2006 Annual Report

Managing for sustainability and value-based growth

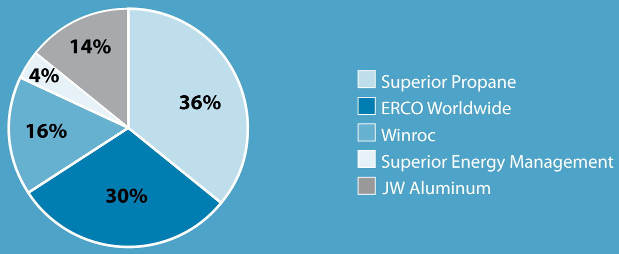
Superior Plus
Income Fund

Superior at a Glance

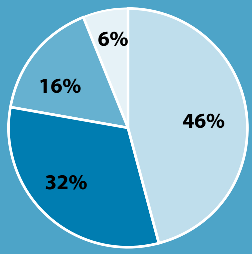
Superior Plus Income Fund was established in 1996 and has diversified over time into four strong business platforms, encompassing propane retailing, specialty chemicals, specialty construction products distribution and fixed-price natural gas retailing. As part of a strategic plan aimed at maximizing unitholder value and achieving long-term stability and growth, the Fund sold a fifth business unit, JW Aluminum, a specialty, flat-rolled aluminum products manufacturer in the United States in 2006. Superior Plus is now well positioned and focused on stability of distributions with value growth driven from its strong Canadian based business portfolio.

Superior Plus Income Fund trust units are listed on the Toronto Stock Exchange under the symbol SPF.un.

	Company Operations	Key Strengths
Superior Propane Canada's largest distributor of propane, related products and services and provider of natural gas liquids wholesale marketing services.	· Began operations in 1951. · 169 operating locations, serving retail propane customers Canada-wide. · Approximately 1,700 employees.	· Leading competitive position. · Geographic and end-use customer diversification. · Full service capabilities and brand reputation.
ERCO Worldwide A leading supplier of sodium chlorate and technology to the pulp and paper industries, a U.S. regional Midwest supplier of potassium and chloralkali products.	· In business since the 1940s. · Eight specialty chemicals plants strategically located, five in Canada, two in the United States and one in Chile. · Approximately 600 employees.	· Leading competitive position. · Geographic and customer diversification. · Low cost structure. · Simple and safe manufacturing process.
Winroc Largest distributor of specialty construction products to the walls and ceilings industry in Canada, and seventh largest in North America.	· In business since 1971. · 39 branches with 31 locations in western Canada and Ontario; and 8 in Minnesota and parts of the southwestern United States. · Approximately 900 employees.	· Leading competitive position. · Geographic and end-use customer diversification. · Full-service capabilities and brand reputation. · Attractive industry. · Consolidation opportunities.
Superior Energy Management Provider of fixed price natural gas supply services in Ontario and Quebec.	· Commenced operations in 2002. · Main focus area is residential customers in Ontario. · Provides fixed-price natural gas solutions to mid-sized commercial and industrial customers in Ontario and Quebec. · Approximately 30 employees.	· Stable contract-based business. · Predictable customer acquisition costs. · Strong growth potential.



2006
Business Segment Contributions
(percent)



2007
Estimated Business Segment Contributions
(percent)

2006 Highlights

(millions of dollars, except per trust unit amounts)	**2006**	2005	2004
Operating Highlights			
Revenue	**2,264**	2,059[2]	1,553
Gross profit	**631**	624[2]	543
EBITDA[1]	**255**[4]	251[4]	227
Net earnings (loss) from continuing operations	**(56)**	101	110
Net earnings (loss)	**(81)**	104	110
Distributable cash flow [1] (before strategic plan costs)	**180**	187	184
Distributable cash flow [1] (after strategic plan costs)	**161**	187	184
Distributable cash flow per trust unit (before strategic plan costs), basic	**$ 2.11**	$ 2.35	$ 2.54
Distributable cash flow per trust unit, basic	**$ 1.88**	$ 2.35	$ 2.54
Balance Sheet Highlights			
Total assets	**1,537**	2,374	1,580
Growth and acquisition capital expenditures	**53**	510	126
Senior debt [3]	**442**	745	546
Total debt [3]	**756**	1,059	662
Senior debt/EBITDA	**1.9**	2.4	2.2
Total debt/EBITDA	**3.4**	3.5	2.7
Average number of trust units outstanding (millions)	**85.5**	79.7	72.7

(1) These financial measures do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles. Non-GAAP financial measures are defined in the Mangement's Discussion and Analysis.

(2) Adjusted for discontinued operations.

(3) Includes accounts receivable securitization program.

(4) Includes EBITDA from discontinued operations.

The challenges of the past year and the implementation of our strategic plan have resulted in a more focused, less leveraged and better positioned diversified income trust that is focused on stable distributions and long-term, value-based growth.

At Superior Plus, we are confident that we will meet our commitments and that the future holds significant opportunities to create value for our stakeholders.

Contents

Managing for Value-based Growth

Grant D. Billing
Chairman and Chief Executive Officer
Mr. Billing has served as Chairman of Superior Plus since the Fund's inception in 1996. He assumed the dual role of Chairman and CEO in 2006 to focus on maximizing unitholder value and long-term value growth. Mr. Billing has extensive strategic and business experience and is a chartered accountant.

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer
Mr. Bingham joined Superior Plus in 2006. He previously was Chief Financial officer at Finning International Inc. and Ontario Power Generation. He has extensive experience in financial reporting, strategy, compliance, risk management, treasury and supply chain operations. Mr. Bingham holds a B.Comm. (honours) and is a chartered accountant.

John D. Gleason
President, Superior Propane
Mr. Gleason joined Superior Plus as Senior Vice-President, Corporate Development in 2005 and became president of Superior Propane in early 2006. He held executive positions in finance and business development at MDS Inc. for 14 years and holds B. Comm., M.B.A. and CA designations.

Paul S. Timmons
President, ERCO Worldwide
Mr. Timmons has been with ERCO for 26 years and was appointed President in 2001. He holds an Engineering Diploma from St. Francis Xavier University and a degree in Metallurgical Engineering from Technical University of Nova Scotia.

Paul J. Vanderberg
President, Winroc
Mr. Vanderberg has been President of Winroc since 2000 and previously held various executive positions in general management and business development at USG Corporation, a leading building products manufacturer. He holds B.A. and M.B.A. designations.

Greg L. McCamus
President, Superior Energy Management
Mr. McCamus joined SEM as President in 2005. He previously was President of Sprint Canada Business Solutions and held various executive positions within the deregulated telecom industry over a 20 year period. He holds B.A. and M.B.A. designations.

Fellow Unitholders

Grant D. Billing

For Superior Plus, 2006 was undoubtedly the most challenging in the history of the Fund and a very difficult period for us and our fellow unitholders, following nine consecutive years of solid growth and prosperity. In May 2006, the Board commenced a comprehensive strategic review process in response to the impact of record warm weather conditions on Superior Propane's business during last year's winter heating season, medium-term weakness in the operating results of ERCO Wordwide due to the impact of the rapid rise in the Canadian dollar and significant increases in electricity prices on ERCO's operations and customers, as well as the resulting reduction of the Fund's monthly distribution and the weakness of the market price of our trust units.

• REALIGNED STRATEGY •

As part of the strategic plan announced in July 2006, I have taken on the role as CEO in addition to serving as Chairman. Together with the Board and new corporate management, we have reshaped Superior Plus into a more focused, less leveraged and better positioned diversified income trust with a focus on stability of distributions and long-term, value-based growth. We are encouraged by our achievements to date and continue to deliver on our promises. Let us review the steps we have taken, the strength we have gained, and the opportunities we see for maintaining sustainable distributions and creating long-term value for our investors.

• MEETING OUR COMMITMENTS •

The process of delivering on our commitments has been arduous and I am pleased by the results achieved over the past few months. In 2006, we successfully executed on several main elements of our strategic plan:

- **Sold JW Aluminum, a leading manufacturer of specialty, flat-rolled aluminum products in the United States for US$310 million (approx. Cdn$350 million) and used the proceeds to repay debt.**
- **Lowered average senior debt levels to 1.9 times EBITDA, now within the upper range of our target of 1.5 to 2.0 times. Total average debt levels at 3.4 times EBITDA are now closer to the target of 2.5 to 3.0 times.**
- **Closed ERCO Worldwide's Bruderheim, Alberta, sodium chlorate facility, which removed 80,000 tonnes of capacity, balancing market conditions in North America and increasing the efficiency and competitiveness of ERCO's operations.**
- **Started up ERCO's 55,000 tonne capacity sodium chlorate plant in Chile, a growing pulp and paper region of the world.**
- **Renegotiated the Valdosta, Georgia power contract, enabling ERCO's 100,000 tonne capacity plant to operate as swing production facility.**
- **Commenced a distribution reinvestment plan to fund growth capital projects for existing Canadian-based businesses.**
- **Changed the corporate management team and refocused on strategy execution, capital allocation, risk management and succession planning.**

- **Secured a new $250 million credit facility and repaid $200 million of Medium Term Notes, enhancing debt covenant and repayment flexibility.**
- **Implemented an internal reorganization into a "trust over partnership" structure, enhancing distributable cash flow.**

We continue to meet our commitments and distributable cash flow per trust unit for 2006, before strategic plan costs at $2.11 and after strategic plan costs at $1.88 per trust unit were strong and within the upper range of our expectations. Distributable cash flow at $180.4 million before strategic plan costs of $19.7 million declined by 4% compared to the $187.0 million generated in 2005, demonstrating good operating performance by Superior Propane and ERCO Worldwide despite their challenges and increased profitability from Winroc and Superior Energy Management. JW Aluminum contributed $38.9 million to the Fund's 2006 results.

Superior Propane

Superior Propane contributed $90.6 million in operating distributable cash flow in 2006, compared to $94.2 million in 2005. These results reflect good performance, despite the significant adverse impact of warm weather conditions and customer conservation on its 2006 first quarter sales volumes. The decline was partially mitigated by the $3.1 million decrease in net maintenance capital expenditures, which benefited from the sale of surplus properties, tanks and cylinders in 2006.

Operating Distributable Cash Flow
(millions of dollars)

Estimate Range

In January 2006, John Gleason became president of Superior Propane, leading the repositioning and retooling of the business, designed to achieve profitable growth in the future. Superior is making steady progress on aligning the cost structure to current sales volumes and improving operating efficiencies, while continuing to focus on customer retention and service programs to increase sales. During 2006, Superior completed the installation of on-board truck computers, enhancing the flexibility of its workforce and optimizing its routing and scheduling logistics. To mitigate increasing operating expenses related to labour, fuel, insurance and regulatory requirements, Superior Propane introduced a fee structure for propane deliveries, including a transportation and hazardous materials handling fee.

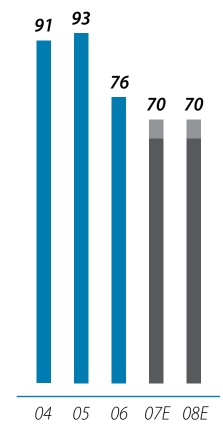
Superior has consistently increased revenues from other services and has benefited from the February 2005 acquisition of Superior Gas Liquids, a natural gas liquids wholesale marketer, providing transportation, storage, risk management, supply and logistics services to Superior as well as to third parties in Canada and the United States. Superior continues to expand its service offerings such as preventative maintenance and warranty programs and will be separating the service side from the propane delivery business to gain further efficiencies and implement best practices across Canada.

During 2007 and 2008, Superior intends to implement an accelerated fleet renewal and bulk truck leasing program. Lease arrangements are available at attractive rates and provide savings in maintenance and operating costs over time. Newer, more reliable vehicles and a better matching of truck size to delivery type will improve employee productivity and customer service.

These initiatives, along with normal winter weather patterns and continued focus on delivering with excellence are expected to win new customers and gain organizational momentum. We anticipate that these initiatives will result in improved profitability with operating distributable cash flow for 2007 estimated in the range of $95 – $100 million, increasing in 2008 to $100 – $105 million. We are confident that the propane retailing business will continue to provide a solid foundation for stable returns and profitable growth for many years to come.

ERCO Worldwide

ERCO contributed $75.7 million in operating distributable cash flow in 2006, compared to $93.1 million in 2005. These results exceeded our 2006 expectations, considering the medium-term challenges experienced by the North American pulp and paper industry which resulted in reduced regional sodium chlorate demand. North American bleached pulp producers continue to experience global competitive pressures as a result of increased fibre and energy costs and the impact of foreign exchange rates, which resulted in the closure of seven mills during 2006. Combined with the mill closures in late 2005, this resulted in an overall reduction in demand for sodium chlorate of approximately 82,300 tonnes.



Operating Distributable Cash Flow
(millions of dollars)
Estimate Range

Increasingly, new world-scale pulp mills are relocating and/or expanding production capacity in offshore regions with significant access to low cost, renewable wood fibre, relatively stable lower cost energy supply and supportive government policies. As a result of this and the impact of high electricity costs and foreign exchange on its business, ERCO closed its higher cost 48,000 tonnes annual capacity sodium chlorate facility in Thunder Bay, Ontario in April 2006, and its 80,000 tonnes Bruderheim, Alberta facility in October 2006. The closures improved the utilization of ERCO's remaining six sodium chlorate plants in North America and balanced supply and demand.

In October 2006, ERCO was granted access to electricity supplied by Georgia Power pursuant to their industrial interruptible tariff, enabling the 100,000 tonne Valdosta, Georgia plant to operate as swing production facility when power prices are favourable and can be supported in the sodium chlorate market place. This is expected to have a positive impact on ERCO's future results. In late 2006, softwood pulp prices increased and the U.S. dollar strengthened, improving the sodium chlorate demand profile.

Internationally, ERCO completed its 55,000 tonne facility in Chile and commenced production in September 2006 to exclusively supply three existing mills owned by CMPC Celulosa S.A. over a long-term arrangement, participating in the continued growth opportunities in lower pulp and paper cost producing regions of South America and Asia.

ERCO's total production capacity of approximately 502,000 metric tonnes makes it the second largest producer of sodium chlorate in North America. ERCO continues to pursue opportunities in emerging markets. It is one of only two suppliers in the world of modern dioxide generators and related technology used by pulp mills to convert sodium chlorate into chlorine dioxide. This provides a unique competitive advantage, including early access to new market trends.

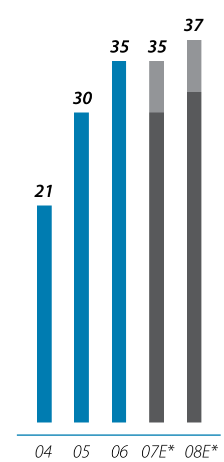
Chloralkali/potassium products represented 28% of ERCO's 2006 sales and contributed 35% to cash generated from its operations before changes in net working capital. This provides an important diversification of ERCO's product lines, as nearly all of ERCO's chlorine, hydrochloric acid, potassium hydroxide and potassium carbonate production, and approximately 94% of its caustic soda production are sold to end markets not related to the pulp and paper industry. Chloralkali operations performed above historical levels in late 2005 and most of 2006, gradually returning to more balanced conditions. Unlike the U.S. Gulf market, ERCO's chloralkali end markets are less susceptible to large swings in profitability. Good growth opportunities exist and ERCO is continuing to evaluate the economics of converting its Port Edwards, Wisconsin potassium/chloralkali facility from a mercury-based process to membrane technology at a cost currently estimated at US$85 – 100 million. Such a move would significantly improve the facility's capacity and process efficiency and allow ERCO to take advantage of additional business opportunities.

Based on the steps taken and encouraged by ERCO's 2006 achievements, as well as improved sodium chlorate market fundamentals, we expect ERCO's operating distributable cash flow net of maintenance capital expenditures to be $65 – $70 million for 2007 and 2008, with potential additional upside for 2008.

WINROC

Winroc, our walls and ceilings product distribution business posted another record year, contributing operating distributable cash flow of $34.6 million in 2006, an increase of 15% compared to 2005. It's profitability has increased consistently over the past 10 years, driven by a combination of organic growth and acquisitions. Its strong position in the commercial, renovation and housing construction markets is expected to continue to provide solid operating results.

Winroc's focus on service is key to its success. Delivering product on time to the right place at the construction site, makes Winroc an important productivity partner for its contractor customers. The continued softening of new housing construction in some markets is mitigated by strong commercial and renovations markets, which comprise more than 50% of Winroc's business. With its 39 distribution branches across Ontario, Western Canada, Utah, Nevada, Arizona and Minnesota, Winroc's extensive geographic diversification is also a mitigating factor in the residential construction slow-down being experienced in certain regions.



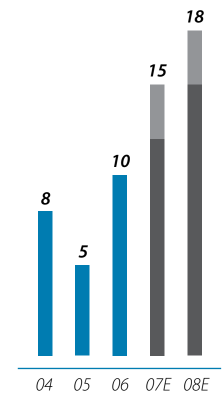
Operating Distributable Cash Flow
(millions of dollars)

Estimate Range

* Assumes no acquisitions or green field expansions.

For 2007, we expect pressure on new home construction to be somewhat mitigated by stronger commercial activity. We are estimating operating distributable cash flow after maintenance capital expenditures of $30 – $35 million, increasing to the $32 – $37 million range in 2008 with some improvement in the new home construction segment and assuming no new acquisitions. The fragmented nature of the specialty buildings distribution industry continues to provide attractive consolidation opportunities. Winroc has identified a number of acquisition and expansion opportunities which are anticipated to add further value over time.

SEM, our fixed-price natural gas retailing business posted stellar results, contributing $10.3 million of operating distributable cash flow, almost double compared to 2005. These results reflect SEM's success in transitioning its strategic focus to building sales channels and momentum in smaller volume, higher margin and longer-term commercial and residential markets. Exiting 2006, SEM supplied approximately 40 million gigajoules of natural gas to approximately 85,900 residential and 6,700 commercial flowing customers with a weighted average remaining customer contract life of 42 months. During 2006, SEM has made substantial progress in expanding the infrastructure to support its growth plans beyond the Ontario residential market and the Ontario and Quebec commercial natural gas markets. SEM is currently looking at expanding into the B.C. market later in 2007 and potentially entering certain Northeast U.S. markets over time.



Operating Distributable Cash Flow
(millions of dollars)

Estimate Range

Based on the growth profile in its existing business, SEM is expected to generate operating distributable cash flow for 2007 of $12 – $15 million, further increasing in 2008 to $15 – $18 million. In addition, SEM continues to assess the merits of expanding its product line by offering fixed-price electricity contracts to residential and small commercial customers in Ontario. This market of approximately four million customers and a low penetration rate relative to the Ontario natural gas market represents a significant growth opportunity for SEM.

• STRONG DIVERSIFIED ASSET BASE •

One of Superior Plus' key strengths is our solid portfolio of well diversified businesses, each of which has a strong market position on which to build. Each business has an unwavering focus on safe, reliable operations and quality service. Improving competitiveness and enhancing profitability will provide Superior Plus with renewed access to capital markets at attractive terms to prudently finance organic growth and acquisition opportunities to further leverage our existing asset base. Our high quality assets will be a strong foundation to sustain distributions and provide value to our investors for many years to come.

• NEW FOCUS AND DIRECTION •

The implementation of the strategic plan has bolstered accountability at the divisional levels, allowing each business to maintain a participative and entrepreneurial corporate culture. In November, Wayne Bingham joined Superior Plus as Executive Vice-President and Chief Financial Officer to further Superior's corporate goals and objectives. Under our joint leadership and guidance, the corporate office acts as a strategic capital manager, and has shifted its focus from active business to active investment and risk management.

