



**Interim Consolidated Financial Statements
as at September 10, 2011 and September 11, 2010
3rd Quarter
(unaudited)**

Interim Consolidated Financial Statements	
Interim Consolidated Statements of Comprehensive Income	2
Interim Consolidated Statements of Changes in Equity	3
Interim Consolidated Statements of Cash Flows	4
Interim Consolidated Statements of Financial Position	5
Notes to Interim Consolidated Financial Statements	6 - 33

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

Colabor Group Inc. Interim Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars, except data per share)

		2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	Notes	\$	\$	\$	\$
Sales of goods	6	324 760	234 309	881 587	704 819
Operating expenses excluding depreciation and amortization	7	<u>314 206</u>	<u>226 715</u>	<u>855 902</u>	<u>681 339</u>
Profit before the following items		<u>10 554</u>	<u>7 594</u>	<u>25 685</u>	<u>23 480</u>
Business acquisition-related costs				1 795	
Depreciation of property, plant and equipment		1 125	726	2 696	2 134
Amortization of intangible assets	8	<u>3 031</u>	<u>2 327</u>	<u>8 775</u>	<u>7 000</u>
		<u>4 156</u>	<u>3 053</u>	<u>13 266</u>	<u>9 134</u>
Operating profit		6 398	4 541	12 419	14 346
Finance costs	14	<u>1 861</u>	<u>1 542</u>	<u>5 484</u>	<u>4 347</u>
Profit before tax		<u>4 537</u>	<u>2 999</u>	<u>6 935</u>	<u>9 999</u>
Income taxes					
Current		-	-	-	-
Deferred		<u>1 438</u>	<u>1 208</u>	<u>2 109</u>	<u>3 075</u>
		<u>1 438</u>	<u>1 208</u>	<u>2 109</u>	<u>3 075</u>
Net earnings and other comprehensive income attributable to the owners		<u>3 099</u>	<u>1 791</u>	<u>4 826</u>	<u>6 924</u>
Cash flows per share	15	<u>\$0,34</u>	<u>\$0,26</u>	<u>\$0,79</u>	<u>\$0,87</u>
Basic and diluted cash flows per share	15	<u>\$0,14</u>	<u>\$0,08</u>	<u>\$0,21</u>	<u>\$0,33</u>

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

Colabor Group Inc.
Interim Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	Capital \$	Debenture conversion options \$	Contributed surplus \$	Shares held for stock-based compensation plans \$	Retained earnings \$	Total equity \$
Balance as at January 1, 2010	143 008	2 029	774	(1 248)	28 275	172 838
Profit or loss and comprehensive income for the period					6 924	6 924
Dividend declared					(11 619)	(11 619)
Conversion of debentures	22 625	(898)				21 727
Issue of convertible debentures		1 736				1 736
Stock-based compensation plan expenses			350			350
Purchase of shares held by the Company for stock-based compensation plans				(219)		(219)
Shares released for stock-based compensation plans			(530)	530		0
Transactions with owners	22 625	838	(180)	311	(11 619)	11 975
Balance as at September 11, 2010	165 633	2 867	594	(937)	23 580	191 737
Balance as at January 1, 2011	177 960	2 415	771	(936)	13 976	194 186
Profit or loss and comprehensive income for the period					4 826	4 826
Dividend declared					(12 445)	(12 445)
Normal course issuer bid	(2 540)				(450)	(2 990)
Conversion of debentures	998	(46)				952
Stock-based compensation plan expenses			302			302
Purchase of shares held by the Company for stock-based compensation plans				(141)		(141)
Shares released for stock-based compensation plans			(455)	455		0
Transactions with owners	(1 542)	(46)	(153)	314	(12 895)	(14 322)
Balance as at September 10, 2011	176 418	2 369	618	(622)	5 907	184 690

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

Colabor Group Inc. Interim Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

		2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	Notes	\$	\$	\$	\$
Operating activities					
Operating profit		6 398	4 541	12 419	14 346
Depreciation of property, plant and equipment		1 125	726	2 696	2 134
Amortization of intangible assets		3 031	2 327	8 775	7 000
Stock-based compensation plan expenses		77	133	302	350
Purchase of shares held by the Company for stock-based compensation plans				(141)	(219)
		<u>10 631</u>	<u>7 727</u>	<u>24 051</u>	<u>23 611</u>
Net changes in working capital	16	<u>13 838</u>	<u>10 417</u>	<u>(905)</u>	<u>6 166</u>
Cash flows from operating activities		<u>24 469</u>	<u>18 144</u>	<u>23 146</u>	<u>29 777</u>
Investing activities					
Business acquisition, net of cash acquired	3			(78 941)	
Payment of balances of purchase price				(2 013)	
Purchase of property, plant and equipment and intangible assets		(1 148)	(659)	(2 753)	(1 890)
Cash flows from investing activities		<u>(1 148)</u>	<u>(659)</u>	<u>(83 707)</u>	<u>(1 890)</u>
Financing activities					
Bank borrowings		(2 550)	(11 256)	89 770	(40 114)
Issue of convertible debentures					47 500
Normal course issuer bid		(2 812)		(2 990)	
Repayment of long-term debt		(39)	(119)	(307)	(452)
Dividends paid		(6 220)	(5 880)	(18 649)	(19 072)
Finance costs		(1 861)	(1 542)	(5 484)	(4 347)
Non-cash portion of the implicit interest on debentures included in finance costs		208	252	632	737
Credit facility renewal costs		(71)		(714)	
Amortization of prepaid financing expenses included in finance costs		35	29	92	84
Cash flows from financing activities		<u>(13 310)</u>	<u>(18 516)</u>	<u>62 350</u>	<u>(15 664)</u>
Net change in bank overdraft		10 011	(1 031)	1 789	12 223
Bank overdraft, beginning of period		<u>(18 931)</u>	<u>(3 872)</u>	<u>(10 709)</u>	<u>(17 126)</u>
Bank overdraft, end of period		<u><u>(8 920)</u></u>	<u><u>(4 903)</u></u>	<u><u>(8 920)</u></u>	<u><u>(4 903)</u></u>

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

Colabor Group Inc.
Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

		2011-09-10	2010-12-31	2010-01-01
	Notes	\$	\$	\$
ASSETS				
Current				
Trade and other receivables		106 266	82 540	75 438
Recoverable tax assets		2 330	2 694	685
Inventory		73 920	69 669	71 909
Prepaid expenses		4 155	1 196	1 500
<i>Current assets</i>		<u>186 671</u>	<u>156 099</u>	<u>149 532</u>
Non-current				
Equity investment in Colabor Investments Inc., at cost		10 098	8 569	6 159
Property, plant and equipment	18.4	17 538	10 920	11 356
Intangible assets	8	150 811	136 995	136 348
Goodwill	9	115 955	78 423	72 317
Deferred tax assets	18.2	1 587	3 273	10 051
<i>Non-current assets</i>		<u>295 989</u>	<u>238 180</u>	<u>236 231</u>
Total assets		<u><u>482 660</u></u>	<u><u>394 279</u></u>	<u><u>385 763</u></u>
LIABILITIES AND EQUITY				
LIABILITIES				
Current				
Bank overdraft	11	8 920	10 709	17 126
Trade and other payables		89 925	69 365	65 762
Dividends payable			6 204	7 453
Rebates payable		9 518	14 283	13 808
Balances of purchase price	10	13 473	13 236	10 081
Deferred revenue		1 757	491	961
Bank borrowings	11		24 308	
Convertible debentures		13 182	13 905	
Current portion of long-term debt			307	636
<i>Current liabilities</i>		<u>136 775</u>	<u>152 808</u>	<u>115 827</u>
Non-current				
Bank borrowings	11	113 456		49 177
Balances of purchase price	10	1 393	1 143	
Long-term debt				307
Convertible debentures		45 903	45 500	46 711
Pension obligations		443	642	903
<i>Non-current liabilities</i>		<u>161 195</u>	<u>47 285</u>	<u>97 098</u>
Total liabilities		<u><u>297 970</u></u>	<u><u>200 093</u></u>	<u><u>212 925</u></u>
EQUITY				
Capital	12	176 418	177 960	143 008
Convertible debenture conversion options		2 369	2 415	2 029
Contributed surplus		618	771	774
Shares held for stock-based compensation plans		(622)	(936)	(1 248)
Retained earnings		5 907	13 976	28 275
<i>Total equity attributable to parent's owners</i>		<u>184 690</u>	<u>194 186</u>	<u>172 838</u>
Total liabilities and equity		<u><u>482 660</u></u>	<u><u>394 279</u></u>	<u><u>385 763</u></u>

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

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

1. NATURE OF OPERATIONS

Colabor Group Inc. and its wholly-owned subsidiaries (hereafter the "Company") distribute and market food and food-related products in Canada.

