



Colabor Income Fund

Interim Consolidated Financial Statements

June 14, 2008 and June 16, 2007

2nd Quarter

(unaudited)

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

Colabor Income Fund Consolidated Earnings

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

	2008-06-14 (84 days)	2007-06-16 (84 days)	2008-06-14 (166 days)	2007-06-16 (167 days)
	\$	\$	\$	\$
Net sales	<u>278,721</u>	<u>200,210</u>	<u>458,750</u>	<u>362,877</u>
Earnings before the following items	9,428	6,327	14,783	10,974
Financial expenses	1,628	1,552	3,051	3,090
Amortization of property, plant and equipment	875	798	1,521	1,443
Amortization of intangible assets	<u>1,827</u>	<u>1,655</u>	<u>3,460</u>	<u>3,180</u>
	<u>4,330</u>	<u>4,005</u>	<u>8,032</u>	<u>7,713</u>
Earnings before income taxes and non-controlling interest	5,098	2,322	6,751	3,261
Income taxes				
Current	1,114		1,319	
Future	934		1,193	
	<u>2,048</u>		<u>2,512</u>	
Earnings before non-controlling interest	3,050	2,322	4,239	3,261
Non-controlling interest	<u>1,903</u>	<u>799</u>	<u>2,501</u>	<u>1,192</u>
Net earnings and comprehensive income	<u>1,147</u>	<u>1,523</u>	<u>1,738</u>	<u>2,069</u>
Basic and diluted net earnings per unit (Note 11)	<u>0.09 \$</u>	<u>0.15 \$</u>	<u>0.16 \$</u>	<u>0.21 \$</u>

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

Colabor Income Fund
Consolidated Deficit
Consolidated Contributed Surplus

(unaudited and in thousands of dollars)

	2008-06-14 (84 days)	2007-06-16 (84 days)	2008-06-14 (166 days)	2007-06-16 (167 days)
	\$	\$	\$	\$
CONSOLIDATED DEFICIT				
Balance, beginning of period	(12,981)	(2,198)	(11,797)	(977)
Net earnings	1,147	1,523	1,738	2,069
	<u>(11,834)</u>	<u>(675)</u>	<u>(10,059)</u>	<u>1,092</u>
Adjustment to non-controlling interest due to the increase of the Fund's interest in Colabor LP	616		616	
Distributions declared	<u>(3,506)</u>	<u>(2,655)</u>	<u>(5,281)</u>	<u>(4,422)</u>
Balance, end of period	<u><u>(14,724)</u></u>	<u><u>(3,330)</u></u>	<u><u>(14,724)</u></u>	<u><u>(3,330)</u></u>
CONSOLIDATED CONTRIBUTED SURPLUS				
Balance, beginning of period	31	16	189	128
Compensation cost from long-term incentive plan	96	53	162	91
Acquisition of units by participants of long-term incentive plan			<u>(224)</u>	<u>(150)</u>
	<u>127</u>	<u>69</u>	<u>127</u>	<u>69</u>

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

Colabor Income Fund

Consolidated Cash Flows

(unaudited and in thousands of dollars)

