# Colabor Income Fund

# Consolidated Financial Statements
# December 31, 2008 and 2007

Raymond Chabot Grant Thornton

# Auditors' Report

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To the Unitholders of
Colabor Income Fund

We have audited the consolidated balance sheet of Colabor Income Fund as at December 31, 2008 and 2007 and the consolidated statements of earnings, deficit, contributed surplus 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 audit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

/S/ Raymond Chabot Grant Thornton LLP [1]

Montréal, February 13, 2009

[1] Chartered accountant auditor permit no. 19007

# Colabor Income Fund
## Consolidated Earnings
Years ended December 31, 2008 and 2007
(in thousands of dollars, except earnings (loss) per unit)

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| **Sales** | 1,146,102 | 838,068 |
| Earnings before the following items | 40,269 | 30,548 |
| Financial expenses | 7,263 | 6,731 |
| Amortization of property, plant and equipment | 4,039 | 3,354 |
| Amortization of intangible assets | 8,706 | 6,993 |
| | 20,008 | 17,078 |
| Earnings before income taxes and non-controlling interest | 20,261 | 13,470 |
| Income taxes (Note 6) | | |
| Current | 4,405 | 2,715 |
| Future | 863 | 6,290 |
| | 5,268 | 9,005 |
| Earnings before non-controlling interest | 14,993 | 4,465 |
| Non-controlling interest (Note 15) | 6,618 | 4,650 |
| **Net earnings (loss) and comprehensive income** | 8,375 | (185) |
| Basic and diluted net earnings (loss) per unit (Note 25) | 0.64 | (0.02) |

The accompanying notes are an integral part of the consolidated financial statements and Note 5 provides additional information on earnings.

# Colabor Income Fund
# Consolidated Deficit
# Consolidated Contributed Surplus

Years ended December 31, 2008 and 2007
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| ***CONSOLIDATED DEFICIT*** | | |
| Balance, beginning of year | (11,797) | (977) |
| Net income (loss) | 8,375 | (185) |
| | (3,422) | (1,162) |
| Adjustment of non-controlling interest as a result of the increase in the interest held in the Fund by Colabor LP (Note 2) | 616 | |
| Distributions declared | (14,430) | (10,635) |
| Balance, end of year | (17,236) | (11,797) |
| ***CONSOLIDATED CONTRIBUTED SURPLUS*** | | |
| Balance, beginning of year | 189 | 128 |
| Compensation cost from long-term incentive plan (Note 16) | 384 | 211 |
| Acquisition of units by participants of long-term incentive plan (Note 16) | (224) | (150) |
| Balance, end of year | 349 | 189 |

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

# Colabor Income Fund
## Consolidated Cash Flows
Years ended December 31, 2008 and 2007
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| ***OPERATING ACTIVITIES*** | | |
| Net earnings (loss) | 8,375 | (185) |
| Non-cash items | | |
| Amortization of property, plant and equipment | 4,039 | 3,354 |
| Amortization of intangible assets | 8,706 | 6,993 |
| Amortization of deferred financing expenses | 110 | 81 |
| Non-controlling interest | 6,618 | 4,650 |
| Future income taxes | 863 | 6,290 |
| Compensation cost from long-term incentive plan | 384 | 211 |
| Amortization of debenture transaction costs | 910 | 835 |
| | 30,005 | 22,229 |
| Changes in operating assets and liabilities (Note 7) | 6,802 | 7,176 |
| Cash flows from operating activities | 36,807 | 29,405 |
| ***INVESTING ACTIVITIES*** | | |
| Business acquisitions (Note 2) | (69,182) | (109,048) |
| Property, plant and equipment | (2,340) | (1,469) |
| Cash flows from investing activities | (71,522) | (110,517) |
| ***FINANCING ACTIVITIES*** | | |
| Bank loan | 21,352 | 19,999 |
| Financing expenses | (225) | (245) |
| Distributions paid to unitholders | (14,011) | (10,265) |
| Distributions paid to holders of exchangeable Colabor LP units | (5,476) | (5,476) |
| Repayment of long-term debt | (779) | (468) |
| Purchase of units held by the Fund for long-term incentive plan (Note 16) | (575) | (238) |
| Disposal of units held by the Fund for long-term incentive plan (Note 16) | | 12 |
| Issue of debentures (Note 2) | | 48,000 |
| Issue of units (Note 2) | 38,022 | 24,761 |
| Unit and debenture issue expenses | (1,534) | (1,404) |
| Cash flows from financing activities | 36,774 | 74,676 |
| **Net change in bank overdraft** | 2,059 | (6,436) |
| Bank overdraft, beginning of year | (9,773) | (3,337) |
| Bank overdraft, end of year | (7,714) | (9,773) |

