



COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

2ND QUARTER OF THE 2011 FISCAL YEAR

84-DAY PERIOD ENDED JUNE 18, 2011

JULY 20, 2011

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July 20, 2011

1. Scope of MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor") (formerly Colabor Income Fund (the "Fund")) discusses the comprehensive income, financial situation and cash flows for the 84-day period (2nd quarter) for the year ending December 31, 2011. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com.

Colabor's fiscal year comprises thirteen periods, the first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year end is December 31. As a result, the Company's sales and comprehensive income have 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 and because the fourth quarter has 33% more operating days than the other quarters of the year.

This report also contains information that is a non-IFRS measure of performance, such as the concept of earnings before financial expenses, depreciation and amortization and income taxes (EBITDA) and cash flows per share. Since these concepts are not defined in IFRS, they may not be comparable with those of other companies.

In reviewing Colabor's financial statements, investors should consider that the statement of comprehensive income includes significant depreciation expenses for property, plant and equipment and amortization expense for intangible assets resulting from Colabor's acquisitions in recent years, deferred taxes and a non-cash portion of the implicit interest on debentures. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is frequently lower than the annual dividend of \$1.08 per share. For a more in-depth analysis of Colabor, investors should analyze the cash flows per share calculations in Section 6.3 (Operating Profit – Earning per Share) in the MD&A as they are a better indication of the Company's ability to support its annual dividend.

2. Forward-looking Statements

The MD&A is intended to assist shareholders in understanding the nature and extent of changes and trends, as well as risks and uncertainties. Consequently, actual results may differ significantly from information reported or inferred in these statements. The main factors that could result in a significant difference between Colabor's actual results and the projections or expectations set out in the forward-looking statements are described herein under *Risks and Uncertainties*.

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

The Fund was an unincorporated, open-ended, limited purpose trust that was established under the laws of the Province of Quebec under a Declaration of Trust dated May 19, 2005. The Fund's units were traded on the Toronto Stock Exchange under the symbol *CLB.UN*.

On July 8, 2009, the Fund had announced its intention to convert from an income trust structure to a corporation (the "Conversion"). In order to effect the Conversion, on that date, Colabor had entered into an arrangement agreement (the "Arrangement Agreement") with ConjuChem Biotechnologies Inc. ("ConjuChem"), in order to conclude the Conversion pursuant to a statutory plan of arrangement of ConjuChem (the "Plan of Arrangement") under Section 192 of the *Canada Business Corporations Act* ("CBCA") and the Conversion was completed on August 25, 2009, further to the approval of the unitholders of the Fund, which was obtained at a special meeting held on August 19, 2009.

Additional information

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL-T, while its convertible debentures are traded under the symbol *GCL.DB* and *GCL.DB.A*.

Additional information on GCL, and previously the Fund, may be found on SEDAR at www.sedar.com and on its information site www.colabor.com.

4. Corporate Profile

Activities

Colabor was founded in 1962 and is a wholesaler and master food distributor serving the retail (small-sized grocery stores, convenience stores, etc.) and foodservice (cafeterias, restaurants, hotels, restaurant chains, etc.) markets.

It currently carries out its activities through two segments:

Wholesale Segment

Sales of this Segment consist of food, food-related and non-food products that it purchases and supplies to wholesale distributors that, in turn, distribute these products to over 25,000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces.

Products are sold either directly from its distribution centre ("warehouse sales") or through direct delivery from manufacturers and suppliers to the warehouses of wholesale distributors ("direct sales").

This Segment generally sells its products at the manufacturers' and suppliers' list price. Accordingly, it generates gross profit on sales as follows:

(a) From a profit on warehouse sales:

Through a mark-up of the cost price of its private brand-name products and by making purchases from manufacturers and suppliers before a price increase and subsequently selling such products at the manufacturer's new price. There is no profit margin on direct sales.

(b) Primarily from rebates from suppliers:

These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

This Segment operates a 371,120 square-foot distribution centre in Boucherville that employs about 150 people and could be expanded to 650,000 square feet.

Over 90% of this Segment's sales are covered by long-term contracts.

Distribution Segment

This Segment includes the following operating activities:

1. Summit Food Service Distributors (Summit)

Summit distributes more than 8,000 products from warehouses in Ottawa, London, Mississauga and Cambridge to more than 3,000 customers, including Cara (Swiss Chalet, Harvey's, Kelsey's Neighbourhood Bar and Grill, Montana's Cookhouse and Milestone's Grill and Bar), Compass, Extencicare, Mr Sub, Zehrs, other foodservice chains and independent restaurants as well as to institutions, including hospitals, schools and government institutions. Summit's product line includes frozen products, dry staples, dairy products, meat, seafood, poultry and sanitation products.

This division services primarily the Ontario market, but also distributes Cara restaurant products in Quebec.

This division, with about 525 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover a total of 454,476 square feet, allocated as follows:

Toronto: 127,961 square feet

London: 113,595 square feet (could be expanded)

Ottawa: 103,460 square feet (could be expanded)

Cambridge: 109,460 square feet

2. Bertrand Food Distributor (Bertrand)

Bertrand is a major distributor to foodservice and retail customers in the Québec City and Saguenay regions. Bertrand, which employs approximately 325 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Saguenay, totalling 231,000 (could be expanded to 331,000 square feet) and 133,000 square feet, respectively. Bertrand's customers consist primarily of foodservice operators, specialty food stores, institutional accounts

such as healthcare institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry staples, dairy products, fresh meat, fresh fish and seafood, poultry, fresh fruits and vegetables, disposables and sanitation products as well as meat processing and preparation services, Bertrand therefore offers its customers a “one-stop-shop” solution.

3. RTD Distributions (RTD)

RTD specializes in distributing food and non-food products to grocery stores, convenience stores, hotels, restaurants and institutions in the Lower St. Lawrence, Gaspésie, part of the North Shore and the Lower North Shore and in north-eastern New Brunswick. RTD operates a 120,000 square-foot distribution centre in Rimouski and offers over 10,000 products to about 2,500 customers across its territory with a fleet of more than 50 trucks. It has about 260 employees.