Sales of goods and operating profits are been proportionately the smallest in the first quarter and the largest in the fourth quarter, as sales of goods are considerably higher in the other quarters than in the first quarter and because the fourth quarter has 33% more operating days than other quarters. Furthermore, costs are incurred more evenly than sales of goods throughout the year given the Company's fixed cost structure. The Company's operating margins increase gradually as the year progresses. Accordingly, it would be more meaningful to compare results for an entire year or with the prior year's corresponding quarter than to compare two consecutive quarters.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"). As this is the first year that the Company's financial results and financial situation are represent in accordance with IFRS, the financial statements have been prepared in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, taking into account the accounting policies that the Company intends to adopt for its financial statements for the year ending December 31, 2011. These accounting policies are based on IFRS standards and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that, in the Company's opinion, will be in effect on December 31, 2011. Unless otherwise indicated, the accounting policies described in Note 4 have been similarly applied throughout all periods presented in the financial statements.

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable before the transition to IFRS. Canadian GAAP differs in some areas from IFRS. In preparing these IFRS interim financial statements, management has amended certain accounting, measurement and consolidation methods previously applied in the Canadian GAAP financial statements before the transition to IFRS. Comparative information for the year 2010 has been restated to reflect these changes. Note 18 contains disclosures considered important to understand the Company's modified interim consolidated financial statements that would usually be included in the annual financial statements prepared in accordance with IFRS. Note 17 presents reconciliations of equity, profit or loss and comprehensive income in accordance with Canadian GAAP and IFRS, as well as the effect of the transition from Canadian GAAP applicable prior to the transition to IFRS on these items.

Colabor Group Inc. is the group's parent company. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The shares of Colabor Group Inc. are listed on the Toronto Stock Exchange (TSX: GCL). Colabor Group Inc. is incorporated under the Canada Business Corporations Act.

3. BUSINESS COMBINATION

Acquisition of Les Pêcheries Norref Québec Inc.

On February 28, 2011, the Company acquired all of the outstanding shares of Les Pêcheries Norref Québec Inc. ("Norref"), a company operating in the foodservice distribution industry. The acquisition of Norref reflects Colabor's strategic objectives to broaden its product offering and client base, while making it possible to occupy a dominant position in a profitable and growing segment.

Acquisition Edfref Inc. Assets

On March 30, 2011, the Company acquired substantially all of the assets of Edfref Inc. ("Edfref"), a distributor affiliated with Colabor in New Brunswick. The assets acquired include, among others, a 2.49% interest in Colabor Investments Inc. Edfref is a foodservices distributor operating primarily in New Brunswick. The Edfref acquisition is consistent with Colabor's objectives of expanding its geographic scope and clientele.

Acquisition The Skor Food Group Inc.

On May 9, 2011, the Company acquired substantially all of the assets of The Skor Food Group Inc. ("Skor"), a foodservices distributor operating in Ontario. The Skor acquisition meets Colabor's objectives of broadening its client base

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

3. BUSINESS COMBINATION (continued)

The preliminary purchase price allocation was determined as follows:

	Norref Value recognized at the acquisition date \$	Edfref Value recognized at the acquisition date \$	Skor Value recognized at the acquisition date \$	Total Value recognized at the acquisition date \$
Cash	169		4 596	4 765
Trade and other receivables	7 455	2 241	5 149	14 845
Recoverable tax assets			466	466
Inventory	2 437	1 653	8 069	12 159
Prepaid expenses	49		982	1 031
Investment in Colabor Investments Inc.		1 529		1 529
Property, plant and equipment	3 380	856	2 679	6 915
Intangible assets	18 237		4 000	22 237
Goodwill	18 666	1 170	17 696	37 532
Trade and other payables	(5 487)	(1 294)	(8 915)	(15 696)
Deferred tax assets (liabilities)	(406)		829	423
Acquisition cost	44 500	6 155	35 551	86 206
Portion settled as balance of purchase price	(1 500)	(1 000)		(2 500)
Cash acquired	(169)		(4 596)	(4 765)
Net cash flows on acquisition	<u>42 831</u>	<u>5 155</u>	<u>30 955</u>	<u>78 941</u>

Purchase price allocations have not been finalized. Management is currently concluding its evaluation of the assets acquired and liabilities assumed.

Business acquisition-related costs amounting to \$1,795,000 are not included as part of acquisition cost and have been recognized as an expense in the consolidated statements of earnings in a separate line.

Since their acquisition, for the 253-day period ended September 10, 2011, the acquired companies have contributed a total of \$123,637,000 to the Company's merchandise sales and \$4,999,000 to operating results. Management estimates that, if the acquisitions had occurred on January 1, 2011, additional merchandise sales would have been \$57 931,000 but cannot estimate the additional operating results because of the acquired companies' management systems.

Goodwill

Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from these business combinations, other than that related to Edfref, is not expected to be deductible for tax purposes.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 General information

The interim consolidated financial statements have been prepared in accordance with the accounting principles described in this note. These accounting policies have been applied throughout the period, except when the Company applied certain exemptions and exceptions on the transition to IFRS. The exemptions and exceptions applied and effects of the transition to IFRS are presented in Note 17.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation

The consolidated financial statements include the accounts of the parent company and all the subsidiaries in which it exercises control through more than half of the voting rights. The parent company has control when it has the power to control the financial and operating policies of entities. These entities are consolidated from the date the Company acquires control until the date control ends.

The consolidated financial statements include the accounts of the Colabor Group Inc. and its subsidiaries which are all wholly-owned. All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies.

4.3 Business combinations

Business combinations occurring on or after January 1, 2010 are accounted for using the acquisition method under revised IFRS 3, Business Combinations (IFRS 3R). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

See Note 17.1 for information on business combinations prior to January 1, 2010.

4.4 Revenue recognition

Sales of goods are the only significant source of revenue. Sales of goods in the consolidated statement of comprehensive income represent the fair value of the consideration received or receivable from third parties on the sale of goods to customers, net of commodity taxes, returns, rebates and discounts.

The Company recognizes revenue when all of the following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, that is on delivery of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of the sale of goods can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Company.

4.5 Customer rebates

Rebates to customer are recognized as a reduction of the sale price and presented as a reduction of the sale of goods in the consolidated statement of comprehensive income.

These rebates are recognized when they are considered as probable and can be reasonably estimated.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Supplier rebates

The Company recognizes the consideration received from suppliers as a reduction of the price of suppliers' goods and reduces the purchases of goods and the related inventory in the consolidated statements of comprehensive income and financial position. Some exceptions apply when the cash consideration received is a reimbursement of the additional sales expenses incurred by the reseller, in which case, the rebate is recognized in accordance with the substance of the agreement as a reduction in operating expenses.

These rebates are recognized when they are considered as probable and can be reasonably estimated. Receipt probability and estimates are determined on the basis of merchandise sale forecasts and contractual terms. Assumptions are re-assessed each period.

4.7 Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

4.8 Income taxes

The income taxes expenses comprise current and deferred taxes and are recognized in the consolidated statement of comprehensive income, other than taxes relating to equity, which are deducted from equity.

Current income taxes assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current income taxes are payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred taxes are not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

The income tax expense is recognized for each interim period on the basis of the best estimate of the weighted average annual tax rate expected for the entire year. The income tax payable in an interim period may be adjusted in a subsequent interim period of the same year if there are changes in the estimated annual tax rate.

4.9 Earnings per share

Earnings per share are computed by dividing net earnings attributable to the parent company's common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated taking into account the potentially dilutive effect of common shares on earnings attributable to the parent company's common shareholders and the weighted average number of common shares outstanding. Potentially dilutive common shares are considered to have been converted into common shares at the later of the beginning of the period or the common share issuance date.