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

# Colabor Income Fund
## Consolidated Balance Sheets
December 31, 2008 and 2007
(in thousands of dollars)

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| ***ASSETS*** | | |
| Current assets | | |
| Accounts receivable (Note 9) | 80,804 | 52,074 |
| Inventory | 73,233 | 48,404 |
| Prepaid expenses | 1,664 | 725 |
| | 155,701 | 101,203 |
| Deferred financing expenses | 279 | 164 |
| Share investment in a private company, at cost (Note 2(b)) | 6,159 | |
| Property, plant and equipment (Note 10) | 15,029 | 10,892 |
| Intangible assets (Note 11) | 143,319 | 117,049 |
| Goodwill | 69,574 | 33,979 |
| | 390,061 | 263,287 |
| ***LIABILITIES*** | | |
| Current liabilities | | |
| Bank overdraft | 7,714 | 9,773 |
| Accounts payable and accrued liabilities | 85,945 | 52,026 |
| Income taxes payable | 1,855 | 605 |
| Balances of purchase price payable (Note 2(a) and (b)) | 10,103 | |
| Distributions payable to unitholders | 1,307 | 888 |
| Distributions payable to holders of exchangeable Colabor LP units | 456 | 456 |
| Sales rebates payable | 15,166 | 13,453 |
| Deferred revenue | 1,115 | 459 |
| Instalments on long-term debt | 707 | 468 |
| | 124,368 | 78,128 |
| Bank loan (Note 12) | 47,501 | 23,376 |
| Balance of purchase price, payable in 2010 (Note 2(b)) | 3,750 | |
| Long-term debt (Note 13) | 942 | 1,209 |
| Debentures (Note 14) | 45,725 | 45,235 |
| Accrued benefit liability for employee benefits (Note 22) | 772 | 752 |
| Future income taxes (Note 6) | 17,414 | 6,290 |
| Non-controlling interest (Note 15) | 29,713 | 29,187 |
| | 270,185 | 184,177 |
| ***UNITHOLDERS' EQUITY*** | | |
| Unitholders' capital account (Note 16) | 135,323 | 88,905 |
| Option to convert debentures | 2,315 | 2,337 |
| Contributed surplus | 349 | 189 |
| Units held for the long-term incentive plan (Note 16) | (875) | (524) |
| Deficit | (17,236) | (11,797) |
| | 119,876 | 79,110 |
| | 390,061 | 263,287 |

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

On behalf of the Board,

/S/ Robert Panet-Raymond
Trustee

/S/ Jacques Landreville
Trustee

# Colabor Income Fund
# Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

## *1 - GOVERNING STATUTES AND NATURE OF OPERATIONS*

Colabor Income Fund (the "Fund") is a limited purpose, open-ended capital and unincorporated trust established under the laws of the Province of Québec on May 19, 2005. After the transactions described in Note 2, the Fund holds a 74% interest in Colabor, Limited Partnership ("Colabor LP") with the remaining interest being held by Colabor Investments Inc. ("Investments"). Colabor LP distributes and markets food and food-related products in Canada.

## *2 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITIONS*

### (a) 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 purchase price allocation, including direct acquisition costs of $1,881,000, was determined as follows:

| | $ |
|---|---|
| Accounts receivable | 11,484 |
| Inventory | 6,198 |
| Other current assets | 294 |
| Property, plant and equipment | 1,031 |
| Customer relations | 1,342 |
| Goodwill | 539 |
| Accounts payable and accrued liabilities | (9,458) |
| Purchase price | 11,430 |
| Balance of purchase price payable | (265) |
| Cash consideration paid | 11,165 |

The Fund expects that goodwill in the amount of $404,000 will be deductible for tax purposes.

### (b) Bertrand

On April 28, 2008, through Colabor LP, the Fund purchased all of the shares of Gestion Bertrand & Frères Inc. ("Bertrand") for $78,788,000. The preliminary purchase price allocation is presented below and is subject to a number of adjustments once the final purchase price has been determined. Bertrand carries on business to the foodservices distribution sector. The results of operations 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%, and the effect of the change in the interest is presented in the consolidated statement of deficit.

# Colabor Income Fund
# Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

## *2 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITIONS (Continued)*

To finance this acquisition, on April 23, 2008, the Fund issued 3,830,000 subscription receipts for $10.45 each for a total of $40,023,500. 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.

The preliminary purchase price allocation, including estimated direct acquisition costs of $1,377,000, was determined as follows:

| | $ |
|---|---|
| Accounts receivable | 15,421 |
| Inventory | 10,139 |
| Other current assets | 665 |
| Share investment in a private company | 6,159 |
| Property, plant and equipment | 4,805 |
| Customer relations | 22,366 |
| Trademarks | 11,268 |
| Goodwill | 35,056 |
| Bank loan | (2,773) |
| Accounts payable and accrued liabilities | (9,929) |
| Income taxes payable | (1,072) |
| Long-term debt | (751) |
| Future income taxes | (11,389) |
| Preliminary purchase price | 79,965 |
| Issue of units to certain shareholders of Bertrand | (8,360) |
| Balance of purchase price payable, bearing interest at 4.5% | (13,588) |
| Cash consideration paid | 58,017 |

The Fund does not expect that the goodwill will be deductible for tax purposes.

The acquisition was financed as follows:

| | $ |
|---|---|
| Preliminary purchase price | 79,965 |
| Estimated unit issue costs (i) | 1,534 |
| Financing costs | 225 |
| | 81,724 |

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *2 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITIONS (Continued)*

| | $ |
|---|---|
| Issue of units (i) | 38,022 |
| Issue of units to certain shareholders of Bertrand (i) | 8,360 |
| Balance of purchase price payable | 13,588 |
| New credit facility (ii) | 21,754 |
| | 81,724 |

(i) The issuance costs and the underwriters' remuneration are deducted from the units. Future income taxes of $1,128,000 are presented in the unitholders capital account. Furthermore, an adjustment has been recorded in non-controlling interest and the deficit due to the increase of the Fund's interest in Colabor LP following the issue of units.

(ii) The Fund negotiated a new operating credit facility with a banking syndicate in the amount of $100,000,000 for a three-year term (Note 12).

