Colabor Group Inc.

(formerly Colabor Income Fund)

Consolidated Financial Statements
December 31, 2009 and 2008

Raymond Chabot Grant Thornton

Auditors' Report

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To the shareholders of
Colabor Group Inc.

We have audited the consolidated balance sheets of Colabor Group Inc., as at December 31, 2009 and 2008 and the consolidated statements of earnings, retained earnings (deficit), contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP [1]

Montréal, February 12, 2010

[1] Chartered accountant auditor permit no. 21290

Colabor Group Inc.
Consolidated Earnings

Years ended December 31, 2009 and 2008

(in thousands of dollars, except earnings per share/unit)

	2009	2008
	$	$
Sales	1,182,481	1,146,102
Earnings before the following items	42,800	40,269
Financial expenses	6,265	7,263
Amortization of property, plant and equipment	3,864	4,039
Amortization of intangible assets	9,450	8,706
	19,579	20,008
	23,221	20,261
Expenses related to restructuring and conversion to corporation (Note 2)	2,125	
Expenses related to loss of a customer (Note 19)	416	
Earnings before income taxes and non-controlling interest	20,680	20,261
Income taxes (Notes 3 and 8)		
Current (recovery)	(1,642)	4,405
Future	1,650	863
	8	5,268
Earnings before non-controlling interest	20,672	14,993
Non-controlling interest (Note 17)	4,001	6,618
Net earnings and comprehensive income	16,671	8,375
Earnings per share/unit (Note 27)		
Basic	1.03	0.64
Diluted	0.94	0.64

The accompanying notes are an integral part of the consolidated financial statements and Notes 7 and 11 provide additional information on consolidated earnings.

Colabor Group Inc.
Consolidated Retained Earnings (Consolidated Deficit)
Consolidated Contributed Surplus

Years ended December 31, 2009 and 2008

(in thousands of dollars)

	2009	2008
	$	$
CONSOLIDATED RETAINED EARNINGS (CONSOLIDATED DEFICIT)		
Deficit, beginning of year	(17,236)	(11,797)
Net earnings	16,671	8,375
	(565)	(3,422)
Adjustment in non-controlling interest resulting from the increase in the Company's interest in Colabor LP (Note 4)		616
Dividends declared	(7,453)	
Distributions declared to unitholders	(10,160)	(14,430)
Decrease in the stated capital of the Company's shares without payment to the Company's shareholders (Note 18)	19,727	
Retained earnings (deficit), end of year	1,549	(17,236)
CONSOLIDATED CONTRIBUTED SURPLUS		
Balance, beginning of year	349	189
Compensation cost from long-term incentive plan (Note 18)	514	384
Acquisition of units by participants of long-term incentive plan (Note 18)	(416)	(224)
Balance, end of year	447	349

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

Colabor Group Inc.
Consolidated Cash Flows

Years ended December 31, 2009 and 2008

(in thousands of dollars)

	2009	2008
	$	$
OPERATING ACTIVITIES		
Net earnings	16,671	8,375
Non-cash items		
Amortization of property, plant and equipment	3,864	4,039
Amortization of intangible assets	9,450	8,706
Amortization of deferred financing expenses	121	110
Non-controlling interest	4,001	6,618
Future income taxes	1,650	863
Compensation cost from long-term incentive plan	514	384
Amortization of debenture transaction costs	1,000	910
	37,271	30,005
Changes in operating assets and liabilities (Note 9)	(17,366)	6,802
Cash flows from operating activities	19,905	36,807
INVESTING ACTIVITIES		
ConjuChem transaction (Note 3)	(5,000)	
Business acquisitions (Note 4)		(69,182)
Payment of balances of purchase price	(6,515)	
Property, plant and equipment	(2,670)	(2,340)
Cash flows from investing activities	(14,185)	(71,522)
FINANCING ACTIVITIES		
Bank loan	1,834	21,352
Financing expenses		(225)
Distributions paid to unitholders	(11,467)	(14,011)
Distributions paid to holders of exchangeable Colabor LP units	(4,004)	(5,476)
Repayment of long-term debt	(706)	(779)
Purchase of units held by the Fund for long-term incentive plan (Note 18)	(789)	(575)
Issue of trust units (Note 4)		38,022
Unit issue expenses		(1,534)
Cash flows from financing activities	(15,132)	36,774
Net change in bank overdraft	(9,412)	2,059
Bank overdraft, beginning of year	(7,714)	(9,773)
Bank overdraft, end of year	(17,126)	(7,714)

