) related to debt, net of payments received of $3.3 million (2004 – $6.8 million) under interest rate swap agreements.

9. Convertible Unsecured Subordinated Debentures

The Fund has issued four series of Debentures denoted as 8% Series 1, 8% Series 2, 5.75% Series 1 and 5.85% Series 1 as follows:

	Series 1	Series 2	Series 1	Series 1	Unamortized Discount	Total Carrying Value
Maturity date	July 31, 2007	November 1, 2008	December 31, 2012	October 31, 2015		
Fixed distribution rate	8.0%	8.0%	5.75%	5.85%		
Conversion price per trust unit	$16.00	$20.00	$36.00	$31.25		
Debentures outstanding December 31, 2003	25.6	208.9			(1.5)	233.0
Conversion of Debentures and amortization of discount during 2004	(11.7)	(106.3)			1.0	(117.0)
Debentures outstanding December 31, 2004	13.9	102.6			(0.5)	116.0
Issuance of 5.75% Series 1 Debentures on June 14, 2005			175.0		(3.1)	171.9
Issuance of 5.85% Series 1 Debentures on October 19, 2005				75.0	(0.6)	74.4
Conversion of Debentures and amortization of discount during 2005	(5.0)	(43.3)	(0.1)	–	0.4	(48.0)
Debentures outstanding December 31, 2005	8.9	59.3	174.9	75.0	(3.8)	314.3
Quoted market value December 31, 2005	13.3	72.4	177.6	77.6		

The Debentures may be converted into trust units at the option of the holder at any time prior to maturity and may be redeemed by the Fund in certain circumstances. The Fund may elect to pay interest and principal upon maturity or redemption by issuing trust units to a trustee in the case of interest payments, and to the Debenture holders in the case of payment of principal. The number of any trust units issued will be determined based on market prices for the trust units at the time of issuance.

10. Future Employee Benefits

Superior Propane and ERCO Worldwide have defined benefit ("DB") and defined contribution ("DC") pension plans covering most employees. The benefits provided under DB pension plans are based on the employees' years of service and on the highest average earnings for a specified number of consecutive years. Information about Superior's DB and other post-retirement benefit plans as at December 31, 2005 and 2004 in aggregate, is as follows:

	Superior Propane Pension Benefit Plans [1]		ERCO Pension Benefit Plans		Total Other Benefit Plans	
	2005	2004	**2005**	2004	**2005**	2004
Accrued benefit obligation, beginning of year	**52.9**	53.3	**50.2**	44.8	**17.3**	18.9
Current service cost	**0.3**	0.3	**2.2**	2.1	**0.4**	0.2
Past service cost	**–**	–	**–**	–	**–**	–
Interest cost	**3.1**	3.2	**3.0**	3.0	**1.1**	1.0
Benefits paid	**(4.0)**	(3.9)	**(1.9)**	(0.8)	**(1.1)**	(1.1)
Actuarial loss (gain)	**3.7**	–	**3.4**	1.1	**8.2**	(1.7)
Accrued benefit obligation, end of year	**56.0**	52.9	**56.9**	50.2	**25.9**	17.3
Fair value of plan assets, beginning of year	**64.3**	65.5	**39.7**	30.2	**–**	–
Actual return on plan assets	**5.3**	5.3	**3.6**	2.6	**–**	–
Transfers to defined contribution plan	**(2.2)**	(2.6)	**–**	–	**–**	–
Employer contributions	**–**	–	**3.7**	7.7	**1.1**	1.1
Benefits paid	**(4.0)**	(3.9)	**(1.9)**	(0.8)	**(1.1)**	(1.1)
Fair value of plan assets, end of year	**63.4**	64.3	**45.1**	39.7	**–**	–
Funded status – plan surplus (deficit)	**7.4**	11.4	**(11.8)**	(10.5)	**(25.9)**	(17.3)
Unamortized net actuarial loss	**18.8**	16.9	**3.3**	0.7	**10.8**	2.8
Unamortized past service costs	**–**	–	**0.9**	1.2	**–**	–
Unamortized transitional asset	**(0.3)**	(0.7)	**–**	–	**–**	–
Accrued net benefit asset [1]	**25.9**	27.6				
Accrued net benefit obligation			**(7.6)**	(8.6)	**(15.1)**	(14.5)
Current portion of accrued net benefit obligation recorded in accounts payable and accrued liabilities			**(3.9)**	(3.4)	**(1.1)**	(1.1)
Long-term accrued net benefit obligation (2005: $17.7 million; 2004: $18.6 million)			**(3.7)**	(5.2)	**(14.0)**	(13.4)

(1) None of which is recorded on the balance sheet or income statement.