Following completion of the strategic plan, the Board carefully considered its composition and skills to ensure alignment to and support of Superior's value-based growth strategy. Effective March 6, 2007 Messrs. Randall J. Findlay and Walentin (Val) Mirosh have joined the Board. Their skills and extensive experience in energy, the midstream and international business, development and strategy are complementary to those of the other Board members and will be of great value as we continue to focus on stability of distributions and long-term growth. To remain focused on the strategic visions, including the challenges and opportunities of the businesses, the Board has also enhanced and strengthened its governance processes. An advisory committee has been established for each business, which includes two independent directors and the president of another division. The advisory committee assists in delineating capital allocation and acts as additional sounding board for strategic plans and initiatives. We are beginning to see concrete results from the heightened focus on operational strategy and financial discipline.

• STABILITY OF DISTRIBUTIONS •

Providing stable distributions to our unitholders that are sustainable over the long term continues to be our guiding principle. Earlier in the year, cash distributions were reduced and a new target payout ratio of 85 – 90% was established. Cash distributed in 2006 reached $1.82 per trust unit which reflects higher distribution rates paid earlier in the year. This resulted in a payout ratio of 86% on distributable cash flow before strategic plan costs. Our current distribution rate of $1.56 per trust unit corresponds to an estimated payout for 2007 within our target range of 85 – 90%.

The trend to lower our payout ratio over time to ensure financial stability is well supported by the renewed growth of our diversified asset base. Under our previous distribution policy, the Fund paid out substantially all of its distributable cash flow. Since its inception, the Fund has paid out $18.39 on an original unit price of $10.95 and has distributed cash in excess of $1 billion. During the past five years, Superior Plus has invested in excess of $1 billion in growth capital projects and made a significant contribution to the Canadian economy.

• INCOME FUNDS IN TRANSITION •

On October 31, 2006, the Federal Government of Canada announced a proposal to impose a tax on distributions from publicly traded income trusts and limited partnerships, beginning in 2011. The intent of the proposal is to effectively tax trusts at the same level as corporations. We are currently assessing the potential impact of the proposed change on Superior Plus and the options available to us. The effect of a potential tax in 2011 would be partially mitigated by substantial tax pools available to Superior Plus. Based on preliminary views, we believe that the change may create opportunities for a diversified business trust with good assets and stable cash flows. Depending on final tax rules, U.S. acquisitions and expansions may become more attractive and there may be domestic acquisition opportunities, as smaller income trusts attempt to exit the market.

Overall, we expect the change in tax rules to have little impact on our growth strategy. Our capital requirements are within the new guidelines and our threshold returns for growth capital projects are well in excess of our cost of capital and are more than sufficient to account for the proposed tax changes. In terms of our distribution policy, we believe that there will be a continuing need for high dividend yield investment vehicles in Canada.

• STRONG FINANCIAL POSITION •

One of our top focuses and priorities is to maintain a strong balance sheet. Historically, the financial performance of Superior Plus has been solid and our recent challenges that led to the implementation of the strategic plan were largely industry and market related. Prudent financial policies will continue to underpin the ongoing success of accessing multiple sources of capital on attractive terms to capitalize on the attractive opportunities for profitable growth that exists within our underlying business portfolio.

During 2006, we made substantial progress in achieving lower leverage ratios that are appropriate in the context of our overall business, cash flow profile, and capital requirements of our businesses, as well as our distribution policy. We have also increased our liquidity and enhanced our debt repayment profile. At December 31, 2006, Superior Plus had $588 million of two year committed revolving term bank credit facilities with nine chartered banks, of which $425 million was undrawn. Total debt of $756 million, includes $314 million of publicly traded convertible debentures with maturity dates to 2015.

Financial initiatives for 2007 include continued focus on working capital requirements within each of our businesses and a review of our overall banking arrangements. This is aimed at ensuring continued flexibility and optimal financial strength to execute on operational and strategic opportunities.

• LOOKING AHEAD •

In 2006, our energy and resources were fully absorbed by the implementation of the strategic plan. We could not have accomplished so much in such a short period of time without the dedication and commitment of our past and present directors and employees involved in the restructuring process. In particular, we extend our thanks and appreciation to management and the employees of the operating divisions for their focus and dedication on our businesses, including the team at JW Aluminum for their cooperation and professionalism during the course of the sale. We would also like to acknowledge the contributions and guidance provided by Al Lennox who has served on the Board of Superior Plus since the Fund's inception in 1996. Mr. Lennox will not be standing for re-election at the May 8, 2007 Annual Meeting of the Fund.

Although we have made considerable progress to date, we expect market prices of income trusts to remain volatile over the short term. We will now direct our efforts towards maintaining our momentum in delivering solid operating performance to regain the trust and confidence that will ultimately be rewarded by the market. For 2007, the Fund anticipates distributable cash flow per trust unit in the $1.65 to $1.85 range, increasing in 2008 to the $1.85 to $2.00 range without additional upside from potential accretive growth capital projects. We believe our financial strength, balanced portfolio of high quality assets and value-based growth strategy will translate into stable distributions and create long-term value for our unitholders.

GBilling

Grant D. Billing

Chairman and Chief Executive Officer

March 6, 2007

Management's Discussion and Analysis

March 6, 2007

The following discussion is a review of the financial performance and position of the Superior Plus Income Fund (the "Fund") for the years ended December 31, 2006 and 2005. The information in this management discussion and analysis is current to March 6, 2007. The discussion should be read in conjunction with the Fund's audited Consolidated Financial Statements and notes to those statements. All amounts are expressed in Canadian dollars, except where otherwise noted.

• ORGANIZATION AND STRUCTURE •

The Fund, directly and indirectly through its subsidiary companies, holds a 100 percent interest in Superior Plus LP ("Superior LP" or "Superior"). The distributable cash flow of the Fund is solely dependent on the results of Superior LP and is derived from the allocation of Superior LP's income to the Fund by means of partnership allocations. Superior has four 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 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" or "SEM". JW Aluminum Company ("JWA" or "JW Aluminum"), a manufacturer of specialty flat-rolled aluminum products, was sold on December 7, 2006. (See Note 3 to the Consolidated Financial Statements).

• CASH DISTRIBUTIONS •

The Fund distributes to holders of trust units ("Unitholders"), income earned by Superior LP, 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 85% to 90% of its ongoing sustainable distributable cash flow through regular monthly distributions.

For 2006, distributions paid to Unitholders were $1.82 per trust unit, a decrease of 24% compared to 2005 distributions paid of $2.41 per trust unit, representing a payout ratio for 2006 of 86% before strategic plan costs (97% after strategic plan costs), compared to 103% for 2005. The decrease in distributions paid is the result of a change in the Fund's monthly distribution level from $0.205 per trust unit to $0.185 per trust unit effective with the March 2006 monthly distribution and a reduction to $0.13 per trust unit ($1.56 on an annualized basis) effective with the May 2006 monthly distribution. The monthly distributions were reduced in 2006 due to the negative impact that record warm temperatures across Canada in January and February had on Superior Propane's 2006 results and the continuing difficulties faced by North American pulp producers, negatively impacting the 2006 and ongoing results of ERCO Worldwide. The Fund views its current distribution level of $0.13 per trust unit as prudent based on its targeted payout ratio of 85% to 90% of ongoing sustainable distributable cash flow. The Fund will continue to assess its distribution level in light of the Federal Government's announcement on October 31, 2006 to tax income trusts and limited partnerships, beginning in 2011. See "Distributions Paid to Unitholders" for further details on the Fund's distributions.

For income tax purposes, distributions paid in 2006 of $1.82 per trust unit are classified as other income of $1.64 per trust unit, a return of capital of $0.02 per trust unit and a dividend of $0.16 per trust unit. A summary of cash distributions since inception and related tax information is posted under the "Investor Information" section of the Fund's website at www.superiorplus.com. For 2007, the Fund expects the majority of the distribution to be in the form of other income.

• 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. 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.

EBITDA represents earnings before interest, taxes, depreciation and amortization calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

Distributable Cash Flow (1) *(millions of dollars except per unit amounts)*	**2006**	2005
Cash generated from continuing operations before natural gas customer acquisition costs and changes in working capital	**137.5**	196.0
Add: Management internalization costs	**1.3**	1.3
Distributable cash flow from discontinued operations (See JWA discussion)	**38.9**	8.6
Less: Maintenance capital expenditures, net	**(13.8)**	(16.5)
Amortization of natural gas customer acquisition costs	**(3.2)**	(2.4)
Distributable cash flow	**160.7**	187.0
Strategic plan costs	**19.7**	–
Distributable cash flow before strategic plan costs	**180.4**	187.0
Distributable cash flow	**160.7**	187.0
Distributable cash flow (reinvested) funded from debt	**(5.0)**	5.0
Distributed cash flow	**155.7**	192.0
Distributable cash flow per trust unit (before strategic plan costs), basic (2)	**$ 2.11**	$ 2.35
Distributable cash flow per trust unit (before strategic plan costs), diluted (3)	**$ 2.11**	$ 2.27
Distributable cash flow per trust unit, basic (2)	**$ 1.88**	$ 2.35
Distributable cash flow per trust unit, diluted (3)	**$ 1.88**	$ 2.27
Distribution payout ratio (before strategic plan costs)	**86%**	103%
Distribution payout ratio (after strategic plan costs)	**97%**	103%

(1) See the Consolidated Financial Statements for cash generated from operations before natural gas customer acquisition costs and changes in working capital, management internalization costs, maintenance capital expenditures, and amortization of natural gas customer acquisition costs.

(2) The weighted average number of trust units outstanding for the year ended December 31, 2006 is 85.5 million (2005 – 79.7 million).

(3) For the year ended December 31, 2006, there were no dilutive instruments. For the year ended December 31, 2005, the dilutive impact of the convertible debentures, trust unit options and trust unit warrants was 8.3 million trust units (88.0 million total trust units on a diluted basis) with a resulting impact on distributable cash flow of $13.1 million ($200.1 million total on a diluted basis).

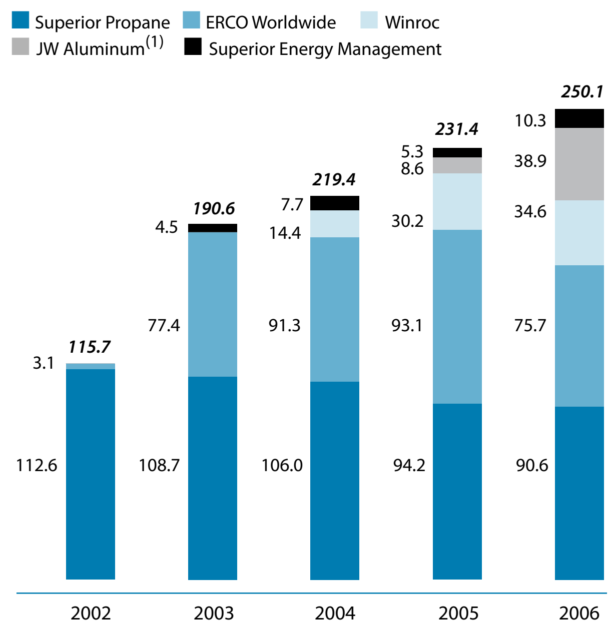
Distributable cash flow for the year ended December 31, 2006 (before strategic plan costs of $19.7 million) was $180.4 million ($160.7 million after strategic plan costs), a decrease of $6.6 million (4%) from the prior year before strategic plan costs, and $26.3 million (14%) from the prior year after strategic plan costs. The addition of JWA, until its sale on December 7, 2006, and improved results from Winroc and SEM were more than offset by lower results at Superior Propane reflecting depressed heating demand in the first quarter due to unseasonably warm weather and challenging conditions experienced by ERCO's North American sodium chlorate operations. Interest costs were higher than the prior year due to higher interest rates and average debt levels.

Distributable cash flow per trust unit (before strategic plan costs) was $2.11 per trust unit ($1.88 per trust unit after strategic plan costs), down $0.24 per trust unit (10%) before strategic plan costs, and $0.47 per trust unit (20%) after strategic plan costs. The decrease in per unit amounts is due to reduced distributable cash flow and a 7% increase in the number of trust units outstanding.

As outlined in the facing chart, the Fund is well diversified with Superior Propane, ERCO Worldwide, JW Aluminum, Winroc and SEM contributing 36%, 30%, 16%, 14% and 4% of operating distributable cash flow in 2006, respectively. After giving effect to the disposition of JWA as if it had been sold at the beginning of the year, Superior Propane, ERCO Worldwide, Winroc and SEM would have contributed 43%, 36%, 16%, and 5% of operating distributable cash flow, respectively.

The Fund had a net loss for 2006 of $80.8 million, compared to net earnings of $104.4 million for 2005. The change in net earnings (loss) for 2006 as compared to 2005 is due principally to non-cash impairment charges of $170.8 million (net of tax) recorded during 2006 related to the write-down of ERCO Worldwide's Bruderheim, Alberta and Valdosta, Georgia sodium chlorate facilities and ERCO Worldwide's goodwill. (See Note 5 to the Consolidated Financial Statements). Additionally, Superior recorded a $56.3 million impairment on the carrying value of JWA during 2006. (See Note 3 to the Consolidated Financial Statements). The increase in operating and administrative expense is due to the full year ownership of ERCO's Port Edwards, Wisconsin facility which was purchased during 2005 and costs associated with the Fund's strategic plan. Amortization is lower than the prior year due principally to the prior year including the one-time impact of accelerated amortization associated with ERCO's closure of its Thunder Bay, Ontario sodium chlorate facility in 2005. Interest is higher than the prior year due to higher average interest rates and debt levels. Future income taxes were impacted in 2006 due to the recovery of Canadian future income taxes in connection with the Fund's internal reorganization into a trust-over-partnership structure and the recognition of the impairments that were noted above. (See Note 13 to the Consolidated Financial Statements).

Operating Distrbutable Cash Flow *(millions of dollars)*



(1) JW Aluminum was sold on December 7, 2006. See Note 3 to the Consolidated Financial Statements.

• FOURTH QUARTER RESULTS •

Fourth quarter distributable cash flow for 2006 (before strategic plan costs of $5.3 million) was $55.6 million ($50.3 million after strategic plan costs), a decrease of $4.4 million (7%) from the prior year quarter (a decrease of $9.7 million or 16% after strategic plan costs). The decrease in distributable cash flow was predominantly a result of strategic plan costs of $5.3 million incurred in the quarter and an increase in interest costs of $3.9 million, due to increased debt levels and higher interest rates. Operating distributable cash flow was comparable to the prior year quarter as improved operating results from Superior Propane, Winroc and SEM more than offset a weaker contribution from ERCO. Distributable cash flow per trust unit (before strategic plan costs) was $0.65 per trust unit ($0.59 per trust unit after strategic plan costs) a decrease of $0.05 per trust unit (7%) compared to the prior year quarter (a decrease of $0.11 per trust unit or 16% after strategic plan costs), due to the decrease in distributable cash flow. The average number of trust units outstanding for the quarter was consistent with the prior year quarter. Net earnings for the fourth quarter were $38.1 million, compared to $21.2 million for the prior year quarter. The increase in net earnings is principally due to reduced amortization in the current year quarter compared to the prior year, due to accelerated amortization recorded in the prior year quarter as a result of ERCO's decision to close its Thunder Bay, Ontario sodium chlorate facility in 2005. Additionally, fourth quarter net earnings were affected for the same reasons as distributable cash flow for the fourth quarter. Further discussion of the 2006 fourth quarter results is provided in the Fund's Fourth Quarter and 2006 Earnings Release, dated March 6, 2007.

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 $90.6 million for 2006. Compared to 2005, Superior Propane's operating distributable cash flow decreased by $3.6 million (4%) due to lower propane sales gross profits, partially offset by increased other service gross profit, lower operating costs and lower net maintenance capital expenditures.

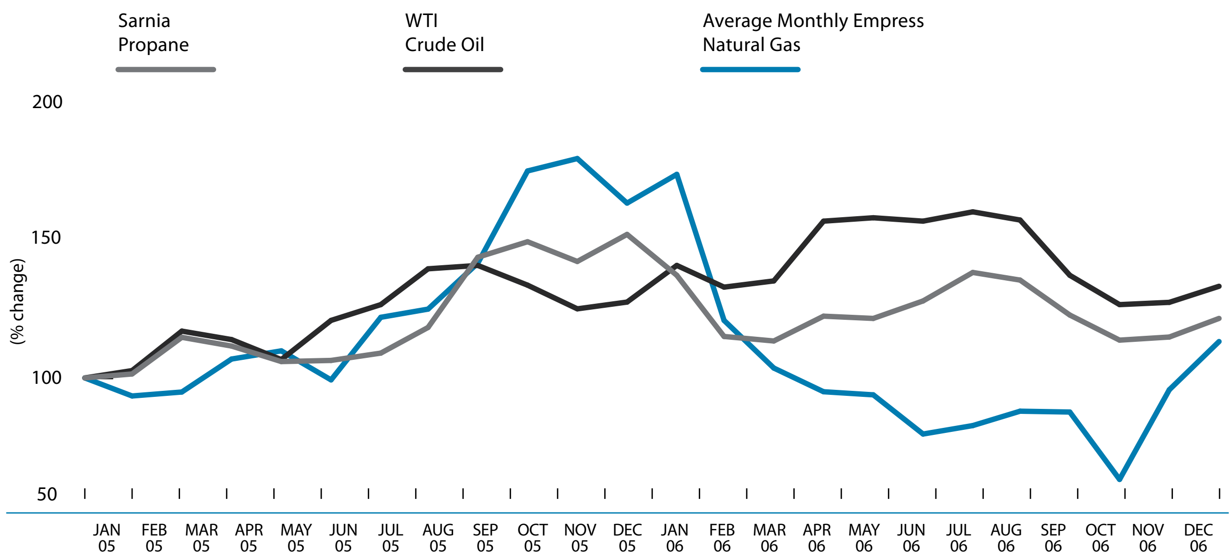
Condensed operating results for 2006 and 2005 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 64 of this Annual Report for selected historical information for the last five years.

	2006		2005	
(millions of dollars except per litre amounts)		**¢/litre**		¢/litre
Gross profit				
Propane sales	**209.4**	**15.1**	231.7	15.8
Other services	**63.5**	**4.6**	52.7	3.6
Total gross profit	**272.9**	**19.7**	284.4	19.4
Less: Cash operating, administration and tax costs	**(182.6)**	**(13.2)**	(187.4)	(12.8)
Cash generated from operations before changes in net working capital	**90.3**	**6.5**	97.0	6.6
Maintenance capital expenditures, net	**0.3**	**–**	(2.8)	(0.2)
Operating distributable cash flow	**90.6**	**6.5**	94.2	6.4
Propane retail volumes sold *(millions of litres)*	**1,386**		1,468	

Propane sales gross profit for 2006 was $209.4 million, down $22.3 million (10%) from 2005, as average propane sales margins decreased to 15.1 cents per litre from 15.8 cents per litre and sales volumes declined by 6% (82 million litres). The decline in average propane sales margins is principally due to the impact of outsourcing primary transportation services as a result of the sale of the Energy Transportation primary fleet operations in the fourth quarter of 2005, resulting in a corresponding decrease to operating expenses. Excluding the impact of the sale of Energy Transportation, average propane sales margins were consistent with the prior year period, despite the volatile wholesale propane costs experienced throughout 2006.