**(c) Summit**

On January 4, 2007, the Fund issued 2,825,000 subscription receipts at $8.85 each ("subscription receipts") for a total of $25,001,250 entitling the holder to one Fund unit, and 7% extendible unsecur subordinate debentures totalling $50,000,000 ("debentures").

On January 8, 2007, the Fund, through Colabor LP, acquired substantially all of the net assets of Summit, a company carrying on business in the distribution to foodservices sector. The results of operations are consolidated in the statement of earnings as of the acquisition date. Since the Fund financed Colabor LP to carry out the acquisition of Summit, the Fund's interest increased from 53% to 66%.

At that date, the subscription receipts were exchanged for units. Moreover, the Fund issued 1,130,000 units at $8.85 to the shareholder of Summit for a total of $10,000,500. On January 28, 2007, there was a partial exercise of the over-allotment option by the underwriters of 120,000 additional units at $8.85 per unit for a total of $1,062,000.

After compensation of $3,302,000 paid to underwriters and other expenses of $1,404,000, the Fund's net proceeds were $34,171,000 for units and $47,186,000 for debentures.

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *2 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITIONS (Continued)*

Including direct acquisition costs of $1,145,000, the purchase price allocation is determined as follows:

| | $ |
|---|---|
| Current assets | 59,979 |
| Property, plant and equipment | 8,911 |
| Customer relationships | 47,832 |
| Trademarks | 9,387 |
| Goodwill | 20,520 |
| Current liabilities | (26,776) |
| Accrued employee benefit obligation | (805) |
| Purchase price | 119,048 |
| Units issued to Summit shareholder | (10,000) |
| Cash consideration paid | 109,048 |

The acquisition is financed as follows:

| | $ |
|---|---|
| Purchase price | 119,048 |
| Unit and debenture issue expenses | 1,404 |
| Financing costs | 245 |
| | 120,697 |

| | $ |
|---|---|
| Issue of units (i) | 24,761 |
| Issue of units to Summit's shareholder (i) | 10,000 |
| Issue of debentures (i) (ii) | 48,000 |
| Credit facility | 37,936 |
| | 120,697 |

(i) Issue expenses of $1,404,000 and the underwriters' compensation are applied against the units and debentures.

| | $ |
|---|---|
| (ii) Liability component of debentures | 44,827 |
| Equity component of debentures | 2,359 |
| | 47,186 |

The Fund expects that goodwill in the amount of $10,725,000 will be deductible for tax purposes.

### *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.

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".

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 from 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 the 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. This enables 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 - ACCOUNTING POLICIES*

#### Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The significant estimates in these consolidated financial statements consist in particular in evaluating accounts receivable, inventory, long-term assets, goodwill, income taxes and certain actuarial and economic assumptions used to determine the cost of pension plans and the accrued employee benefit liability. These estimates are based on management's best knowledge of current events and actions that the Fund may undertake in the future. Actual results may differ from these estimates.

#### Principles of consolidation

These financial statements include the accounts of the Fund and its subsidiaries.

# Colabor Income Fund
# Notes to Consolidated Financial Statements

December 31, 2008 and 2007

(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

***4 - ACCOUNTING POLICIES (Continued)***

**Revenue recognition**

The Fund recognizes revenue upon delivery of products, net of sales rebates, when the sale is accepted by the customer and when recovery is reasonably assured.

**Inventory valuation**

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

**Rebates from suppliers**

The Fund recognizes the cash consideration received from supplies as a reduction of the price of suppliers' goods and reduces the cost of goods sold and the related inventory in the consolidated statements of earnings and the consolidated balance sheets.

**Amortization**

Property, plant and equipment are amortized over their estimated useful lives according to the following methods, annual rates and periods:

| | Methods | Rate and periods |
|---|---|---|
| Building | Straight-line | 20 years |
| Furniture and fixtures, warehouse equipment and vehicles | Diminishing balance | 20% |
| Road vehicles | Straight-line | 7 years |
| Computer hardware and software | Straight-line | 4 years |
| Distribution software | Straight-line | 5 and 7 years |
| Leasehold improvements | Straight-line | Lease terms of 10 to 20 years |

Customer relationships are amortized on a straight-line basis over their expected lives of 10, 15 or

**Deferred financing charges**

Deferred financing charges relate to the credit facility and are amortized according to the straight-line method over the financing term of three years.

**Impairment of long-lived assets**

The Fund tests property, plant and equipment and customer relationships for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of assets. In such a case, an impairment loss is recognized and is measured at the amount by which the carrying amount of the long-lived assets exceeds their fair value.

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

***4 - ACCOUNTING POLICIES (Continued)***

**Trademarks**

Trademarks are not amortized. They are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they are impaired. This impairment test consists of a comparison of the fair value of the trademark with its carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

**Goodwill**

Goodwill is the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it is impaired. Goodwill is allocated to reporting units and any potential goodwill impairment is identified by comparing the carrying amount of a reporting unit with its fair value. If any potential impairment is identified, it is quantified by comparing the carrying amount of goodwill to its fair value. The fair value of a reporting unit is calculated using discounted cash flows.

**Income taxes**

The Fund uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

**Financial instruments**

All of the Fund's financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available for sale. Also, all of the Fund's financial liabilities are classified as held for trading or other financial liabilities. All financial instruments are initially recorded in the balance sheet at their fair value. After their initial valuation, the Fund measures financial instruments at their fair value except for held-to-maturity investments or loans and receivables and other financial liabilities which must be recognized at amortized cost using the effective interest method. The effective interest rate for financial liabilities and the gains and losses resulting from a change in the fair value of a financial asset or liability held for trading, are included in net earnings in the period in which they arise. If a financial asset is classified as available for sale, the gain or loss should be recognized in comprehensive income until the financial asset is derecognized, at which time the gain or loss will be recognized in net earnings.