The accrued net benefit obligation related to the ERCO Worldwide pension benefit plan in 2005 was $7.6 million (2004 – $8.6 million) and an expense of $2.6 million (2004 – $2.7 million) which have been recorded in the consolidated financial statements.

The accrued net benefit obligation related to the total other benefit plans of Superior Propane and ERCO Worldwide in 2005 was $15.1 million (2004 – $14.5 million) and an expense of $1.7 million (2004 – $1.4 million) which have been recorded in the consolidated financial statements.

Superior's DC pension plans are fully funded by their nature. Accordingly, DC pension plan assets equal the related obligation. The total cost of Superior Propane's DC plan in 2005 was $2.2 million (2004 – $2.6 million) and was fully funded and offset by the return earned on the unrecognized DB plan's net benefit asset. Superior Propane expects to continue to fund its required annual obligation under the DC pension plan over the medium term from returns earned on the DB plan's net benefit asset.

The significant actuarial assumptions adopted in measuring accrued benefit obligations are as follows:

	DB Plans		Other Benefit Plans	
	2005	2004	**2005**	2004
Discount rate	**5.25%**	6.00%	**5.25%**	6.00%
Expected long-term rate-of-return on plan assets [1]	**7.00%**	7.00%	**–**	–
Rate of compensation increase	**3.25%**	4.00%	**3.25%**	4.00%

(1) Based on market related values.

The weighted average annual assumed health care cost inflation trend used in the calculation of accrued Other Benefit Plan Obligations is 10.0% initially, decreasing gradually to 5.0% in 2010 and thereafter. A 1% change in the health care trend rate would result in a change to the accrued benefit obligation of $2.6 million and a change to the current service expense of $0.3 million.

The most recent funding valuation dates for Superior's defined benefits plans range from January 1, 2003 to December 31, 2005. The next funding valuation dates are scheduled between January 1, 2006 and December 31, 2008.

The fair value of defined benefit plan assets at December 31, 2005 are comprised of the following major investment categories: Cash and cash equivalents 1% (2004 – 2%); Bonds 46% (2004 – 41%); Equities 53% (2004 – 57%).

11. Income Taxes of Superior

The Fund is a unit trust for income tax purposes and is only taxable on any taxable income not allocated to the Unitholders. During 2005 and 2004, the Fund has allocated all of its taxable income to the Unitholders and accordingly no provision for income taxes was recorded at the Fund level. A provision for income taxes was recognized for the Fund's subsidiaries that are subject to tax, including large corporation tax, provincial capital taxes, United States income tax and United States non-resident withholding tax.

Total income taxes are different than the amount computed by applying the Canadian enacted statutory rate for 2005 of 33.6% (2004 – 33.9%). The reduction in statutory rates reflects previously enacted Federal and Alberta tax rate reductions. The reasons for these differences are as follows:

	2005	2004
		(See Note 3(b))
Net earnings	**106.1**	112.4
Income of the Fund taxed directly in the hands of the Unitholders	**(144.9)**	(121.9)
Income tax expense (recovery) of Superior	**(12.6)**	0.2
Loss of the Fund before taxes and after distribution of income to Unitholders	**(51.4)**	(9.3)
Computed income tax recovery	**(17.3)**	(3.1)
Higher effective foreign tax rates	**1.7**	–
Changes in future federal and provincial income tax rates	**(1.6)**	(0.4)
Federal and provincial capital taxes	**3.4**	3.5
Non-deductible costs and other	**1.2**	0.2
Income tax expense (recovery) of Superior	**(12.6)**	0.2

The components of the future income tax liability as at December 31, 2005 and 2004 are as follows:

	2005	2004
		(See Note 3(b))
Carrying value of tangible assets over tax values	**(284.1)**	(150.8)
Accounting reserves, deductible when paid	**15.8**	14.7
Benefit of tax loss carry forwards	**6.4**	14.0
Other	**(0.9)**	0.4
Future income tax liability	**(262.8)**	(121.7)

Taxes paid during 2005 totaled $9.2 million (2004 – $3.5 million) and were comprised solely of federal large corporation tax, provincial capital tax of $3.4 million (2004 – $3.5 million), United States income tax and United States non-resident withholding tax of $5.8 million (2004 – Nil).