	2008-06-14 (84 days) \$	2007-06-16 (84 days) \$	2008-06-14 (166 days) \$	2007-06-16 (167 days) \$
OPERATING ACTIVITIES				
Net earnings	1,147	1,523	1,738	2,069
Non-cash items				
Amortization of property, plant and equipment	875	798	1,521	1,443
Amortization of intangible assets	1,827	1,655	3,460	3,180
Amortization of deferred financing expenses	24	19	43	38
Non-controlling interest	1,903	799	2,501	1,192
Future income taxes	934		1,193	
Compensation cost from long-term incentive plan	96	53	162	91
Amortization of debenture transaction costs	208	192	414	379
	<u>7,014</u>	<u>5,039</u>	<u>11,032</u>	<u>8,392</u>
Changes in operating assets and liabilities	(9,677)	1,135	(637)	2,883
Cash flows from operating activities	<u>(2,663)</u>	<u>6,174</u>	<u>10,395</u>	<u>11,275</u>
INVESTING ACTIVITIES				
Business acquisitions (Note 2)	(57,640)		(70,424)	(109,048)
Property, plant and equipment	(308)	(100)	(450)	(450)
Cash flows from investing activities	<u>(57,948)</u>	<u>(100)</u>	<u>(70,874)</u>	<u>(109,498)</u>
FINANCING ACTIVITIES				
Bank loans	24,291	(2,965)	33,984	35,577
Financing costs	(225)		(225)	
Distributions paid to unitholders	(2,199)	(2,655)	(4,862)	(4,940)
Distributions paid to holders of exchangeable Colabor LP units	(913)	(1,369)	(2,282)	(2,738)
Repayment of long-term debt	(143)	(117)	(260)	(234)
Purchase of units held by the Fund for long-term incentive plan			(575)	(238)
Issue of debentures				48,000
Issue of units (Note 2)	38,022		38,022	24,761
Unit and debenture issue costs (Note 2)	(1,150)		(1,150)	(1,404)
Cash flows from financing activities	<u>57,683</u>	<u>(7,106)</u>	<u>62,652</u>	<u>98,784</u>
Net change in bank overdraft	<u>(2,928)</u>	<u>(1,032)</u>	<u>2,173</u>	<u>561</u>
Bank overdraft, beginning of period	<u>(4,672)</u>	<u>(1,744)</u>	<u>(9,773)</u>	<u>(3,337)</u>
Bank overdraft, end of period	<u><u>(7,600)</u></u>	<u><u>(2,776)</u></u>	<u><u>(7,600)</u></u>	<u><u>(2,776)</u></u>

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

Colabor Income Fund

Consolidated Balance Sheets

(in thousands of dollars)

	2008-06-14 (unaudited) \$	2007-06-16 (unaudited) \$	2007-12-31 \$
ASSETS			
Current assets			
Accounts receivable	94,205	68,881	52,074
Tax withheld receivable	1,816	1,867	
Inventory	68,508	45,133	48,404
Prepaid expenses	2,552	2,210	725
	<u>167,081</u>	<u>118,091</u>	<u>101,203</u>
Deferred financing expenses	346	207	164
Property, plant and equipment	15,173	11,784	10,892
Investments (Note 2)	1,642		
Intangible assets	113,589	120,862	117,049
Goodwill	105,318	33,610	33,979
	<u>403,149</u>	<u>284,554</u>	<u>263,287</u>
LIABILITIES			
Current liabilities			
Bank overdraft	7,600	2,776	9,773
Accounts payable and accrued liabilities	89,130	61,455	52,026
Balance of purchase price payable	17,424		
Income taxes payable			605
Distributions payable to unitholders	1,307		888
Distributions payable to holders of exchangeable Colabor LP units	456		456
Rebates payable	16,385	16,686	13,453
Deferred revenue	819	944	459
Instalments on long-term debt	870	468	468
	<u>133,991</u>	<u>82,329</u>	<u>78,128</u>
Bank loans	59,841	39,199	23,376
Balance of purchase price payable	3,750		
Long-term debt	1,306	1,443	1,209
Debentures	45,229	44,789	45,235
Accrued benefit liability for employee benefits	752	436	752
Future income taxes	7,098		6,290
Non-controlling interest	28,790	28,923	29,187
	<u>280,757</u>	<u>197,119</u>	<u>184,177</u>
UNITHOLDERS' EQUITY			
Unitholders' capital account	135,549	88,895	88,905
Option to convert debentures	2,315	2,337	2,337
Contributed surplus	127	69	189
Units held for the long-term incentive plan	(875)	(536)	(524)
Deficit	(14,724)	(3,330)	(11,797)
	<u>122,392</u>	<u>87,435</u>	<u>79,110</u>
	<u>403,149</u>	<u>284,554</u>	<u>263,287</u>

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

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

June 14, 2008

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

1 - BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements but do not include all the information required for complete financial statements. They are also consistent with the policies outlined in the Fund's audited financial statements for the year ended December 31, 2007. The interim financial statements should be read in conjunction with the previously mentioned financial statements.