4. Les Pêcheries Norref Québec Inc. (Norref)

Norref is a fresh fish and seafood products importer and distributor in the province of Quebec and the Ottawa region and is recognized as the leading importer and distributor of this type in Quebec.

Norref operates from a 40,000 square-foot warehouse in Montréal, and distributes a full range of fresh and frozen fish products as well as ready-to-eat fish and seafood meals. Its diversified client base is comprised of restaurants, hotels, grocery stores, caterers and fish stores.

5. Edfrex

Edfrex is a company specialized in the distribution of food products and in food servings to food stores, convenience stores, hotels, restaurants and institutions. Edfrex operates distribution center located in Edmundston, New Brunswick of about 96,000 square feet and offers 8,000 products to some 2,800 customers with a fleet of around 15 trucks.

6. Skor Food Group Inc.

Skor is an integrated full service wholesale food supplier to the food service and retail industries, mainly in Ontario.

Skor has three operating divisions:

Skor Food Service:

This division specializes in food distribution to food service and institutional accounts, such as health care establishments as well as the two other divisions described below. It operates a 205,000 square-foot, HACCP-certified facility in Vaughan, Ontario with a fleet of about 25 trucks.

Cash & Carry Division:

This division operates six “Cash & Carry” locations in southern Ontario and offers over 12,000 retail and food service products to convenience stores, small grocery stores, cafeterias and restaurants.

Culinary Concepts Division:

This division, whose clients primarily consist of vending machine operators, mobile canteen owners, schools, health care establishment and government institutions, prepares over 400 fresh and frozen products in its Mississauga, Ontario facilities.

The Distribution Segment generates gross profit on sales as follows:

(a) From a profit on warehouse sales:

Generated primarily from a mark-up of the cost price of products pursuant to rates negotiated with its customers.

(b) From rebates from suppliers:

These rebates consist of: (i) rebates received from suppliers based on buying volumes, (ii) cash discounts on purchases and (iii) net advertising funds received in connection with promotional activities.

Over 50% of the sales activities of the two segments is secured by long-term agreements and manufacturers' and suppliers' cost increases which can be passed on to customers, thereby significantly reducing risk.

5. Main Resources And Competencies:

5.1 Board of Directors

<u>Director</u>	<u>Role</u>	<u>Occupation</u>
Jacques Landreville	Chairman	Corporate Director
Richard Lord	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Claude Gariépy	Director	Executive Vice-President and Chief Executive Officer, Familiprix Inc.
Donald Dubé	Director	Corporate Director

5.2 Management

Gilles C. Lachance	President and Chief Executive Officer	Colabor Group Inc.
Michel Loignon CA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Jack Battersby	President	Colabor Limited Partnership, Summit Division
Marko Potvin	Vice-President, Corporate Purchasing	Colabor Group Inc.
Denis Melançon	Vice-President and General Manager	Colabor Group Inc., Bertrand Division and RDT
Louise Laforce	Vice-President Human Resources	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Geneviève Brouillette, CA	Vice-President and General Manger	Colabor Limited Partnership, Wholesale Division and Norref
Christine Dubé	Operations Manager	Colabor Group Inc. Edfrex Division
Steve Corvese	Vice-President Sales	Skor Food Group Inc.

5.3 Human Resource Development and Succession Planning

The Board of Directors is pursuing a succession planning process, through the Human Resources and Corporate Governance Committee and with the assistance of an external human resources consulting firm.

In a July 7, 2011 press release, the Company announced that Claude Gariépy will be the Company's next President and Chief Executive Officer, effective the beginning of January 2012. He will succeed Gilles C. Lachance, who will step down at that date to become a special advisor to the President and Chief Executive Officer. Mr. Lachance will remain in this capacity through the end of 2012 to ensure a harmonious and effective transition.

Mr. Lachance will also become a director of the Company, filling the seat currently held by Mr. Gariépy, when the latter becomes President and Chief Executive Officer of the Company.

6. Performance Analysis

6.1 Highlights for the Second Quarter

Results for the second quarter of Colabor's 2011 fiscal year should be read taking the following significant events into account:

- The Company's sales and profit margins continue to be impacted by the difficult economic situation prevailing in Eastern Canada which led to intense competition among players in the foodservice distribution sector; however, there has been a significant improvement in EBITDA from 2.05% in the first quarter to 3.22% in the second quarter.
- The acquisitions of RTD Distributions in September 2010, Pêcheries Norref Québec Inc. at the end of February 2011, Edfrex at the end of March 2011 and Skor Food Service Inc. in early May 2011.
- As a result of a significant increase in the price of fuel since the start of the year, households have less disposable income for eating out.
- Poor weather conditions in eastern Canada during the quarter negatively impacted the restaurant segment's activities.

6.2 Executive Summary of Performance

Quarter ended June 18, 2011 (compared with 2010 quarter)

- 1.1% decrease in comparable sales (overall increase in sales of 29.5%)
- Decrease in EBITDA percentage from 3.67% to 3.22% (however EBITDA improved by 1.17% from the 2.05% posted in the first quarter in 2011)
- Debt/EBITDA ratio, based on the banking syndicate's calculation: 2.84:1.00 (banking syndicate's requirement: <3.00:1.00)
- Finance costs coverage ratio, based on the banking syndicate's calculation: 5.11:1.00 (required: >3.50:1.00)
- Dividend payout ratio over the last twelve months of 86%

Stock transactions during the quarter

- Conversion of \$304,000 of debentures issued in 2007 into 29,657 common shares
- Share price: as at March 25, 2011: \$12.68; share price as at June 17, 2011: \$9.42; High: \$12.75; low \$8.00
- Dividend: a \$6.2M dividend was paid on April 15, 2011 to shareholders of record on March 31, 2011
- Redemption of 19,700 shares for \$178,000 during the quarter under a normal course issuer bid

6.3 Comprehensive Income

Comprehensive income, and its comparison with the comparable period of 2010, should be read in conjunction with the *Current Economic Situation* section presented further on in this MD&A and the following facts:

- On September 21, 2010, the Company concluded the acquisition of the assets of RTD. The RTD division's financial results are included in the Company's results, but not in 2010.
- On February 28, 2011, the Company concluded the acquisition of the shares of Les Pêcheries Norref Québec Inc. Norref's financial results are included in the Company's income but not in 2010.
- On March 30, 2011, the Company concluded the acquisition of Edfrex Inc. Edfrex's financial results are included in the Company's income but not in 2010.
- On May 9, 2011, the Company concluded the acquisition of The Skor Food Group Inc. Skor's financial results for the quarter are included for May 9, 2011 to June 18, 2011 but not in 2010.