For the purpose of calculating diluted earnings per share, an entity must assume the conversion of debentures, the vesting of shares under the long-term incentive plan ("LTIP") and the performance stock unit ("PSU") plan and the exercise of stock options. The assumed proceeds from the shares issued under the LTIP and the PSU plan and the exercise of stock options is regarded as having been received from the issue of common shares at the average market price of common shares during the reporting period. The convertible debentures are antidilutive when likely earnings per common share from the conversion exceed basic earnings per share.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Operating segments

Segment information is presented in accordance with IFRS 8, Operating Segments, using information that is reviewed regularly by management to determine the performance of each segment. The same criteria are used to present operating segments and produce internal reports for management. Performance is evaluated according to segment profit before depreciation, amortization, finance costs and taxes. Intersegment transactions that are in the ordinary course of operations are recognized at fair value.

The Company has two operating segments: distribution to food distributors (Wholesale Segment) and distribution to foodservice enterprises (Distribution Segment).

The measurement policies the Company uses for segments are the same as those used in its financial statements, except that the following are not allocated to segments earnings:

- finance costs
- pension benefit expenses
- expenses related to stock-based compensation plan
- depreciation of property, plant and equipment and amortization of intangible assets
- tax expense

4.11 Inventory

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

The cost of inventories comprises costs of purchases and other costs incurred in bringing the inventory to its present location and condition, net of suppliers' rebates (see Note 4.6).

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses.

4.12 Property, plant and equipment

Property, plant and equipment are recognized at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes costs incurred to acquire and install the related assets.

Land is not depreciated. Other property, plant and equipment is depreciated on a straight-line basis on components with homogeneous useful lives to depreciate the initial cost over their estimated useful lives, taking residual values into account.

Useful lives are as follows:

	<u>Useful lives</u>
Building	20 years
Furniture, warehouse equipment and vehicles	10 years
Road vehicles	7 years
Computer hardware and software	4 years
Leasehold improvements	Lease term 10 to 20 years

The useful lives, depreciation method and residual values are reviewed each year, taking the nature of the asset, its expected use and technological developments into account. Assets are depreciated once they are available for use.

Depreciation is recognized in other comprehensive income within "Depreciation of property, plant and equipment".

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Intangible assets

4.13.1 Distribution software and customer relationships

These intangible assets are recognized at historical cost less accumulated amortization and accumulated impairment losses.

The historical cost of distribution software includes costs incurred to acquire and install the related software.

All customer relationships are attributable to business combinations and satisfy the accounting criteria of intangible assets.

These intangible assets are amortized on a straight-line basis to amortize the initial cost over their estimated useful lives, taking residual values into account. The useful lives are as follows:

	Useful lives
Distribution software	5 and 7 years
Customer relationships	3 to 20 years

The useful lives, amortization method and residual values are reviewed each year, taking the nature of the asset, its expected use and technological developments into account. Assets are amortized once they are available for use.

Amortization is recognized in other comprehensive income within "Amortization of intangible assets".

4.13.2 Trademarks

Trademarks have indefinite useful lives considering the economic stability of the industry and are recognized using the cost model and are not amortized. They are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they are impaired.

Any impairment is recognized in profit or loss.

4.14 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See Note 4.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4.15 for a description of impairment testing procedures.

4.15 Impairment testing of goodwill, property, plant and equipment and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level for the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated or trademarks with an indefinite useful life are tested for impairment when an adverse event occurs and at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. On assets other than goodwill, an impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized.

4.16 Leased assets

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Leases where the lessor retains the risks and rewards of ownership are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company does not have any finance leases.

4.17 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Derivatives are included in this category, except for those designated as hedging instruments which are considered to be effective. The Company does not have any financial assets in this class.

This class of financial instruments is measured initially at fair value and transaction costs are carried in profit or loss. This class of financial assets is subsequently measured at fair value and all realized and unrealized gains and losses are carried in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. After initial recognition these are measured at amortized cost using the effective interest method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company includes in this category trade and other receivables.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets include equity investments in Colabor Investments Inc.

Financial instruments in this class are measured initially at fair value plus transaction costs. Available-for-sale assets are then measured at fair value. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and the reclassification presented as a reclassification adjustment within other comprehensive income.

The equity investment in Colabor Investments Inc. is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognized in profit or loss.

(d) Impairment of financial assets

All financial assets except for those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired could include:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry sector. Objective evidence that a financial asset is impaired could include the Company's historical collection experience, an increase in the portfolio recovery period and any domestic or local change in economic conditions in correlation with debtors' failure to pay.

Financial liabilities

The Company's financial liabilities include the bank overdraft, trade and other payables, dividends payable, balances of purchase price payable, bank borrowings, long-term debt and convertible debentures.

Financial liabilities in this class are measured initially at fair value less transaction costs. After initial recognition they are measured at amortized cost using the effective interest method. They are presented in current liabilities when payable within 12 months of the closing date, otherwise, they are presented as non-current.

Convertible debentures

The convertible debentures are separated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity and the attributed amount remains over the term of the related convertible debentures. Convertible debentures issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issue.

The debt component presented on the balance sheet increases over the term of the debenture to the full face value of the outstanding debentures at maturity. The difference, that is, the accretion on convertible debentures, is presented as implicit interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the debentures. Upon conversion of the debentures into common shares by the holders, both of the above-mentioned components are transferred to share capital.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Provisions, contingent liabilities and contingent assets

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amounts can be reliably estimated. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance charge.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Probable receipts of economic benefits for the Company that do not yet fulfil the revenue recognition criteria are carried as contingent assets and are not recognized.

4.19 Pension obligations and other employees benefits

The Company provides post employment benefits through a defined benefit plan as well as defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Company contributes to government plans for individual employees that are considered defined contribution plans. Contributions to the plans are recognized as an expense in the period that relevant employee services are received.

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The defined benefit plan sponsored by the Company defines the amount of pension benefit that an employee will receive on retirement by reference to length of service and final salary. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside.

The liability recognized in the statement of financial position for the defined benefit plans is the present value of the defined benefit obligation (DBO) at the closing date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses.

Management estimates the DBO annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on rates of inflation and mortality which management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases. The discount factor is determined at the end of each period-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating those of the DBO.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Past service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Interest expenses relating to the DBO are expensed in the employee benefits expense.

Short-term employee benefits, including holiday entitlement, are current liabilities included in other payables, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Equity

Share capital represents the amount received on issued of shares less issue costs, net of any underlying income tax benefit of these issue costs.

Options to convert debentures represent the equity component of convertible debentures. See Note 4.17 for the fair value determination method.

Shares held for stock-based compensation plans represent shares held for the Company's various share-based payment plans. (see Note 4.21).

Contributed surplus includes compensation cost for the Company's stock-based compensation plans.

Retained earnings include retained earnings for the current and past years.

Unpaid dividends are included in liabilities in the period the payment is approved by the Board of Directors.

All transactions with owners of the parent are recorded separately within equity.

4.21 Stock-based compensation

Stock option plan

The Company has an equity-settled stock option plan for certain of its officers and employees. This plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of stock options are measured at their fair values. Where employees are rewarded using stock option grants, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

All stock-based compensation is ultimately recognized as an expense in profit or loss with a corresponding credit to retained earnings.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options that ultimately vest are different from that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital.

Long-term incentive plan

The Company has a long-term incentive plan ("LTIP") for certain employees. This plan does not feature any options for cash settlement. During the vesting period based on the best available estimate of the number of share options expected to vest, the Company recognizes a compensation expense based on the fair value of the shares on the award date with a corresponding increase in contributed surplus. Under the plan, shares purchased on the open market on behalf of plan members are recognized at cost and in the shares held under the LTIP account. Participants are entitled to receive dividends on all shares held on their account prior to the applicable vesting date. If the fair market value of the shares on the award date is greater than the acquisition price paid by the Company, the difference is recognized as contributed surplus. If the fair market value of the shares on the award date is less than the acquisition price paid by the Company, the difference is applied against retained earnings.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Performance stock unit plan

The Company has a performance stock unit (PSU) plan for certain officers and employees. The PSUs vest after a maximum three-year period, on the basis of performance targets. The compensation cost is measured on the award date at the fair value of the shares and recognized over the related service period with a corresponding increase in contributed surplus. The Company recognizes the plan expense based on the expected attainment of performance targets. The impact of any change in the number of PSUs to be acquired is recognized in the period the estimate is revised.