The Fund classified accounts receivable as loans and receivables. The share investment in a private company is classified as available-for-sale financial assets. The bank overdraft, accounts payable and accrued liabilities, balances of purchase price, distributions payable to unitholders, rebates payable, bank loans, long-term debt and debentures are classified as other financial liabilities. Transaction costs associated with financial liabilities classified as other financial liabilities, other than financing expenses relating to the credit facility, are applied against these liabilities and amortized to net earnings in the financial expenses.

# Colabor Income Fund
# Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

***4 - ACCOUNTING POLICIES (Continued)***

**Employee future benefits**

The Fund accrues its obligations under employee defined benefit plans and related costs, net of the fair value of plan assets. Accordingly, the Fund has adopted the following policies:

– The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service years. This determination incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors;

– For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;

– Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment;

– Actuarial gain (loss) arises from the difference between actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 21 years.

**Earnings per unit and information on number of units**

Earnings per unit are determined using the weighted average number of Fund units outstanding during the years. Diluted earnings per unit are calculated giving effect to the potential dilution that could occur if the units bought under the long-term incentive plan were acquired at the beginning of the period or at the time they were purchased. The treasury stock method is used to determine the dilutive effect of these bought units. This method assumes the compensation cost not yet recognized is used to redeem units at the average market price during the year.

**Stock-based compensation**

The Fund, through its subsidiary Colabor LP, offers a long-term stock-based compensation plan (the "Plan") to some employees. During the rights vesting period, the Fund recognizes a compensation expense based on the fair value of the units on the award date.

Under the terms of the Plan, units purchased on the open market on behalf of plan members are recognized at cost and applied against unitholders' equity. If the fair market value of the units on the award date is greater than the acquisition price paid by the Fund, the difference is recognized as contributed surplus. If the fair market value of the units on the award date is less than the acquisition price paid by the Fund, the difference is applied against retained earnings.

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *5 - INFORMATION ON CONSOLIDATED EARNINGS*

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Other financial liabilities | | |
| Interest on bank loan | 2,634 | 2,186 |
| Interest on long-term debt | 96 | 126 |
| Interest on debentures | 3,442 | 3,452 |
| Amortization of debenture transaction costs | 910 | 835 |
| | 7,082 | 6,599 |
| Amortization of deferred financing costs | 110 | 81 |

### *6 - INCOME TAXES*

The difference between the effective income tax rate and the regulatory income tax rates in Canada is attributable to the following:

| | 2008 | 2007 |
|---|---|---|
| | % | % |
| Combined federal and provincial income tax rate | 32.47 | 34.00 |
| Non-controlling interest | (8.04) | (11.74) |
| Income tax rate adjustment | (6.01) | |
| Increase in Fund's interest in the subsidiaries | 4.63 | |
| Income tax expense resulting from changes in the Act (a) | | 44.35 |
| Items not deductible for tax purposes | 3.71 | 0.24 |
| Other | (0.76) | |
| | 26.00 | 66.85 |

(a) On October 31, 2006 the Minister of Finance of Canada announced a new tax regime for specified investment flow through (“SIFT”) entities, also called listed income trusts and partnerships. Under this regime, SIFTs are subject to a similar tax treatment as corporations as of the 2011 taxation year and as of the 2007 taxation year for SIFTs like the Fund that cannot benefit from the transitional rules.

The Fund considered these changes in the Act as a change in its taxation rate and recognized the impacts of these changes in earnings.

# Colabor Income Fund
# Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *6 - INCOME TAXES (Continued)*

The long-term future income tax liability results from the difference between the tax basis and the carrying amount of the following items:

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Property, plant and equipment | 733 | 222 |
| Intangible assets | 13,888 | 5,652 |
| Share investment | 1,640 | |
| Goodwill | 2,885 | 2,102 |
| Unit and debenture issue expenses | (1,633) | (1,585) |
| Other | (99) | (101) |
| | 17,414 | 6,290 |

### *7 - ADDITIONAL CONSOLIDATED CASH FLOW DISCLOSURES*

Change in operating assets and liabilities:

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Accounts receivable | (1,825) | 5,041 |
| Withholding taxes recoverable | | 1,620 |
| Inventory | (8,492) | 1,869 |
| Prepaid expenses | 20 | 910 |
| Accounts payable and accrued liabilities | 14,532 | (2,984) |
| Income taxes payable | 178 | 605 |
| Sales rebates payable | 1,713 | 448 |
| Deferred revenue | 656 | (280) |
| Accrued employee benefit liability | 20 | (53) |
| | 6,802 | 7,176 |

Cash flows relating to interest paid amount to $7,846,000 ($4,040,000 in 2007) and those relating to taxes paid amount to $4,227,000 (nil in 2007).

### *8 - INVENTORY*

An amount of $1,020,859,000 was recorded as an expense in consolidated earnings ($757,452,000 in 2007).

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007
(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *9 - ACCOUNTS RECEIVABLE*

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Trade accounts (a) | | |
| Customers controlled by trustees | 350 | 649 |
| Other | 63,957 | 42,871 |
| Rebates from suppliers receivable | 14,950 | 8,383 |
| Other | 1,547 | 171 |
| | 80,804 | 52,074 |

(a) One customer accounts for 20% of total trade accounts receivable in 2008 (21% in 2007).