12. Unitholders' Equity

Authorized

The Fund may issue an unlimited number of trust units. Each trust unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All trust units are of the same class with equal rights and privileges.

	Issued Number of Trust Units (millions)	Unitholders' Equity
Unitholders' equity, December 31, 2003 [(1)]	69.4	611.7
Conversion of Debentures – (8% Series 1 – $11.7 million converted @ $16 per trust unit; and 8% Series 2 – $106.3 million converted @ $20 per unit) (Note 9)	6.0	114.4
Exercise of trust unit options (Note 14)	0.1	–
Exercise of trust unit warrants	0.4	8.1
Trust unit incentive plan compensation expense (Note 14)	–	3.2
Repayment of management internalization loans receivable (Note 16(i))	–	2.6
Currency translation adjustment	–	(1.4)
Net earnings [(1)]	–	112.4
Distribution to Unitholders	–	(179.1)
Unitholders' equity, December 31, 2004 [(1)]	75.9	671.9
Conversion of Debentures – (8% Series 1 – $5.0 million converted @ $16 per trust unit 8% Series 2 – $43.3 million converted @ $20 per trust unit, and 5.75% Series 1 – $0.1 million converted @ $36 per trust unit) (Note 9)	2.6	48.0
Exercise of trust unit warrants	0.8	16.5
Trust unit incentive plan compensation recovery (Note 14)	–	(4.6)
Repayment of management internalization loans receivable (Note 16(i))	–	1.3
Trust units issued to finance the JW Aluminum acquisition	6.2	151.4
Option value associated with the issue of 5.75% and 5.85% Series 1 debentures	–	3.7
Currency translation adjustment	–	0.6
Net earnings	–	106.1
Distributions to Unitholders	–	(192.0)
Unitholders' equity, December 31, 2005	**85.5**	**802.9**

(1) See Note 3(b).

Unitholders' capital and deficit as at December 31, 2005 and 2004 consists of the following components:

	2005	2004
		(See Note 3(b))
Unitholders' capital		
Trust unity equity	**1,332.3**	1,114.5
Conversion feature on warrants and convertible debentures	**4.8**	1.6
Contributed surplus	**1.2**	5.9
	1,338.3	1,122.0
Deficit		
Retained earnings from operations	**368.4**	262.3
Accumulated distributions on trust unit equity	**(903.1)**	(711.1)
	(534.7)	(448.8)

At December 31, 2005, the Fund had 2.3 million trust unit warrants outstanding (2004 – 3.1 million), exerciseable at $20 per trust unit warrant. The trust unit warrants expire May 8, 2008.

13. Net Earnings and Distributable Cash Flow per Trust Unit

	2005	2004
Net earnings per trust unit computation, basic		
Net earnings	**106.1**	112.4
Weighted average trust units outstanding	**79.7**	72.7
Net earnings per trust unit, basic	**$1.33**	$1.55
Distributable cash flow per trust unit computation, basic		
Distributable cash flow	**187.0**	184.4
Weighted average trust units outstanding	**79.7**	72.7
Distributable cash flow per trust unit, basic	**$2.35**	$2.54
Net earnings per trust unit computation, diluted		
Net earnings		
Dilutive effect of:	**106.1**	112.4
Debentures	**0.8**	1.7
Net earnings, assuming dilution	**106.9**	114.1
Net earnings, weighted average trust units outstanding	**79.7**	72.7
Dilutive effect of:		
Debentures	**0.6**	1.1
Trust unit options	**0.1**	0.2
Trust unit warrants	**0.8**	0.8
Weighted average trust units outstanding, assuming dilution	**81.2**	74.8
Net earnings per trust unit, diluted	**$1.32**	$1.53
Distributable cash flow per trust unit computation, diluted		
Distributable cash flow	**187.0**	184.4
Dilutive effect of:		
Debentures	**13.1**	14.0
Distributable cash flow, assuming dilution	**200.1**	198.4
Distributable cash flow, weighted average trust units outstanding	**79.7**	72.7
Dilutive effect of:		
Debentures	**7.4**	9.1
Trust unit options	**0.1**	0.2
Trust unit warrants	**0.8**	0.8
Weighted average trust units outstanding, assuming dilution	**88.0**	82.8
Distributable cash flow per trust unit, diluted	**$2.27**	$2.40