Comprehensive Income (unaudited, in thousands of dollars, except per share amounts)

	2011-06-18 (84 days)		2010-06-19 (84 days)		Variance	
	\$	%	\$	%	\$	%
Sales of goods	317,411	100.00%	245,155	100.00%	72,256	29.47%
Operating expenses, excluding amortization and depreciation	307,184	96.78%	236,158	96.33%	71,026	30.08%
Profit before the following items	10,227	3.22%	8,997	3.67%	1,230	13.67%
Depreciation of property, plant and equipment	857	0.27%	720	0.29%	137	19.03%
Amortization of intangible assets	3,107	0.98%	2,328	0.95%	779	33.46%
	3,964	1.25%	3,048	1.24%	916	30.05%
Operating profit	6,263	1.97%	5,949	2.43%	314	5.28%
Business acquisition-related costs	1,795	0.57%			1,795	
Finance cost	2,139	0.67%	1,495	0.61%	644	43.08%
	3,934	1.24%	1,495	0.61%	2,439	163.14%
Profit before tax	2,329	0.73%	4,454	1.82%	(2,125)	-47.71%
Tax expense						
Current						
Deferred	654	0.21%	1,258	0.51%	(604)	-48.01%
	654	0.21%	1,258	0.51%	(604)	-48.01%
Profit or loss and total comprehensive income attributable to the owners	1,675	0.52%	3,196	1.31%	(1,521)	-47.59%
Cash flows per share	\$0.32		\$0.32			
Basic and diluted earnings per share	\$0.07		\$0.15			

	2011-06-18 (169 days)		2010-06-19 (170 days)		Variance	
	\$		\$		\$	%
Sales of goods	556,827	100.00%	470,510	100.00%	86,317	18.35%
Operating expenses, excluding amortization and depreciation	541,696	97.28%	454,624	96.62%	87,072	19.15%
Profit before the following items	15,131	2.72%	15,886	3.38%	(755)	-4.75%
Depreciation of property, plant and equipment	1,571	0.28%	1,408	0.30%	163	11.58%
Amortization of intangible assets	5,744	1.03%	4,673	0.99%	1,071	22.92%
	7,315	1.31%	6,081	1.29%	1,234	20.29%
Operating profit	7,816	1.41%	9,805	2.09%	(1,989)	-20.29%
Business acquisition-related costs	1,795	0.32%			1,795	
Finance cost	3,623	0.65%	2,805	0.60%	818	29.16%
	5,418	0.97%	2,805	0.60%	2,613	93.16%
Profit before tax	2,398	0.44%	7,000	1.49%	(4,602)	-65.74%
Tax expense						
Current						
Deferred	671	0.12%	1,867	0.40%	(1,196)	-64.06%
	671	0.12%	1,867	0.40%	(1,196)	-64.06%
Profit or loss and total comprehensive income attributable to the owners	1,727	0.32%	5,133	1.09%	(3,406)	-66.35%
Cash flows per share	\$0.45		\$0.60			
Basic and diluted earnings per share	\$0.07		\$0.25			

Sales

Sales consist of:

For the Wholesale Segment: Gross sales from the Boucherville warehouse and direct sales to affiliated-wholesalers, less rebates of 3% of the affiliated-wholesalers' sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers and sales to other customers, less rebates, as provided in individual agreements with these customers.

For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Cambridge, Lévis, Saguenay, Rimouski, Montréal (since the acquisition of Norref), Edmundston (since the acquisition of Edfref) and Vaughan (since the acquisition of Skor) warehouses less rebates, as provided in individual agreements with these customers.

Inter-segment sales are then eliminated. These are primarily sales by the Wholesale Segment to Summit, Bertrand, RTD and Edfref in the Distribution Segment.

The following table provides readers with a comparison, for the quarter, of comparable sales and sales from acquisitions with the same period in the prior year.

Sales (unaudited, in thousands of dollars)

	2011-06-18			2010-06-19							
	(84 days)			(84 days)							
	Comparable sales	Sales subsequent to acquisitions	Total sales	Comparable sales	Adjustment for one day	Loss of a customer	Total sales	Variance Comparable sales		Variance Actual sales	
\$	\$	\$	\$	\$	\$	\$	\$	%	\$	%	
Wholesale Segment	128,033		128,033	126,300			126,300	1,733	1.4%	1,733	1.4%
Eliminations	(28,662)	(10,781)	(39,443)	(23,912)			(23,912)	(4,750)	19.9%	(15,531)	65.0%
	99,371	(10,781)	88,590	102,388			102,388	(3,017)	-2.9%	(13,798)	-13.5%
Distribution Segment	143,111	85,801	228,912	142,767			142,767	344	0.2%	86,145	60.3%
Eliminations	(91)		(91)					(91)	N/A	(91)	N/A
	143,020	85,801	228,821	142,767			142,767	253	0.2%	86,054	60.3%
	242,391	75,020	317,411	245,155			245,155	(2,764)	-1.1%	72,256	29.5%