Residential and commercial sales volumes declined by 39 million litres (8%) as record warmer weather experienced throughout Canada in the first quarter of 2006, coupled with high average wholesale propane costs encouraged customer conservation and reduced demand. Average temperatures in 2006 across Canada were 5% warmer than 2005 and the last five year average. As shown in the following chart, wholesale propane costs were driven by record or near record high crude oil and natural gas prices. Auto propane sales volumes declined by 22 million litres (13%) due to the continued structural decline in this end-use market, representing 27% of the overall decline in sales volumes. Industrial sales volumes decreased by 10 million litres (1%) as the impact of the record warm weather on heating related volumes more than offset the 16 million litre increase in oil field volumes. Agricultural sales volumes declined by 11 million litres (11%) due to reduced crop drying demand resulting from underlying weather conditions. Approximately 50% of Superior Propane's sales volumes are due to heating related applications and 50% are related to economic activity levels.

Relative Change in WTI Crude Oil and Natural Gas vs. Sarnia Wholesale Propane Prices



Gross profit from other services reached $63.5 million for 2006, an increase of $10.8 million (20%) over the prior year, due to the full year impact of Superior Gas Liquids which was acquired in February 2005, transportation and hazmat fee surcharges implemented in 2005 to mitigate increasing fuel and regulatory costs, as well as higher service related gross profits. Partially offsetting these increases was a reduction in the profitability of Superior Propane's fixed-price propane sales programs, as the costs of hedging the 2005/2006 heating season program increased dramatically in the aftermath of the 2005 Gulf coast hurricanes.

Superior Propane continues to benefit from its leading market share and considerable operational and customer diversification. Superior Propane's operational risks are well distributed across its 44 market operations, with the largest five markets representing approximately 25% of cash generated from operations. Superior Propane's customer base is well diversified geographically and across end-use applications as illustrated in the table on page 15. Its largest customer contributed approximately 2% of gross profits in 2006.

Superior Propane Annual Sales Volumes and Gross Profit:

By End-Use Application	2006		2005		By Region	2006		2005	
Applications:	**Volume** (1)	**GP** (2)	Volume (1)	GP (2)	Regions:	**Volume** (1)	**GP** (2)	Volume (1)	GP (2)
Residential	**163**	**54.3**	183	59.9	Atlantic	**97**	**30.5**	110	32.3
Commercial	**296**	**56.7**	315	60.9	Quebec	**233**	**44.5**	257	49.9
Agricultural	**89**	**7.7**	100	11.5	Ontario	**309**	**75.3**	342	80.1
Industrial	**686**	**71.5**	696	78.8	Sask./Man.	**195**	**26.6**	202	27.2
Automotive	**152**	**19.2**	174	20.6	AB/NWT	**331**	**53.0**	322	51.7
Other services	**–**	**63.5**	–	52.7	BC/YK	**221**	**43.0**	235	43.2
	1,386	**272.9**	1,468	284.4		**1,386**	**272.9**	1,468	284.4
Average margin (3)	**15.1**		15.8		Average margin (3)	**15.1**		15.8	

(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 $182.6 million for 2006, a decrease of $4.8 million (3%) from 2005. The sale of Energy Transportation in 2005 resulted in a decrease in average propane sales margins with a corresponding decrease in operating expenses of approximately $8.5 million compared to the prior year period. Net of the impact of the sale of Energy Transportation, cash operating, administration and tax costs increased by $3.7 million, principally due to higher truck maintenance, fuel and operating costs and salary expenses. Cash operating costs were 13.2 cents per litre, an increase of 0.4 cents per litre (3%) over 2005 due principally to the 6% decrease in sales volumes.

Net maintenance capital expenditures resulted in proceeds of $0.3 million in 2006, a decrease of $3.1 million from 2005 levels. Gross expenditures were $5.2 million in 2006 compared to $7.4 million in 2005, and were directed principally towards the renewal of the delivery fleet. Proceeds on disposals reached $5.5 million in 2006, an increase of $0.9 million over the prior year. Disposal proceeds realized in 2006 included the sale of Superior Propane's Concord, Ontario property, the sale of surplus tanks and cylinders and the sale of other excess land and buildings. The sale of Superior Propane's Concord property has been facilitated by reallocating customers previously serviced by this location to other Superior Propane branches.

Superior Propane has been leasing service trucks, crane trucks and tandem tractors for several years and will now be expanding and streamlining its leasing programs with a master lease and other lease arrangements at attractive rates. Superior intends to expand the program to bulk trucks and accelerate the fleet renewal for 2007 and 2008. Increasing lease costs are anticipated to be offset over time by lower operating costs resulting from lower repair and maintenance costs, fleet reliability, as well as improved productivity, safety and corporate image. The program is designed to better align the cost structure with Superior Propane's ongoing operations and result in customer service improvements. In 2007, this is anticipated to positively impact operating distributable cash flow by lowering ongoing maintenance capital expenditures by approximately $3.5 – $4.0 million.

Superior Propane did not incur any significant growth capital expenditures in 2006. In 2005, growth capital expenditures were $27.5 million and included the $25.6 million acquisition of Superior Gas Liquids ("SGL") and the acquisition of a southwestern Ontario refined fuels distribution business.

• OUTLOOK •

Superior Propane continues to implement its plans for revenue improvements and customer service enhancements with good progress achieved in the second half of 2006. These initiatives, along with a return to normal winter weather patterns, are expected to result in increased operating distributable cash flow for 2007 in the $95 to $100 million range, further increasing in 2008 to the $100 to $105 million range.

• 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 approximately 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 its fixed-price customers during the winter heating season.

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. However, 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 billion litres of propane are produced in Canada of which about 4 billion litres are consumed domestically. The remainder is exported to the United States. Superior Propane's supply is currently purchased from 29 propane producers in Canada. Superior Propane leases underground propane storage capacity in Marysville, Michigan, Mt. Belvieu and Conway, Texas, Regina, Saskatchewan and at Fort Saskatchewan, Alberta to secure supply for Superior Propane's fixed-price customer offerings. Propane is mainly purchased under annual contracts, with pricing arrangements based principally 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 positive or 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' contracts and the mitigating supply transaction are recorded simultaneously into income at the time of settlement. See Note 18(ii)) to the Consolidated Financial Statements for fixed-price propane purchase and sale commitment amounts. To the extent that Superior Propane has an exposure related to US dollars, the exposure is mitigated through foreign currency hedge contracts. See "Foreign Currency Hedging" and Note 17(iii) to the Consolidated Financial Statements.

Employee and Labour Relations. As of December 31, 2006, Superior Propane had 1,474 regular and 196 part-time employees. Approximately 380 or 26% of its employees are unionized through six provincial or regional certifications in British Columbia/ Yukon, Manitoba, Ontario and Quebec with expiry dates ranging from April 2008 to December 2010. Collective bargaining agreements are renegotiated in the normal course of business.

Health, Safety and Environment. 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 $75.7 million for 2006, a decrease of $17.4 million (19%) from the $93.1 million generated in 2005. The decrease in operating distributable cash flow is principally due to lower sodium chlorate sales volumes as a result of the pulp mill closures in the North American bleached pulp and paper industry and a strengthened Canadian dollar, which more than offset the impact of a full year's ownership of the Port Edwards chloralkali/potassium facility acquired in June 2005 and the start-up of the Chilean operations in September 2006.

Condensed operating results for 2006 and 2005 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 64 of this Annual Report for selected historical information for the last five years.

	2006		2005	
(millions of dollars except per metric tonne ("MT") amounts)		**$/MT**		$/MT
Revenue				
Chemicals	**408.6**	**540**	408.2	550
Technology	**28.6**	**38**	23.4	32
Cost of sales				
Chemicals	**(214.9)**	**(284)**	(213.2)	(11.5)
Technology	**(18.2)**	**(24)**	(287)	(15)
Gross profit	**204.1**	**270**	206.9	280
Less: cash operating, administration and tax costs	**(120.9)**	**(160)**	(105.7)	(142)
Cash generated from operations before changes in net working capital	**83.2**	**110**	101.2	138
Maintenance capital expenditures, net	**(7.5)**	**(10)**	(8.1)	(11)
Operating distributable cash flow	**75.7**	**100**	93.1	127
Chemical volumes sold *(thousands of MT)*	**756**		742 (1)	

(1) Hydrochloric acid volumes have been restated to reflect a dry basis of measurement as compared to a wet basis of measurement to reflect industry practice.

Gross profit of $204.1 million for 2006, decreased by $2.8 million (1%) over 2005 due to lower chemical and technology gross profits. Chemical gross profits decreased by $1.3 million (1%) due principally to a decline in sodium chlorate gross profits offset by an increase in chloralkali/potassium gross profits. The decline in sodium chlorate gross profit is the result of a 66,000 tonne (12%) reduction in the sales volume for sodium chlorate due to the continued weakness in the North American bleached pulp market. In September, ERCO completed construction of a $70 million, 55,000 tonne, sodium chlorate facility in Chile, to provide CMPC Celulosa S.A. ("CMPC") with sodium chlorate under a long-term supply contract. The long-term contract with CMPC resulted in additional sodium chlorate sales volume in 2006, partially offsetting the reduction in North American sodium chlorate sales volumes. Average selling prices for sodium chlorate were consistent with the prior year, as the 8% year-over-year appreciation of the Canadian dollar against the United States dollar was offset by the $16.4 million hedging gain realized as a result of ERCO's foreign exchange hedging program. See "Business Risks – Foreign Currency Rate Risk" for a discussion of hedge positions. Production costs were 3% lower than the prior year due to decreased electrical costs, which represent approximately 70% to 85% of the variable costs of the production of sodium chlorate.

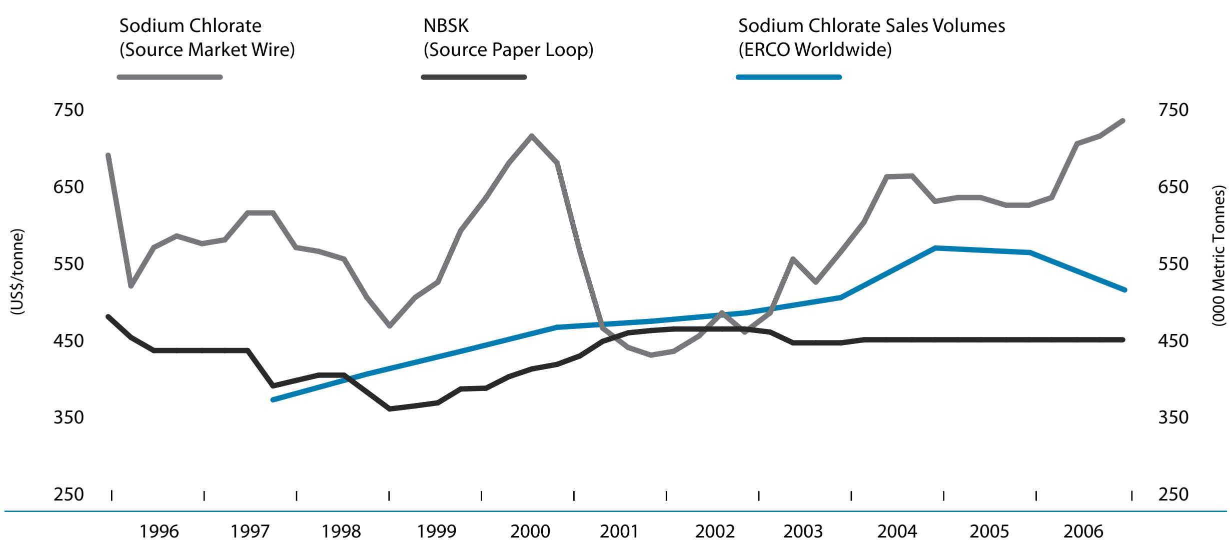
Chloralkali/potassium sales volumes increased by 80,000 tonnes (47%) due principally to a full year ownership of the Port Edwards, Wisconsin facility which was purchased in June 2005. Offsetting the increase in sales volumes was a 3% decrease in the aggregate average selling price. Selling prices moved toward historical levels from the record prices realized during the second half of 2005 that resulted from the U.S. Gulf Coast hurricanes.

Total chemical sales volumes were 756,000 tonnes for 2006, an increase of 14,000 tonnes (2%) compared to the prior year as the increase in chloralkali/potassium sales volumes more than offset the decrease in sodium chlorate volumes. Average chemical revenue and cost of sales on a per tonne basis declined in 2006 from 2005 levels as a result of the growth in chloralkali/potassium sales volumes which have a lower average selling and production costs than sodium chlorate. Sodium chlorate and chloralkali/potassium production capacity utilization averaged 89% (2005 – 96%) and 92% (2005 – 92%), respectively.

Cash operating, administration and tax costs were $120.9 million in 2006, an increase of $15.2 million over the prior year. Increased expenses in 2006 are due to the full year impact of Port Edwards which resulted in $16.2 million of incremental costs and the start-up of the sodium chlorate facility in Chile which resulted in $2.9 million of additional costs. Offsetting these increases was a reduction in costs associated with the sodium chlorate operations, principally due to the closure of the Thunder Bay sodium chlorate facility.

Chloralkali/potassium sales contributed 35% of operating cash flow from chemical operations before maintenance capital expenditures, up 6% from the 29% contribution in 2005. Sodium chlorate sales represent 65% of ERCO Worldwide's operating cash flow from chemical operations before maintenance capital expenditures and are principally made 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 relatively stable over time despite the volatility of bleached pulp prices (see the following chart). ERCO Worldwide's top 10 customers comprised approximately 33% of its revenues in 2006, with its largest customer representing 6% of its revenues.

Pulp Prices Compared to Sodium Chlorate Prices and Sales Volumes



Maintenance capital costs were $7.5 million in 2006, comparable to 2005. For 2007, maintenance capital expenditures are expected to rise moderately to the $8 to $9 million range.

Growth capital expenditures aggregated $51.4 million in 2006, compared to $58.6 million in 2005 and were directed towards opportunities in the growing South American sodium chlorate market and increasing operational efficiencies. Construction of the 55,000 tonne sodium chlorate plant in Chile was completed in September 2006. The plant provides CMPC with a long-term contracted sodium chlorate supply to its three pulp mills. Expenditures related to the construction of the plant of $41.3 million were incurred during 2006 ($70.2 million cumulatively). ERCO spent $5.6 million in 2006 to replace sodium chlorate electrical cells ($25.1 million cumulatively), and continues to evaluate the merits of converting additional electrical cells. Improvements in cell design are yielding an approximate 7% increase in electrical efficiency. The cell replacement program is considered to be growth capital in nature as the project will improve the production efficiency of the business.

ERCO is continuing to evaluate the economic feasibility of converting its Port Edwards, Wisconsin potassium/chloralkali facility from a mercury based process to membrane technology at a cost estimated at US$85 to US$100 million. The project is expected to provide significant improvements in process efficiency and capacity. If the project does not proceed, environmental compliance expenditures of approximately $3.5 to $4.0 million, of which $2.6 million were accrued upon acquisition, are required in 2007 to meet government regulations which became effective December 17, 2006. ERCO has received a one year extension from government authorities to complete its project evaluation.

In accordance with Superior's strategic plan, ERCO closed its 80,000 tonne sodium chlorate plant in Bruderheim, Alberta during November of 2006 due to high electricity costs, lower realized sodium chlorate prices resulting from the appreciation of the Canadian dollar on US dollar denominated sales and reduced sodium chlorate demand due to the closure of various bleached pulp mills in North America. The Bruderheim facility is currently being operated by ERCO as a dissolving facility. Closure costs were $4.1 million and have been categorized as strategic plan costs. ERCO is currently assessing options related to the closure of the facility which range from a sale to a full dismantlement and reclamation of the property. Depending on the closure option available, additional costs to close the facility will range from nil to $5.0 million. See "Corporate" for a detailed discussion of strategic plan costs. The fixed-price power agreement previously used by the Bruderheim facility was transferred to ERCO's Grand Prairie, Alberta sodium chlorate facility and will provide competitive rates until its expiry in 2017.

During 2006, ERCO established a new long-term electrical supply agreement for its Valdosta, Georgia sodium chlorate facility. The agreement with Georgia Power will supply ERCO's facility with power at the industrial interruptible tariff rate which is anticipated to be in the mid US $40's/MW, using US $10/GJ as the assumed natural gas cost in the tariff calculation. The facility will operate as a swing facility when electrical prices are favourable and can be supported in the sodium chlorate market.

• OUTLOOK •

Based on the steps taken in 2006 and recent improvements of sodium chlorate market fundamentals supported by strong soft wood pulp prices, ERCO is anticipated to achieve operating distributable cash flow between $65 and $70 million for 2007 and 2008.

• 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 selling prices, cost efficiency, 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, 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 fibre 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 48% 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 divisions. Approximately 85% and 34% of ERCO Worldwide's estimated US dollar exposure for 2007 and 2008 have been hedged. See "Foreign Currency Hedging" and Note 17(iii) 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 85% of variable production costs for sodium chlorate. 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 10% of ERCO Worldwide's annual power requirements are located in deregulated electricity jurisdictions, of which 100% has been sourced through fixed-price electrical contracts, for remaining terms up to eleven years with an investment grade counter-party. On December 31, 2006, ERCO's fixed-price electricity agreement to supply electricity to its Valdosta, Georgia sodium chlorate facility expired. As a result, ERCO has entered into an agreement with Georgia Power to supply power to the facility pursuant to Georgia Power's industrial interruptible tariff. See Note 18(iii) to the Consolidated Financial Statements for a summary of ERCO's fixed-price electricity commitments.

ERCO Worldwide purchases salt from third-party suppliers at each of its plants with the exception of the 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.

Health, Safety and Environment. 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. ERCO applies this ethic worldwide through Global Charter. The business has not had a material environmental or safety incident for over 13 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, 2006, ERCO Worldwide had 474 employees of which approximately 122 (26%) are unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements which expire from 2007 to 2009. Collective bargaining agreements are renegotiated in the normal course of business.

• WINROC •

Winroc generated operating distributable cash flow of $34.6 million for 2006, an increase of $4.4 million (15%) from the $30.2 million generated in 2005. The increase in operating distributable cash flow is due to growth in all operating regions, particularly Western Canada and the impact of a full year of ownership of Leon's Insulation Inc. ("Leon's") in Ontario.

Condensed operating results for the years 2006 and 2005 are provided in the following table. See "Segmented Cash Flow" for detailed comparative business segment results and page 64 of this Annual Report for selected historical information for the last five years.