Trust unit options and Debentures that were anti-dilutive were excluded from this calculation.

14. Trust Unit Incentive Plan ("TUIP")

Under the terms of the Fund's TUIP, market growth options may be issued to directors, senior officers and employees of Superior. The number of trust units issued is equal to the growth in value of the options at the time the options are exercised, represented by the market price less the exercise price times the number of options exercised, divided by the current market price of the trust units issued. Under the terms of the TUIP, options granted prior to 2003 were granted for a four-year term and are exercisable as to one-third immediately and an additional one-third on the first and second anniversary of the date of grant. Options granted subsequent to 2003 were granted for a five-year term and are exercisable as to one-fifth immediately, and an additional one-fifth on each anniversary date of the grant. During 2005, a nominal amount of trust units were issued under the TUIP (2004 – 0.1 million trust units).

A summary of the status of the Fund's TUIP as at December 31, 2005 and 2004 and changes during these years is summarized below:

	2005		2004	
	Options (000's)	**Weighted Average Exercise Price**	Options (000's)	Weighted Average Exercise Price
Options outstanding at beginning of year	**960**	**$ 20.71**	1,060	$ 19.60
Granted	**298**	**28.75**	118	26.26
Exercised	**(81)**	**19.56**	(193)	17.92
Forfeited	**–**	**–**	(25)	21.37
Options outstanding at end of year	**1,177**	**$ 22.82**	960	$ 20.71
Options exercisable at end of year	**563**	**$ 21.24**	403	$ 20.09

The following summarizes information about the trust unit options outstanding as at December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	(000's) Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	(000's) Outstanding	Weighted Average Exercise Price
$17.46 – $21.00	756	2.4	$ 19.72	446	$ 19.65
$22.80 – $28.76	193	3.3	$ 25.14	71	$ 24.82
$29.29 – $32.19	228	4.4	$ 31.18	46	$ 31.18

15. Commitments

(i) Lease commitments for rail cars, premises and other equipment for the next five years and thereafter are as follows:

2006	22.5
2007	19.1
2008	15.8
2009	10.5
2010	6.6
2011 and thereafter	17.4

(ii) Purchase commitments under long-term natural gas, aluminum and propane contracts for the next five years and thereafter are as follows:

	Cdn$ Natural Gas	US$ Natural Gas	US$ Aluminum	US$ Propane
2006	63.3	155.6	44.4	12.6
2007	46.9	127.0	–	–
2008	41.7	116.7	–	–
2009	39.0	107.9	–	–
2010	21.0	52.9	–	–
2011 and thereafter	1.1	0.9	–	–

Superior is similarly committed to long-term natural gas and propane sales contracts to supply customers.

(iii) ERCO Worldwide has entered into fixed-price electricity purchase contracts for a portion of its Alberta power requirements, for up to twelve years at an average cost of $45.00 per megawatt hour. Commitments for the next five years and thereafter are as follows:

2006	22.0
2007	17.7
2008	17.7
2009	17.7
2010	17.7
2011 and thereafter	124.2

(iv) Superior has entered into long-term forward contracts to purchase US dollars in order to hedge US dollar out-flows of SEM net of in-flows of ERCO Worldwide as follows:

	Net US$ Purchases	Conversion Rate
2006	26.4	1.25
2007	53.7	1.23
2008	100.1	1.22
2009	107.2	1.21
2010	52.9	1.17
2011 and thereafter	1.2	1.14

As at December 31, 2005, the net mark-to-market loss on long-term foreign currency forward contracts was $16.3 million (2004 – $8.7 million).