	2011-06-18			2010-06-19							
	(169 days)			(170 days)							
	Comparable sales	Sales subsequent to acquisitions	Total sales	Comparable sales	Adjustment for one day	Loss of a customer	Total sales	Variance Comparable sales		Variance Actual sales	
\$	\$	\$	\$	\$	\$	\$	\$	%	\$	%	
Wholesale Segment	222,981		222,981	221,786	1,123		222,909	1,195	0.5%	72	0.0%
Eliminations	(46,395)	(15,715)	(62,110)	(41,402)	(206)		(41,608)	(4,993)	12.1%	(20,502)	49.3%
	176,586	(15,715)	160,871	180,384	917		181,301	(3,798)	-2.1%	(20,430)	-11.3%
Distribution Segment	278,896	117,154	396,050	279,294	1,703	8,212	289,209	(398)	0.1%	106,841	36.9%
Eliminations	(91)	(3)	(94)					(91)	N/A	(94)	N/A
	278,805	117,151	395,956	279,294	1,703	8,212	289,209	(489)	-0.2%	106,747	36.9%
	455,391	101,436	556,827	459,678	2,620	8,212	470,510	(4,287)	-0.9%	86,317	18.3%

The second quarter indicates an overall decrease of 1.1% or \$2.8M in comparable sales, which is primarily attributable to the Wholesale Segment, whereas the Distribution Segment posted organic growth of 0.2%.

While the economy has not recovered and it will be some time before it does recover, this slight decline in organic sales is cause for cautious optimism regarding the coming quarters.

However, the Company's acquisitions in recent months contributed \$75M in sales growth.

Wholesale Segment

This segment, which serves primarily distributors in Quebec and the Atlantic Provinces, experienced an organic decline of 2.9% or \$3M in comparable sales for the quarter. While this decrease is partly attributable to the economic situation, a major contributing factor of the second quarter decline is the poor weather throughout eastern Canada which also impacted other economic segments.

Distribution Segment

This Segment shows an organic growth in sales of 0.2% and an increase in actual sales of \$86M, primarily as a result of the sales of the Company's recent acquisitions.

Income before the following (which corresponds to earnings before income taxes, depreciation, amortization and income tax expense (EBITDA))

A significant EBITDA recovery during the second quarter, from 2.05% in the first quarter to 3.22%, can be explained primarily by the recent acquisitions.

Gross Profit

Gross profit is composed of the following items:

- Wholesale Segment: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.
- Rebates from suppliers
A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Operating expenses

The main expenses consist of salaries and employee benefits, delivery costs for the Distribution Segment and occupancy costs relating to the Company's distribution centres. These expenses include a considerable portion of fixed costs which have a significant impact on operating profit.

Although the EBITDA to sales ratio improved considerably during the quarter, compared to the first quarter, from 2.05% to 3.22%, it is still lower than the 3.67% ratio in the second quarter of 2010. The difference is primarily a result of the following:

- In order to retain its customers, the Company had to cut back its gross margin on sales to offset intense competition.
- It has to absorb its fixed costs, mainly occupancy and delivery costs, while dealing with lower volumes.

However, during the quarter, the Company's various divisions were able to pass on fuel surcharges to their customers, thereby lessening the impact of fuel price increases on first quarter results.

Company's measures:

In the wake of the clearly well-below expectation results of the first quarter, the Company's management initiated a complete review of each division's operations, which has led to a number of changes that will have a positive impact on operating results in future quarters.

Depreciation of Property, Plant and Equipment and Amortization of Intangible Assets

Respective increases of \$137,000 and \$779,000 in the above items compared to the same quarter in the previous year are mainly due to the additional depreciation and amortization resulting from the acquisitions of RTD, Norref, Edfref and Skor.

Business acquisition-related costs

IFRS requires that business acquisition-related costs be accounted as expenses opposed to GAAP in force before the changeover to IFRS, which requires that these costs have to be capitalized into goodwill. The company has recorded, legal fees, due diligence fees and solicitation fees related to Norref, Edfref and Skor acquisitions, as expenses.

Finance costs

The finance costs increase is attributable to higher bank borrowings following the debt financing of the four previously mentioned acquisitions.

Tax expense

The tax expenses is \$604,000 less than in the same quarter of the previous year mostly because taxable income is lower, due to the business acquisition costs and higher financing costs to finance these transactions.

The Company converted from an income fund structure to a corporation through an arrangement agreement with ConjuChem Biotechnologies Inc. (“ConjuChem”) in August 2009. As part of the transaction, the Company acquired approximately \$39M in future tax assets. When recognizing this transaction in accordance with GAAP, the Company recognized future tax assets and an offsetting \$5M disbursement (price paid for the tax losses) and deferred tax credits, which made it possible to eliminate current taxes and recognize a minimal deferred tax expense.

On the transition to IFRS, the Company had to transfer the deferred tax credit balance, shown in liabilities on the balance sheet, to retained earnings. The Company must now recognize a tax expense equivalent to the Company’s tax rates that will be presented under *Deferred tax expense*. However, until it can benefit from the tax losses acquired, it will not have a current tax expense, which means there is no impact on cash.

The new treatment impacts profit or loss and the calculation of basic earnings per share.

Earnings per share

In reviewing Colabor’s financial statements, investors should consider that the statement of comprehensive income includes significant depreciation and amortization expenses for property, plant and equipment and intangible assets resulting from Colabor’s acquisitions in recent years, deferred tax expenses (described above) and a non-cash portion of the implicit interest on debentures included in finance costs. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is frequently lower than the annual dividend of \$1.08 per share approved by the Board of Directors. *For a more in-depth analysis of Colabor, investors should also analyze basic cash flows per share, which are indicated below.*

The following table indicates the cash flow per share and dividend ratio calculation for the current quarter, the current year to date period and, *in particular, the cash flow calculation for the twelve-month period preceding June 18, 2010.*

The latter calculation makes it possible for investors to analyze whether the Company’s cash flows from operations are sufficient and capable of supporting the dividend payment.