### *10 - PROPERTY, PLANT AND EQUIPMENT*

| | | | 2008 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Land | 63 | | 63 |
| Building | 92 | 43 | 49 |
| Furniture and fixtures | 826 | 295 | 531 |
| Warehouse equipment and vehicles | 8,121 | 3,148 | 4,973 |
| Road vehicles | 4,405 | 1,261 | 3,144 |
| Computer hardware and software | 1,984 | 1,156 | 828 |
| Distribution software | 3,116 | 867 | 2,249 |
| Leasehold improvements | 3,937 | 745 | 3,192 |
| | 22,544 | 7,515 | 15,029 |

| | | | 2007 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Land | 63 | | 63 |
| Building | 92 | 21 | 71 |
| Furniture and fixtures | 495 | 163 | 332 |
| Warehouse equipment and vehicles | 5,874 | 2,019 | 3,855 |
| Road vehicles | 1,689 | 614 | 1,075 |
| Computer hardware and software | 1,429 | 694 | 735 |
| Distribution software | 3,067 | 987 | 2,080 |
| Leasehold improvements | 2,996 | 315 | 2,681 |
| | 15,705 | 4,813 | 10,892 |

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *11 - INTANGIBLE ASSETS*

| | 2008 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Customer relationships | 136,040 | 20,576 | 115,464 |
| Trademarks | 27,855 | | 27,855 |
| | 163,895 | 20,576 | 143,319 |

| | 2007 | | |
|---|---|---|---|
| | Cost | Accumulated amortization | Net |
| | $ | $ | $ |
| Customer relationships | 112,332 | 11,870 | 100,462 |
| Trademarks | 16,587 | | 16,587 |
| | 128,919 | 11,870 | 117,049 |

### *12 - CREDIT FACILITY*

As at December 31, 2008, the credit facility is about $100,000,000. This credit facility matures in 2011 and is secured by a first ranking hypothec on the Fund's assets.

As at December 31, 2007, the credit facility was about $70,000,000 and was secured by a first ranking hypothec on the Fund's assets.

As at December 31, 2008 and 2007, a letter of guarantee in the amount of $2,028,000 is used for one of the commitments described in Note 23.

The credit facility bears interest at the prime rate plus 0.25% (i.e. 3.75%) as at December 31, 2008 and at the prime rate as at December 31, 2007 (i.e. 6%). The Fund is required to comply with certain financial ratios and as at December 31, 2008 and 2007, it is in compliance with these ratios.

# Colabor Income Fund
# Notes to Consolidated Financial Statements
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(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *13 - LONG-TERM DEBT*

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Bank loan, secured by furniture and fixtures, warehouse equipment and vehicles and distribution software having an amortized cost of $1,477,000 in 2008 ($2,152,000 in 2007), bank's base rate less 1.5% (3.75% as at December 31, 2008 and 6.5% as at December 31, 2007), payable in monthly instalments of $39,000, maturing in July 2011 (a) | 1,209 | 1,677 |
| Bank loans secured by road vehicles having an amortized cost of $639,000 in 2008, rate varying from 5% to 5.25%, payable in monthly instalments of $24,000, maturing from May 2009 to August 2010 | 440 | |
| | 1,649 | 1,677 |
| Instalments due within one year | 707 | 468 |
| | 942 | 1,209 |

(a) Under the terms of the credit agreement, the Fund is required to comply with a financial ratio, which it does as at December 31, 2008 and 2007.

The instalments on long-term debt for the next years are $707,000 in 2009, $635,000 in 2010 and $307,000 in 2011.

### *14 - DEBENTURES*

The par value of the debentures, which mature on December 31, 2011, is $49,070,000 as at December 31, 2008 ($49,528,000 in 2007). Interest, at the nominal rate of 7%, is payable semi-annually. The effective rate of the debentures is 9.69%. The Fund can redeem the debentures between December 31, 2009 and December 31, 2010, by giving advance notice, at a price equal to the capital plus accrued and unpaid interest, provided the market rate is at least 125% of the conversion price. After December 31, 2010, the Fund can redeem the debentures, by giving advance notice, at a price equal to the capital plus accrued and unpaid interest. The debentures are convertible into units at the holder's option, at any time but no later than the close of business on the day immediately preceding the date specified by the Fund for the redemption of the debentures, at a conversion price of $10.25 per unit, which is a conversion rate of about 97,561 units for $1,000,000 of debenture capital. Holders who convert their debentures will receive the accrued and unpaid interest thereon to the conversion date.

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

On May 25, 2007 and July 9, 2007, debentures with a par value of $426,000 and $10,000 respectively were converted into 46,048 units in accordance with the conversion rules in effect. The $427,000 carrying amount of these debentures and the $22,000 related conversion option were recognized in the unitholders' capital account.

# Colabor Income Fund
## Notes to Consolidated Financial Statements
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(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *15 - NON-CONTROLLING INTEREST*

The non-controlling interest represents the 5,087,439 exchangeable units of Colabor LP issued to Investments in 2005 in connection with the Fund's initial public offering. Each exchangeable Colabor LP unit entitles the holder to a special voting unit and all or a portion can be exchanged for units on a one-for-one basis (the "Exchange Rights").

Subject to the lock-up provisions described below, these Exchange Rights may be exercised by Investments.