Years Ended December 31 *(millions of dollars)*	**2006**	2005
Distribution sales gross profit	**127.2**	113.4
Direct sales gross profit	**5.0**	4.4
Gross profit	**132.2**	117.8
Less: Cash operating, administration and tax costs	**(91.0)**	(82.0)
Cash generated from operations before changes in net working capital	**41.2**	35.8
Maintenance capital expenditures, net	**(6.6)**	(5.6)
Operating distributable cash flow	**34.6**	30.2

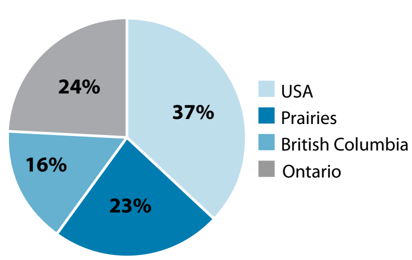
Distribution sales gross profit reached $127.2 million for 2006, an increase of $13.8 million (12%) over 2005. Higher sales volumes contributed to improved gross profit as drywall sales volumes, which are an indicator of overall sales, increased by 3% compared to the prior year. Normalizing the prior year's drywall volumes for the impact of acquisitions, drywall sales volumes were down 2%. Higher sales volumes in Western Canada were offset by lower volumes in Ontario and the United States. Sales volumes in the United States have moderated from record levels in 2005 and were impacted in the second half of 2006 as a result of the slow down in new housing starts. Gross profits remained strong in all regions, while gross profits in Western Canada and the United States benefited from strong pricing, gross profits in Ontario benefited from the full year ownership of Leon's. Direct sales gross profit generated by Allroc, Winroc's wholesale buying group was $5.0 million, an increase of $0.6 million compared to the prior year, due to the growth of Winroc's overall purchasing volumes.

Cash operating, administration and tax costs were $91.0 million for 2006, an increase of $9.0 million (11%) over 2005 due principally to the year-over-year increase in sales volumes, an increase in the number of distribution branches from 38 to 39, and higher operating costs incurred to support the growth in the business. Maintenance capital expenditures of $6.6 million for 2006 were moderately higher than 2005 levels, as higher expenditures were incurred to support the addition of one new branch and the growth in volumes in Western Canada. In conjunction with Superior Propane, Winroc has entered into a master leasing agreement for the ongoing requirements of its delivery fleet. Similarly to Superior Propane, the leasing program is anticipated to positively impact operating distributable cash flow by lowering maintenance capital expenditures for 2007 by approximately $1.5 – $2.0 million.

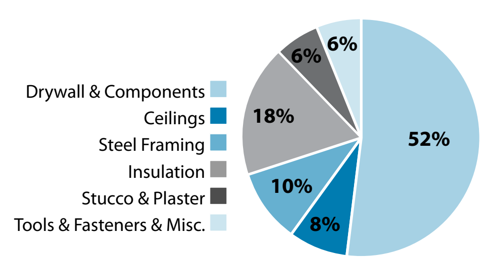
Winroc incurred $1.6 million in growth capital expenditures for 2006, consisting of a small acquisition ($0.8 million) and a payment pursuant to the Leon's acquisition agreement ($0.8 million). For 2005 growth capital expenditures were $31.9 million, predominantly incurred for the acquisition of Leon's.

Winroc enjoys considerable geographic and customer diversification servicing over 7,300 customers across 39 distribution branches. (See "Distribution Revenues by Region" pie chart). Winroc's 10 largest customers represent approximately 15% 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).

2006
Distribution Revenues by Region
(percent)

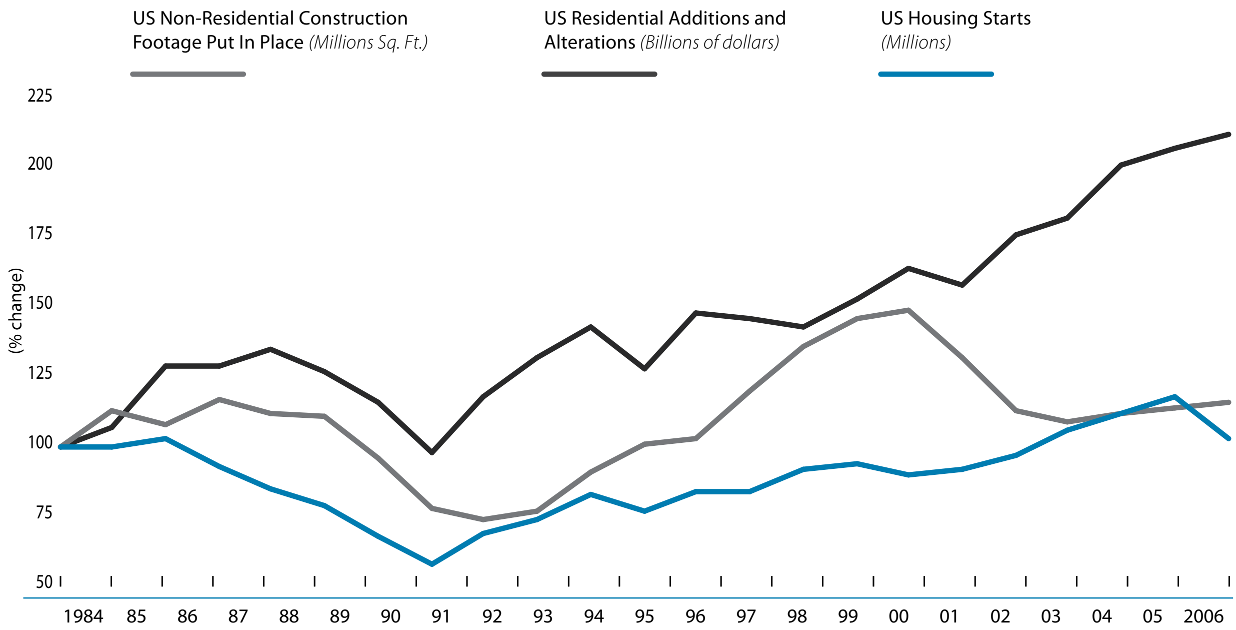


2006
Distribution Revenues by Product
(percent)



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 drywall and components, 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 "USA End-Use Construction Demand Profile" on page 22).

USA End-Use Construction Segments



• OUTLOOK •

For 2007, Winroc's operating distributable cash flow is anticipated to be $30 to $35 million, increasing to $32 to $37 million in 2008. Continued softening in new housing construction in some markets is anticipated to continue in 2007 but start to improve in 2008, while commercial and renovation markets are expected to remain strong. Winroc continues to explore opportunities to profitably expand its distribution operations through a combination of opening new greenfield locations and acquisitions to add further value over time.

• 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 the 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 eight competitors representing an estimated 39% 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 52% 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 also provides third-party purchasing services to 10 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, 2006, Winroc had 912 employees of which 92 (10%) are unionized at three locations. Collective bargaining agreements expire during 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 $10.3 million in 2006, an increase of $5.0 million (94%) from the $5.3 million of operating distributable cash flow generated in 2005, due to improved margins and higher sales volumes.

Condensed operating results for 2006 and 2005 are provided in the following table. See "Segmented Distributable Cash Flow" for detailed comparative business segment results and page 65 of this Annual Report for selected historical information for the last five years.

	2006		2005	
(millions of dollars except per gigajoule ("GJ") amounts)		**¢/GJ**		¢/GJ
Gross profit	**21.7**	**54.3**	14.5	39.2
Less: Cash operating, administration and selling costs	**(11.4)**	**(28.5)**	(9.2)	(24.9)
Operating distributable cash flow	**10.3**	**25.8**	5.3	14.3
Natural gas sold *(millions of GJs)*	**40**		37	

SEM provides fixed-price, term natural gas sales to residential customers in Ontario and commercial and light industrial consumers in Ontario and Quebec. Gross profit for 2006 reached $21.7 million, an increase of 50% from $14.5 million in gross profit earned in 2005. Sales volumes increased by 8% to 40 million GJs in 2006, as SEM focused its sales channels on lower volume, higher margin, residential customers. As a result, SEM increased its customer base to 92,600 at the end of 2006 from 48,000 at the end of 2005. Average sales margins increased by 39% to 54.3 cents/GJ for 2006, reflecting the sales growth to higher margin residential customers. Cash operating, administration and selling costs were $11.4 million for 2006, an increase of $2.2 million (24%) over 2005. 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 build SEM's management team and increased administrative costs to support its expanded activity level.

SEM invested $8.4 million in customer acquisition costs during 2006 (2005 – $7.0 million) to grow its customer base, resulting in a net increase of 44,600 customers (2005 – 28,500). SEM's fixed-price natural gas contracts are for a maximum term of five years. As at December 31, 2006, the average remaining term of SEM's contracts was 42 months, which was consistent with the prior year, as the majority of SEM's customer contracts entered into during 2006 continued to be for a five-year term. SEM's largest customer represented 3% of 2006 gross profits (2005 – 5%). At December 31, 2006, SEM's largest fixed-price natural gas supplier represented 32% (2005 – 29%) of its supply portfolio. At December 31, 2006, approximately 25% of SEM's sales volumes were to residential customers (December 31, 2005 – 14%).

• OUTLOOK •

SEM plans to continue to grow its fixed-price residential natural gas business in 2007. Combined with the strong growth in its contracted customer base achieved in 2006, SEM is expected to generate operating distributable cash flow in the $12 to $15 million range for 2007, further increasing in 2008 to the $15 to $18 million range. SEM continues to explore opportunities to profitably expand its natural gas retailing operations into new markets and potentially expand its product line by entering the Ontario electricity market.

• 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 15 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. 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 to ensure compliance with SEM's risk management policy. See Note 17(iii) and Note 18(ii) to the Consolidated Financial Statements for foreign exchange and fixed-price natural gas purchase commitments.

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, customers' 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 closely monitors its balancing positions and will balance natural gas positions between pools of customers to minimize its overall exposure. SEM also maintains a reserve to protect against potential balancing costs.

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.

The Ontario Energy Board has approved new regulations governing some processes involving gas marketers. The new regulations are known as Gas Distribution Access Rules ("GDAR") and will become effective June 2007. Included in the new rules will be a provision that will allow utilities to enroll customers with a gas marketer even if they are already on contract with a different gas marketer. The utility will be required to advise the existing marketer of the dispute. The marketers will then have 30 days to resolve the dispute. SEM has adopted the necessary processes to ensure it is compliant with the new rules.

• DISCONTINUED OPERATION – JW ALUMINUM •

In July, the Fund announced as part of its strategic plan, its decision to sell JWA in order to focus on its Canadian businesses and to reduce debt. As a result, JWA was sold on December 7, 2006 for net proceeds of $354.7 million. JWA's financial statements have been classified as a discontinued operation in the Fund's Consolidated Financial Statements effective July 1, 2006 as a result of the decision to sell JWA.

Condensed operating results for 2006 and 2005 are provided in the following table:

	January 1 – December 7, 2006 (1)		October 19 – December 31, 2005 (2)	
(millions of dollars except per pound amounts)		**¢/lb**		¢/lb
Gross profit	**58.7**	**18.5**	12.5	17.6
Less: Cash operating, administration and tax costs	**(17.0)**	**(5.4)**	(3.4)	(4.8)
Cash generated from operations before changes in net working capital	**41.7**	**13.1**	9.1	12.8
Maintenance capital expenditures, net	**(2.8)**	**(0.9)**	(0.5)	(0.7)
Operating distributable cash flow	**38.9**	**12.2**	8.6	12.1
Aluminum sold *(millions of pounds)*	**317**		71	

(1) JWA was sold on December 7, 2006. (See Note 3 to the Consolidated Financial Statements).
(2) JWA was acquired on October 19, 2005. (See Note 4 to the Consolidated Financial Statements).

Operating distributable cash flow for the period January 1, 2006 to December 7, 2006 was $38.9 million, compared to $8.6 million for the prior year's period of October 19, 2005 to December 31, 2005. The current period's and prior period's results reflect the Fund's effective ownership period. As a result of the sale of JWA on December 7, 2006, the 2007 financial results of the Fund will have no contribution from JWA.

• CORPORATE •

Cash corporate administrative costs were $6.4 million for 2006, a decrease of $2.3 million from 2005. The decrease compared to the prior year is due to the reversal of costs previously expensed in relation to senior executive trust unit compensation as a result of the decline in the Fund's unit value, partially offset by higher C-SOX consulting costs.

The Fund's strategic plan included the sale of JW Aluminum and using the sales proceeds to reduce debt, the refinancing of term debt, the reorganization into a trust-over-partnership structure and the closure of ERCO's Bruderheim sodium chlorate facility, all of which have been substantially completed. Costs associated with the strategic plan totalled $19.7 million during the year (2005 – nil) and are detailed below.

(millions of dollars)	**2006**
Operating and administrative expenses:	
Employee severance and retention	**11.0**
Partnership reorganization costs	**1.9**
ERCO – Bruderheim closure costs	**4.1**
Advisory and other	**0.7**
Write-off of deferred financing costs	**2.0**
Total Strategic Plan Costs	**19.7**

Strategic plan costs for 2007 are expected to range from $1.5 to $6.5 million. The range is due to the uncertainty of the costs associated with ERCO's closure of its Bruderheim, Alberta sodium chlorate facility. The remainder of the costs relate to employee retention programs, to be completed on or before May 1, 2007.

Cash income taxes for 2006 of $15.0 million were incurred with respect to operations in the United States (2005 – $5.8 million) 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 $1.7 million for 2006 (2005 – $3.4 million), lower than the prior year's levels due to the Fund's conversion to a trust-over-partnership structure at the end of the third quarter of 2006. Capital taxes have been allocated to Superior's four business segments operating in Canada based on net taxable capital deployed. For 2007, cash taxes in the United States are expected to decrease as a result of the sale of JWA. Canadian cash taxes will be nil as a result of the Fund's conversion to a partnership structure.

On October 31, 2006, the Government of Canada announced proposed changes that would result in the taxation of "specified investment flow-throughs", which include income trusts. The proposed changes would take effect in 2011. Due to the uncertainty with respect to the proposed changes, the Fund has not completed a full assessment of the potential implications that these proposed changes may have.

Interest expense on Superior's revolving term bank credits and term loans was $43.1 million for 2006, an increase of $20.3 million over 2005 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. On December 7, 2006, Superior used the net proceeds of $354.7 million from the sale of JWA to reduce its indebtedness under its senior credit facilities.

Interest on the Fund's convertible unsecured subordinated debentures (the "Debentures") was $20.2 million for 2006, an increase of $7.3 million from 2005, due to the full year's impact of the $175.0 million 5.75% Debentures issued in June 2005 and the $75.0 million 5.85% Debentures issued in October 2005.

• CONSOLIDATED OUTLOOK •

Based on the strategic plan implemented in 2006 and the divisional distributable cash flow guidance provided for 2007 and 2008, we anticipate overall distributable cash flow per trust unit for 2007 to be between $1.65 and $1.85, increasing in 2008 to the $1.85 to $2.00 range without upside from potential accretive acquisitions.

• QUARTERLY FINANCIAL AND OPERATING INFORMATION •

Quarterly financial and operating information for 2006 and 2005 are provided in the table on page 27. 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 and SEM's operating cash flow and net working capital requirements do not have significant seasonal fluctuations.

(millions of dollars except per trust unit amounts)	**2006 Quarters** Fourth	Third (1)	Second (1)	First (1)	2005 Quarters Fourth (1)	Third (1)	Second (1)	First (1)
Propane sales volumes *(millions of litres)*	**407**	**261**	**270**	**448**	420	277	286	485
Chemical sales volumes *(thousands of metric tonnes)*	**191**	**190**	**183**	**192**	205	203	170	164
Natural gas sales volumes *(millions of GJs)*	**10**	**11**	**10**	**9**	9	9	9	9
Gross profit	**174.1**	**143.5**	**141.2**	**172.1**	173.0	149.6	137.2	163.8
Asset impairments, net of tax	**–**	**56.3**	**170.8**	**–**	–	–	–	–
Net earnings (loss) from continuing operations	**25.3**	**46.3**	**(157.4)**	**30.2**	18.1	23.6	18.5	41.1
Net earnings (loss)	**38.1**	**1.1**	**(153.3)**	**33.3**	21.2	23.6	18.5	41.1
Per basic trust unit from continuing operations	**$ 0.30**	**$ 0.54**	**$ (1.84)**	**$ 0.35**	$ 0.22	$ 0.30	$ 0.24	$ 0.54
Per diluted trust unit from continuing operations	**$ 0.30**	**$ 0.54**	**$ (1.84)**	**$ 0.35**	$ 0.22	$ 0.30	$ 0.24	$ 0.52
Per basic trust unit	**$ 0.45**	**$ 0.01**	**$ (1.79)**	**$ 0.39**	$ 0.25	$ 0.30	$ 0.24	$ 0.54
Per diluted trust unit	**$ 0.45**	**$ 0.01**	**$ (1.79)**	**$ 0.39**	$ 0.25	$ 0.30	$ 0.24	$ 0.52
Distributable cash flow	**50.3**	**25.3**	**28.6**	**56.5**	60.0	33.4	29.9	63.7
Per basic trust unit	**$ 0.59**	**$ 0.30**	**$ 0.33**	**$ 0.66**	$ 0.70	$ 0.42	$ 0.38	$ 0.83
Per diluted trust unit	**$ 0.59**	**$ 0.30**	**$ 0.33**	**$ 0.66**	$ 0.67	$ 0.42	$ 0.38	$ 0.79
Net working capital (2)	**178.9**	**237.9**	**294.8**	**310.6**	269.1	106.0	54.0	61.6

(1) Restated for the impact of the Superior Propane accrued pension asset, see Note 12 of the Consolidated Financial Statements.

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

• DISTRIBUTIONS PAID TO UNITHOLDERS •

As detailed on page 11 of this management discussion and analysis, distributable cash flow for 2006 (before strategic plan costs of $19.7 million) was $180.4 million ($160.7 million after strategic plan costs), a decrease of $6.6 million (4%) before strategic plan costs, and a decrease of $26.3 million (14%) from the prior year after strategic plan costs. For 2006, distributions paid to Unitholders were $1.82 per trust unit, a decrease of 24% compared to 2005 distributions paid of $2.41 per trust unit, representing a payout ratio for 2006 of 86% before strategic plan costs (97% after strategic plan costs), compared to 103% for 2005. Distributions paid in 2006 resulted in undistributed cash flow of $24.7 million before strategic plan costs ($5.0 million after strategic plan costs) compared to $5.0 million in excess distributions which were funded from debt in 2005. The decrease in distributions paid is the result of a change in the Fund's monthly distribution level from $0.205 per trust unit to $0.185 per trust unit effective with the March 2006 monthly distribution and a reduction to $0.13 per trust unit ($1.56 on an annualized basis) effective with the May 2006 monthly distribution.

(millions of dollars except per trust unit amounts)	**2006**	**Trust Unit**	2005	Trust Unit
Distributions paid in the calendar year	**155.7**	**$ 1.82**	192.0	$ 2.41
Distributable cash flow (funded from debt) reinvested	**24.7**	**0.29**	(5.0)	(0.06)
Distributable cash flow before strategic plan costs	**180.4**	**$ 2.11**	187.0	$ 2.35
Distribution payout ratio	**86%**		103%	
Strategic plan costs	**(19.7)**	**(0.23)**	–	–
Distributable cash flow after strategic plan costs	**160.7**	**$ 1.88**	187.0	2.35
Distribution payout ratio	**97%**		103%	

• CAPITAL RESOURCES AND FINANCING ACTIVITY •

The Fund's distributions to Unitholders are sourced entirely from its equity in Superior LP. 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 $916 million and $292.9 million, respectively, based on closing prices on December 31, 2006 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 LP and the Fund have financed growth as detailed in the following table:

(millions of dollars)	2002	2003	2004	2005	**2006**	Total	
Acquisitions & other capital expenditures							
Superior Propane	(5.1)	(0.3)	4.2	27.5	**–**	26.3	
ERCO Worldwide	584.5	130.1	5.7	58.6	**51.4**	830.3	
JWA [(1)]	–	–	–	407.3	**(351.0)**	56.3	
Winroc	–	–	116.4	31.9	**1.6**	149.9	
	579.4	129.8	126.3	525.3	**(298.0)**	1,062.8	
Financed by:							
Total debt [(2)]	549.1	(295.3)	(18.3)	314.0	**(305.5)**	241.9	23%
Trust unit capital [(3)]	30.3	413.1	126.2	216.3	**2.5**	788.4	74%
Distributable cash flow reinvested (borrowed)	–	12.0	18.4	(5.0)	**5.0**	32.5	3%
	579.4	129.8	126.3	525.3	**(298.0)**	1,062.8	100%
Debt leverage:							
Senior debt/EBITDA [(4)(5)]	2.6	2.0	2.2	2.4	**1.9**		
Total debt/EBITDA [(2)(5)]	4.2	3.1	2.7	3.5	**3.4**		

(1) JWA was disposed of on December 7, 2006, for net proceeds of $354.7 million. The net proceeds were used to repay Superior's existing credit facilities.