2 - PUBLIC OFFERING AND BUSINESS ACQUISITIONS

Bruce Edmeades

On March 17, 2008, through Colabor LP, the Fund acquired substantially all of the net assets of Bruce Edmeades Co., a company that carries on business in the foodservices distribution sector. The results of operation are consolidated in the statement of earnings since the acquisition date.

The preliminary purchase price allocation, including estimated direct acquisition costs of \$3,500,000, was determined as follows:

Accounts receivable	12,369
Inventory	6,360
Other current assets	399
Property, plant and equipment	1,031
Goodwill (1)	3,500
Accounts payable and accrued liabilities	<u>(9,489)</u>
Preliminary purchase price	14,170
Balance of purchase price payable	<u>(1,386)</u>
Cash consideration paid	<u>12,784</u>

(1) Intangible assets with finite useful lives such as customer relations may be identified, measured and presented separately from goodwill once the Fund has obtained the necessary information and the purchase price allocation has been finalized.

Bertrand

On April 28, 2008, through Colabor LP, the Fund purchased the shares of Gestion Bertrand & Frères Inc. ("Bertrand") for \$84,788,000. The preliminary purchase price allocation is presented below and is subject to a number of adjustments in the future. Bertrand carries on business in the distribution to the foodservices distribution sector. The results of operation are consolidated in the statement of earnings from the acquisition date. Since the Fund financed Colabor LP to undertake this acquisition, the Fund's interest in Colabor LP increased from 66% to 74%.

To finance this acquisition, on April 23, 2008, the Fund issued 3,830,000 subscription receipts for \$10.45 each for a total of \$40,023,000. Each subscription receipt entitles the holder to receive one unit of the Fund. On April 28, 2008, the subscription receipts were exchanged for units. Moreover, the Fund issued 800,000 units for \$10.45 per unit to certain Bertrand shareholders for a total of \$8,360,000.

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

June 14, 2008

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

2 - PUBLIC OFFERING AND BUSINESS ACQUISITIONS (Continued)

The preliminary purchase price allocation, including estimated direct acquisition costs of \$1,000,000, was determined as follows:

	\$
Accounts receivable	14,022
Inventory	10,017
Other current assets	1,204
Property, plant and equipment	4,321
Investments in Colabor Investments Inc.	1,642
Goodwill (1)	67,839
Accounts payable and accrued liabilities	(9,432)
Other current liabilities	(2,481)
Long-term debt	(759)
Future income taxes	(585)
Preliminary purchase price	85,788
Issue of units to certain Bertrand shareholders	(8,360)
Balance of purchase price payable	(19,788)
Cash consideration paid	<u>57,640</u>

(1) Intangible assets with finite useful lives such as customer relations may be identified, measured and presented separately from goodwill once the Fund has obtained the necessary information and the purchase price allocation has been finalized.

The acquisition is financed as follows:

	\$
Purchase price	85,788
Estimated unit issue costs (a)	1,150
Financing costs	225
	<u>87,163</u>
	\$
Unit issue (a)	38,022
Issue of units to certain Bertrand shareholders (a)	8,360
Balance of purchase price payable	19,788
New credit facility (b)	20,993
	<u>87,163</u>

(a) The issue costs and the underwriters' remuneration are deducted from the units. Future income taxes of \$970,000 are presented in the unitholders capital account. Furthermore, an adjustment has been accounted to non-controlling interest due to the increase of the Fund's interest in Colabor LP following the issue of units.

(b) The Fund negotiated a new operating credit facility with a banking syndicate in the amount of \$100,000,000 for a three-year term.

3 - CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (the "CICA handbook") of Section 3031, Inventories, which replaces Section 3030 of the same title. The new section provides guidance on the basis and method for evaluating inventory and allows the reversal of any previous write-down arising from an increase in value. The Section provides new guidance on disclosure of the methods adopted, carrying amounts, expense recognized, write-downs, and any reversal of a write-down. The difference in the opening balance of inventories can be applied to opening inventories for the period with an adjustment to opening retained earnings, without restating prior periods, or prospectively with restatement of prior period financial statements.