Under the PSU plan, shares purchased on the open market on behalf of plan members are recognized at cost as a reduction of equity. If the fair market value of the shares on the award date is greater than the acquisition price paid by the Company, the difference is recognized as contributed surplus. If the fair market value of the shares on the award date is less than the acquisition price paid by the Company, the difference is applied against retained earnings.

Directors' share units plan

Members of the Company's Board of Directors may elect to receive some or all of their annual fees in the form of Directors' Share Units (DSUs). The accrued DSU compensation liability is measured at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares. Changes in the liability are recognized as a compensation expense and the liability is included in trade and other payables.

Employee stock ownership plan

The Company has an employee stock ownership plan. Under the terms of this plan, the Company pays contributions calculated on the basis of percentages provided in the plan, in consideration of employee contributions. These contributions are recognized when employees agree to pay their share.

4.22 Standards issued but not yet effective

At the date of authorization of these interim consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but management does not expect them to have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments (effective from January 1, 2013)

IAS 39 Financial Instruments: Recognition and Measurement will be replaced.

The replacement standard (IFRS 9) is being issued in phases. To date, the sections dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These sections are effective for annual periods beginning on or after January 1, 2013. Further sections dealing with impairment methodology and hedge accounting are still being developed.

Management has yet to assess the impact that this new standard is likely to have on the financial statements of the Company. However, it does not expect to implement the new standards until all chapters of IFRS 9 have been published and it can comprehensively assess the impact of all changes.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

5. SIGNIFICANT ESTIMATES AND JUDGEMENTS

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

Impairment of trade and other receivables

The amount recognized as impairment of trade and other receivables is based on management's assessment of the risks associated with each client and other receivable with reference to losses incurred in prior periods, collection experience and the impact of the current and expected economic conditions. As at September 10, 2011, management estimates uncollectible amounts to be \$1,762,000 (\$970,000 as at December 31, 2010 and \$1,619,000 as at January 1, 2010).

Supplier rebates

Vendor rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates are satisfied.

Inventory valuation

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the times the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets to the Company. The carrying amounts are analyzed in Notes 8 and 18.4. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and computer hardware.

Impairment of trademarks and goodwill

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see Note 18.1). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Impairment of trademarks

Trademarks are tested for impairment. The individual carrying amount of the assets is \$32,855,000 (\$27,855,000 as at December 31, 2010 and as at January 1, 2010). The exposure to further write-downs is represented by this amount. The assets generated revenue independently. Based on the discounted cash flows model, the book value was maintained. The assumptions underlying the estimate is based on future income from each trademark. The carrying amount is therefore considered appropriate and no impairment loss is required.

Impairment of goodwill

The Company has demonstrated that no goodwill impairment losses were required for any of its cash-generating units. The carrying amount of goodwill is considered appropriate (Note 18.1).

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

5. SIGNIFICANT ESTIMATES AND JUDGEMENTS (continued)

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of deferred tax assets, especially when it can be utilized without a time limit, those deferred tax assets are usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period. Details of assets acquired and liabilities assumed are presented in Note 3.

Pension obligations

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligations of \$443,000 (\$642,000 as at December 31, 2010 and \$903,000 as at January 1, 2010) is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future appraisals of the Company's defined benefit obligations.

Leases

In applying the classification of leases in IAS 17, management considers that none of its leases should be carried as finance leases.

Measurement of stock options

Application of the binomial pricing model to estimate the fair value of services rendered in exchange for stock-option grants is based on assumptions regarding the price of the underlying share, share volatility, expected dividends on the shares and the rate of beneficiary turnover.

The Company has two reportable segments: distribution to food distributors (Wholesale Segment) and distribution to foodservice enterprises (Distribution Segment) as further described in Note 4.10. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results before amortization and depreciation, finance costs and taxes. Management does not take assets and liabilities into account in the analysis of the various segments.

6. SEGMENT REPORTING

Segment information can be analyzed as follows for the reporting periods under review:

	2011-09-10 (84 days)		
	Wholesale Segment	Distribution Segment	Total
	\$	\$	\$
Segment sale of goods	123 521	239 938	363 459
Segment operating expense			
Cost of goods sold	116 512	207 256	323 768
Employee remuneration	1 321	16 485	17 806
Other expenses	1 039	9 050	10 089
	<u>118 872</u>	<u>232 791</u>	<u>351 663</u>
Segment earnings before depreciation, amortization, finance costs and taxes	<u>4 649</u>	<u>7 147</u>	<u>11 796</u>

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

6. SEGMENT REPORTING (continued)

	2010-09-10 (84 days)		
	Wholesale Segment	Distribution Segment	Total
	\$	\$	\$
Segment sale of goods	112 437	141 964	254 401
Cost of goods sold	105 527	123 196	228 723
Employee remuneration	1 006	9 569	10 575
Other expenses	1 388	5 514	6 902
	<u>107 921</u>	<u>138 279</u>	<u>246 200</u>
Segment earnings before depreciation, amortization, finance costs and taxes	<u>4 516</u>	<u>3 685</u>	<u>8 201</u>

	2011-09-10 (253 days)		
	Wholesale Segment	Distribution Segment	Total
	\$	\$	\$
Segment sale of goods	346 502	635 988	982 490
Segment operating expense			
Cost of goods sold	326 862	551 016	877 878
Employee remuneration	3 962	43 369	47 331
Other expenses	3 400	24 631	28 031
	<u>334 224</u>	<u>619 016</u>	<u>953 240</u>
Segment earnings before depreciation, amortization, finance costs and taxes	<u>12 278</u>	<u>16 972</u>	<u>29 250</u>

	2010-09-10 (254 days)		
	Wholesale Segment	Distribution Segment	Total
	\$	\$	\$
Segment sale of goods	335 346	431 173	766 519
Cost of goods sold	313 665	373 149	686 814
Employee remuneration	3 840	29 793	33 633
Other expenses	3 799	16 238	20 037
	<u>321 304</u>	<u>419 180</u>	<u>740 484</u>
Segment earnings before depreciation, amortization, finance costs and taxes	<u>14 042</u>	<u>11 993</u>	<u>26 035</u>

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

6. SEGMENT REPORTING (continued)

The totals presented for the Company's operating segments reconcile to key financial figures as presented in its financial statements as follows:

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Sale of goods				
Total segment sale of goods	363 459	254 401	982 490	766 519
Elimination of intersegment sales	(38 699)	(20 092)	(100 903)	(61 700)
Company sale of goods	<u>324 760</u>	<u>234 309</u>	<u>881 587</u>	<u>704 819</u>
Revenue				
Total segment revenues before depreciation, amortization, finance costs and taxes	11 796	8 201	29 250	26 035
Employee remuneration not allocated	(538)	(472)	(1 381)	(1 499)
Other expenses not allocated	(762)	(238)	(2 127)	(1 159)
Depreciation of property, plant and equipment	(1 125)	(726)	(2 696)	(2 134)
Amortization of intangible assets	(3 031)	(2 327)	(8 775)	(7 000)
Elimination of intersegment profits	58	103	(57)	103
Company operating profit	<u>6 398</u>	<u>4 541</u>	<u>14 214</u>	<u>14 346</u>
Business acquisition-related costs			(1 795)	
Finance costs	(1 861)	(1 542)	(5 484)	(4 347)
Company profit before taxes	<u>4 537</u>	<u>2 999</u>	<u>6 935</u>	<u>9 999</u>

7. OPERATING EXPENSES EXCLUDING DEPRECIATION AND AMORTIZATION

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Purchases of goods	278 402	201 164	769 122	612 844
Changes in inventories	6 605	7 413	7 908	12 215
Employee remuneration (Note 13.1)	18 344	11 047	48 712	35 132
Other expenses	10 855	7 101	30 160	21 148
	<u>314 206</u>	<u>226 725</u>	<u>855 902</u>	<u>681 339</u>