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

Colabor Group Inc.
Consolidated Balance Sheets
December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
ASSETS	$	$
Current assets		
Accounts receivable (Note 10)	75,438	80,804
Income taxes on revenue receivable	685	
Inventory (Note 11)	71,909	73,233
Prepaid expenses	1,500	1,664
Future income taxes (Note 8)	8,540	
	158,072	155,701
Deferred financing expenses	158	279
Share investment in Colabor Investments Inc., at cost (Notes 20 and 21)	6,159	6,159
Property, plant and equipment (Note 12)	13,835	15,029
Intangible assets (Note 13)	133,869	143,319
Goodwill	72,317	69,574
Future income taxes (Note 8)	1,802	
	386,212	390,061
LIABILITIES		
Current liabilities		
Bank overdraft	17,126	7,714
Accounts payable and accrued liabilities	65,762	85,945
Income taxes payable		1,855
Balance of purchase price payable, bearing interest at 4.5%	3,750	3,750
Balance of purchase price payable, non-interest bearing	6,331	6,353
Dividends payable	7,453	
Distributions payable to unitholders		1,307
Distributions payable to holders of exchangeable Colabor LP units		456
Sales rebates payable	13,808	15,166
Deferred revenue	961	1,115
Deferred credit (Notes 3 and 8)	7,290	
Instalments on long-term debt	636	707
	123,117	124,368
Bank loan (Note 14)	49,335	47,501
Balance of purchase price payable, bearing interest at 4.5%		3,750
Long-term debt (Note 15)	307	942
Debentures (Note 16)	46,711	45,725
Accrued benefit liability for employee benefits (Note 24)	787	772
Deferred credit (Notes 3 and 8)	19,875	
Future income taxes (Note 8)		17,414
Non-controlling interest (Notes 17)		29,713
	240,132	270,185
SHAREHOLDERS'/UNITHOLDERS' EQUITY		
Capital stock/Unitholders' capital account (Note 18)	143,018	135,323
Option to convert debentures	2,314	2,315
Contributed surplus	447	349
Shares/units held for the long-term incentive plan (Note 18)	(1,248)	(875)
Retained earnings (deficit)	1,549	(17,236)
	146,080	119,876
	386,212	390,061

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

On behalf of the Board

/S/ Robert Panet-Raymond
Director

/S/ Jacques Landreville
Director

Colabor Group Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

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

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Colabor Group Inc. (the "Company") is incorporated under the Canada Business Corporations Act. The Company and its wholly owned subsidiary, Colabor, Limited Partnership ("Colabor LP") distributes and markets food and food-related products in Canada.

On August 25, 2009, Colabor Income Fund (the "Fund") concluded a transaction with ConjuChem Biotechnologies Inc. ("ConjuChem") as a result of which the Fund, which was previously a publicly listed income fund, became the Company, a publicly listed corporation. Subsequent to this transaction, the Fund's unitholders became shareholders of the Company, without any other major change in operating activities.

2 - BASIS OF PRESENTATION AND CONVERSION TO A CORPORATION

On August 25, 2009, the Fund, which until that date had been a publicly listed income fund, became a publicly listed corporation as a result of a Plan of Arrangement with Conjuchem. In connection with the conversion to a Corporation, unitholders of the Fund exchanged their units for shares of the Company on a one-for-one basis. Additionally, unitholders who had a non-controlling interest converted their exchangeable Colabor LP units into shares of the Company and, the Company recognized the carrying amount of the non-controlling interest in capital stock. As a result of the increase of the Company's interest in Colabor LP, future income taxes in the amount of $2,759,000 are presented in capital stock. Total restructuring and conversion expenses of $2,125,000 were expensed.