(2) 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.

(3) Trust unit capital financing represents trust unit capital issued directly and through conversion of Debentures and Warrants into trust units.

(4) Senior debt includes senior debt and proceeds from trade accounts receivable sales programs.

(5) 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. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

Growth capital expenditures amounted to $53.0 million in 2006 (2005 – $525.3 million) and were comprised solely of other capital expenditures. JW Aluminum acquired on October 19, 2005, was disposed of on December 7, 2006 for net proceeds of $354.7 million. The net proceeds were used to repay Superior's existing credit facilities. Details on growth capital expenditures by division are provided in the table above as well as in the reviews of operating results by division.

For 2006, financing requirements, excluding the disposition of JW Aluminum, totalled $52.9 million, including $53.0 million for growth capital, $5.2 million of net capitalized natural gas customer acquisition costs, net of a $5.3 million reduction in net working capital levels. These amounts were financed through Superior's revolving term credit facilities.

Net working capital from continuing operations was $178.9 million as at December 31, 2006, a decrease of $5.3 million as compared to the prior year. The decrease in net working capital is due to lower net working capital at Superior Propane and Winroc, offset in part, by higher net working capital at ERCO Worldwide due to the start up of the Chilean operations. See Note 20 to the Consolidated Financial Statements for segmented net working capital levels by division, net of the accounts receivable sales program.

During 2006, Superior issued $200.0 million, 5.50% coupon, Medium Term Notes, maturing on March 3, 2016 with an effective yield to maturity of 5.57%. Subsequently, during 2006, Superior repaid the Medium Term Notes from borrowings under its revolving term credit facilities to provide enhanced debt repayment and covenant flexibility.

In January 2007, the Fund announced the commencement of a distribution reinvestment plan and an optional unit purchase plan (the "DRIP"). The DRIP provides Unitholders with the opportunity to reinvest their cash distributions at a 5% discount to the market price of the trust units. Proceeds of the DRIP will be used to fund accretive growth opportunities within Superior's existing businesses.

• LIQUIDITY •

	As at December 31, 2006			
(millions of dollars)	**Total Amount**	**Borrowings**	**Letters of Credit Issued**	**Amount Available**
Revolving term bank credit facilities	**587.8**	**142.5**	**20.6**	**424.7**
Term loans	**204.2**	**204.2**	**–**	**–**
Accounts receivable sales program	**100.0**	**95.0**	**–**	**5.0**
Total	**892.0**	**441.7**	**20.6**	**429.7**

Superior's revolving term bank credit and term loans, including its accounts receivable securitization program totalled $441.7 million as at December 31, 2006, a decrease of 41% compared to the prior year due principally to the sale of JWA on December 7, 2006. As at December 31, 2006, $429.7 million was available under the credit facilities and accounts receivable sales program and is considered to be sufficient to meet Superior's net working capital funding requirements and expected capital expenditures. Principal covenants are described in "Contractual Obligations and Other Commitments" on page 30.

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, 2006, proceeds of $95.0 million (December 31, 2005 – $100.0 million) had been raised from this program and were used to repay revolving term bank credits. (See Note 6 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.

In response to Superior's strategic review announcement on July 10, 2006, Standard and Poor's and Dominion Bond Rating Service confirmed their April 24, 2006 ratings, pending the completion of a full credit review. On April 24, 2006, Standard and Poor's confirmed Superior's BBB- secured long-term debt credit rating, but altered their outlook from stable to negative and Dominion Bond Rating Service confirmed Superior's secured long-term debt at BBB(low), but altered their outlook from stable to under review with negative implications.

• CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS •

		Payments Due In				
(millions of dollars)	Notes [1]	Total	2007	2008-2009	2010-2011	Thereafter
Revolving term bank credits & term loans	9	346.7	2.7	155.4	44.1	144.5
Convertible Debentures	10	313.9	8.1	59.2	–	246.6
Operating leases [2]	18(i)	86.3	25.5	36.6	14.9	9.3
Natural gas, aluminum, propane & electricity purchase commitments	18(ii)(iii)	876.0	258.4	397.2	114.0	106.4
Future employee benefits [3]	11	23.7	4.5	9.0	10.2	–
Total contractual obligations		1,646.6	299.2	657.4	183.2	506.8

(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.

(3) Does not include the Superior Propane defined benefit pension asset.

Revolving term bank credits and term loans are secured by a general charge over the assets of Superior and certain of its subsidiaries. As at December 31, 2006, Superior's senior debt to EBITDA (as previously defined) was 1.9 times to 1.0 after taking into account the impact of the off-balance sheet receivable sales program amounts, the impact of cash on hand, the disposition of JWA and the impact of the start-up of ERCO's Chilean operations. 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 and dispositions. At December 31, 2006, this ratio when calculated in accordance with Superior's senior banking agreements was 2.1 to 1.0 (December 31, 2005 – 2.4 to 1.0).

Debentures are obligations of the Fund and consist of $8.1 million Series 1, 8% Debentures maturing July 31, 2007; $59.2 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. As at December 31, 2006, Superior's total debt to EBITDA (as previously defined) was 3.4 times to 1.0 after taking into account the impact of the off-balance sheet receivable sales program amounts, the impact of cash on hand, the disposition of JWA and the impact of the start-up of ERCO's Chilean operations. Debt covenants limit the incurrence of additional long-term debt and trigger default provisions if Superior's total debt (including proceeds raised from the accounts receivable sales program) exceeds five times EBITDA (as previously defined) for the last 12 month period as adjusted for the proforma impact of acquisitions and dispositions. At December 31, 2006, this ratio calculated in accordance with Superior's senior banking agreements was 3.7 times to 1.0 (December 31, 2005 – 3.5 times to 1.0).

Approximately 50% of Superior's revolving term bank credits and term loans and Debenture obligations were not repayable for at least five years and approximately 41% of Superior's total debt obligations (including accounts receivable sales program) are subject to fixed interest rates. Superior's policy is to maintain a fixed-to-floating interest rate profile of approximately 50%.

Operating leases consist of rail cars, vehicles, premises and other equipment. Rail car leases comprise 35% (2005 – 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 and propane fixed-price supply commitments are used to resource similar volume and term fixed-price sales commitments to customers of SEM and Superior Propane. ERCO Worldwide has entered into fixed-price electricity contracts for a term of up to 11 years representing 100% of its annual power requirements in deregulated jurisdictions.

• UNITHOLDERS' CAPITAL •

The weighted average number of trust units outstanding for 2006 was 85.5 million compared to 79.7 million units in the prior year, an increase of 7%. The increase resulted from the full year impact of 6.2 million trust units issued in October 2005 to partially finance the acquisition of JWA, in addition to the conversion of Debentures.

As at December 31, 2006 and 2005, the following trust units, and securities convertible into trust units, were outstanding:

	December 31, 2006		December 31, 2005	
(millions)	**Convertible Securities**	**Trust Units**	Convertible Securities	Trust Units
Trust units outstanding		**85.5**		85.5
Series 1, 8% Debentures (convertible at $16 per trust unit)	**$ 8.1**	**0.6**	$ 8.9	0.6
Series 2, 8% Debentures (convertible at $20 per trust unit)	**$ 59.2**	**3.0**	$ 59.3	3.0
Series 1, 5.75% Debentures (convertible at $36 per trust unit)	**$ 174.9**	**4.9**	$ 174.9	4.9
Series 1, 5.85% Debentures (convertible at $31.25 per trust unit)	**$ 75.0**	**2.4**	$ 75.0	2.4
Warrants (exercisable @ $20 per trust unit)	**2.3**	**2.3**	2.3	2.3
Trust units outstanding, and issuable upon conversion of Debenture and Warrant securities		**98.7**		98.7

The warrants are exercisable until May 2008. In addition, as at December 31, 2006, there were 1,086,000 trust unit options outstanding (December 31, 2005 – 1,177,000 trust units) with a weighted average exercise price of $22.69 per trust unit (2005 – $22.82 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, 2006, SEM and Superior Propane had hedged approximately 100% of their US dollar natural gas and propane purchase obligations and ERCO Worldwide had hedged 85% and 34% of its estimated US dollar exposure for 2007 and 2008, respectively as shown in the table below. See Note 17(iii) to the Consolidated Financial Statements.

(US$ millions)	2007	2008	2009	2010	2011	2012	Total
SEM – US$ forward purchases	131.1	118.3	111.1	61.9	5.4	–	427.8
Superior Propane – US$ forward purchases	(13.8)	–	–	–	–	–	(13.8)
ERCO – US$ forward sales	(89.6)	(15.9)	–	–	–	–	(105.5)
Net US$ forward purchases	27.7	102.4	111.1	61.9	5.4	–	308.5
SEM – Average US$ forward purchase rate	1.22	1.22	1.21	1.16	1.11	–	1.21
Superior Propane – Average US $ forward purchase rate	1.12	–	–	–	–	–	1.12
ERCO – Average US$ forward sales rate	1.22	1.20	–	–	–	–	1.21
Net average external US$/Cdn$ exchange rate	1.21	1.22	1.21	1.16	1.11	–	1.21

• SENSITIVITY ANALYSIS •

The Fund's estimated cash flow sensitivity in 2006 to the following changes is 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%	$6.9 million	$0.08
Change in sales volume	50 million litres	4%	$6.9 million	$0.08
ERCO Worldwide				
Change in sales price	$10.00/tonne	2%	$6.5 million	$0.08
Change in sales volume	15,000 metric tonnes	2%	$3.7 million	$0.04
Winroc				
Change in sales margin	1% change in average gross margin	4%	$4.5 million	$0.05
Change in sales volume	4% of sales revenues	4%	$2.8 million	$0.03
Superior Energy Management				
Change in sales margin	$0.02/GJ	4%	$0.8 million	$0.01
Change in sales volume	2 million GJ	5%	$1.1 million	$0.01
Corporate				
Change in Cdn$/US$ exchange rate (1)	$0.01	1%	$0.4 million	–
Corporate change in interest rates	0.5%	15%	$1.8 million	$0.02

(1) After giving effect to US$ forward sales contracts for 2007. See "Foreign Currency Hedging".

• 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 9 and 17(ii) to the Consolidated Financial Statements). Demand levels for approximately 50% of Superior Propane's sales and substantially all of ERCO Worldwide'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.

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 •

The Fund's significant accounting policies are contained in Note 2 to the Consolidated Financial Statements. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The Fund constantly evaluates these estimates and assumptions.

Allowance for Doubtful Accounts

The Fund expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This allowance is based on the Fund's estimate of the likelihood of recovering its accounts receivable. It incorporates current and expected collection trends. If economic conditions change, actual results or specific industry trends differ from the Fund's expectations, the Fund will adjust its allowance for doubtful accounts and our bad debts expense accordingly.

Employee Future Benefits

The accrued benefit obligation is determined by independent actuaries using the projected benefit method prorated on service and based on management's best economic and demographic estimates. The benefits relate to the Fund's defined benefit plans. The expected return on plan assets is determined by considering long-term historical returns, future estimates of long-term investment returns and asset allocations.

Asset Impairment

The Fund reviews long-lived assets and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows, and measurement of an impairment loss is based on the fair value of the assets.

Goodwill is not amortized, but is assessed for impairment at the reporting unit level annually, or sooner if events or changes in circumstances indicate that the carrying amount could exceed fair value. Goodwill is assessed for impairment using a two-step approach, with the first step being to assess whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. If this is the case, a second impairment test is performed which requires a comparison of the fair value of goodwill to its carrying amount. If fair value is less than carrying value, goodwill is considered impaired and an impairment charge must be recognized immediately.

Accordingly, the Fund recognized various impairment charges, as more fully described in Notes 3 and 5 to the consolidated financial statements. As at December 31, 2006, the Fund determined that there were no other triggering events requiring additional impairment analysis.

• RESTATEMENT OF ACCRUED PENSION ASSET •

As described in Note 12 to the Consolidated Financial Statements, the Fund has determined that Superior Propane's accrued pension asset should be accounted for in accordance with CICA Handbook 3461, Employee Future Benefits. Previously, the Fund had determined that the adoption of this accounting standard was inconsequential. Accordingly, it has retroactively restated its 2005 Consolidated Financial Statements.

The impact for 2005 was to increase total assets by $25.9 million to $2,373.6 million, reflecting the previously unrecorded pension asset, a reduction in net earnings (loss) by $1.7 million to $104.4 million, and a reduction to the opening deficit of $27.6 million. There was no impact on the consolidated statement of cash flows. Net earnings (loss) per trust unit from continuing operations and net earnings (loss) on a basic and diluted basis, decreased by $0.02 per trust unit.

• RECENT ACCOUNTING PRONOUNCEMENTS •

The Canadian Institute of Chartered Accountants ("CICA") has issued new accounting standards related to the presentation, measurement and disclosure of financial instruments, derivative and non-financial derivatives. These standards are effective for interim and annual financial statements for Superior's fiscal years beginning January 1, 2007. The impact of implementing these new standards is not yet determinable as it is dependent on Superior's outstanding hedging positions, hedging strategies and market volatility.

The CICA has issued new standards for the reporting and display of comprehensive income, whereby unrealized gains and losses on financial assets that will be held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of qualifying cash flow hedging instruments will be recorded in the Consolidated Statement of Other Comprehensive Income until recognized in the Consolidated Statement of Earnings. Other comprehensive income will form part of Unitholders' Equity. These standards are effective for interim and annual financial statements for Superior's fiscal years beginning January 1, 2007. The impact of implementing these new standards is not anticipated to be material.

The CICA has issued new standards which specify the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. Fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation are permissible under the new section. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in the fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in fair value of the hedging derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net earnings. The amounts recognized in accumulated other comprehensive income will be reclassified to net earnings in the periods in which earnings are affected by the variability in the cash flows of the hedged item. These standards are effective for interim and annual financial statements for the Fund's fiscal years beginning January 1, 2007. Superior will discontinue hedge accounting effective January 1, 2007, the impact of which is not determinable as it is dependent on Superior's outstanding hedge positions, hedging strategies and market volatility.

Selected Financial Information

(millions of dollars except per trust unit amounts)	**2006**	2005 (1)	2004 (1)
Total assets (as at December 31)	**1,536.9**	2,373.6	1,579.7
Total revenues (2)	**2,264.3**	2,059.2	1,552.8
Gross profit (2)	**630.9**	623.6	542.8
Net earnings (loss) from continuing operations	**(55.6)**	101.3	109.8
Net earnings (loss)	**(80.8)**	104.4	109.8
Per basic trust unit, from continuing operations	**$ (0.65)**	$ 1.27	$ 1.51
Per diluted trust unit, from continuing operations	**$ (0.65)**	$ 1.26	$ 1.49
Per basic trust unit	**$ (0.94)**	$ 1.31	$ 1.51
Per diluted trust unit	**$ (0.94)**	$ 1.30	$ 1.49
Cash generated from continuing operations before changes in working capital	**137.5**	196.0	198.8
Distributable cash flow	**160.7**	187.0	184.4
Per trust unit	**$ 1.88**	$ 2.35	$ 2.54
Cash distributions per trust unit (3)	**$ 1.82**	$ 2.41	$ 2.465
Current and long-term debt (as at December 31)	**346.7**	644.7	446.2

(1) Restated for the impact of the Superior Propane defined pension asset, see Note 12 to the Consolidated Financial Statements.
(2) Total revenues and gross profit from continuing operations.
(3) Cash distributions per trust unit paid in fiscal year.

Segmented Distributable Cash Flow [1]

(millions of dollars) For the year ended December 31, 2006	Superior Propane	ERCO	Winroc	SEM	Corporate	Discontinued Operations JWA [2]	Total Consolidated
Net earnings (loss) from continuing operations	115.8	(59.3)	46.0	12.6	(170.7)	–	(55.6)
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	20.4	52.6	4.1	–	2.3	–	79.4
Future income tax expense (recovery)	(49.2)	(133.9)	(8.9)	(2.6)	85.4	–	(109.2)
Trust unit incentive plan recovery	–	–	–	–	(1.2)	–	(1.2)
Management internalization costs	–	–	–	–	1.3	–	1.3
Superior Propane non-cash pension expense	2.2						2.2
Impairment of property, plant and equipment, and goodwill [3]	–	218.7	–	–	–	–	218.7
Distributable cash from discontinued operations	–	–	–	–	–	38.9	38.9
Less: Maintenance capital expenditures, net	0.3	(7.5)	(6.6)	–	–	–	(13.8)
Distributable cash flow	**89.5**	**70.6**	**34.6**	**10.0**	**(82.9)**	**38.9**	**160.7**
Strategic plan costs	1.1	5.1	–	0.3	13.2	–	19.7
Distributable cash flow before strategic plan costs	**90.6**	**75.7**	**34.6**	**10.3**	**(69.7)**	**38.9**	**180.4**

(millions of dollars) For the year ended December 31, 2005	Superior Propane [4]	ERCO	Winroc	SEM	Corporate	Discontinued Operations JWA [2]	Total Consolidated
Net earnings from continuing operations	49.4	7.4	22.1	3.4	19.0	–	101.3
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	17.9	92.5	3.0	–	1.7	–	115.1
Future income tax expense (recovery)	28.0	1.3	10.7	1.9	(61.8)	–	(19.9)
Trust unit incentive plan recovery	–	–	–	–	(4.6)	–	(4.6)
Management internalization costs	–	–	–	–	1.3	–	1.3
Superior Propane non-cash pension expense	1.7						1.7
Distributable cash from discontinued operations	–	–	–	–	–	8.6	8.6
Less: Maintenance capital expenditures, net	(2.8)	(8.1)	(5.6)	–	–	–	(16.5)
Distributable cash flow	**94.2**	**93.1**	**30.2**	**5.3**	**(44.4)**	**8.6**	**187.0**

(1) See the Consolidated Financial Statements for net earnings (loss), amortization of property, plant and equipment, intangible assets and convertible debenture issue costs, future income tax expense (recovery), trust unit incentive plan expense (recovery), management internalization costs, impairment of property, plant and equipment and goodwill, and maintenance capital expenditures.

(2) See Note 3 to the Consolidated Financial Statements.

(3) See Note 5 to the Consolidated Financial Statements.

(4) Restated for the impact of the Superior Propane defined pension asset, see Note 12 to the Consolidated Financial Statements.

• DISCLOSURE CONTROLS AND PROCEDURES •

Disclosure controls and procedures are designed by, or designed under the supervision of the issuer's Chairman and Chief Executive Officer ("CEO") and the Executive Vice President and Chief Financial Officer ("CFO") to provide reasonable assurance that all 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 the Fund's disclosure controls and procedures was conducted as at December 31, 2006, 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 are filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

• INTERNAL CONTROL OVER FINANCIAL REPORTING •

Superior's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP).