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

8. INTANGIBLE ASSETS

	Distribution software	Trademarks	Customer relationships	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance as at January 1, 2011	4 773	27 855	146 193	178 821
Acquisitions	354			354
Business combinations	237	5 000	17 000	22 237
Balance as at September 10, 2011	<u>5 364</u>	<u>32 855</u>	<u>163 193</u>	<u>201 412</u>
Amortization and impairment				
Balance as at January 1, 2011	2 042	0	39 784	41 826
Amortization	613		8 162	8 775
Balance as at September 10, 2011	<u>2 655</u>	<u>0</u>	<u>47 946</u>	<u>50 601</u>
Net carrying amount as at September 10, 2011	<u><u>2 709</u></u>	<u><u>32 855</u></u>	<u><u>115 247</u></u>	<u><u>150 811</u></u>
Gross carrying amount				
Balance as at January 1, 2010	3 879	27 855	136 040	167 774
Acquisitions	784			784
Business combinations	110		10 153	10 263
Balance as at December 31, 2010	<u>4 773</u>	<u>27 855</u>	<u>146 193</u>	<u>178 821</u>
Amortization and impairment				
Balance as at January 1, 2010	1 400		30 026	31 426
Amortization	642		9 758	10 400
Balance as at December 31, 2010	<u>2 042</u>	<u>0</u>	<u>39 784</u>	<u>41 826</u>
Net carrying amount as at December 31, 2010	<u><u>2 731</u></u>	<u><u>27 855</u></u>	<u><u>106 409</u></u>	<u><u>136 995</u></u>
Net carrying amount as at January 1, 2010	<u><u>2 479</u></u>	<u><u>27 855</u></u>	<u><u>106 014</u></u>	<u><u>136 348</u></u>

The net carrying amount of one the customer relationship is \$19,186,000 as at September 10, 2011 (\$20,472,000 as at December 31, 2010 and \$22,329,000 as at January 1, 2010) and the remaining amortization period is 15 years.

9. GOODWILL

	2011-09-10	2010-12-31
	\$	\$
Gross carrying amount		
Balance, beginning of period	78 423	72 317
Business combinations	37 532	6 106
Balance, end of period	<u><u>115 955</u></u>	<u><u>78 423</u></u>

Goodwill has never been impaired (see Note 18.1).

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

10 - BALANCES OF PURCHASE PRICE

Balances of purchase price relating to business acquisitions are detailed as follows:

	<u>2011-06-18</u>	<u>2011-12-31</u>	<u>2010-01-01</u>
	\$	\$	\$
Without interest	6 331	6 331	6 331
Bearing interest at 4.5%	3 750	3 750	3 750
Bearing interest at the base rate less 1% (2% as at September 10, 2011 and December 31, 2010)	3 285	4 298	
Bearing interest at 5%	<u>1 500</u>		
	14 866	14 379	10 081
Instalments due within one year	<u>13 473</u>	<u>13 236</u>	<u>10 081</u>
Instalment due in September 2012	<u><u>1 393</u></u>	<u><u>1 143</u></u>	<u><u>—</u></u>

11. BANK BORROWINGS

As at September 10, 2011, the credit facility is \$150,000,000. This credit facility expires in 2016 and is secured by a first ranking hypothec on the Company's assets. The current credit facility replaces the facility which was to expire on April 28, 2011.

The interest on the credit facility is the prime rate plus 1% (i.e. 4%) as at September 10, 2011, the prime rate (i.e. 3%) as at December 31, 2010 and the prime rate plus 0.25% as at January 1, 2010 (i.e. 2.5%).

The Company is required to comply with certain financial ratios that have an impact on the credit facility interest rates. As at September 10, 2011, December 31, 2010 and January 1, 2010, the Company was in compliance with these ratios.

As at September 10, 2011, a letter of guarantee in the amount of \$2,028,000 is used for one commitment.

12. CAPITAL STOCK

Authorized

Unlimited number of participating, voting common shares without par value

Unlimited number of preferred shares issuable in series, whose designation, rights, restrictions and conditions related to each series shall be established at issue time

Issued and fully paid common shares

	<u>2011-09-10</u>	<u>2011-09-10</u>	<u>2010-12-31</u>	<u>2010-12-31</u>
	(253 days)	(253 days)	(365 days)	(365 days)
	Number	\$	Number	\$
Outstanding, beginning of period	23 053 564	177 960	19 659 632	143 008
Normal course issuer bid	(328 200)	(152)		
Conversion of convertible debentures	94 826	998	3 393 932	34 952
Outstanding, end of period	<u><u>22 820 190</u></u>	<u><u>178 806</u></u>	<u><u>23 053 564</u></u>	<u><u>177 960</u></u>

There were no outstanding preferred shares during the periods covered.

Normal course issuer bid

On October 25, 2010, the Company's Board of Directors authorized a normal course issuer bid program to purchase for cancellation, until October 27, 2011, up to 500,000 common shares, representing about 2.9% of the outstanding common shares. Under the terms of this bid, the shares will be purchased at market price.

Since the program authorization, the Company has redeemed 328,200 shares, 19,700 shares during the second quarter of 2011 and 308,500 shares in the third quarter of 2011.

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

13. EMPLOYEE REMUNERATION

13.1. Employee benefits expense

Expenses recognized for employee benefits are analyzed below:

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Salaries	13 754	8 362	37 755	26 562
Fringe benefits costs	4 326	2 313	10 001	7 539
Expenses for stock-based compensation plans	53	163	270	388
Pensions - defined benefit plans	25	24	75	72
Pensions - defined contribution plans	186	185	611	571
	<u>18 344</u>	<u>11 047</u>	<u>48 712</u>	<u>35 132</u>

13.2. Stock-based compensation

Stock option plan

The Company adopted a stock option plan (the "Option Plan") authorizing its Board of Directors to issue stock options entitling its directors, officers and employees to acquire common shares of the Company. The Company's Board of Directors implemented this plan in 2010.

The maximum number of common shares of the Company that can be issued pursuant to options awarded under the Option Plan is equivalent to 10% of the number of the Company's outstanding common shares at the time of the award, and the total number of common shares of the Company reserved to award options to a single person cannot be greater than 5% of the issued and outstanding common shares of the Company. Since the Option Plan does not provide for a set maximum number of common shares of the Company that can be issued thereunder, it will have to be re-approved by the shareholders of the Company every three years from the date of the Annual Meeting of the Company.

The price for which the common shares of the Company may be subscribed pursuant to any option granted under the Option Plan of the Company is the market price. For the purposes of the Option Plan, "market price" means the volume weighted average trading price for the common shares of the Company during five trading days on the TSX prior to the applicable date of grant.

Unless the Board of Directors of the Company determines otherwise on the date of grant, any option granted will be vested and become exercisable by the eligible participant who has been granted an option (an "Optionee") in four equal tranches on the first, second, third and fourth anniversary of date of grant. The Optionee may then exercise any vested option at any time no later than the tenth anniversary of the date of grant or such earlier date fixed by the Board of Directors (the "Expiry Date") and all unexercised options shall expire and terminate and be of no further force or effect whatsoever following such Expiry Date.

If approved by the Board of Directors of the Company, in lieu of paying the applicable exercise price, an Optionee may elect to acquire the number of the common shares of the Company determined by subtracting the applicable exercise price from the market price of the common shares of the Company on the date of exercise, multiplying the difference by the number of the common shares of the Company in respect of which the option was otherwise being exercised and then dividing that product by such market price.

On March 1, 2010, the Board of Directors granted to the Company's officers 70,000 options for \$11.49 expiring on March 1, 2017. On April 30, 2010, an additional 117,500 options at \$12.10 expiring on April 30, 2017 were granted to other officers. As at September 10, 2011 and December 31, 2011, there were 187,500 options outstanding. As at September 10, 2011, 46,875 options were exercisable (none as at December 31, 2010).

The weighted average fair value of the options granted of \$1.10 per option has been estimated at the award date using a binomial option pricing model using the following weighted average assumptions for options granted during the period:

Risk-free interest rate	2.85%
Expected volatility of shares	24%
Expected annual dividend	\$1.08
Expected term	5.5 years
Share price at date of grant	\$11.83
Exercise price at date of grant	\$11.87

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

13. EMPLOYEE REMUNERATION (continued)

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time since its listing on the TSX.