To recognize the conversion, the Company applied EIC-170, "Conversion of an Unincorporated Entity to an Incorporated Entity". Accordingly, The Company is considered as the continuation of the Fund and, accordingly, these consolidated financial statements are prepared using the continuity of interests method. Under this method, the assets, liabilities and equity of the Fund transferred to the Company on the conclusion of the ConjuChem transaction are recognized at their net carrying amount. Due to the application of the continuity of interests method, some expressions, such as Company and Fund, shareholder and unitholder or dividend and distribution, may be used to describe the activities throughout these consolidated financial statements, depending on whether the transaction occurred before or after the conversion.

3 - ACQUISITION OF TAX ATTRIBUTES

In connection with the conversion of the Fund into a corporation, a cash consideration of $5,000,000 was paid for the acquisition of tax attributes of about $184,374,000 for federal purposes ($168,665,000 for Quebec purposes) comprised mainly of non-capital losses. Of these attributes, $141,138,000 for federal purposes ($125,528,000 for Quebec purposes), was recognized, for which a future income tax asset was recognized. The Company calculated current and future income taxes for the current year on the basis of its conversion to a corporation, whereas it had calculated current and future income taxes for the year ended December 31, 2008 as a publicly listed income fund.

Colabor Group Inc.
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(Amounts in the tables are in thousands of dollars, except earnings per share/unit)

3 - ACQUISITION OF TAX ATTRIBUTES (Continued)

As at the transaction date, the Company is deemed to have acquired ConjuChem's tax accounts and recognized the consideration paid, in accordance with EIC-110, "Accounting for acquired future tax benefits in certain purchase transactions that are not business combinations":

	Current	Long-term	Total
	$	$	$
Future income tax assets	6,363	32,483	38,846
Deferred credit	(5,544)	(28,302)	(33,846)
Cash consideration			5,000

The deferred credit will be amortized to income taxes and calculated proportionally to the utilization of the corresponding tax accounts.

4 - INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITION

a) Bruce Edmeades Co

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

Including the direct acquisition costs of $1,881,000, the purchase price was determined as follows:

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

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

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

4 - INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITION (Continued)

b) Bertrand

On April 28, 2008, through Colabor LP, the Fund purchased all of the shares of Gestion Bertrand & Frères Inc. ("Bertrand"), a company that carries on business in the foodservices distribution sector, for an amount initially estimated at $78,588,000. After obtaining the final documents from Bertrand and completing due diligence, on June 15, 2009, the purchase price was set at $81,331,000. Adjustment of the purchase price effectively increased the goodwill and the balances of the purchase price payable by $2,743,000. The breakdown of the purchase price is shown below. The operating results are consolidated in the statement of earnings since the acquisition date. Since the Fund financed Colabor LP to undertake this acquisition, the Fund's interest in Colabor LP increased from 66% to 74%, and the effect of the change in the interest is presented in the statement of consolidated deficit.

To finance this acquisition, on April 23, 2008, the Fund issued 3,830,000 subscription receipts for $10.45 each for a total of $40,023,500. Each subscription receipt entitles the holder to receive one unit of the Fund. On April 28, 2008, the subscription receipts were exchanged for units. Moreover, the Fund issued 800,000 units for $10.45 per unit to certain Bertrand shareholders for a total of $8,360,000.

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

	$
Accounts receivable	15,421
Inventory	10,139
Other current assets	665
Share investment in Colabor Investments Inc.	6,159
Property, plant and equipment	4,805
Customer relationships	22,366
Trademarks	11,268
Goodwill	37,799
Bank loan	(2,773)
Accounts payable and accrued liabilities	(9,929)
Income taxes payable	(1,072)
Long-term debt	(751)
Future income taxes	(11,389)
Purchase price	82,708
Issue of units to certain shareholders of Bertrand	(8,360)
Balance of purchase price payable, namely $7,500.000, bearing interest at 4.5%	(16,331)
Cash consideration paid	58,017

The Company expects that goodwill in the amount of $1,628,000 will be deductible for tax purposes.