(v) ERCO Worldwide has entered into a long-term agreement with CMPC Celulosa S.A. (“CMPC”), a division of Empresas S.A. to supply sodium chlorate to CMPC’s three pulp mills in Chile. As part of this agreement, ERCO Worldwide will construct a sodium chlorate manufacturing plant adjacent to the CMPC Pacifico Mill at an estimated total cost of $65 million. The new plant is scheduled to start-up in mid-2006. Cumulative expenditures to December 31, 2005 were $28.9 million (2004 – $1.4 million).

16. Related Party Transactions and Agreements

(i) Management Internalization Transaction

On May 8, 2003, Superior completed the internalization of its management and administration agreements. The internalization process resulted in the elimination of management incentive and administration fees effective January 1, 2003. The funds paid to the Manager and Administrator to terminate the contracts were immediately re-invested into trust units and warrants. As part of the internalization transaction, non-interest-bearing loans aggregating $6.5 million were advanced to the executive officers and were used to fund the purchase of 0.325 million trust units at $20.00 per trust unit. The loans are repayable over a four-year period in the form of annual retention bonuses of which $1.3 million was repaid in 2005 (2004 – $2.6 million). As at December 31, 2005, the

remaining loans receivable of $2.6 million (2004 – $3.9 million) have not been recorded as an asset by Superior, but have been deducted directly from Unitholders' equity, in recognition of the uncertainty of collection over the remaining two years.

(ii) Management Trust Unit Purchase Plan Loan Guarantee

A number of senior employees of Superior have obtained guarantees from Superior under the terms of the Management Trust Unit Purchase Plan (the "MTUPP"), whereby participants may acquire trust units of the Fund through open market purchases in pledge accounts established by individual participants with an investment dealer. Participants borrow directly from a chartered bank the entire cash amount required to make the trust unit purchases with Superior guaranteeing up to 66% of the loan amount. As at December 31, 2005, the aggregate quoted market value of trust units owned under the MTUPP was $4.1 million (2004 – $3.0 million). The aggregate amount of participant loans from a chartered bank was $4.0 million (2004 – $1.9 million), which were supported by guarantees of Superior aggregating $2.6 million (2004 – $1.2 million).

17. Business Segments

Superior operates five distinct business segments: the delivery of propane and propane related services and accessories operating under the Superior Propane trade name; the manufacture and sale of specialty chemicals and related products and services operating under the ERCO Worldwide trade name ("ERCO"); the manufacture and sale of specialty flat rolled aluminum products operating as JW Aluminum Company ("JWA" or "JW Aluminum"); the distribution of walls and ceilings construction products operating under the Winroc trade name; and the sale of natural gas under fixed-price term contracts operating under the Superior Energy Management trade name ("SEM"). Superior's corporate office arranges intersegment foreign exchange contracts from time to time between its business segments. Intersegment revenues and cost of sales pertaining to intersegment foreign exchange gains and losses are eliminated under the Corporate cost column.

For the year ended December 31, 2005	Superior Propane	ERCO	JWA [1]	Winroc	SEM	Corporate	Total Consolidated
Revenues	856.2	431.6	112.2	486.6	288.4	(3.6)	2,171.4
Cost of products sold	571.8	224.7	99.7	368.8	273.9	(3.6)	1,535.3
Gross profit	284.4	206.9	12.5	117.8	14.5	–	636.1
Expenses							
Operating and administrative	186.6	101.9	2.2	78.6	9.2	4.1	382.6
Amortization of property, plant and equipment	17.9	87.4	7.3	2.7	–	–	115.3
Amortization of intangible assets	–	5.1	0.6	0.3	–	–	6.0
Interest on revolving term bank credits and term loans	–	–	–	–	–	22.8	22.8
Interest on convertible unsecured subordinated debentures	–	–	–	–	–	12.9	12.9
Amortization of convertible debenture issue costs	–	–	–	–-	–	1.7	1.7
Management internalization costs	–	–	–	–	–	1.3	1.3
Income tax expense (recovery) of Superior	28.8	5.1	(0.7)	14.1	1.9	(61.8)	(12.6)
	233.3	199.5	9.4	95.7	11.1	(19.0)	530.0
Net earnings	51.1	7.4	3.1	22.1	3.4	19.0	106.1
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	17.9	92.5	7.9	3.0	–	1.7	123.0
Future income tax expense (recovery)	28.0	1.3	(1.9)	10.7	1.9	(61.8)	(21.8)
Trust unit incentive plan recovery	–	–	–	–	–	(4.6)	(4.6)
Management internalization costs	–	–	–	–	–	1.3	1.3
Less: Maintenance capital expenditures, net	(2.8)	(8.1)	(0.5)	(5.6)	–	–	(17.0)
Distributable cash flow	94.2	93.1	8.6	30.2	5.3	(44.4)	187.0