Long-term incentive plan

Under the terms of the Company's long-term incentive plan ("LTIP"), common shares were granted to certain employees based on certain financial targets. The Company would purchase common shares in the market and hold them until such time as ownership is vested to each participant. LTIP participants are entitled to receive dividends on all common shares held on their account prior to the applicable vesting date. Unvested common shares held by the Company for a LTIP participant are forfeited if the participant resigns for a reason other than his retirement or is terminated for just cause prior to the applicable vesting date. In such an event, these common shares are sold and the proceeds returned to the Company. Dividends on these common shares are also remitted to the Company. Since August 25, 2009, the LTIP has ceased all new issues.

On February 22, 2011, under the terms of the LTIP, 46,021 common shares (with a cost of \$455,000) were released.

On February 24, 2010, under the terms of the LTIP, 55,653 common shares (with a cost of \$530,000) were released. Moreover, during the year, the Company sold on the market 1,860 common shares for a total of \$21,000 following the withdrawal of a participant.

As at September 10, 2011, there are 28,837 common shares that have not been released under the LTIP (76,193 common shares as at December 31, 2010 and 133,706 common shares as at January 1, 2010).

Performance stock unit plan

Under the terms of the Company's performance stock unit ("PSU") plan, introduced on April 28, 2010, common shares may be granted to certain employees of the Company. A trustee appointed to administer the PSU plan purchases common shares on the market and holds them until such time as ownership is vested to each participant. The common shares vest after a maximum three-year period, on the basis of incentive targets. On the vesting date, PSU plan participants will receive dividends on all common shares held on their account between the grant date and the applicable vesting date. Unvested common shares will be forfeited if the participant resigns for a reason other than his retirement or is terminated for just cause prior to the applicable vesting date. In such an event, these common shares will be sold and the proceeds returned to the Company. Dividends on these common shares will also be remitted to the Company.

On April 28, 2010, under the terms of the PSU plan, the Company granted 19,900 common shares and on May 14, 2010, 19,900 common shares were purchased on the market for that purpose for \$240,000. The PSUs vest after a maximum three-year period, on the basis of target increases in pre-tax earnings per common share. The number of PSUs acquired by participants is determined by multiplying the number of PSUs granted by a maximum factor of 1.5.

On March 23, 2011, under the terms of the PSU plan, the Company granted 11,650 common shares and on March 30, 2011, 11,650 common shares were purchased on the market for that purpose for \$141,000. The PSUs vest after a maximum three-year period, on the basis of target increases in pre-tax earnings per common share. The number of PSUs acquired by participants is determined by multiplying the number of PSUs granted by a maximum factor of 1.5.

Directors' share units plan

Since April 28, 2010, the Company has a directors' share units ("DSU") plan for its external directors. Under the terms of this plan, the directors may elect to receive 50%, 75% or 100% of their fees receivable as directors in the form of DSUs. When a director opts for this plan, the Company credits to the director's account the number of units corresponding to the deferred compensation, divided by the average closing market price of the common shares during the five days immediately preceding the last day of each of the Company's quarters. DSUs granted under the DSU plan are redeemable and their value is payable only when the DSU holder has ceased to be a director of the Company.

No DSUs have been granted under this plan.

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

13. EMPLOYEE REMUNERATION (continued)

The compensation cost expensed pursuant to these plans is detailed as follows:

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Expenses - stock option plan	16	26	48	49
Expenses - long-term incentive plan	61	89	212	258
Expenses - performance stock unit plan		18	42	43
	<u>77</u>	<u>133</u>	<u>302</u>	<u>350</u>

14. FINANCE COSTS

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Interest on bank borrowings	990	141	2 003	629
Interest on long-term debt	1	4	5	12
Effective interest on debentures	1 079	1 336	3 269	3 526
Other	(209)	61	207	180
	<u>1 861</u>	<u>1 542</u>	<u>5 484</u>	<u>4 347</u>

15. DATA PER SHARE

Cash flow per share

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Cash flows from operating activities before net change in working capital	10 631	7 727	24 051	23 611
Business acquisition-related costs			1 795	
Finance costs	(1 861)	(1 542)	(5 484)	(4 347)
Non-cash portion of the implicit interest on debentures included in finance costs	208	252	632	737
Purchase of property, plant and equipment and intangible assets	(1 148)	(659)	(2 753)	(1 890)
	<u>7 830</u>	<u>5 778</u>	<u>18 241</u>	<u>18 111</u>

Weighted average number of outstanding shares	<u>22 923 146</u>	<u>21 956 940</u>	<u>23 002 391</u>	<u>20 918 097</u>
Cash flows per share	<u>0,34 \$</u>	<u>0,26 \$</u>	<u>0,79 \$</u>	<u>0,87 \$</u>
Portion of annual dividend for the period	<u>0,25 \$</u>	<u>0,25 \$</u>	<u>0,75 \$</u>	<u>0,75 \$</u>
Ratio of dividend to cash flows per share	<u>72%</u>	<u>94%</u>	<u>94%</u>	<u>86%</u>

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

15. DATA PER SHARE (continued)

Earnings per share

Basic and diluted earnings per share are presented in the following table:

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Income used for basic and diluted consolidated earnings per share	<u>3 099</u>	<u>1 791</u>	<u>4 826</u>	<u>6 924</u>
Weighted average number of shares outstanding for calculating basic and diluted earnings per share	<u>22 923 146</u>	<u>21 956 940</u>	<u>23 002 391</u>	<u>20 918 097</u>
Basic and diluted earnings per share	<u>0,14 \$</u>	<u>0,08 \$</u>	<u>0,21 \$</u>	<u>0,33 \$</u>

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the LTIP and the PSU plans were not included in the calculation of diluted net earnings per share because they had an antidilutive effect.

Dividends

During the quarter ended September 10, 2011, the Company declared a dividend which was paid to shareholders on July 15, 2011. A \$0.2691 dividend was declared for shareholders of record on September 30, 2011 and paid on October 17, 2011.

16. NET CHANGES IN WORKING CAPITAL

Net change in working capital between the two period end or since the acquisitions, as relevant:

	2011-09-10 (84 days)	2010-09-11 (84 days)	2011-09-11 (253 days)	2010-09-10 (254 days)
	\$	\$	\$	\$
Trade and other receivable	18 011	9 487	(8 881)	(3 698)
Recoverable tax assets	735	1 891	830	(2 549)
Inventory	6 605	7 413	7 908	12 215
Prepaid expenses	(404)	66	(1 928)	(1 265)
Trade and other payables	(4 932)	(2 328)	4 864	3 107
Rebates payable	(6 790)	(7 166)	(4 765)	(2 827)
Deferred revenue	(679)	1 054	1 266	1 183
Pension obligations	(66)	—	(199)	—
	<u>12 480</u>	<u>10 417</u>	<u>(905)</u>	<u>6 166</u>

17. FIRST-TIME ADOPTION OF IFRS

These are the Company's first financial statements prepared in accordance with IFRS.

The date of transition to IFRS is January 1, 2010. IFRS accounting policies described in Note 4 have been used to prepare the interim consolidated financial statements, for the statement of financial position as at December 31, 2010, for the comparative information as at September 11, 2010 and for the first statement of financial position on the date of transition.

The Company applied IFRS 1, First-time Adoption of International Financial Reporting Standards, to prepare the opening consolidated statement of financial position using IFRS as at January 1, 2010. The impacts of the transition to IFRS on equity and comprehensive income are presented and explained in greater detail in the tables of this note.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

17. FIRST-TIME ADOPTION OF IFRS (continued)

Mandatory exceptions and optional exemptions regarding first-time adoption of IFRS

On transition, IFRS 1 provides a number of mandatory exceptions to and authorizes certain optional exemptions from full retrospective application of IFRS.

The Company adopted the following exceptions and exemptions.

Mandatory exception applicable to the Company

- The Company's estimates in accordance with IFRS are consistent with estimates made in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).
- Financial assets and liabilities derecognized before January 1, 2010 in accordance with previous GAAP are not derecognized under IFRS. The Company early adopted the IFRS 1 change in this respect in terms of the exception application date, that is January, 1, 2010.

Optional exemptions

- The Company decided not to retrospectively apply IFRS 3, Business Combinations, to business combinations that occurred before the date of transition (January 1, 2010). See Note 17.1 for an explanation of the effect of the exemption.
- The Company decided to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. From the date of transition, the Company's accounting policy consists in using the corridor approach to recognize cumulative gains and losses in profit or loss, which is the same method as that used before the transition to IFRS. Additionally, the Company elected to adopt the exemption consisting in not disclosing the defined benefit pension surplus or deficit and experience adjustments before the date of transition.