At the direction and oversight of the Audit Committee of the Board of Directors, the CEO and CFO established a project team to ensure Superior's ability to meet its obligations under Multilateral Instrument 52-109. An external advisor was engaged, and a Steering Committee to oversee the project was established. The Steering Committee consists of the CEO, the CFO, the Vice President, Business Process and Compliance, together with members of senior management at each of the businesses making up the Fund. The evaluation of the design of internal controls over financial reporting was completed in the quarter ended December 31, 2006. Based on the assessment, management, including the CEO and CFO determined that the design of the Fund's internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

No changes were made in the Fund's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting in the quarter ended December 31, 2006.

• 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, distributable cash flow, 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 2006 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 Superior Plus Administration Inc., the Administrator of the Fund.

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 judgments. Actual results may differ from these estimates and judgments. 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 Administration 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.

Grant D. Billing
Chairman and Chief Executive Officer
Superior Plus Administration Inc.
Calgary, Alberta
February 23, 2007

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer
Superior Plus Administration 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, 2006 and 2005 and the consolidated statements of net earnings (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Calgary, Alberta	Deloitte & Touche LLP
February 23, 2007	Chartered Accountants

Consolidated Balance Sheets

As at December 31 *(millions of dollars)*	**2006**	2005
ASSETS		(Restated Note 12)
Current Assets		
Cash and cash equivalents	**33.6**	19.9
Accounts receivable and other (Note 6)	**246.1**	250.4
Inventories (Note 7)	**142.8**	146.3
Current assets of discontinued operations (Note 3)	**–**	132.8
	422.5	549.4
Property, plant and equipment (Note 8)	**571.1**	708.3
Deferred costs (Note 8)	**25.9**	22.3
Intangible assets (Note 8)	**31.5**	37.0
Goodwill (Note 5)	**452.4**	541.3
Accrued pension asset (Note 11 and 12)	**23.7**	25.9
Future income tax asset (Note 13)	**9.8**	–
Long term assets of discontinued operations (Note 3)	**–**	489.4
	1,536.9	2,373.6
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**243.6**	232.4
Current portion of term loans and convertible debentures (Note 9 and 10)	**10.8**	2.0
Distributions and interest payable to Unitholders and Debentureholders	**17.9**	25.0
Current liabilities of discontinued operations (Note 3)	**–**	47.9
	272.3	307.3
Revolving term bank credits and term loans (Note 9)	**344.0**	642.7
Convertible unsecured subordinated debentures (Note 10)	**305.8**	314.3
Future employee benefits (Note 11)	**19.2**	17.7
Future income tax liability (Note 13)	**–**	100.6
Future income tax liability of discontinued operations (Note 3)	**–**	162.2
Total Liabilities	**941.3**	1,544.8
Unitholders' Equity		
Unitholders' capital (Note 14)	**1,340.8**	1,338.3
Deficit	**(745.3)**	(508.8)
Currency translation account	**0.1**	(0.7)
Total Unitholders' Equity	**595.6**	828.8
	1,536.9	2,373.6

(See Notes to the Consolidated Financial Statements)

David Smith
Director

Peter Valentine
Director

Consolidated Statements of Net Earnings (Loss) and Deficit

Years ended December 31 *(millions of dollars except per trust unit amount)*	**2006**	2005
		(Restated Note 12)
Revenues	**2,264.3**	2,059.2
Cost of products sold	**1,633.4**	1,435.6
Gross profit	**630.9**	623.6
Expenses		
Operating and administrative	**423.8**	382.1
Amortization of property, plant and equipment	**72.0**	108.0
Amortization of intangible assets	**5.1**	5.4
Interest on revolving term bank credits and term loans	**43.1**	22.8
Interest on convertible unsecured subordinated debentures	**20.2**	12.9
Amortization of convertible debenture issue costs	**2.3**	1.7
Management internalization costs	**1.3**	1.3
Impairment of property, plant and equipment and goodwill (Note 5)	**218.7**	–
Income tax recovery of Superior (Note 13)	**(100.0)**	(11.9)
	686.5	522.3
Net earnings (loss) from continuing operations	**(55.6)**	101.3
Net earnings (loss) from discontinued operations (Note 3)	**(25.2)**	3.1
Net Earnings (Loss)	**(80.8)**	104.4
Deficit, Beginning of Period	**(508.8)**	(421.2)
Net earnings (loss)	**(80.8)**	104.4
Distributions to Unitholders	**(155.7)**	(192.0)
Deficit, End of Period	**(745.3)**	(508.8)
Net earnings (loss) per trust unit from continuing operations, basic (Note 15)	**$ (0.65)**	$ 1.27
Net earnings (loss) per trust unit from continuing operations, diluted (Note 15)	**$ (0.65)**	$ 1.26
Net earnings (loss) per trust unit from discontinued operations, basic (Note 15)	**$ (0.29)**	$ 0.04
Net earnings (loss) per trust unit from discontinued operations, diluted (Note 15)	**$ (0.29)**	$ 0.04
Net earnings (loss) per trust unit, basic (Note 15)	**$ (0.94)**	$ 1.31
Net earnings (loss) per trust unit, diluted (Note 15)	**$ (0.94)**	$ 1.30

(See Notes to the Consolidated Financial Statements)

Consolidated Statements of Cash Flows

Years ended December 31 *(millions of dollars)*	**2006**	2005
Operating Activities		(Restated Note 12)
Net earnings (loss) from continuing operations	**(55.6)**	101.3
Items not affecting cash:		
Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	**79.4**	115.1
Amortization of natural gas customer acquisition costs	**3.2**	2.4
Trust unit incentive plan compensation	**(1.2)**	(4.6)
Pension expense	**2.2**	1.7
Impairment of property, plant and equipment and goodwill (Note 5)	**218.7**	–
Future income tax recovery of Superior	**(109.2)**	(19.9)
Cash generated from continuing operations before natural gas customer acquisition costs and changes in working capital	**137.5**	196.0
Natural gas customer acquisition costs	**(8.4)**	(7.0)
Decrease (increase) in non-cash operating working capital items	**22.6**	(44.9)
Cash flows from operating activities of continuing operations	**151.7**	144.1
Investing Activities		
Maintenance capital expenditures, net	**(13.8)**	(16.5)
Other capital expenditures, net	**(53.0)**	(38.3)
Acquisitions (Note 4)	**–**	(471.2)
Proceeds on sale of JW Aluminum Company (Note 3)	**354.7**	–
Cash flows from investing activities	**287.9**	(526.0)
Financing Activities		
Revolving term bank credits and term loans	**(122.7)**	19.2
Issuance of Medium Term Notes	**197.2**	–
Repayment of Medium Term Notes	**(197.2)**	–
Proceeds (repayment) of JW Aluminum Company acquisition credit facility	**(167.8)**	170.8
Net proceeds (repayment) of accounts receivable sales program (Note 6)	**(5.0)**	–
Net proceeds from issue of 5.75% Series1 convertible unsecured subordinated debentures	**–**	167.6
Net proceeds from issue of trust units, to finance JW Aluminum Company acquisition	**–**	151.4
Net proceeds from issue of 5.85% Series 1 convertible unsecured subordinated debentures, to finance JW Aluminum Company	**–**	71.8
Receipt of management internalization loans receivable	**2.1**	1.3
Proceeds from exercise of trust unit warrants	**0.2**	16.5
Distributions to Unitholders	**(155.7)**	(192.0)
Cash flows from financing activities	**(448.9)**	406.6
Net increase (decrease) in cash from continuing operations	**(9.3)**	24.7
Net increase (decrease) in cash from discontinued operations (Note 3)	**23.0**	(7.1)
Cash and cash equivalents beginning of year	**19.9**	2.3
Cash and cash equivalents end of year	**33.6**	19.9

(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. ORGANIZATION

The Superior Plus Income Fund (the "Fund") is a limited purpose, unincorporated trust governed by the laws of the Province of Alberta. The Fund, directly and indirectly, owns a 100 percent interest in Superior Plus LP ("Superior"). The Fund does not conduct active business operations, but rather, it distributes to Unitholders the income it receives from Superior in the form of partnership allocations, net of expenses and interest payable on the convertible unsecured subordinated debentures (the "Debentures"). The Fund's investment in Superior is comprised of 2,997 Class A limited partnership units and 3 Class B general partnership units of Superior. The Fund's investments in Superior are financed by trust unit equity and Debentures.

2. ACCOUNTING POLICIES

(a) Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared according to Canadian generally accepted accounting principles ("GAAP"), applied on a consistent basis, and include the accounts of the Fund, its wholly owned subsidiaries, 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, 2005, except as noted in Note 12. All transactions and balances between the Fund, the Fund's subsidiaries, Superior and Superior's subsidiaries have been eliminated on consolidation.

(b) Business Segments

Superior operates four continuing 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 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 20). JW Aluminum Company ("JWA" or "JW Aluminum"), a manufacturer of specialty flat-rolled aluminum products, has been sold and classified as a discontinued operation. (See Note 3).

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments which, on acquisition, have a term to maturity of three months or less.

(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.

ERCO Worldwide

Inventories are valued at the lower 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 ERCO are included in inventory.

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, 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. The carrying value of revolving term bank credits approximate their fair values due to the floating interest rate nature and short rollover terms 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 Note 9 and Note 10 for a detailed description of the debt securities and fair value 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 percent. 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.

(h) Intangible Assets and Deferred Costs

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.

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.

Natural Gas Customer Acquisition Costs

Costs incurred by SEM to acquire natural gas customer contracts are capitalized as deferred costs at the time the cost is incurred. The costs are recognized into net earnings as an operating and administrative expense over the term of the underlying contracts.

Convertible Debenture Issue Costs

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

(i) Goodwill

All business combinations are accounted for using the purchase method. Goodwill is carried at cost, is not amortized and represents the excess of the purchase price and related costs over the fair value assigned to the net tangible assets of businesses acquired. Goodwill is tested for impairment on an annual basis, and would be written down if the value was 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.

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.

Winroc

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

(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 percent are amortized into income over the expected average remaining life of the active employees participating in the plans. (See Note 11).

(m) Income Taxes

The Fund is a Mutual Fund Trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the Unitholders. During 2006 and 2005, the Fund allocated all of its taxable income to Unitholders, and accordingly, no provision for income taxes has been recorded at the Fund level. Future tax assets and liabilities are based on differences between the value of assets and liabilities in the financial statements and their values for income tax purposes, using substantially enacted tax rates. A future tax asset is recognized if it is more likely than not to be realized.

The reorganization of the Fund created a flow-through structure under Canadian income tax laws. Accordingly, the Fund does not recognize any future Canadian corporate income tax assets or liabilities on temporary differences.

(n) Foreign Currency Translation

The accounts of the operations of ERCO 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) Trust Unit-Based Compensation

Superior has a Trust Unit Incentive Plan ("TUIP") as described in Note 16(ii). 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.

The Fund has established other unit based compensation plans whereby notional units are granted to employees. The fair value of these notional units is estimated and recorded as an expense with an offsetting amount to accrued liabilities, with the payments settled in cash.

(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. The Fund 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.

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.

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.

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.

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.

3. DISPOSITION – JW ALUMINUM

In July 2006, the Fund announced the results of its strategic review designed to maximize Unitholder value which included the decision to sell JWA in order to reduce debt levels and refocus its operations on its existing Canadian businesses. Accordingly, JWA's balance sheet, results of operations and cash flows have been classified as discontinued operations on a retroactive basis. As a result of its classification as a discontinued operation, amortization of JWA's property, plant and equipment and intangible assets ceased on July 1, 2006.

The assets and liabilities of JWA were valued at the lower of cost or estimated net fair value, resulting in an impairment charge of $56.3 million included in net loss from discontinued operations.

On December 7, 2006, the Fund completed the sale of all of the issued and outstanding shares of JWA on a cash and debt free basis to Wellspring Capital Management LLC, for total consideration of $354.7 million (US $308.9 million), net of $4.9 million (US $4.3 million) in disposition costs.

The results of discontinued operations presented in the consolidated statements of net earnings (loss) were as follows:

Years ended December 31	**2006**	2005
Revenue	**573.3**	112.2
Cost of product sold	**514.6**	99.7
Gross profit	**58.7**	12.5
Operating and administrative	**9.5**	2.2
Amortization of property, plant and equipment and intangibles	**19.1**	7.9
Impairment of property, plant, equipment	**56.3**	–
Gain on sale of JWA	**(4.7)**	–
Income tax expense (recovery)	**3.7**	(0.7)
Net earnings (loss) from discontinued operations	**(25.2)**	3.1

The balance sheet information for the discontinued operations was as follows:

As at December 31	**2006**	2005
Assets		
Accounts receivable	**–**	85.7
Inventories	**–**	47.1
	–	132.8
Property, plant and equipment and intangibles, net	**–**	489.4
	–	622.2
Liabilities		
Accounts payable and accrued liabilities	**–**	47.9
Future income tax liability	**–**	162.2
	–	210.1
Net assets of discontinued operations	**–**	412.1

The cash flows from (used in) discontinued operations were as follows:

Years ended December 31	**2006**	2005
Cash generated from discontinued operations before changes in working capital	**41.7**	9.1
Increase in non-cash operating working capital items	**(12.2)**	(13.8)
Cash flows from discontinued operations	**29.5**	(4.7)
Maintenance capital expenditures, net	**(2.8)**	(0.5)
Other capital expenditures, net	**(3.7)**	(1.9)
Cash flows used in investing activities	**(6.5)**	(2.4)
Cash flows from financing activities	**–**	–
Cash flows from (used in) discontinued operations	**23.0**	(7.1)

4. ACQUISITIONS

There were no acquisitions completed by Superior during 2006.

The following acquisitions were completed by Superior during 2005:

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 $28.2 million was paid in cash (net of $5.3 million in cash acquired). Deferred consideration 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 financial targets ($0.8 million paid in 2006), and are 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").

Using the purchase method of accounting for acquisitions, Superior consolidated the assets and liabilities from the acquisitions and included earnings as of the closing date. The consideration paid for these acquisitions have 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) Deferred consideration are unsecured obligations and have been included in revolving term bank credits and term loans on the Consolidated Balance Sheets.

5. ASSET IMPAIRMENTS

Superior determined during 2006 that the net book value of ERCO's sodium chlorate facilities located in Bruderheim, Alberta and Valdosta, Georgia and ERCO's goodwill were impaired. An aggregate impairment charge of $218.7 million was recorded in 2006 ($170.8 million net of tax) which was equivalent to the pre-impairment net book value of the assets.

A pre-tax impairment charge of $73.4 million ($47.7 million net of tax) was recorded with respect to ERCO's Bruderheim, Alberta sodium chlorate facility, based on estimates of the future cash flows from the facility which have been negatively impacted by high electrical prices, lower sodium chlorate selling prices resulting from the appreciation of the Canadian dollar on U.S. dollar denominated sales, and reduced demand for sodium chlorate due to various bleached pulp mill closures in North America.

A pre-tax impairment charge of $55.9 million ($33.7 million net of tax) was recorded with respect to ERCO's Valdosta, Georgia sodium chlorate facility based on estimates of the future cash flows from the facility which have been negatively impacted by high electrical prices and reduced demand for sodium chlorate due to various bleached pulp mill closures in North America.

As part of Superior's assessment of ERCO's overall operations, the fair value of ERCO was estimated using various valuation methods based on current market assumptions surrounding the sodium chlorate industry which has been negatively impacted by reduced demand for North American sodium chlorate due to various pulp mill closures, the impact of the appreciation of the Canadian dollar on ERCO's U.S. dollar denominated sales and on the competitiveness of its Canadian pulp producer customer base, and increased power costs. Based on the estimated fair values, it was determined that ERCO's goodwill was impaired and as such an impairment charge of $89.4 million was recorded.

6. ACCOUNTS RECEIVABLE AND OTHER

Superior sells, with limited recourse, certain trade accounts receivable on a revolving basis to an entity sponsored by a Canadian chartered bank. 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, 2006 proceeds of $95.0 million (December 31, 2005 – $100.0 million) had been received.

Included in accounts receivable and other is $15.3 million (2005 – $14.6 million) of prepaid expenses.

7. INVENTORIES

	2006	2005
Propane	**70.8**	77.9
Propane retailing materials, supplies, appliances and other	**13.8**	13.2
Chemical finished goods and raw materials	**10.0**	8.9
Chemical stores, supplies and other	**10.9**	9.9
Walls and ceilings construction products	**37.3**	36.4
	142.8	146.3

8. PROPERTY, PLANT AND EQUIPMENT, DEFERRED COSTS AND INTANGIBLE ASSETS

	2006			2005		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**29.6**	**–**	**29.6**	26.6	–	26.6
Buildings	**86.8**	**27.7**	**59.1**	104.5	28.3	76.2
ERCO plant and equipment	**558.9**	**177.7**	**381.2**	662.1	168.1	494.0
Superior Propane retailing equipment	**386.3**	**309.9**	**76.4**	388.1	298.0	90.1
Winroc distribution equipment	**30.6**	**5.8**	**24.8**	25.9	4.5	21.4
Property, plant and equipment	**1,092.2**	**521.1**	**571.1**	1,207.2	498.9	708.3
Natural gas customer acquisition costs	**20.1**	**7.2**	**12.9**	11.7	4.0	7.7
Deferred finance charges	**22.7**	**9.7**	**13.0**	21.4	6.8	14.6
Deferred costs	**42.8**	**16.9**	**25.9**	33.1	10.8	22.3
ERCO royalty assets and patents	**48.9**	**19.7**	**29.2**	49.0	14.9	34.1
Winroc intangible assets	**2.1**	**0.6**	**1.5**	2.1	0.2	1.9
Superior Propane intangible assets	**2.8**	**2.0**	**0.8**	2.8	1.8	1.0
Intangible assets	**53.8**	**22.3**	**31.5**	53.9	16.9	37.0
Total property, plant and equipment, deferred costs and intangible assets	**1,188.8**	**560.3**	**628.5**	1,294.2	526.6	767.6

9. REVOLVING TERM BANK CREDITS AND TERM LOANS

	Maturity Date	Effective Interest Rate	**December 31 2006**	December 2005
Revolving term bank credits (1)				
Bankers Acceptances ("BA") (2)	2008	Floating BA rate plus applicable credit spread	**35.0**	157.6
LIBOR Loans (US$92.3 million; 2005 – US$95.3 million)	2008	Floating LIBOR rate plus applicable credit spread	**107.5**	111.1
			142.5	268.7
Other Debt				
Notes payable	2007-2010	Prime	**7.4**	8.0
Deferred consideration	2007-2010	Non-interest bearing	**9.2**	11.3
Mortgage payable (US$0.9 million; 2005 – US$0.9 million)	2011	7.53%	**1.1**	1.1
			17.7	20.4
Senior Secured Notes				
Senior secured notes subject to floating interest rates (US$85.0 million; 2005 – US$85.0 million) (5)	2015	Floating LIBOR rate plus 1.7%	**99.1**	99.1
Senior secured notes subject to fixed interest rates (US$75.0 million; 2005 – US$75.0 million) (5)	2013, 2015	6.65%	**87.4**	87.4
JWA acquisition credit facility (US$145.0 million) (3)	2007	Floating LIBOR rate plus credit applicable spread	**–**	169.1
Medium Term Notes (4)	2016	5.57%	**–**	–
			186.5	355.6
Total revolving term bank credits and term loans			**346.7**	644.7
Less current maturities			**2.7**	2.0
Revolving term bank credits and term loans			**344.0**	642.7

(1) Superior and its wholly-owned subsidiaries, Superior Plus US Holdings Inc. and Commercial e Industrial (Chile) Limitada have revolving term bank credit borrowing capacity of $587.8 million. These facilities are secured by a general charge over the assets of Superior and certain of its subsidiaries. At December 31, 2006 Superior had $20.6 million of outstanding letters of credit (December 31, 2005 – $25.7 million).