[1] JWA was acquired October 19, 2005.

For the year ended December 31, 2004	Superior Propane	ERCO	JWA [1]	Winroc [2]	SEM [3]	Corporate	Total Consolidated
Revenues	720.2	396.0	–	229.0	211.3	(3.7)	1,552.8
Cost of products sold	433.5	202.8	–	179.5	197.9	(3.7)	1,010.0
Gross profit	286.7	193.2	–	49.5	13.4	–	542.8
Expenses							
Operating and administrative	173.9	92.2	–	31.3	5.7	10.1	313.2
Amortization of property, plant and equipment	22.1	53.4	–	2.7	–	–	78.2
Amortization of intangible assets	–	5.5	–	–	–	–	5.5
Interest on revolving term bank credits and term loans	–	–	–	–	–	15.5	15.5
Interest on convertible unsecured subordinated debentures	–	–	–	–	–	13.6	13.6
Amortization of deferred convertible debenture issue costs	–	–	–	–	–	1.6	1.6
Management internalization costs	–	–	–	–	–	2.6	2.6
Income tax expense (recovery) of Superior	32.6	15.5	–	5.5	2.8	(56.2)	0.2
	228.6	166.6	–	39.5	8.5	(12.8)	430.4
Net earnings	58.1	26.6	–	10.0	4.9	12.8	112.4
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	22.1	58.9	–	2.7	–	1.6	85.3
Future income tax expense (recovery)	31.4	13.4	–	4.3	2.8	(55.2)	(3.3)
Trust unit incentive plan expense	–	–	–	–	–	3.2	3.2
Management internalization costs	–	–	–	–	–	2.6	2.6
Less: Maintenance capital expenditures, net	(5.6)	(7.6)	–	(2.6)	–	–	(15.8)
Distributable cash flow	106.0	91.3	–	14.4	7.7	(35.0)	184.4

[1] JWA was acquired October 19, 2005.

[2] Winroc was acquired June 11, 2004.

[3] See Note 3(b).

TOTAL ASSETS, NET WORKING CAPITAL, ACQUISITIONS AND OTHER CAPITAL EXPENDITURES

	Superior Propane	ERCO	JWA [1]	Winroc [2]	SEM [3]	Corporate	Total Consolidated
As at December 31, 2005							
Net working capital	101.8	(3.1)	84.9	64.1	(8.3)	9.8	249.2
Total assets	695.2	738.8	622.2	194.8	42.9	33.9	2,327.8
As at December 31, 2004							
Net working capital	61.3	(8.1)	–	50.5	(2.3)	(3.5)	97.9
Total assets	603.6	754.6	–	152.9	28.6	12.4	1,552.1
For the year ended December 31, 2005							
Acquisitions	14.7	22.4	405.4	28.7	–	–	471.2
Other capital expenditures, net	1.9	36.2	1.9	0.2	–	–	40.2
For the year ended December 31, 2004							
Acquisitions	3.7	–	–	116.4	–	–	120.1
Other capital expenditures, net	0.5	5.7	–	–	–	–	6.2

[1] JWA was acquired October 19, 2005.

[2] Winroc was acquired June 11, 2004.

[3] See Note 3(b).

GEOGRAPHIC INFORMATION

	Canada	United States	Other	Total Consolidated
Revenues for the year ended December 31, 2005	1,670.7	476.7	24.0	2,171.4
Property, plant and equipment as at December 31, 2005	591.8	551.7	24.1	1,167.6
Total assets as at December 31, 2005	1,475.8	814.4	37.6	2,327.8
Revenues for the year ended December 31, 2004	1,271.4	256.3	25.1	1,552.8
Property, plant and equipment as at December 31, 2004	663.2	77.8	–	741.0
Total assets as at December 31, 2004	1,402.6	149.5	–	1,552.1

18. Comparative Figures

Certain reclassifications of prior period amounts have been made to conform to current period presentations.