Investments has agreed not to transfer, pledge, exchange for units or otherwise dispose of any exchangeable Colabor LP units for a period of ten years following closing (the "Lock-Up"). Notwithstanding the Lock-Up, Investments will be entitled, starting on the second anniversary of closing and on each subsequent anniversary of closing (collectively, the "Release Dates"), to exchange or dispose of a number of exchangeable Colabor LP units based on the increase in value of the units from closing to such Release Date. On each Release Date, Investments will have the right to exchange or dispose of a number of exchangeable Colabor LP units having a value equal to 75% of the increase in value of the underlying units, and a number of exchangeable Colabor LP units having a value equal to 25% of such increase will be set aside and released as described below (the "Remaining Units"). The increase in value for determining the number of exchangeable Colabor LP units which may be exchanged or disposed of as of each Release Date, if any, will be equal to the number of Investments' exchangeable Colabor LP units still subject to the Lock-Up at such date (excluding the Remaining Units), multiplied by the difference between the market price of the units on the Release Date and the greater of (i) $10 or (ii) the highest market price on each of the previous Release Dates. At the end of the Lock-Up period, Investments will be entitled to exchange or dispose of all of its exchangeable Colabor LP units with the exception of the Remaining Units which will be released over a five-year period starting on the eleventh anniversary of closing.

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Balance, beginning of year | 29,187 | 30,013 |
| Adjustment in non-controlling interest's in the Fund as a result of the increase in Colabor LP's interest in the Fund (Note 2) | (616) | |
| Non-controlling interest | 6,618 | 4,650 |
| Distributions declared to holders of exchangeable Colabor LP units | (5,476) | (5,476) |
| Balance, end of year | 29,713 | 29,187 |

### *16 - UNITHOLDERS' CAPITAL ACCOUNT*

**Units**

Unlimited number of units with one vote each. Each unit is redeemable at the lesser of 90% of the weighted average price of the trust unit during the last ten trading days of the units on an open market and the closing market price on the redemption date. All redemptions are subject to a $50,000 maximum cash per month. Redemptions in excess of this amount will be settled through the distribution of notes issued by a subsidiary of the Fund.

# Colabor Income Fund
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(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

***16 - UNITHOLDERS' CAPITAL ACCOUNT (Continued)***

### Special voting units

Unlimited number of special voting units, each entitling the holder to one vote and attached to the exchangeable Colabor LP unit with which it is issued.

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| **Issued and fully paid** | | |
| 14,570,730 (9,896,048 units as at December 31, 2007) | 135,323 | 88,905 |
| 5,087,439 special voting units | | |
| | 135,323 | 88,905 |

In 2008, 4,630,000 units were issued in connection with one of the transactions described in Note 2 and 44,682 units were issued on the conversion of debentures into units described in Note 14.

In 2007, 4,075,000 units were issued in connection with the transaction described in Note 2 and 46,048 units were issued on the conversion of debentures into units described in Note 14.

### Long-term incentive plan

Under the terms of the Fund's long-term incentive plan (the "Plan") established on June 28, 2005, units may be issued to certain Fund employees based on the Fund's financial return based on certain distributable cash targets. The Fund or a trustee appointed to administer the Plan will purchase units in the market and will hold the units until such time as ownership vests to each participant. Generally, one-third of these units will vest equally over the three years following the grant of the awards. Plan participants will be entitled to receive distributions on all units held on their account prior to the applicable vesting date. Unvested units held by the trustee for a plan participant will be forfeited if the participant resigns for a reason other than his retirement or is terminated for cause prior to the applicable vesting date. In such an event, those units will be sold and the proceeds returned to the Fund. Distributions on these units will also be remitted to the Fund.

On February 27, 2008, under the terms of the long-term incentive plan, 19,704 units were released (with a cost of $224,000). On the same date, the Fund granted $575,000 under the plan and acquired 53,195 units on the market. For the year ended December 31, 2008, the compensation cost expensed was $348,000.

On February 21, 2007, under the terms of the long-term incentive plan, 11,946 units were released (with a cost of $150,000). On February 27, 2007, the Fund granted $238,000 under the plan and acquired 24,500 units on the market. For the year ended December 31, 2007, the compensation cost expensed was $211,000. Moreover, during the year, the Fund disposed of 1,225 units for $12,000 following the withdrawal of a participant.

# Colabor Income Fund
## Notes to Consolidated Financial Statements
December 31, 2008 and 2007

(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *17 - ECONOMIC DEPENDENCE*

The Fund signed supply contracts with customers expiring in 2012 and 2017. Sales to these customers amounted to 59% in 2008 (80% in 2007) of Fund sales. One customer accounts for 20% of Fund sales in 2008 (27% in 2007).

### *18 - RELATED PARTY TRANSACTIONS*

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Transactions with customers controlled by trustees | | |
| Sales (a) | 17,337 | 22,236 |
| Transactions with Investments | | |
| Earnings (a) | | |
| Rebates (b) | 13,731 | 12,451 |
| Selling, distribution and administration expenses | | |
| Rent | 2,028 | 2,028 |
| Computer services | 375 | 513 |
| Balance sheets | | |
| Rebates payable | 13,833 | 13,159 |
| Distribution software | 365 | 109 |

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

(b) Rebates are 3% of sales to preferred customers or shareholders of Investments in accordance with various contracts governing relationships between the Fund and Investments since the Fund's initial public offering in 2005.

### *19 - FINANCIAL INSTRUMENTS*

The fair value of accounts receivable, bank overdraft, accounts payable and accrued liabilities, distributions payable and rebates payable is comparable to their carrying amount given that they will mature shortly.