(2) The prior year BA balance has been adjusted by $19.9 million representing the reclassification to cash and cash equivalents.

(3) 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 was secured by a general charge over the assets of Superior and certain of its subsidiaries. This facility was repaid and cancelled in March 2006 from proceeds raised through the issuance of Medium Term Notes.

(4) On March 3, 2006, Superior issued $200.0 million, 5.50 percent coupon, Medium Term Notes maturing on March 3, 2016 with an effective yield to maturity of 5.57 percent. These facilities are secured by a general charge over the assets of Superior and certain of its subsidiaries. On August 8, 2006, Superior repaid the Medium Term Notes from borrowings under the revolving term credit facilities referred to in footnote 1 above, providing enhanced debt repayment and covenant flexibility.

(5) Senior Secured Notes (the "Notes") totaling US $160.0 million (CDN $186.5 million at December 31, 2006 and December 31, 2005) are secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments begin in 2009. Management has estimated the fair value of the Notes based on comparisons to treasury instruments with similar maturities and interest rates. The estimated fair value of the Notes at December 31, 2006 was CDN $181.0 million (2005 – 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, 2006 and December 31, 2005) of the fixed rate obligation into a US dollar floating rate obligation. (See Note 17(ii)).

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

Current portion	2.7
Due in 2008	145.2
Due in 2009	10.2
Due in 2010	5.6
Due in 2011	38.5
Subsequent to 2011	144.5
Total	346.7

Interest paid on revolving term bank credits and term loans during 2006 amounted to $43.1 million (2005 – $22.8 million) comprised of $43.6 million (2005 – $26.1 million) related to debt, net of payments received of $0.5 million (2005 – $3.3 million) under interest rate swap agreements.

10. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The Fund has issued four series of Debentures denoted as 8 percent Series 1, 8 percent Series 2, 5.75 percent Series 1, and 5.85 percent 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		
Interest 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, 2005	8.9	59.3	174.9	75.0	(3.8)	314.3
Conversion of Debentures and amortization of discount during 2006	(0.8)	(0.1)	–	–	0.5	(0.4)
Debentures outstanding December 31, 2006	8.1	59.2	174.9	75.0	(3.3)	313.9
Current portion of Debentures outstanding	8.1	–	–	–	–	8.1
Long term portion of Debentures outstanding	–	59.2	174.9	75.0	(3.3)	305.8
Quoted market value December 31, 2006	8.2	60.8	157.5	66.4		

The fixed interest rate obligation on $100.0 million of the Fund's Debentures were swapped into a floating rate obligation until July, 2007. (See Note 17(ii)).

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 Debentureholders 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.

11. 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, 2006 and 2005 in aggregate, is as follows:

	Superior Propane Pension Benefit Plans		ERCO Pension Benefit Plans		Total Other Benefit Plans	
	2006	2005	**2006**	2005	**2006**	2005
Accrued benefit obligation, beginning of year	**56.0**	52.9	**56.9**	50.2	**25.9**	17.3
Current service cost	**0.3**	0.3	**2.7**	2.2	**0.5**	0.4
Past service cost	**–**	–	**–**	–	**–**	–
Interest cost	**2.9**	3.1	**3.1**	3.0	**1.4**	1.1
Benefits paid	**(4.1)**	(4.0)	**(1.4)**	(1.9)	**(1.1)**	(1.1)
Actuarial loss (gain)	**(1.2)**	3.7	**(0.4)**	3.4	**(0.4)**	8.2
Accrued benefit obligation, end of year	**53.9**	56.0	**60.9**	56.9	**26.3**	25.9
Fair value of plan assets, beginning of year	**63.4**	64.3	**45.1**	39.7	**–**	–
Actual return on plan assets	**6.8**	5.3	**6.5**	3.6	**–**	–
Transfers to defined contribution plan	**(2.5)**	(2.2)	**–**	–	**–**	–
Employer contributions	**–**	–	**3.0**	3.7	**1.1**	1.1
Benefits paid	**(4.1)**	(4.0)	**(1.4)**	(1.9)	**(1.1)**	(1.1)
Fair value of plan assets, end of year	**63.6**	63.4	**53.2**	45.1	**–**	–
Funded status – plan surplus (deficit)	**9.7**	7.4	**(7.7)**	(11.8)	**(26.3)**	(25.9)
Unamortized net actuarial loss	**14.0**	18.8	**(0.2)**	3.3	**9.9**	10.8
Unamortized past service costs	**–**	–	**0.6**	0.9	**–**	–
Unamortized transitional asset	**–**	(0.3)	**–**	–	**–**	–
Accrued net pension asset	**23.7**	25.9				
Accrued net benefit obligation			**(7.3)**	(7.6)	**(16.4)**	(15.1)
Current portion of accrued net benefit obligation recorded in accounts payable and accrued liabilities			**(3.4)**	(3.9)	**(1.1)**	(1.1)
Long-term accrued net benefit obligation (2006: $19.2 million; 2005: $17.7 million)			**(3.9)**	(3.7)	**(15.3)**	(14.0)

The accrued net pension asset related to the Superior Propane pension benefit plan in 2006 was $23.7 million (2005 – $25.9 million) and an expense of $2.2 million (2005 – $1.7 million). The accrued net benefit obligation related to the ERCO Worldwide pension benefit plan in 2006 was $7.3 million (2005 – $7.6 million) and an expense of $2.7 million (2005 – $2.6 million).

The accrued net benefit obligation related to the total other benefit plans of Superior Propane and ERCO Worldwide in 2006 was $16.4 million (2005 – $15.1 million) and an expense of $2.5 million (2005 – $1.7 million).

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 2006 was $2.5 million (2005 – $2.2 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	
	2006	2005	**2006**	2005
Discount rate	**5.25%**	5.25%	**5.25%**	5.25%
Expected long-term rate-of-return on plan assets [1]	**7.00%**	7.00%	**–**	–
Rate of compensation increase	**3.25%**	3.25%	**3.25%**	3.25%

(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 percent initially, decreasing gradually to 5 percent in 2011 and thereafter. A 1 percent change in the health care trend rate would result in a change to the accrued benefit obligation of $2.7 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, 2004 to January 1, 2006. The next funding valuation dates are scheduled between January 1, 2007 and January 1, 2009.

The fair value of defined benefit plan assets at December 31, 2006 are comprised of the following major investment categories: Cash and cash equivalents 2 percent (2005 – 1 percent); Bonds 38 percent (2005 – 46 percent); Equities 60 percent (2005 – 53 percent).

12. RESTATEMENT OF SUPERIOR PROPANE ACCRUED PENSION ASSET

Upon initial adoption of CICA Handbook 3461, Employee Future Benefits, on January 1, 2000, the Fund determined that the impact of Superior Propane's accrued pension asset was inconsequential to its financial statements and this component of the pension was not recorded. The Fund subsequently determined this component should be reflected in the financial statements and accordingly, it has retroactively restated its 2005 consolidated financial statements to reflect the correction of this accounting treatment.

The impact for 2005 was to increase total assets by $25.9 million to $2,373.6 million, reflecting the previously unrecorded pension asset, a reduction in net earnings (loss) by $1.7 million to $104.4 million, and a reduction to the opening deficit of $27.6 million. There was no impact on the consolidated statement of cash flows. Net earnings (loss) per trust unit from continuing operations and net earnings (loss) on a basic and diluted basis, decreased by $0.02 per trust unit.

13. INCOME TAXES OF SUPERIOR

The Fund is a Mutual Fund Trust for income tax purposes and is only taxable on any taxable income not allocated to the Unitholders. During 2006 and 2005, the Fund 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 provincial capital taxes, United States income tax, United States non-resident withholding tax and Chilean taxes.

Total income taxes are different than the amount computed by applying the Canadian enacted statutory rate of 2006 of 32.5 percent (2005 – 33.6 percent). The reduction in statutory rates reflects previously enacted Federal and Alberta tax rate reductions. The reasons for these differences are as follows:

	2006	2005
Net earnings (loss) from continuing operations	**(55.6)**	101.3
Income of the Fund taxed directly in the hands of the Unitholders	**(83.8)**	(144.9)
Income tax recovery of Superior	**(100.0)**	(11.9)
Loss of the Fund before taxes and after distribution of income to Unitholders	**(239.4)**	(55.5)
Computed income tax recovery	**(77.8)**	(18.6)
Higher effective foreign tax rates	**(2.8)**	1.7
Changes in future federal and provincial income tax rates	**(4.2)**	(1.6)
Federal and provincial capital taxes	**1.7**	3.4
Non deductible costs and other	**16.3**	3.2
Canadian corporate income taxes	**(33.2)**	–
Income tax expense (recovery) of Superior	**(100.0)**	(11.9)

The components of the future income tax liability as at December 31, 2006 and 2005 are as follows:

	2006	2005
Carrying value of tangible assets over tax values	**7.0**	(116.8)
Accounting reserves, deductible when paid	**0.2**	12.4
Benefit of tax loss carry forwards	**1.0**	6.4
Other	**1.6**	(2.6)
Future income tax asset (liability)	**9.8**	(100.6)

During 2006, the Fund reorganized into a trust-over-partnership structure. Prior to the internal reorganization, income tax expense had consisted of current and future Canadian corporate income taxes, and foreign income taxes. Coincident with the internal reorganization and the creation of a flow-through structure under Canadian income tax laws, the Fund reversed its accumulated future Canadian corporate income tax liability of $33.2 million. The Fund no longer recognizes future Canadian corporate income tax assets or liabilities on temporary differences.

As at December 31, 2006, the excess of the carrying value of the Fund's Canadian assets and liabilities over their tax basis is approximately $78.7 million.

On October 31, 2006, the Government of Canada announced proposed changes that would result in the taxation of "specified investment flow-throughs", which includes income trusts. For Superior, the proposed changes would take effect in 2011 if implemented. The Fund has not completed its assessment of the potential implications that these proposed changes may have.

14. 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	Unitholders' Equity
	(millions)	
Unitholders' equity, December 31, 2004	75.9	699.5
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 10)	2.6	48.0
Exercise of trust unit warrants	0.8	16.5
Trust unit incentive plan compensation recovery (Note 16(ii))	–	(4.6)
Repayment of management internalization loans receivable (Note 19(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	–	104.4
Distributions to Unitholders	–	(192.0)
Unitholders' equity, December 31, 2005	85.5	828.8
Conversion of Debentures–		
(8% Series 1 – \$0.8 million converted @ \$16 per trust unit 8% Series 2 – \$0.1 million converted @ \$20 per trust unit) (Note 10)	–	0.9
Exercise of trust unit warrants	–	0.2
Trust unit incentive plan compensation recovery (Note 16(ii))	–	(1.2)
Currency translation adjustment	–	0.8
Receipt of management internalization loans receivable (Note 19(i))	–	2.6
Net loss	–	(80.8)
Distributions to unitholders	–	(155.7)
Unitholders' equity, December 31, 2006	**85.5**	**595.6**

Unitholders' capital and deficit as at December 31, 2006 and December 31, 2005 consists of the following components:

	2006	2005
Unitholders' capital		
Trust unit equity	**1,336.0**	1,332.3
Conversion feature on warrants and convertible debentures	**4.8**	4.8
Contributed surplus	**–**	1.2
	1,340.8	1,338.3
Deficit		
Retained earnings from operations	**313.5**	394.3
Accumulated distributions on trust unit equity	**(1,058.8)**	(903.1)
	(745.3)	(508.8)

At December 31, 2006, the Fund had 2.3 million trust unit warrants outstanding (December 31, 2005 – 2.3 million), exercisable at \$20 per trust unit warrant. The trust unit warrants expire May 8, 2008.

15. NET EARNINGS (LOSS) PER TRUST UNIT

	2006	2005
Net earnings (loss) per trust unit computation, basic		
Net earnings (loss) from continuing operations	**(55.6)**	101.3
Net earnings (loss) from discontinued operations	**(25.2)**	3.1
Net earnings (loss)	**(80.8)**	104.4
Weighted average trust units outstanding	**85.5**	79.7
Net earnings (loss) from continuing operations per trust unit, basic	**$ (0.65)**	$ 1.27
Net earnings (loss) from discontinued operations per trust unit, basic	**$ (0.29)**	$ 0.04
Net earnings (loss) per trust unit, basic	**$ (0.94)**	$ 1.31
Net earnings (loss) per trust unit computation, diluted		
Net earnings (loss)	**(80.8)**	104.4
Dilutive effect of Debentures	**–**	0.8
Net earnings (loss), assuming dilution	**(80.8)**	105.2
Weighted average trust units outstanding	**85.5**	79.7
Dilutive effect of:		
Debentures	**–**	0.6
Trust unit options	**–**	0.1
Trust unit warrants	**–**	0.8
Weighted average trust units outstanding, assuming dilution	**85.5**	81.2
Net earnings (loss) from continuing operations per trust unit, diluted	**$ (0.65)**	$ 1.26
Net earnings (loss) from discontinued operations per trust unit, diluted	**$ (0.29)**	$ 0.04
Net earnings (loss) per trust unit, diluted	**$ (0.94)**	$ 1.30

Trust unit options and warrants whose exercise price was greater than the market price and Debentures that were anti-dilutive were excluded from this calculation.

16. TRUST UNIT BASED COMPENSATION

(i) Restricted/Performance Units

In June 2006, the Board of Directors approved a program whereby restricted trust units ("RTUs") and/or performance trust units ("PTUs") can be granted to directors, senior officers and employees of Superior. Both types of units entitle the holder to receive cash compensation in relation to the value of a specified number of underlying notional trust units. This plan replaces the trust unit incentive plan for 2006 and subsequent years. RTUs vest evenly over a period of three years commencing from the date of grant. Payments are made on the vesting dates of the RTU to the holders entitled to receive them on the basis of a cash payment equal to the value of the underlying notional units. PTUs vest three years from the date of grant and their notional value is dependant on Superior's performance vis-à-vis other trusts' performance based on certain benchmarks. As at December 31, 2006 there were 493,107 RTUs and 149,487 PTUs outstanding. For the year ended December 31, 2006 total compensation expense related to both units was $1.2 million (2005 – nil).

(ii) 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 2006, no trust units were issued under the TUIP. During 2005, a nominal amount of trust units were issued under the TUIP. No additional trust units are anticipated to be issued under the TUIP.

A summary of the status of the Fund's TUIP as at December 31, 2006 and 2005 and changes during these years is summarized below:

	2006		2005	
	Options (000s)	**Weighted Average Exercise Price**	Options (000s)	Weighted Average Price
Options outstanding at beginning of year	**1,177**	**$ 22.82**	960	$ 20.71
Granted	**–**	**–**	298	28.75
Exercised	**(16)**	**19.13**	(81)	19.56
Forfeited	**(75)**	**25.55**	–	–
Options outstanding at end of year	**1,086**	**$ 22.69**	1,177	$ 22.82
Options exercisable at end of year	**539**	**$ 21.51**	563	$ 21.24

The following summarizes information about the trust unit options outstanding as at December 31, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	(000s) Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	(000's) Outstanding	Weighted Average Exercise Price
$ 17.46 – $21.00	725	1.5	$ 19.75	415	$ 19.72
$ 22.80 – $28.76	154	2.2	$ 25.13	75	$ 24.95
$ 29.29 – $32.19	207	3.4	$ 31.11	49	$ 31.27

17. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value

The estimated fair value of all derivative instruments is based on quoted market prices.

The unrealized mark-to-market gain (loss) on the Fund's outstanding derivative instruments is as follows:

(i) Natural Gas

	Volumes (million GJ)	Term	Average Price	Unrealized Mark-to-Market
Financial Swaps – NYMEX	64	2007-2012	$ 6.78 (US/GJ)	$ 26.3
Financial Swaps – AECO	35	2007-2012	$ 7.91 (CDN/GJ)	$ (28.3)
Total				$ (2.0)

(ii) Interest Rate

	Maturity	Effective Interest Rate	Unrealized Market-to-Market
Senior secured Notes			
US $30.0 million [1]	October 29, 2014	Floating LIBOR + 1.7%	$ (0.5)
US $30.0 million [1]	October 29, 2015	Floating LIBOR + 1.7%	$ (0.3)
US $25.0 million [1]	October 29, 2013	Floating LIBOR + 1.7%	$ (0.4)
Fund Debentures			
CDN $100.0 million [2]	July 31, 2007	Floating LIBOR	$ 1.0

(1) Senior secured Notes notional interest rate of 6.65 percent swapped for floating interest rate. (See Note 9).
(2) Fund Debentures notional interest rate of 6.25 percent swapped for floating interest rate. (See Note 10).

(iii) Foreign Exchange

(US $millions)	Net US$	Term	Conversion Rate
Net forward contract [1]	27.7	2007	1.21
Net forward contract [1]	102.4	2008	1.22
Net forward contract [1]	111.1	2009	1.21
Net forward contract [1]	61.9	2010	1.16
Net forward contract [1]	5.4	2011	1.11

(1) The net unrealized mark-to-market loss on long-term foreign currency forward contracts as at December 31, 2006 was $15.7 million (December 31, 2005 – $16.3 million).

Credit risk

Superior assesses the financial strength of the counterparties of its derivative financial instruments, and monitors its total exposure to individual counterparties.

18. COMMITMENTS

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

2007	25.5
2008	21.8
2009	14.8
2010	9.8
2011	5.1
2012 and thereafter	9.3

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

	CDN$ [1] Natural Gas	US$ [1] Natural Gas	CDN$ Propane	US$ Propane
2007	60.6	129.5	14.3	12.8
2008	35.2	134.5	–	–
2009	31.3	118.9	–	–
2010	14.8	49.6	–	–
2011	3.3	2.3	–	–
2012 and thereafter	–	–	–	–

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

(1) Does not include the impact of financial derivatives. (See Note 17(i)).

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

2007	17.7
2008	17.7
2009	17.7
2010	17.7
2011	17.7
2012 and thereafter	106.4

19. 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 $2.1 million was repaid in 2006 (2005 – $1.3 million). As at December 31, 2006, the remaining loans receivable of $0.5 million (December 31, 2005 – $2.6 million) has been classified as an asset by Superior.

(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. As at December 31, 2006, the aggregate quoted market value of trust units owned under the MTUPP was $1.6 million (December 31, 2005 – $4.1 million). As at December 31, 2006, the aggregate amount of participant loans from a chartered bank was $3.2 million (December 31, 2005 – $4.0 million), which were supported by guarantees of Superior aggregating $3.2 million (December 31, 2005 – $2.6 million). In connection with the guarantee of the MTUPP, Superior has recorded an obligation of $2.8 million as at December 31, 2006.

20. BUSINESS SEGMENTS

Superior operates four continuing 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 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"). JW Aluminum Company ("JWA" or "JW Aluminum"), a manufacturer of specialty flat-rolled aluminum products, has been sold and classified as a discontinued operation. (See Note 3). 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.