Corporate Information

Board of Directors

Superior Plus Inc.

Grant D. Billing
Executive Chairman
Calgary, Alberta

Robert J. Engbloom, Q.C. (2)
Calgary, Alberta

Norman R. Gish (3)
Calgary, Alberta

Peter A.W. Green (1) (2)
Lead Director
Campbellville, Ontario

Allan G. Lennox (3)
Calgary, Alberta

James S.A. MacDonald (2) (3)
Toronto, Ontario

Geoffrey N. Mackey
Calgary, Alberta

David P. Smith (1)
Toronto, Ontario

Peter Valentine (1)
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Governance and Nominating Committee
(3) Member of Compensation Committee

Officers

Superior Plus Inc.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and Chief Executive Officer

W. Mark Schweitzer
Executive Vice-President and Chief Financial Officer

Derren J. Newell
Vice-President, Business Process and Compliance

Clint G. Warkentin
Vice-President and Treasurer

Trevor G. Bell
Vice-President, Tax

Theresia R. Reisch
Vice-President, Investor Relations and Corporate Secretary

John D. Gleason
President, Superior Propane a division of Superior Plus Inc.

Paul S. Timmons
President, ERCO Worldwide a division of Superior Plus Inc.

Don E. Kassing
President, JW Aluminum a division of Superior Plus Inc.

Paul J. Vanderberg
President, Winroc a division of Superior Plus Inc.

Greg L. McCamus
President, Superior Energy Management a division of Superior Plus Inc.

Divisions of Superior Plus Inc.

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Calgary, Alberta T2P 0S7

Trustee and Transfer Agent

Computershare Trust Company of Canada
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Calgary, Alberta T2P 3S8
or:
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
Telephone: 1-888-564-6253
Facsimile: 1-888-453-0330
E-mail inquiries: careregistryinfo@computershare.com
Website: www.computershare.com

Annual General Meeting

The Annual Meeting of Unitholders of the Fund will be held in the Strand/Tivoli Room of The Metropolitan Centre, 333–4 Avenue SW, Calgary, Alberta, on Wednesday, May 3, 2006 at 2:00 p.m. (MST).

Cash Distributions

The Fund targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions. The record date for each monthly distribution will be the last day of the month and the payment will be made on or before the fifteenth day of the following month. Commencing with the March 2006 distribution, the monthly cash distribution rate is $0.185 per trust unit or $2.22 on an annualized basis.

Toronto Stock Exchange (TSX) Listings:

SPF.un : Superior Plus Income Fund – trust units
SPF.db : 8% Convertible Debentures, Series 1 convertible at $16.00 per trust unit
SPF.db.a : 8% Convertible Debentures, Series 2 convertible at $20.00 per trust unit
SPF.db.b : 5.75% Convertible Debentures convertible at $36.00 per trust unit
SPF.db.c : 5.85% Convertible Debentures convertible at $31.25 per trust unit

SPF.un Unit Price and Volumes – TSX

Quarterly high, low, close and volumes for 2005 and 2004

The adjacent table sets forth the high and low prices, as well as the volumes, for the Fund's trust units as traded on the TSX, on a quarterly basis.

	2005			2004		
	High	Low	Volume	High	Low	Volume
First quarter	**$ 33.15**	**$ 28.45**	**9,849,804**	$ 28.80	$ 25.13	9,101,767
Second quarter	**$ 32.39**	**$ 29.25**	**7,500,262**	$ 28.17	$ 22.45	10,719,346
Third quarter	**$ 33.00**	**$ 24.30**	**15,637,193**	$ 28.10	$ 25.50	6,787,031
Fourth quarter	**$ 26.80**	**$ 19.66**	**22,993,008**	$ 30.23	$ 26.70	6,898,924
Year	**$ 33.15**	**$ 19.66**	**55,980,267**	$ 30.23	$ 22.45	33,507,068

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