Cash flows per share (unaudited, in thousands of dollars, except for per share data)

	2011-06-18 (84 days)	2010-06-19 (84 days)	2011-06-18 (169 days)	2010-06-19 (170 days)	2011-06-18 (365 days)
	\$	\$	\$	\$	\$
Cash flows from operating activities before net change in working capital	10,186	8,893	15,215	15,884	37,125
Finance costs	(2,139)	(1,495)	(3,623)	(2,805)	(6,996)
Non-cash portion of the implicit interest on debentures included in finance costs	209	238	424	485	973
Purchase of property, plant and equipment	(966)	(812)	(1,605)	(1,231)	(2,615)
	<u>7,290</u>	<u>6,824</u>	<u>10,411</u>	<u>12,333</u>	<u>28,487</u>
Weighted average number of shares outstanding	<u>23,099,777</u>	<u>21,259,081</u>	<u>23,041,779</u>	<u>20,501,877</u>	<u>22,697,973</u>
Cash flows per share	<u>\$0.32</u>	<u>\$0.32</u>	<u>\$0.45</u>	<u>\$0.60</u>	<u>\$1.26</u>
Quarterly portion of annual dividend	<u>\$0.25</u>	<u>\$0.25</u>	<u>\$0.50</u>	<u>\$0.50</u>	<u>\$1.08</u>
Dividend to cash flows per share ratio	<u>78%</u>	<u>77%</u>	<u>110%</u>	<u>83%</u>	<u>86%</u>

The following table presents basic and diluted earnings per share:

Earnings per share

	2011-06-18 (84 days)	2010-06-19 (84 days)	2011-06-18 (169 days)	2010-06-19 (170 days)
	\$	\$	\$	\$
Income used for consolidated basic and diluted earnings per share	<u>1,675</u>	<u>3,196</u>	<u>1,727</u>	<u>5,133</u>
Weighted number of shares outstanding to calculate basic and diluted earnings per share	<u>23,099,777</u>	<u>21,259,081</u>	<u>23,041,779</u>	<u>20,501,877</u>
Basic and diluted earnings per share	<u>\$0.07</u>	<u>\$0.15</u>	<u>\$0.07</u>	<u>\$0.25</u>

6.4 Financial Position

Consolidated Statements of Financial Position (unaudited, in thousands of dollars)

	<u>2011-03-26</u>	<u>2010-12-31</u>
	\$	\$
ASSETS		
Current		
Trade and other receivables	124,277	82,540
Recoverable tax assets	3,065	2,694
Inventory	80,525	69,669
Prepaid expenses	3,751	1,196
<i>Current assets</i>	<u>211,618</u>	<u>156,099</u>
Non-current		
Equity investment in Colabor Investments Inc., at cost	10,098	8,569
Property, plant and equipment	17,675	10,920
Intangible assets	153,682	136,995
Goodwill	115,955	78,423
Deferred tax assets	3,025	3,273
<i>Non-current assets</i>	<u>300,435</u>	<u>238,180</u>
Total assets	<u>512,053</u>	<u>394,279</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	18,931	10,709
Trade and other payables	94,857	69,365
Dividends payable		6,204
Rebates payable	16,308	14,283
Balances of purchase price	13,473	13,236
Deferred revenue	1,078	491
Bank borrowing		24,308
Convertible debentures	13,108	13,905
Current portion of long-term debt	39	307
<i>Current liabilities</i>	<u>157,794</u>	<u>152,808</u>
Non-current		
Bank borrowing	116,042	
Balances of purchase price	1,393	1,143
Convertible debentures	45,769	45,500
Pension obligations	509	642
<i>Current liabilities</i>	<u>163,713</u>	<u>47,285</u>
Total liabilities	<u>321,507</u>	<u>200,093</u>
EQUITY		
Capital stock	178,806	177,960
Convertible debenture conversion options	2,369	2,415
Contributed surplus	541	771
Shares held for the stock-based compensation plans	(622)	(936)
Retained earnings	9,452	13,976
<i>Total equity attributable to owners</i>	<u>190,546</u>	<u>194,186</u>
Total liabilities and equity	<u>512,053</u>	<u>394,279</u>

The June 18, 2011 financial situation was prepared in accordance with IFRS and is compared with the financial situation as at December 31, 2010, which was converted to IFRS. Note 17 to the interim consolidated financial statements for the quarter ended June 18, 2011 explains the changes.

The main changes in the June 18, 2011 balance sheet, compared to the December 31, 2010 balance sheet, relate, first, to the presentation in non-current liabilities (instead of current liabilities) of bank borrowing. As at December 31, 2010, the bank borrowing had been presented as current liabilities as the Company had not renewed its credit facilities that were to expire on

April 28, 2011; however, it has since renewed them for five years. Secondly, the Company has assumed the assets and liabilities of the acquired companies, as described in Note 3 to the financial statements for the quarter ended June 18, 2011.

Convertible debenture characteristics

5.7% convertible debentures, maturing on April 30, 2017, issued on April 27, 2010

On April 27, 2010, the Company issued debentures bearing annual interest of 5.70%, payable semi-annually on April 30 and October 31 each year, starting on October 31, 2010 for a seven-year term.

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 59.347 common shares per \$1,000 principal amount of debentures, which is equal to a conversion price of \$16.85 per common share. The debentures will mature on April 30, 2017 and may be early redeemed by the Company, in certain circumstances, after April 30, 2015, as explained in greater detail in section 7, *Contractual Obligations*.

The Company's net proceeds after deducting underwriters' fees of \$2,000,000 and \$500,000 in other costs were \$47,500,000. An amount of \$45,125 000 was recognized in liabilities and an amount of \$2,375 000 was recognized in shareholders' equity as an option to convert debentures.

Convertible debentures 7%, maturing on December 31, 2011, issued on January 4, 2007.

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 97.561 common shares per \$1,000 principal amount of debentures, which is equal to a conversion price of \$10.25 per common share. The debentures will mature on December 31, 2011 and may be early redeemed by the Company, in certain circumstances, using the method explained in greater detail in section 7, *Contractual Obligations*.

During the quarter ended March 26, 2011, debentures with a par value of \$304,000 were converted into 29,657 shares of the Company. The \$298,000 carrying amounts of these debentures and the related \$15,000 conversion option were recognized in capital stock.

6.5 Cash Flows

Credit Facilities

The Company has entered into a new five-year agreement with a banking syndicate for operating credit facilities for an authorized amount of \$150M secured by a first ranking hypothec on the Company's assets.