In addition, on January 1, 2008, the Fund also adopted the CICA Handbook recommendations relating to three sections. They are Sections 3862, Financial Instruments - Disclosures, 3863, Financial Instruments - Presentation and 1535, Capital Disclosures.

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

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

3 - CHANGES IN ACCOUNTING POLICIES (Continued)

Section 3862 describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, Financial Instruments – Recognition and Measurement.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It complements the presentation standards of Section 3861, Financial Instruments – Disclosure and Presentation.

Section 1535 establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These new recommendations do not have any impact on the Fund's consolidated earnings and balance sheet.

4 - REBATES FROM SUPPLIERS

In connection with EIC-144, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor, the Fund is required to disclose the amount of any vendor rebate that has been recognized in income but for which the full requirements for entitlement have not yet been met. For the 166-day period ended June 14, 2008, the Fund recognized \$6,461,000 (\$5,472,000 in 2007) which has been estimated on the basis of meeting certain requirements to be entitled to the rebates.

5 - LONG-TERM INCENTIVE PLAN

On February 27, 2008, under the terms of the long-term incentive plan, 19,704 units were released (which cost \$224,000). On February 27, 2008, the Fund granted \$575,000 under the long-term incentive plan and 53,195 units were acquired on the market for this purpose. For the 166-day period ended June 14, 2008, past service compensation expense amounted to \$162,000 (\$91,000 in 2007).

6 - EMPLOYEE FUTURE BENEFITS

For the 166-day period ended June 14, 2008, total expenses for defined benefit pension plans amounted to \$114,000 (\$71,000 in 2007).

7 - DEBENTURE CONVERSION

On March 25, 2008, debentures with a par value of \$458,000 were converted into 44,682 units in accordance with current conversion rules. The \$420,000 carrying amount of these debentures and the related \$22,000 conversion option were recognized in the unitholders capital account.

8 - CAPITAL MANAGEMENT

The Fund's objective when managing its capital is to safeguard the Fund's assets and its ability to continue as a going concern, while maximising its growth and providing a return to unitholders. The Fund's capital is composed of unitholders' equity and debentures. In addition to its conservative approach to safeguarding the balance sheet, the Fund achieves this objective through the prudent management of internally-generated capital, by optimizing the use of capital at a lower cost and using capital to finance growth initiatives.

While the Fund is not subject to externally imposed capital requirements, its credit facilities are subject to a number of covenants, including a total interest-bearing debt (excluding the debentures) to earnings before financial expenses, amortization and income taxes ("EBITDA") and an interest coverage ratio.

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

June 14, 2008

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

8 - CAPITAL MANAGEMENT (Continued)

The Fund's objectives with respect to its capital for the 2008 year are as follows:

	<u>Objectives</u>	<u>2008-06-14</u>	<u>2007-12-31</u>
Total debt (excluding debentures) / EBITDA (1)	Maximum of 3.00:1.00	1.52	0.89
EBITDA/financial expenses (1)	Minimum of 3.50:1.00	4.46	4.54

(1) These ratios are calculated over 12 consecutive months.

The Fund intends to maintain a flexible capital structure that is consistent with the above objectives and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may acquire units for cancellation in connection with a normal course issuer bid, issue new units, raise capital through debt instruments (secured, unsecured, convertible or other) or refinance current debt through instruments with different characteristics.

9 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Fund is exposed to various financial risks resulting from both its operations and its investments activities. The Fund's management manages financial risks. The Fund does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Fund's main financial risk exposure and its financial risk management policies are as follows.

Interest rate risk

The debentures bear interest at a fixed rate and the Fund is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The bank overdraft, bank loan and long-term debt bear interest at variable rates and the Fund is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations. The Fund's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest. The Fund does not use derivative financial instruments to reduce its interest rate risk exposure.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 1% fluctuation in the bank prime rate would have a \$145,000 impact on net earnings for the 166-day period ended June 14, 2008.