Reconciliation of equity

Equity at the date of transition may be reconciled with amounts presented using the pre-changeover accounting standards, as follows:

	2010-01-01	2010-09-11	2010-12-31
	\$	\$	\$
Shareholders' equity according to pre-changeover accounting standards	146 080	169 045	174 530
Increase (decrease) in previously determined equity due to difference between pre-changeover standards and IFRS			
Direct costs of business acquisitions in 2010 are expensed (Note 17.1)			(793)
Deferred credit – write off of accrued current liability portion at the date of transition (Note 17.2)	7 290	7 110	7 110
Deferred credit – write off of accrued non-current liability portion at the date of transition (Note 17.2)	19 875	17 971	14 197
Miscellaneous items (Note 17.3)	(407)	(2 389)	(858)
	<u>26 758</u>	<u>22 692</u>	<u>19 656</u>
Equity under IFRS	<u>172 838</u>	<u>191 737</u>	<u>194 186</u>

Reconciliation of total comprehensive income

Total comprehensive income can be reconciled to amounts reported under previous GAAP as follows:

	2010-09-11 (254 days)	2010-12-31 (365 days)
	\$	\$
Net earnings and comprehensive income under standards in effect before the transition	10 364	16 232
Increase (decrease) in previously reported equity due to differences with GAAP		
Direct costs of business acquisitions in 2010 are expensed (Note 17.1)		(793)
Difference in the recognition of the future income tax expense (Note 17.2)	(3 488)	(5 858)
Miscellaneous items (Note 17.3)	48	120
	<u>(3 440)</u>	<u>(6 531)</u>
Comprehensive income under IFRS	<u>6 924</u>	<u>9 701</u>

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

17. FIRST-TIME ADOPTION OF IFRS (continued)

Presentation differences

Some presentation differences between pre-changeover accounting standards and IFRSs have no impact on earnings presented or total equity.

As shown in the table at the end of this note, the description of some items is different under IFRSs compared with the pre-changeover accounting standards, even if the assets and liabilities in the items are not affected.

Notes to reconciliation

17.1 Goodwill and business combinations

Business combination before January 1, 2010

The Company elected not to restate business combinations that occurred before the date of transition to IFRS. The carrying amount of goodwill has not been adjusted for intangible assets subsumed within goodwill or for intangible assets that do not qualify for recognition under IFRS. Goodwill at the date of transition relates to cash generating units. At the date of transition, this goodwill was tested for impairment based on cash flow forecasts at that date. No impairment was detected. Accordingly, the amount of goodwill recognized on transition to IFRSs is the carrying amount as at January 1, 2010, in accordance with pre-changeover accounting standards.

Business combination after January 1, 2010

Although there are significant differences in accounting for business combinations under previous GAAP and IFRS 3R, there are none for business combinations after January 1, 2010 other than the fact that direct costs for the business combination cannot be capitalized. This led to a \$505,000 decrease in goodwill and an increase in costs not related to current operations for the year ended December 31, 2010.

Additionally, \$288,000 in direct costs related to acquisitions after December 31, 2010 have been recognized, as per IFRS, in expenses in 2010, on the date the costs were incurred. This adjustment has resulted in a \$288,000 decrease in retained earnings and prepaid expenses and an increase in costs not related to current operations for the year ended December 31, 2010.

17.2 Deferred credit

Under the pre-changeover accounting standards, the Company recognized a deferred credit related to a portion of the tax attributes acquired in connection with a past transaction. Under IFRS, a deferred credit liability may not be recognized. Accordingly, the Company derecognized the liability and increased equity by the same amount. Additionally, the amortization of the deferred credit in profit or loss must be reversed in results in the deferred income tax.

17.3 Miscellaneous items

A number of adjustments are required to present the transition to IFRS. Individually, none of these items other than those described at sections 17.1, 17.2 and 17.4 is greater than \$650,000 for some adjustments in the statements of financial position and none causes an impact over \$70,000 annually for the statement of income.

17.4 Deferred tax

On the transition to IFRS, the deferred tax classification is changed. The classification as current asset is no longer permitted under IFRS and deferred tax is now classified as non-current. This led to an increase in deferred tax assets classified as non-current and a decrease in deferred tax assets classified as current and a decrease in deferred tax liabilities classified as non-current.

17.5 Statement of cash flows

The Company has classified interest paid in financing cash flows as they are a cost of obtaining financial resources. There are no other significant differences between in the statement of cash flows under IFRS and the statement of cash flows under Canadian GAAP applicable before the transition to IFRS.

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

17. FIRST-TIME ADOPTION OF IFRS (continued)

The following table provides details on the total impact of the transition to IFRS on the consolidated statement of financial position:

Former wording under Canadian GAAP	Note	January 1, 2010			December 31, 2010			New wording under IFRS
		Canadian GAAP	Impact of transition to IFRS	IFRS	Canadian GAAP	Impact of transition to IFRS	IFRS	
		\$	\$	\$	\$	\$	\$	
ASSETS								
Current assets								
Accounts receivable		75 438		75 438	82 540		82 540	Trade and other receivables
Income taxes receivable		685		685	2 694		2 694	Recoverable tax assets
Inventory		71 909		71 909	69 669		69 669	Inventory
Prepaid expenses	17.1	1 500		1 500	1 484	(288)	1 196	Prepaid expenses
Future income taxes	17.4	8 540	(8 540)	0	7 928	(7 928)	0	
		<u>158 072</u>	<u>(8 540)</u>	<u>149 532</u>	<u>164 315</u>	<u>(8 216)</u>	<u>156 099</u>	Current assets
Long-term assets								
Deferred financing expenses	17.3	158	(158)	0	37	(37)	0	
Share investment in Colabor Investments Inc., at cost		6 159		6 159	8 569		8 569	Equity investment in Colabor Investments Inc., at cost
Property, plant and equipment		11 356		11 356	10 920		10 920	Property, plant and equipment
Intangible assets		136 348		136 348	136 995		136 995	Intangible assets
Goodwill	17.1	72 317		72 317	78 928	(505)	78 423	Goodwill
Future income taxes	17.3 and 17.4	1 802	8 249	10 051	0	3 273	3 273	Deferred tax assets
		<u>228 140</u>	<u>8 091</u>	<u>236 231</u>	<u>235 449</u>	<u>2 731</u>	<u>238 180</u>	Non-current
		<u>386 212</u>	<u>(449)</u>	<u>385 763</u>	<u>399 764</u>	<u>(5 485)</u>	<u>394 279</u>	Total assets
LIABILITIES								
Current liabilities								
Bank overdraft		17 126		17 126	10 709		10 709	Bank overdraft
Accounts payable and accrued liabilities		65 762		65 762	69 365		69 365	Trade and other payables
Dividends payable		7 453		7 453	6 204		6 204	Dividends payable
Sales rebates payable		13 808		13 808	14 283		14 283	Rebates payable
Balances of purchase price payable		13 236		13 236	13 236		13 236	Balances of purchase price
Deferred revenue		961		961	491		491	Deferred revenue
Deferred credit	17.2	7 290	(7 290)	0	7 110	(7 110)	0	
Bank borrowings	17.3				24 345	(37)	24 308	Bank borrowings
Debentures		13 905		13 905	13 905		13 905	Convertible debentures
Installments on long-term debt		636		636	307		307	Current portion of long-term debt
		<u>123 117</u>	<u>(7 290)</u>	<u>115 827</u>	<u>159 955</u>	<u>(7 147)</u>	<u>152 808</u>	Current liabilities
Long-term liabilities								
Bank loan	17.3	49 335	(158)	49 177	0		0	Bank borrowings
Balances of purchase price payable					1 143		1 143	Balances of purchase price
Long-term debt		307		307	0		0	Long-term debt
Debentures		46 711		46 711	45 500		45 500	Convertible debentures
Accrued benefit liability for employee benefits	17.3	787	116	903	526	116	642	Pension obligations
Deferred credit	17.2	19 875	(19 875)	0	14 197	(14 197)	0	
Future income taxes	17.4				3 913	(3 913)	0	
		<u>117 015</u>	<u>(19 917)</u>	<u>97 098</u>	<u>65 279</u>	<u>(17 994)</u>	<u>47 285</u>	Non-current liabilities
		<u>240 132</u>	<u>(27 207)</u>	<u>212 925</u>	<u>225 234</u>	<u>(25 141)</u>	<u>200 093</u>	Total liabilities
SHAREHOLDERS' EQUITY								
Capital stock		143 018	(10)	143 008	178 124	(164)	177 960	Capital stock
Debenture conversion option		2 314	(285)	2 029	3 048	(633)	2 415	Convertible debenture conversion options
Contributed surplus		447	327	774	513	258	771	Contributed surplus
Shares held for stock-based compensation plans		(1 248)		(1 248)	(936)		(936)	Shares held for stock-based compensation plans
Retained earnings		1 549	26 726	28 275	(6 219)	20 195	13 976	Retained earnings
		<u>146 080</u>	<u>26 758</u>	<u>172 838</u>	<u>174 530</u>	<u>19 656</u>	<u>194 186</u>	Total equity attributable to parent's owners
		<u>386 212</u>	<u>(449)</u>	<u>385 763</u>	<u>399 764</u>	<u>(5 485)</u>	<u>394 279</u>	Total liabilities and equity