Under the terms of the credit agreement, the Company is required to maintain (i) a prescribed ratio of total debt (excluding the convertible debentures) to EBITDA less than 3.00:1.00 (which ratio can be 3.25:1.00 for one year following an acquisition by the Company in excess of \$40M) and (ii) a prescribed ratio of EBITDA to finance costs greater than 3.50:1.00.

Based on the banking syndicate's method of calculation to support these ratios, the debt/EBITDA ratio is 2.84:1.00 and the finance costs coverage ratio is 5.11:1.00 times.

Dividends

A \$0.2691 per share dividend was paid on April 15, 2011 to shareholders of record on March 31, 2011. Subsequent to the end of the quarter, a \$0.2691 per share dividend was paid on July 15, 2011 to shareholders of record on June 30, 2011.

Considering that, on an annualized basis, the dividend to cash flow ratio is 86% (see section 6.3), in management's opinion, cash flows from operating activities and the funds from operating credits are sufficient to support planned capital expenditures, working capital requirements, quarterly dividends of \$0.2691 per share and will comply with the banking syndicate's ratio requirements.

Consolidated Statements of Cash Flows (unaudited, in thousands of dollars)

	2011-06-18 (84 days)	2010-06-19 (84 days)	2011-06-18 (169 days)	2010-06-19 (170 days)
	\$	\$	\$	\$
Operating activities				
Operating results	6,263	5,949	7,816	9,805
Depreciation of property, plant and equipment	857	720	1,571	1,408
Amortization of intangible assets	3,107	2,328	5,744	4,673
Stock-based compensation plan expenses	100	115	225	217
Company acquisition of shares under the stock-based compensation plan	(141)	(219)	(141)	(219)
	<u>10,186</u>	<u>8,893</u>	<u>15,215</u>	<u>15,884</u>
Net change in cash flows	<u>(15,894)</u>	<u>(6,941)</u>	<u>(14,743)</u>	<u>(4,251)</u>
Cash flows from operating activities	<u>(5,708)</u>	<u>1,952</u>	<u>472</u>	<u>11,633</u>
Investing activities				
Business acquisitions, net of cash acquired	(36,110)		(78,941)	
Business acquisition-related costs	(1,795)		(1,795)	
Payment of balances of purchase price			(2,013)	
Purchase of property, plant and equipment and intangible assets	(966)	(812)	(1,605)	(1,231)
Cash flows from investing activities	<u>(38,871)</u>	<u>(812)</u>	<u>(84,354)</u>	<u>(1,231)</u>
Financing activities				
Bank borrowing	46,075	(41,624)	92,320	(28,858)
Convertible debenture issue		47,500		47,500
Normal course issuer bid	(178)		(178)	
Repayment of long-term debt	(131)	(160)	(268)	(333)
Dividends paid	(6,225)	(5,739)	(12,429)	(13,192)
Finance costs	(2,139)	(1,495)	(3,623)	(2,805)
Non-cash portion of implicit interest on debentures included in finance costs	209	238	424	485
Credit facility renewal costs	(643)		(643)	
Amortization of prepaid financing expenses included in finance costs	29	27	57	55
Cash flows from financing activities	<u>36,997</u>	<u>(1,253)</u>	<u>75,660</u>	<u>2,852</u>
Net change in bank overdraft	<u>(7,582)</u>	<u>(113)</u>	<u>(8,222)</u>	<u>13,254</u>
Bank overdraft, beginning of period	<u>(11,349)</u>	<u>(3,759)</u>	<u>(10,709)</u>	<u>(17,126)</u>
Bank overdraft, end of period	<u>(18,931)</u>	<u>(3,872)</u>	<u>(18,931)</u>	<u>(3,872)</u>

This table indicates that cash flows from operating activities are negative \$5.7M and result from changes in net working capital of about \$15.9M. Note 16 to the quarterly financial statements explains the components of this change. The main component is a \$20M increase in trade and other receivables, more than half of which is attributable to the Norref and Bertrand divisions' activities. These two divisions specialize in lobster sales, which are mainly from mid-May to the end of June, and therefore supported significant trade receivables during this short period. Additionally, they are required to pay suppliers promptly, which also impacts cash.

Readers should bear in mind that Colabor Group Inc. has a 18.12% interest in Colabor Investments Inc., which owns 5,087,349 shares in Colabor Group Inc. (see *Related Party Transactions*).

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 Company's shares were undervalued in the marketplace, during the quarter, the Company redeemed 19,700 shares for \$178,000.

7. Contractual Obligations

('000)	Total	Payments due per period			
		Less than 1 year	From 1 to 3 years	From 4 to 5 years	5 years and more
Contractual obligations					
Bank borrowings	\$116,042	\$-	\$-	\$116,042	
Long-term debt	\$39	\$39			
Balances of purchase price	\$14,866	\$13,473	\$1,393		
Convertible debentures (par value)	\$63,295	\$13,295			\$50,000
Operating leases and service contracts	<u>\$102,909</u>	<u>\$15,321</u>	<u>\$28,823</u>	<u>\$23,113</u>	<u>\$35,652</u>
Total	<u>\$297,151</u>	<u>\$42,128</u>	<u>\$30,216</u>	<u>\$139,155</u>	<u>\$85,652</u>

Debentures maturing in 2011

These debentures may be converted into shares until December 31, 2011, or redeemed, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest.

Debentures maturing in 2017

These debentures may be converted into shares until December 31, 2017.

The debentures are redeemable between April 30, 2015 and April 30, 2016, with advance notice, at a price that corresponds to the principal plus accrued and unpaid interest, provided the current market price is at least 125% of the conversion price.

After April 30, 2016, they are redeemable, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest.