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

4 - PUBLIC SHARE OFFERING AND BUSINESS ACQUISITIONS (Continued)

The acquisition was financed as follows:

	$
Purchase price	82,708
Estimated unit issue costs (i)	1,534
Financing costs	225
	84,467

	$
Issue of units (i)	38,022
Issue of units to certain shareholders of Bertrand (i)	8,360
Balance of purchase price payable	16,331
New credit facility (ii)	21,754
	84,467

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

(ii) The Fund negotiated a new operating credit facility with a banking syndicate in the amount of $100,000,000 for a three-year term (Note 14).

5 - CHANGES TO ACCOUNTING POLICIES

In January 1, 2009, in keeping with the applicable transitional provisions, the Fund retroactively adopted the new recommendations of the *Canadian Institute of Chartered Accountants' (CICA) Handbook* Section 3064, "Goodwill and intangible assets," which establishes the standards for the recognition, measurement and disclosure of information applicable to companies' goodwill and intangible assets by profit-oriented enterprises. However, the section does not apply to initial recognitions of goodwill and intangible assets generated within a group of companies. These new recommendations have no material effect on the Fund's results, cash flows or consolidated balance sheets.

In January 2009, the Emerging Issues Committee published EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," which clarifies the measurement of financial assets and liabilities, taking into account the credit risk specific to the Company and that of the counterparty in determining the fair value of financial assets and liabilities. These new recommendations have no significant effect on the Company's results, cash flows or consolidated balance sheets.

5 - CHANGES TO ACCOUNTING POLICIES (Continued)

In June 2009, the CICA published Highlight Summary 54, which, among others, includes several changes to Section 3862, "Financial Instruments – Disclosures." This section was modified to include new required disclosures related to determining the fair value of financial instruments and to the liquidity risk of financial instruments. These new recommendations have no effect on the Company's results, cash flow and consolidated balance sheets. The changes apply to the annual financial statements for fiscal years ending after September 30, 2009.

6 - ACCOUNTING POLICIES

Accounting estimates

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

Principles of consolidation

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

Revenue recognition

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

Inventory valuation

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

Suppliers rebates

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

6 - ACCOUNTING POLICIES (Continued)

Amortization

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

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

Customer relationships are amortized on a straight-line basis over their expected lives of 10, 15 or 20 years.

Deferred financing charges

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

Impairment of long-lived assets

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

Trademarks

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

6 - ACCOUNTING POLICIES (Continued)

Goodwill

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

Income taxes

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

Financial instruments

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

The Company classified accounts receivable as loans and receivables. The share investment in Colabor Investments Inc. was classified as available-for-sale financial assets and is recognized at cost because it is not traded on a public market. The bank overdraft, accounts payable and accrued liabilities, balances of purchase price payable, dividends payable, distributions payable to unitholders, sales rebates payable, bank loans, long-term debt and debentures are classified as other financial liabilities. Transaction costs associated with financial liabilities classified as other financial liabilities, other than financing expenses relating to the credit facility, are applied against these liabilities and amortized to net earnings in the financial expenses using the effective interest method.

6 - ACCOUNTING POLICIES (Continued)

Employee future benefits

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

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

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

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

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

For the group plans to which the Company contributes, the retirement expense recognized in the results corresponds to contributions the Company is bound to pay in exchange for services rendered by employees.

Earnings per share and information on number of shares

Earnings per share are calculated using the weighted average number of Company common shares outstanding during the years, less shares held as part of the long-term incentive plan. Diluted earnings per share is calculated by considering 1) the potential dilution that could occur if the shares bought under the long-term incentive plan were acquired at the beginning of the period or at the time they were purchased and 2) the conversion of debentures. The treasury stock method is used to determine the dilutive effect of shares bought under a long-term profit-sharing plan. This method assumes that the compensation cost not yet recognized is used to price redeem shares at the average market during the year. The "if-converted" conversion method is used for the conversion of debentures.