The fair value of the share investment in a private company was not determined given that the shares are not publicly traded.

In prior years, there was little difference between the fair value and the carrying amount of the bank loan and long-term debt bearing interest at rates that vary in accordance with market rates. However, due to the state of the financial markets, notably the current credit situation, the fair value of the bank loan and long-term debt could be lower than its carrying amount. The Fund is unable to identify similar debt in the market, including recent transactions, having substantially the same terms and conditions to permit an adequate measurement of the fair value of the debt. Management is of the opinion that the time and costs involved greatly outweigh the benefit of disclosing fair value and consequently fair value has not been determined.

# Colabor Income Fund
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(Amounts in the tables are in thousands of dollars, except earnings (loss) per unit)

### *19 - FINANCIAL INSTRUMENTS (Continued)*

The fair value of the liability component of the debentures is $37,570,000. It was determined by discounting future cash flows at 18%, the rate which the Fund could currently use for debentures with similar terms and conditions and maturities.

### *20 - 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 maximizing its growth and providing a return to unitholders. The Fund's capital is composed of the bank loan, long-term debt, debentures and unitholders' equity. 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.

The Fund is subject to certain covenants with respect to its credit facilities, including a total interest-bearing debt (excluding the debentures) to earnings before financial expenses, amortization and income taxes ("EBITDA") and an interest coverage ratio.

The financial institutions' requirements regarding credit facilities include the following:

| | Requirements | 2008 | 2007 |
|---|---|---|---|
| Total interest bearing debt (excluding debentures)/ EBITDA (a) | Maximum of 3.00:1.00 | 1.18 | 0.89 |
| EBITDA/financial expenses (a) | Minimum of 3.50:1.00 | 5.32 | 4.54 |

(a) 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. 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.

### *21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS*

#### 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.

# Colabor Income Fund
# Notes to Consolidated Financial Statements
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### *21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)*

*Interest rate risk*

The debentures and balance of purchase price 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 Fund manages its interest rate exposure through an appropriate mix of fixed-rate and variable-rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 1% fluctuation in the bank prime rate as at December 31, 2008 would have a $430,000 impact on net earnings for the year ended December 31, 2008.

*Credit risk*

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 20% of trade accounts receivable as at December 31, 2008. The Fund requires a guarantee from some of its customers. As at December 31, 2008, the Fund has guarantees for 15% of its trade accounts. The Fund's policy is to have each customer undergo a credit check.

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

The aging of trade accounts receivable was as follows as at December 31, 2008:

| | $ |
|---|---|
| Current | 60,614 |
| Overdue from 1 to 60 days | 2,465 |
| Overdue more than 61 days | 1,888 |
| | 64,967 |
| Less allowance for doubtful accounts | (660) |
| | 64,307 |

# Colabor Income Fund
## Notes to Consolidated Financial Statements
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### *21 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)*

The changes in the allowance for doubtful accounts recorded for trade accounts receivable are presented below:

| | $ |
|---|---|
| Balance as at December 31, 2007 | 266 |
| Increase attributable to business acquisitions | 789 |
| | 1,055 |
| Expense for the year | 586 |
| Write-off of receivables | (981) |
| Balance as at December 31, 2008 | 660 |

*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 fulfill 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:

| | Maturing in less than 12 months | Maturing in 1 to 5 years |
|---|---|---|
| | $ | $ |
| Bank overdraft | 7,714 | |
| Accounts payable and accrued liabilities | 85,945 | |
| Balance of purchase price payable | 10,103 | 3,750 |
| Distributions payable | 1,763 | |
| Rebates payable | 15,166 | |
| Long-term debt | 707 | 942 |
| Bank loans | | 47,501 |
| Debentures (par value) | | 49,070 |
| | 121,398 | 101,263 |

### *22 - EMPLOYEE FUTURE BENEFITS*

As at December 31, 2008, the Fund has a defined benefit pension plan which it assumed at the time one of the business acquisitions described in Note 2.

Total cash payments for employee future benefits for 2008, comprised of the Fund's contributions to the defined benefit pension plan, were $216,000 ($273,000 in 2007).

# Colabor Income Fund
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### *22 - EMPLOYEE FUTURE BENEFITS (Continued)*

The Fund evaluates its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 each year. There is an actuarial valuation of the defined benefit pension plan for funding purposes every three years. The last actuarial valuation was as at December 31, 2006. The plan will be re-evaluated on December 31, 2009.

Information regarding the defined benefit pension plan is presented below:

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Accrued benefit obligation | | |
| Balance, beginning of year | 4,209 | |
| Acquisitions (Note 2) | | 3,736 |
| Employee contributions | 130 | 138 |
| Current service costs | 226 | 204 |
| Interest receivable | 226 | 198 |
| Benefits paid | (93) | (67) |
| Actuarial gain | (1,436) | |
| Balance, end of year | 3,262 | 4,209 |
| Plan assets | | |
| Fair value, beginning of year | 3,449 | |
| Acquisition (Note 2) | | 2,931 |
| Actual return | (535) | 174 |
| Employer contributions | 216 | 273 |
| Employee contributions | 130 | 138 |
| Benefits paid | (93) | (67) |
| Fair value, end of year | 3,167 | 3,449 |
| Funded status - Deficit | (95) | (760) |
| Unamortized net actuarial loss (unamortized net actuarial gain) | (677) | 8 |
| Accrued benefit liability for employee benefits | (772) | (752) |

| | 2008 | 2007 |
|---|---|---|
| Components of plan assets | % | % |
| Equity securities | 50 | 55 |
| Debt securities | 45 | 41 |
| Real estate | 5 | 4 |
| | 100 | 100 |