8. Summary of Past Quarters

('000)	Under IFRS	Under Canadian GAAP before the transition to IFRS						
	2011-03-26 (84 days)	2011-03-26 (85 days)	2010-12-31 (111 days)	2010-09-11 (84 days)	2010-06-19 (84 days)	2010-03-27 (86 days)	2009-12-31 (110 days)	2009-09-12 (84 days)
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	317,411	239,416	347,141	234,309	245,155	225,355	364,973	276,841
EBITDA	10,227	4,904	13,984	7,578	8,981	6,873	15,073	10,026
Net income	1,675	52	5,868	3,885	4,202	2,277	9,002	4,710
Basic earnings per share/unit	\$0.07	\$0.00	\$0.26	\$0.18	\$0.20	\$0.12	\$0.53	\$0.30

Readers should bear in mind that results for quarters prior to September 12, 2009 were achieved in an income fund structure. Results for the quarter ended September 12, 2009 include income tax recoveries calculated for the quarters ended June 20, 2009 and March 28, 2009 following conversion to a corporation and the acquisition of ConjuChem's tax losses.

9. Related Party Transactions

Following the initial public offering on June 28, 2005, the Fund had indirectly acquired a 53.2% interest in Colabor LP, with the remaining 46.8% interest in Colabor LP being held by Colabor Investments Inc. ("Investments") as exchangeable Colabor LP units.

Subsequent to the Summit and Bertrand acquisitions, Investments held an undiluted 25.9% interest and a diluted 20.8% interest in Colabor LP.

Subsequent to the conversion to a corporation and the conversion of debentures, Investments now holds an undiluted 22.0% and a diluted 18.6% interest in Colabor Group Inc., which enables it to exercise significant influence over GCL.

However, following the acquisition of Bertrand, RTD and Edfrex, Colabor Group Inc. now holds 18.12% of Colabor Investments Inc., which has a 5,087,349 share investment in Colabor Group Inc.

Related party transactions include the following:

- Sales to customers controlled by directors, which are on the same terms and conditions as sales to Company's other customers.
- Rebates to affiliated- and preferred wholesalers of Investments at the rate of 3% of their sales, as provided in the agreement in effect until 2015.
- Until 2022, the Company leases the building in which its head office and the Boucherville distribution centre are located from Investments.
- Under an agreement expiring in 2015, the Company pays fees to a subsidiary of Investments for computer services.

All of these transactions were concluded in the normal course of business and are measured at the exchange amount.

Related party transactions (unaudited, in thousands of dollars)

	2011-06-18 (84 days)	2010-06-12 (84 days)	2011-06-18 (169 days)	2010-06-19 (170 days)
	\$	\$	\$	\$
Sales to customers controlled by directors	495	3,258	3,265	5,921
Rebates	3,441	2,575	6,036	5,234
Rent	468	468	936	936
Computer services	111	210	239	433

10. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about \$2,553,000 in bank letters of guarantee, of which the main one of about \$2,028,000 supports one year of leasing the Boucherville distribution centre.

11. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. The Canadian economy continues to experience one of the most severe economic downturns of the past 40 years. Although there appears to be some improvement in the economy, in our opinion, the recovery will be slow and the 2011 year will be also be difficult in terms of competition between foodservice distributors, all the more so since the food services sector is generally the last sector to fully regain its robustness. Additionally, the phasing out of the governments' economic recovery plans will result in reduced government contributions to economic growth. Most governments have announced budget deficit reduction measures, including, among others, increases in commodity taxes, which may translate into decreased public administration spending, thereby potentially creating some uncertainty in the minds of consumers, who will reign in their discretionary spending.

Additionally, during the quarter, the economic activity in the restaurant sector was negatively impacted by poor weather conditions in eastern Canada and ongoing high fuel prices, which reduce household disposable income for eating out.

Colabor has prepared its business plan, described below, and believes that the current situation could offer more business opportunities that it is prepared to analyse for their potential to contribute to a strategic sales growth, with the objective of providing added value for the shareholders.

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase its penetration of the food services market in Canada.

Affiliated-wholesalers network in Quebec and the Atlantic Provinces

Despite a slowdown in the organic growth in the Wholesale Segment, management is convinced that these loyal, entrepreneurial, customer-service-driven affiliated-wholesalers will continue to grow their market share in their respective regions.

Consolidation of food distribution services

The Summit acquisition has made it possible for the Company to gain a foothold in Ontario, the most important foodservices market in Canada. Also, the Company could acquire other distributors operating in Ontario and use its business model to integrate any new acquisitions. This strategy has proven beneficial with, for example, the Bruce Edmeades and Skor Food Group Inc. acquisitions.

The Company could also acquire affiliated-wholesalers' networks in Quebec and in the Atlantic Provinces. This was the case with the recent acquisitions of RTD Distributions and Edfrex. This would allow it to complete its distribution network in Eastern Canada.

Geographic expansion

At this time, the Company is not present in Western Canada. Since this region was experiencing the fastest economic growth in the country in recent years, there is no doubt that expansion into this region could be beneficial, although it must be considered carefully in light of the labour availability issues. Additionally, a prerequisite to expansion in this region is developing a solid customer base before investing in new infrastructure.

Related sectors

The Company's mission is to provide its customers with one-stop shopping in the food distribution services market.

In the future, the Company could add a meat, fish, fruit and vegetables, packaged goods, natural and organic products and ethnic products distribution network, as was the case with the recent acquisition of Pêcheries Norref.

Convenience stores and small-sized grocery stores

The Company believes that, in the medium term, there will be opportunities to acquire convenience store networks currently owned by major food chains wishing to return to their original niche, serving medium- and large-sized grocery stores.

Outlook

Despite the economic downturn, these acquisition opportunities would make it possible for the Company to significantly increase its purchasing power and ability to generate cost savings in order to increase its net income.

12. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its Annual Information Form. In addition to those risks, the Company wishes to emphasize the industry-related risks that could impact profitability and return on investments and that are beyond management's control.

Industry-related risks that could impact profitability and that are beyond management's control:

- *Dependence on affiliated-wholesalers*

Sales generated by affiliated-wholesalers account for a significant portion of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.

This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses and through the acquisition of Edfrefx in 2011, RTD Distributions in 2010 and Bertrand in 2008. However, there is no assurance that Colabor LP would be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Colabor Investments Inc. to encourage the affiliated-wholesalers to increase their purchases from Colabor.