Credit risk

Generally, the carrying amount on the balance sheet of the Fund's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Fund's credit risk is primarily attributable to its trade accounts receivable. The credit risk related to trade accounts receivable is generally diversified with the exception of one customer which accounts for 14% of trade accounts receivable as at June 14, 2008. The Fund requires a guarantee from some of its customers. As at June 14, 2008, the Fund has guarantees for 31% of its trade accounts. The Fund's policy is to have each customer undergo a credit check.

The Fund examined its accounts receivable to detect any indications of impairment. It was determined that some accounts receivable were impaired and, accordingly, a \$516,000 allowance was recognized. Customers whose accounts are impaired are experiencing financial difficulties.

Colabor Income Fund

Notes to Interim Consolidated Financial Statements

June 14, 2008

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

9 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Fund has financing sources such as bank loans for a sufficient authorized amount. The Fund establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations. In light of the cash sources available to the Fund, management believes that the liquidity risk is not very high.

The Fund's liabilities expire as follows

	Less than 12 months	Maturing in 1 to 5 years
Bank overdraft	7,600	
Accounts payable and accrued liabilities	89,130	
Balance of purchase price payable	17,424	3,750
Distributions payable	1,763	
Rebates payable	16,385	
Long-term debt	870	1,306
Bank loans		59,841
Debentures (par value)		49,070
	<u>133,172</u>	<u>113,967</u>

10 - SEGMENT DISCLOSURES

The Fund has two reportable segments: distribution to food distributors (Wholesale Segment) and distribution to foodservice enterprises (Distribution Segment). Head office costs are not allocated.

The accounting policies that apply to the reportable segments are the same as those described in the Fund's audited financial statements for the year ended December 31, 2007. The Fund evaluates performance according to earnings before financial expenses, amortization, income taxes and non-controlling interest.

	2008-06-14 (84 days)			Total
	Wholesale Segment	Distribution Segment	Head Office	
	\$	\$	\$	\$
Segment sales	112,318	177,097		289,415
Inter-segment sales	(10,694)			(10,694)
Sales	<u>101,624</u>	<u>177,097</u>		<u>278,721</u>
Earnings before financial expenses, amortization, income taxes and non-controlling interest	5,676	4,434	(682)	9,428
Total assets	145,236	257,913		403,149
Acquisitions				
Property, plant and equipment	101	4,531		4,632
Goodwill		67,839		67,839

Colabor Income Fund
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June 14, 2008

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

10 - SEGMENT DISCLOSURES (Continued)

	2007-06-16 (84 days)			
	Wholesale Segment	Distribution Segment	Head Office	Total
		\$	\$	\$
Sales	103,182	97,028		200,210
Earnings before financial expenses, amortization, income taxes and non-controlling interest	3,509	3,265	(447)	6,327
Total assets	164,630	119,924		284,554
Acquisitions of property, plant and equipment	1	99		100

	2008-06-14 (166 days)			
	Wholesale Segment	Distribution Segment	Head Office	Total
	\$	\$	\$	\$
Segment sales	196,497	273,284		469,781
Inter-segment sales	(11,031)			(11,031)
Sales	<u>185,466</u>	<u>273,284</u>		<u>458,750</u>
Earnings before financial expenses, amortization, income taxes and non-controlling interest	8,909	7,227	(1,353)	14,783
Total assets	145,236	257,913		403,149
Acquisitions				
Property, plant and equipment	170	5,635		5,805
Goodwill		71,339		71,339

	2007-06-16 (167 days)			
	Wholesale Segment	Distribution Segment	Head Office	Total
		\$	\$	\$
Segment sales	179,743	183,199		362,942
Inter-segment sales	(65)			(65)
Sales	<u>179,678</u>	<u>183,199</u>		<u>362,877</u>
Earnings before financial expenses, amortization, income taxes and non-controlling interest	6,308	5,571	(905)	10,974
Total assets	164,630	119,924		284,554
Acquisitions				
Property, plant and equipment	238	9,123		9,361
Intangible assets		57,219		57,219
Goodwill		20,520		20,520