# Colabor Income Fund
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### *22 - EMPLOYEE FUTURE BENEFITS (Continued)*

The net pension expense of the defined benefit pension plan is as follows:

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Current service costs | 226 | 204 |
| Interest receivable | 226 | 198 |
| Actual return on plan assets | 535 | (174) |
| Actuarial gain | 1,436 | |
| Components of the cost of employee future benefits before adjustment to reflect the long-term nature of this cost | 2,423 | 228 |
| Adjustments to reflect the long-term nature of the cost of employee future benefits | | |
| Difference between expected return and actual return on plan assets | (751) | (8) |
| Difference between the gain recognized for the year and the actual amount of the accrued benefit obligation for the year | (1,436) | |
| Defined benefit costs recognized | – | – |

The significant assumptions used by the Fund are as follows (weighted average):

| | 2008 | 2007 |
|---|---|---|
| | % | % |
| Accrued benefit obligation as of December 31 | | |
| Discount rate | 7.0 | 5.0 |
| Rate of compensation increase | 3.2 | 3.2 |
| Benefit costs for the year | | |
| Discount rate | 5.0 | 5.0 |
| Expected long-term rate of return on plan assets | 6.0 | 6.0 |
| Rate of compensation increase | 3.2 | 3.2 |

### *23 - COMMITMENTS*

The Fund has entered into various long-term leases and service contracts expiring until August 2023, which call for minimum lease payments of $104,375,000, including $32,903,000 to Investments. The Fund's commitment under one of the leases is secured by a $2,028,000 bank letter of credit.

Minimum payments under the various leases and service contracts over the next five years are $12,189,000 inn 2009, $11,525,000 in 2010, $10,543,000 in 2011, $10,835,000 in 2012 and $9,675,000 in 2013. These annual payments include $2,598,000 to Investments.

# Colabor Income Fund
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### *24 - 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 and comparative segment information has been restated accordingly.

The accounting policies that apply to the reportable segments are the same as those described in accounting policies. The Fund evaluates performance according to earnings before financial costs, income taxes and non-controlling interest.

| | | | | 2008 |
|---|---|---|---|---|
| | Wholesale segment | Distribution segment | Head office | Total |
| | $ | $ | $ | $ |
| Segment sales | 485,215 | 725,225 | | 1,210,440 |
| Inter-segment sales | (64,338) | | | (64,338) |
| Sales | 420,877 | 725,225 | – | 1,146,102 |
| Earnings (loss) before financial costs, amortization, income taxes and non-controlling interest | 23,163 | 20,718 | (3,612) | 40,269 |
| Total assets | 121,130 | 268,931 | – | 390,061 |
| Acquisition | | | | |
| Property, plant and equipment | 779 | 7,397 | – | 8,176 |
| Intangible assets | – | 34,976 | – | 34,976 |
| Goodwill | – | 35,595 | – | 35,595 |

| | | | | 2007 |
|---|---|---|---|---|
| | Wholesale segment | Distribution segment | Head office | Total |
| | | $ | $ | $ |
| Segment sales | 428,149 | 411,400 | | 839,549 |
| Inter-segment sales | (1,481) | | | (1,481) |
| Sales | 426,668 | 411,400 | – | 838,068 |
| Earnings (loss) before financial costs, amortization, income taxes and non-controlling interest | 18,081 | 15,107 | (2,640) | 30,548 |
| Total assets | 124,857 | 138,430 | – | 263,287 |
| Acquisition | | | | |
| Property, plant and equipment | 528 | 9,852 | – | 10,380 |
| Intangible assets | – | 57,219 | – | 57,219 |
| Goodwill | – | 20,520 | – | 20,520 |

# Colabor Income Fund
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### 25 - EARNINGS (LOSS) PER UNIT

The following table presents the basic and diluted earnings (loss) per unit:

| | | 2008 | | | 2007 |
|---|---|---|---|---|---|
| Net loss | Weighted average number of units | Basic and diluted net earnings per unit | Net earnings | Weighted average number of units | Basic and diluted net loss per unit |
| $ | | $ | $ | | $ |
| 8,375 | 12,992,392 | 0.64 | (185) | 9,747,732 | (0.02) |

Units that were hypothetically issued after the exchange of exchangeable Colabor LP units and the conversion of convertible debentures were not included in the calculation of diluted net earnings (loss) per unit because they had an antidilutive effect.

The weighted average number of units does not include the units acquired by the Fund for the long-term incentive plan.

### 26 - NEW ACCOUNTING POLICIES PUBLISHED BUT NOT YET ADOPTED

In February 2008, the CICA published Section 3064, "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. However, the section does not apply to the initial recognition of goodwill and intangible assets generate in connection with a business combination. The standard is effective for fiscal years beginning on or after October 1, 2008, with retroactive application to prior period financial statements. The Fund has evaluated the impact on its financial statements of adopting this new standard as of January 1, 2009 and expects that the impact will not be material.

In 2009, the CICA published three new accounting standards: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests". These new standards will apply to fiscal years beginning on or after January 1, 2011. The Fund is currently assessing the requirements of these new standards.

Section 1582 replaces Section 1581 and establishes the standards for the recognition of business combinations. This section applies prospectively to business combinations for which the acquisition date is at the beginning of the first fiscal year beginning on or after January 1, 2011.

Together, Sections 1601 and 1602 replace former Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements prepared subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.