Year ended December 31, 2006	**Superior Propane**	**ERCO**	**Winroc**	**SEM**	**Corporate**	**Total Consolidated**
Revenues	**985.4**	**437.2**	**518.7**	**325.6**	**(2.6)**	**2,264.3**
Cost of products sold	**712.5**	**233.1**	**386.5**	**303.9**	**(2.6)**	**1,633.4**
Gross profit	**272.9**	**204.1**	**132.2**	**21.7**	**–**	**630.9**
Expenses						
Operating and administrative	**185.3**	**122.1**	**87.1**	**11.7**	**17.6**	**423.8**
Amortization of property, plant and equipment	**20.4**	**47.9**	**3.7**	**–**	**–**	**72.0**
Amortization of intangible assets	**–**	**4.7**	**0.4**	**–**	**–**	**5.1**
Interest on revolving term bank credits and term loans	**–**	**–**	**–**	**–**	**43.1**	**43.1**
Interest on convertible unsecured subordinated debentures	**–**	**–**	**–**	**–**	**20.2**	**20.2**
Amortization of convertible debenture issue costs	**–**	**–**	**–**	**–**	**2.3**	**2.3**
Management internalization costs	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Impairment of property, plant, and equipment and goodwill	**–**	**218.7**	**–**	**–**	**–**	**218.7**
Income tax expense (recovery) of Superior	**(48.6)**	**(130.0)**	**(5.0)**	**(2.6)**	**86.2**	**(100.0)**
	157.1	**263.4**	**86.2**	**9.1**	**170.7**	**686.5**
Net earnings (loss) from continuing operations	**115.8**	**(59.3)**	**46.0**	**12.6**	**(170.7)**	**(55.6)**
Net loss from discontinued operations (Note 3)						**(25.2)**
Net Loss						**(80.8)**

Year ended December 31, 2005	Superior Propane	ERCO	Winroc	SEM	Corporate	Total Consolidated
Revenues	856.2	431.6	486.6	288.4	(3.6)	2,059.2
Cost of products sold	571.8	224.7	368.8	273.9	(3.6)	1,435.6
Gross profit	284.4	206.9	117.8	14.5	–	623.6
Expenses						
Operating and administrative	188.3	101.9	78.6	9.2	4.1	382.1
Amortization of property, plant and equipment	17.9	87.4	2.7	–	–	108.0
Amortization of intangible assets	–	5.1	0.3	–	–	5.4
Interest on 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	14.1	1.9	(61.8)	(11.9)
	235.0	199.5	95.7	11.1	(19.0)	522.3
Net earnings from continuing operations	49.4	7.4	22.1	3.4	19.0	101.3
Net earnings from discontinued operations (Note 3)						3.1
Net Earnings						104.4

Total Assets, Net Working Capital, Acquisitions and Other Capital Expenditures

	Superior Propane	ERCO	Winroc	SEM	Corporate	Discontinued Operations Note (3)	Total Consolidated
As at December 31, 2006							
Net working capital	**60.8**	**32.0**	**69.7**	**(2.6)**	**19.0**	**–**	**178.9**
Total assets	**679.5**	**566.4**	**202.8**	**46.7**	**41.5**	**–**	**1,536.9**
As at December 31, 2005							
Net working capital	103.1	7.3	76.1	(8.3)	6.0	84.9	269.1
Total assets	722.4	749.2	206.8	42.9	30.1	622.2	2,373.6
For the year ended December 31, 2006							
Acquisitions (dispositions)	**–**	**–**	**–**	**–**	**–**	**(354.7)**	**(354.7)**
Other capital expenditures, net	**–**	**51.4**	**1.6**	**–**	**–**	**3.7**	**56.7**
For the year ended December 31, 2005							
Acquisitions	14.7	22.4	28.7	–	–	405.4	471.2
Other capital expenditures, net	1.9	36.2	0.2	–	–	1.9	40.2

Geographic Information

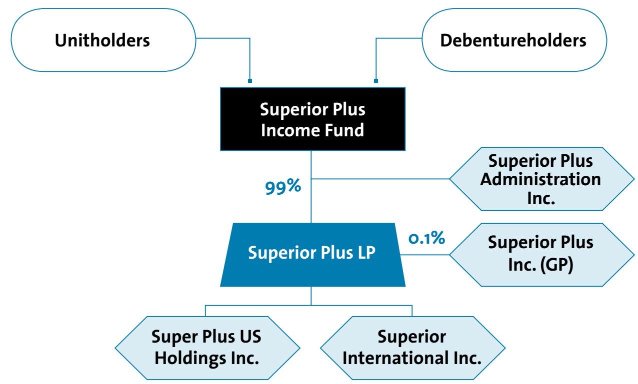
	Canada	United States	Other	Discontinued Operations Note (3)	Total Consolidated
Revenues for the year ended December 31, 2006	**1,824.0**	**392.5**	**47.8**	**573.3**	**2,837.6**
Property, plant and equipment as at December 31, 2006	**468.1**	**33.2**	**69.8**	**–**	**571.1**
Total assets as at December 31, 2006	**1,305.4**	**148.5**	**83.0**	**–**	**1,536.9**
Revenues for the year ended December 31, 2005	1,667.5	372.2	19.5	112.2	2,171.4
Property, plant and equipment as at December 31, 2005	591.8	92.4	24.1	459.3	1,167.6
Total assets as at December 31, 2005	1,518.5	199.5	33.4	622.2	2,373.6

21. COMPARATIVE FIGURES

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

Corporate Governance

During 2006, Superior Plus strengthened its governance processes. Governance policies and procedures were modified as a result of the reorganization of the Fund into a "Trust-over-Partnership" structure.



Superior Plus Administration Inc. is the administrator of the Fund and its Board is responsible for overseeing the Fund's investments and reporting to Unitholders. Superior Plus Inc., as general partner of Superior Plus LP is governed by a Board that is responsible for overseeing the management and operations of the business of the partnership. Unitholders are entitled to elect the directors of both boards at each annual meeting of the Fund.

Both Boards have the same directors. Each director has extensive business and board experience, high standards of ethics and strong visions dedicated to guiding the strategic direction of your investment. During 2006, the Boards reviewed its composition and the skills and experience of its members and added two new directors effective March 6, 2007, as discusssed in the Message to Unitholders. The Boards currently consist of ten members, nine are independent, with Grant Billing, Chairman and Chief Executive Officer, being the sole management director. Since 2003, Peter Green has served as Lead Director to strengthen the independence of the Board from management.

In early 2006, the Board formed a special committee to oversee, with input and guidance from third-party legal and financial advisors, the comprehensive strategic review process that led to the realignment of the strategy of Superior Plus and the positioning of the Fund for future growth and prosperity.

In keeping with our commitment to high standards of corporate governance, Superior Plus formed advisory committees for each of the businesses, composed of two independent directors, senior corporate management, and one president of another division. The realigned focus on stability of cash distributions and long-term value growth is deeply entrenched throughout the businesses and underpinned by Superior's performance-oriented culture, dedicated to economic, environmental and social responsibility.

The Board's fundamental objectives are to enhance the Fund's investments and ensure that the Fund and Superior Plus meet their obligations and operate the underlying businesses in a responsible, reliable and safe manner. The Board works with management to identify business risks and to oversee the appropriate strategies to maximize unitholder value. In 2006, the Board reviewed and adapted the organization's policies and procedures, including the Code of Business Conduct and Ethics, the Communication and Disclosure, Insider Trading and Whistleblower policies, all designed to promote honesty and integrity throughout Superior Plus.

To assist the Board with its fiduciary responsibilities, the Board of the administrator is supported by an Audit Committee and by a Governance and Nominating Committee. The Board of the general partner is supported by a Compensation Committee. Only independent directors serve on board committees. As we move forward, the boards of Superior Plus continue to be committed to high standards in corporate governance and corporate conduct.

A detailed overview of the Fund's corporate governance practices, including compliance with corporate governance guidelines is contained in the Fund's 2007 Information Circular. The board and committee mandates, position descriptions, as well as the policies and procedures are posted on the Fund's website.

Grant D. Billing
Chairman and CEO of Superior Plus since July 2006, Executive Chairman since 1998 and Director since 1994.

Director of Provident Energy Ltd. ("Provident"), BreitBurn Energy Partners ("BreitBurn") and Capitol Energy Resources Ltd. Previously, President and CEO of Norcen Energy Resources Limited.

Robert J. Engbloom, Q.C. (2)
Director since 1996.

Partner of Macleod Dixon LLP.

Randall J. Findlay
Director since March 6, 2007

Director of Provident, BreitBurn, Canadian Helicopters Income Fund, TransAlta Power LP and director nominee of Pembina Pipeline Income Fund. Past President of Provident, Senior Vice President of TransCanada Pipelines Ltd., and President of TransCanada Midstream.

Norman R. Gish (3)
Director since 2003,Trustee of the Fund from 2000 to 2003 and Chairman of ICG Propane Inc. from 1998 to 2000.

Director of Provident, and Chairman and Director of Railpower Technologies Corp. Previously Chairman, President and CEO of Alliance Pipeline Ltd.

Peter A.W. Green (1) (2)
Lead director since 2003, Director since 1996 and Chairman and Trustee of the Fund from 1996 to 2003.

Chairman of Frog Hollow Group and Patheon Inc.

Allan G. Lennox (3) (4)
Director since 1996.

Principal, AG Lennox and Associates.

James S.A. MacDonald (2) (3)
Director since 2000 and Director of ICG from 1998 to 2000 and Director in 1998.

Chairman and Managing Partner, Enterprise Capital Management Inc. and Director of Manitoba Telecom Inc., Capitol Energy Resources Ltd. and MDS Inc.

Walentin (Val) Mirosh
Director since March 6, 2007

Vice President of NOVA Chemicals and President of Olefins and Feedstock. Prior to 2003, Partner at Macleod Dixon LLP, Executive Vice President, TransCanada Pipelines Limited and Executive Vice-President, Regulatory Strategy and Northern Development, TransCanada Pipelines Limited. Also current director of Taylor NGL Limited Partnership, the Energy Council of Canada and Co-Chairman of the Advisory Council to the Faculty of Social Sciences, University of Calgary.

David P. Smith (1)
Director since 1998.

Managing Partner, Enterprise Capital Management Inc. and Director of Jannock Properties Limited and Creststreet Kettles Hill Windpower General Partner Limited.

Peter Valentine (1)
Director since 2004.

Senior advisor to the CEO of the Calgary Health Region and past senior advisor to the Dean of Medicine, University of Calgary. Previously served as Auditor General of Alberta from 1995 to 2002. Also current Director of Fording Canadian Coal Trust, Livingstone International Income Fund, PrimeWest Energy Trust and ResMor Trust Company.

(1) Member of Audit Committee
(2) Member of Governance and Nominating Committee
(3) Member of Compensation Committee
(4) Mr. Lennox will not be standing for re-election at the May 2007 Annual Meeting of the Fund. New committee memberships will be determined at that time.

Selected Historical Information

SUPERIOR PROPANE

(millions of dollars except litres of propane and per litre amounts)	**2006**	2005	Year Ended December 31 2004	2003	2002
Litres of propane sold *(millions)*	**1,386**	1,468	1,546	1,625	1,688
Propane sales margin *(cents per litre)*	**15.1**	15.8	15.7	15.5	14.8
Revenues	**985.4**	856.2	720.2	727.1	619.0
Cost of products sold	**712.5**	571.8	433.5	436.5	328.8
Gross profit (1)	**272.9**	284.4	286.7	290.6	290.2
Cash operating, administrative and tax costs	**182.6**	187.4	175.1	178.4	174.5
Cash generated from operations before changes in net working capital	**90.3**	97.0	111.6	112.2	115.7

(1) Includes gross profit from other service revenues.

ERCO WORLDWIDE

(millions of dollars except thousands of metric tonnes ("MT") and per MT amounts)	**2006**	2005	Year Ended December 31 2004	2003	2002 (1)
Total chemical sales *(MT)* (2)	**756**	742	649	574	544
Average chemical selling price *(dollars per MT)*	**540**	550	571	573	611
Revenues	**437.2**	431.6	396.0	356.3	361.9
Cost of products sold	**233.1**	224.7	202.8	183.3	181.4
Gross profit	**204.1**	206.9	193.2	173.0	180.5
Cash operating, administrative and tax costs	**120.9**	105.7	94.3	89.2	86.6
Cash generated from operations before changes in net working capital	**83.2**	101.2	98.9	83.8	94.0

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

(2) Hydrochloric acid volumes have been restated to reflect a dry basis of measurement as compared to a wet basis to reflect industry practice.

WINROC

(millions of dollars)	**2006**	2005	Year Ended December 31 2004 (1)	2003 (1)	2002 (1)
Revenues	**518.7**	486.6	384.3	310.9	282.2
Cost of products sold	**386.5**	368.8	300.0	245.6	220.6
Gross profit	**132.2**	117.8	84.3	65.3	61.6
Cash operating, administrative and tax costs	**91.0**	82.0	56.4	47.4	44.6
Cash generated from operations before changes in net working capital	**41.2**	35.8	27.9	17.9	17.0

(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)	Year Ended December 31 **2006**	2005	2004	2003	2002 (1)
Natural gas sold *(millions of GJs)*	**40**	37	28	21	2
Natural gas sales margin *(cents per GJ)*	**54.3**	39.2	47.7	38.8	22.5
Revenues	**325.6**	288.4	211.3	152.2	11.4
Cost of products sold	**303.9**	273.9	197.9	144.1	10.9
Gross profit	**21.7**	14.5	13.4	8.1	0.5
Cash operating, administrative and selling costs	**11.4**	9.2	5.7	3.6	0.6
Cash generated from operations before changes in net working capital	**10.3**	5.3	7.7	4.5	(0.1)

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

CONSOLIDATED FINANCIALS

(millions of dollars except average number of trust units and per trust unit amounts)	Year Ended December 31 **2006**	2005	2004	2003	2002
Revenues	**2,264.3**	2,059.2 (1)	1,552.8	1,234.3	640.9
Gross profit	**630.9**	623.6 (1)	542.8	471.7	295.8
Operating distributable cash flow (2)	**250.1**	231.4	219.4	190.6	115.7
Distributable cash flow (before strategic plan costs)	**180.4**	187.0	184.4	146.5	90.7
Distributable cash flow (after strategic plan costs)	**160.7**	187.0	184.4	146.5	90.7
Per trust unit (before strategic plan costs)	**$ 2.11**	$ 2.35	$ 2.54	$ 2.47	$ 1.93
Per trust unit (after strategic plan costs)	**$ 1.88**	$ 2.35	$ 2.54	$ 2.47	$ 1.93
Average number of trust units outstanding (millions)	**85.5**	79.7	72.7	59.4	46.9
Growth capital	**53.0**	509.5 (1)	126.3	129.8	579.4
Total assets	**1,536.9**	2,373.6 (4)	1,579.7 (4)	1,475.3 (4)	1,425.8 (4)
Current and long-term debt (3)	**441.7**	744.7	546.2	417.8	512.0

(1) Adjusted for discontinued operations.

(2) Before strategic plan costs.

(3) Includes accounts receivable securitization program.

(4) Restated for the impact of the Superior Propane defined pension asset, see Note 12 to the 2006 Annual Consolidated Financial Statements.

Corporate Information

Board of Directors

SUPERIOR PLUS

Grant D. Billing
Chairman and CEO
Calgary, Alberta

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

Randall J. Findlay
DeWinton, 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

Walentin (Val) Mirosh
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.
GENERAL PARTNER OF SUPER PLUS LP

Grant D. Billing
Chairman and CEO

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer

Craig S. Flint
Vice-President, Business Process and Compliance

A. Scott Daniel
Vice-President, Treasurer and Investor Relations

Leanne E. Likness
Corporate Secretary

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

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

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

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

Divisions of Superior Plus LP

Superior Propane
1111–49 Avenue NE
Calgary, Alberta T2E 8V2
Telephone: (403) 730-7500
Facsimile: (403) 730-7512
Toll Free: 1-877-341-7500
Website: www.superiorpropane.com

ERCO Worldwide
302 The East Mall, Suite 200
Toronto, Ontario M9B 6C7
Telephone: (416) 239-7111
Facsimile: (416) 239-0235
Website: www.ercoworldwide.com

Winroc
4949–51 Street SE
Calgary, Alberta T2B 3S7
Telephone: (403) 236-5383
Facsimile: (403) 279-0372
Website: www.winroc.com

Superior Energy Management
6860 Century Avenue
East Tower, Suite 2001
Mississauga, Ontario L5N 2W5
Telephone: (866) 772-7727
Facsimile: (905) 542-7715
Website: www.superiorenergy.ca

Unitholder Information

Superior Plus Income Fund

Suite 2820, 605–5 Avenue SW
Calgary, Alberta T2P 3H5
Telephone: (403) 218-2970
Facsimile: (403) 218-2973
Toll Free: 1-866-490-PLUS (7587)
E-mail: info@superiorplus.com
Website: www.superiorplus.com

Trustee and Transfer Agent

Computershare Trust Company of Canada
Suite 710, 530–8 Avenue SW
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

Auditors

Deloitte & Touche LLP
Chartered Accountants
3000 Scotia Centre
700–2nd Street SW
Calgary, Alberta T2P 0S7

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, on Tuesday, May 8, 2007 at 2:00 p.m. (MST).

Cash Distributions

The Fund pays distributions on a monthly basis. The record date for each 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. The current annualized distribution rate is $1.56 per trust unit.

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
Maturity Date: July 31, 2007

SPF.db.a: 8% Convertible Debentures, Series 2
Convertible at $20.00 per trust unit
Maturity Date: November 1, 2008

SPF.db.b: 5.75% Convertible Debentures
Convertible at $36.00 per trust unit
Maturity Date: December 31, 2012

SPF.db.b: 5.85% Convertible Debentures
Convertible at $31.25 per trust unit
Maturity Date: October 31, 2015

SPF.un Unit Price and Volumes – TSX

Quarterly high, low, close and volumes for 2006 and 2005.

The table below 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.

	2006			2005		
	High	**Low**	**Volume**	High	Low	Volume
First quarter	**$ 24.40**	**$ 17.11**	**24,866,275**	$ 33.15	$ 28.45	9,849,804
Second quarter	**$ 17.65**	**$ 9.85**	**52,965,998**	$ 32.29	$ 29.25	7,500,262
Third quarter	**$ 12.98**	**$ 10.60**	**20,300,593**	$ 33.00	$ 24.30	15,637,193
Fourth quarter	**$ 13.95**	**$ 9.26**	**22,601,020**	$ 26.80	$ 19.66	22,993,008
Year	**$ 24.40**	**$ 9.26**	**120,733,886**	$ 33.15	$ 19.66	55,980,267

DRIP

Superior Plus offers a Distribution Reinvestment and Optional Unit Purchase Plan (DRIP). The DRIP provides eligible Unitholders with the ability to reinvest their distributions at a five percent discount to an average market price and to invest additional funds on a monthly basis without payment of brokerage commissions or service charges. Additional information on the DRIP is available on the Fund's website and Unitholders wishing to enroll in the Plan are asked to contact their broker.

Designed and produced by Merlin Edge Inc. www.merlinedge.com Printed in Canada

Superior Plus
Income Fund

For more information about the Superior Plus Income Fund send your inquiries to: **info@superiorplus.com**
Superior Plus Income Fund | Suite 2820, 605 – 5 Avenue SW, Calgary, Alberta T2P 3H5
Tel: 403-218-2970 **Fax:** 403-218-2973 **Toll Free:** 1-866-490-7587
www.superiorplus.com