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

17. FIRST-TIME ADOPTION OF IFRS (continued)

The following table provides details on the total impact of the transition to IFRS on the consolidated statement of income and the consolidated statement of comprehensive income:

Former wording under Canadian GAAP	Note	September 11, 2010 (84 days)			September 11, 2010 (254 days)			December 31, 2010			New wording under IFRS
		Impact of		IFRS	Impact of		IFRS	Impact of		IFRS	
		Canadian GAAP	transition to IFRS		Canadian GAAP	transition to IFRS		Canadian GAAP	transition to IFRS		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Sales		<u>234 309</u>		<u>234 309</u>	<u>704 819</u>		<u>704 819</u>	<u>1 051 960</u>		<u>1 051 960</u>	Sale of goods
Income before the following items		<u>7 578</u>	16	<u>7 594</u>	<u>23 432</u>	48	<u>23 480</u>	<u>37 416</u>	69	<u>37 485</u>	Profit before the following items
Amortization of property, plant and equipment		726		726	2 134		2 134	3 345		3 345	Depreciation of property, plant and equipment
Amortization of intangible assets		<u>2 327</u>		<u>2 327</u>	<u>7 000</u>		<u>7 000</u>	<u>10 400</u>		<u>10 400</u>	Amortization of intangible assets
		<u>3 053</u>		<u>3 053</u>	<u>9 134</u>		<u>9 134</u>	<u>13 745</u>		<u>13 745</u>	
Expenses not related to current operations		<u>4 525</u>		<u>4 541</u>	<u>14 298</u>		<u>14 346</u>	<u>23 671</u>		<u>23 740</u>	Operating profit
	17.3			0			0	911	793	1 704	Costs not related to current
Financial expenses		<u>1 542</u>		<u>1 542</u>	<u>4 347</u>		<u>4 347</u>	<u>6 178</u>		<u>6 178</u>	Finance costs
		<u>1 542</u>		<u>1 542</u>	<u>4 347</u>		<u>4 347</u>	<u>7 089</u>		<u>7 882</u>	
Earnings before income taxes and non-controlling interest		<u>2 983</u>		<u>2 999</u>	<u>9 951</u>		<u>9 999</u>	<u>16 582</u>		<u>15 858</u>	Profit before tax
Income taxes											Income taxes
Current											Current
Future	17.2	<u>-902</u>	2 110	<u>1 208</u>	<u>-413</u>	3 488	<u>3 075</u>	<u>350</u>	5 807	<u>6 157</u>	Deferred
		<u>-902</u>		<u>1 208</u>	<u>-413</u>		<u>3 075</u>	<u>350</u>		<u>6 157</u>	
Net earnings and comprehensive income	17	<u>3 885</u>	<u>(2 094)</u>	<u>1 791</u>	<u>10 364</u>	<u>(3 440)</u>	<u>6 924</u>	<u>16 232</u>	<u>(6 531)</u>	<u>9 701</u>	Net earnings and other comprehensive income attributable to the owners

Colabor Group Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

18. ADDITIONAL ANNUAL DISCLOSURES UNDER IFRS

Under IFRS, certain information that was not provided under the previous GAAP must be presented annually. The following are the significant notes to the financial statements as at December 31, 2010 that include such information.

18.1 Goodwill impairment test

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

	2010-12-31	2010-01-01
	\$	\$
Boucherville Division	62 192	56 526
Summit Division	6 194	6 194
Bertrand-RTD Division	9 637	9 597
	<u>78 023</u>	<u>72 317</u>

The amount of goodwill was tested for impairment. The forecast at the transition date showed that no impairment was necessary.

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates stated below. The growth rates reflect the long-term growth rates of the cash-generating units.

	2012	2013	2014	2015	2016
Growth rates	%	%	%	%	%
Boucherville Division	3,00	2,00	2,00	2,00	2,00
Summit Division	5,00	3,00	2,50	2,00	2,00
Bertrand-RTD Division	3,87	3,33	2,50	2,22	2,00
Discount rates	%				
Boucherville Division	20,15				
Summit Division	20,85				
Bertrand-RTD Division	19,65				

18.2 Deferred tax assets

Deferred tax assets and liabilities relating to deductible and taxable temporary differences and unused tax losses are recognized in the statement of financial position.

As at December 31, 2010, the Company had deferred non-capital losses of \$43,236,000 not recognized in deferred tax assets that can be used to reduce taxable benefit in future years and expire in 2025.

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

18. ADDITIONAL ANNUAL DISCLOSURES UNDER IFRS (continued)

Changes in deferred tax assets during the period, without giving effect to offsetting balances for the same tax authorities, are as follows:

	Changes				Balance as at 2010-12-31 \$
	Balance as at 2010-01-01 \$	Business combinations and debenture issue \$	Recognized in capital \$	Recognized in income \$	
Deferred non-capital losses	27 295			(5 300)	21 995
Property, plant and equipment	(1 002)	(119)		425	(696)
Intangible assets	(14 217)			1 468	(12 749)
Equity investment in Colabor Investments Inc.	(1 592)			16	(1 576)
Goodwill	(3 413)			(85)	(3 498)
Share and debenture issue expenses:	1 206			(634)	572
Other	1 774	(639)	137	(2 047)	(775)
	<u>10 051</u>	<u>(758)</u>	<u>137</u>	<u>(6 157)</u>	<u>3 273</u>

18.3 Transactions with key management personnel

Key management of the Company are members of the Board of Directors and the Executive Committee. Key management personnel remuneration includes the following expenses:

	2010-12-31 (365 days) \$	2009-12-31 (365 days) \$
Short-term employee benefits		
Salaries including bonuses	2 476	2 102
Directors' fees	277	287
Fringe benefits costs	144	142
Total short-term employee benefits	<u>2 897</u>	<u>2 531</u>
Defined contribution pension plans	72	62
Share-based payments	215	499
Total remuneration	<u>3 184</u>	<u>3 092</u>

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share)

18. ADDITIONAL ANNUAL DISCLOSURES UNDER IFRS (continued)

18.4 Property, plant and equipment

	Land	Building	Furniture, warehouse equipment and vehicles	Road vehicles	Computer and software hardware	Leasehold improve- ments	Total
	\$	\$	\$	\$	\$	\$	\$
Gross carrying amount							
Balance as at January 1, 201	63	92	9 183	4 387	3 105	4 159	20 989
Acquisitions			737	133	510	77	1 457
Business combinations			528	846	78		1 452
Disposals			(902)	(772)	(401)	(6)	(2 081)
Balance as at December 31, 2010	63	92	9 546	4 594	3 292	4 230	21 817
Amortization, depreciation and impairment							
Balance as at January 1, 2010		64	4 553	2 107	1 599	1 310	9 633
Disposals			(902)	(772)	(401)	(6)	(2 081)
Depreciation and amortization		21	1 259	965	467	633	3 345
Balance as at December 31, 2010	0	85	4 910	2 300	1 665	1 937	10 897
Net carrying amount as at December 31, 2010	63	7	4 636	2 294	1 627	2 293	10 920
Net carrying amount as at January 1, 2010	63	28	4 630	2 280	1 506	2 849	11 356