- *Absence of long-term agreements between affiliated-wholesalers and their customers*

In accordance with general industry practice, affiliated-wholesalers do not normally enter into long-term agreements with their customers. As a result, customers may, without notice or penalty, terminate their relationship with the affiliated-wholesalers. In addition, even if customers should decide to continue their relationship with the affiliated-wholesalers, there is no guarantee they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by the affiliated-wholesalers, or decrease in the volume purchased or the price paid by them for products, could affect the Company's sales and have an adverse effect on its financial condition and results of operations. In the past, affiliated-wholesalers, relying on their knowledge of their respective markets, have been able to differentiate themselves from their competitors by providing personalized services to their customers, in particular flexible delivery schedules and a product line tailored to their customers' needs. In management's view, there will be no change in this regard in the future

- *Customer choices*

Colabor's success also depends on the continuing interests of customers in its products. A change in customer choices could affect demand for Colabor's products.

- *Dependence on Cara and other chains*

Subsequent to the Summit acquisition, sales to Cara (including franchisees of Cara) represented a significant portion of the Company's sales. The loss of Cara as a customer, a decrease in purchases by Cara or a decrease in Cara's market share in the foodservice industry could have a material and adverse effect on the Company's financial condition, operating results and liquidity. This risk has been mitigated by the execution of a ten-year distribution agreement, with a five-year renewal option with Cara and through the Bertrand, RTD Distributions, Norref, Edfrex and Skor acquisitions.

- *Integration of acquired companies*

While some acquisitions are managed with little change, some could result in major streamlining. Difficulties encountered with such integrations could have an impact on the Company's results.

- *Product recall*

Colabor could have to deal with product recalls due to sanitation issues encountered by certain manufacturers. Such recalls can trigger a decrease in sales of certain types of products for a period of time and cause a slump in sales figures. At this time, Colabor has the necessary mechanisms in place to quickly trace contaminated products, return them to the manufacturer and recover the cost of the contaminated products from these manufacturers.

Return on investment

The return on an investment in Colabor Group Inc. is not comparable to the return on an investment in a fixed-income security. The return is based on many assumptions. Although the Company intends to pay quarterly dividends, such dividends may be reduced or suspended. The dividends paid will depend on numerous factors, in particular, the inherent industry risks described above and other risks described in the Company's Annual Information Form. Additionally, the market value of the shares could decline significantly if the Company is unable to respect its dividend payment objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the *Cash Flows* section.

Climate change

Colabor has very little climate change risk exposure.

13. Significant Accounting Measurements

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated events and actual economic conditions. Significant estimates relate exclusively to the allowance for excess or obsolete inventory, accounting for rebates from suppliers, goodwill and intangible assets.

- *Allowance for excess or obsolete inventory*

Inventory is valued at the lower of net realizable value or cost calculated using the first-in first-out method. The Company records an allowance for obsolescence that is calculated on the basis of assumptions relating to future demand for its products and conditions in the markets in which its products are sold. The allowance, which reduces inventory to the net realizable value, is then applied against inventory in the balance sheet. Management has to make estimates and exercise judgement when determining these allowances. If actual market conditions are less favourable than management's assumptions, additional allowances may be required.

- *Accounting for rebates from suppliers*

Colabor negotiates procurement contracts with its suppliers providing for the payment of rebates based on volumes purchased. The procurement contracts with suppliers are reviewed periodically and rebates adjusted according to prevailing market conditions.

- *Goodwill and intangible assets*

Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in fair value, it is tested for impairment. This impairment test consists of a comparison of the fair value of the Company's business with its carrying amount. If the carrying amount of the business exceeds its fair value, the Company compares the fair value of any goodwill relating to the business to its carrying amount. An impairment loss equal to the amount of the excess is charged to earnings. The fair value of the business is calculated using discounted cash flows.

Intangible assets include customer relationships and trademarks among others. Customer relationships are amortized on the straight-line basis over their estimated useful lives of 20 years for relationships with affiliated-wholesalers, 15 years for customer relationships with Cara and 3 to 10 years for relationships with other customers. Trademarks are not amortized.

14. Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all the information required is accumulated and communicated to the Group's management which ensure the information is reported appropriately. Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance regarding the completeness and reliability of financial reporting in accordance with IFRS.

The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer are responsible for the implementation and maintenance of DC&P and ICFR, in accordance with the guidance in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. They are supported in this task by the Disclosure Committee and the Audit Committee.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of DC&P as at June 18, 2011 and, based on that evaluation, concluded that they were effective at that date and adequately designed.

Also as at June 18, 2011, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of ICFR and, based on that evaluation, concluded that it was effective at that date and adequately designed.

The DC&P evaluation was performed using the control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation of the design and effectiveness of ICFR was performed in accordance with the COSO control framework for entity level and financial controls, and Control Objectives for Information and Related Technologies (COBIT) for general IT controls.

#Given the inherent limitations of any control systems, management's evaluation of controls can only provide reasonable, not absolute assurance that all control issues that may result in material misstatement, if any, have been detected.

Changes to Internal Controls over Financial Reporting

The Company completed the acquisition of the assets of RTD Distributions Ltée on September 21, 2010, the acquisition of all of the outstanding shares of Les Pêcheries Norref Québec Inc. on February 28, 2011, the acquisition of Edfrex Inc. on March 30, 2011 and the shares of The Skor Food Group Inc. on May 9, 2011. The Company availed itself of provision NI 52-109 3.3(1)(b) for these four acquisitions which permits exclusion of these acquisitions in the DC&P and ICFR evaluation for a maximum period of 365 days. The following information summarizes the acquisitions for the quarter ended June 18, 2011.

Sales:	\$85.8M
Net earnings:	\$1.6M
Current assets:	\$54.7M
Non-current assets:	\$8.8M
Current liabilities:	\$33.3M
Non-current liabilities:	\$4.6M

During the quarter year ended June 18, 2011, with the exception of the previously described acquisitions, no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting.

15. Conversion to International Financial Reporting Standards (“IFRS”)

The Company's financial statements are prepared in accordance with IFRS. Note 17 to the interim consolidated financial statements for the quarter ended June 18, 2011 explains the transition to IFRS.