Stock-based compensation

The Company offers a long-term stock-based compensation plan (the "Plan") to some employees. During the rights vesting period, the Company recognizes a compensation expense based on the fair value of the shares on the award date.

Colabor Group Inc.
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December 31, 2009 and 2008

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

6 - ACCOUNTING POLICIES (Continued)

Under the terms of the Plan, shares purchased on the open market on behalf of Plan members are recognized at cost and applied against shareholders' 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.

7 - INFORMATION ON CONSOLIDATED EARNINGS

	2009	2008
	$	$
Other financial liabilities		
Interest on bank loan	1,487	2,634
Interest on long-term debt	37	96
Interest on debentures	3,434	3,442
Amortization of debenture transaction costs	1,000	910
	5,958	7,082
Amortization of deferred financing costs	121	110

8 - INCOME TAXES

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

	2009	2008
	%	%
Combined federal and provincial income tax rate	32.05	32.47
Deferred credit	(32.31)	
Non-controlling interest	(6.81)	(8.04)
Income tax rate adjustment	3.35	(6.01)
Increase in the Fund's interest in the subsidiaries		4.63
Non-tax deductible items	4.37	3.71
Other	(0.61)	(0.76)
	0.04	26.00

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

8 - INCOME TAXES (Continued)

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

	2009	2008
	$	$
Current assets		
Non-capital loss carry forwards	8,540	–

	2009	2008
	$	$
Long-term assets		
Non-capital loss carry forwards	18,755	
Property, plant and equipment	(1,002)	
Intangible assets	(14,217)	
Equity investment in Colabor Investments Inc.	(1,592)	
Goodwill	(3,413)	
Unit and debenture issue expenses	1,206	
Other	2,065	
	1,802	–
Long-term liabilities		
Property, plant and equipment		733
Intangible assets		13,888
Equity investment in Colabor Investments Inc.		1,640
Goodwill		2,885
Unit and debenture issue expenses		(1,633)
Other		(99)
	–	17,414

As at December 31, 2009, the Company had non-capital loss carryforwards not recognized in future income taxes that could serve to reduce the taxable earnings of future fiscal years by $43,236,000, maturing in 2025.

The deferred credit established following the conversion of the Fund into a Company, as presented in Note 3, varied as follows:

	$
Balance established during conversion	33,846
Amortization of deferred credit	6,681
Balance as at December 31, 2009	27,165
Portion disclosed in short term	7,290
Portion disclosed in long term	19,875

Colabor Group Inc.
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December 31, 2009 and 2008
(Amounts in the tables are in thousands of dollars, except earnings per share/unit)

9 - ADDITIONAL CONSOLIDATED CASH FLOW DISCLOSURES

Change in operating assets and liabilities:

	2009	2008
	$	$
Accounts receivable	5,366	(1,825)
Income taxes receivable	(685)	
Inventory	1,324	(8,492)
Prepaid expenses	164	20
Accounts payable and accrued liabilities	(20,183)	14,532
Income taxes payable	(1,855)	178
Sales rebates payable	(1,358)	1,713
Deferred revenue	(154)	656
Accrued employee benefit liability	15	20
	(17,366)	6,802

Cash flows relating to interest paid amount to $4,971,000 ($7,846,000 in 2008) and those relating to taxes paid amount to $898,000 ($4,227,000 in 2008).

10 - ACCOUNTS RECEIVABLE

	2009	2008
	$	$
Trade accounts (a)		
Customers controlled by directors (trustees in 2008)	664	350
Other	58,950	63,957
	59,614	64,307
Suppliers rebates receivable	15,722	14,950
Other	102	1,547
	75,438	80,804

(a) One customer accounts for 22% of total trade accounts receivable in 2009 (20% in 2008).

11 - INVENTORY

Inventory for an amount of $1,051,956,000 was recorded as an expense in consolidated earnings ($1,020,859,000 in 2008).

Colabor Group Inc.
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(Amounts in the tables are in thousands of dollars, except earnings per share/unit)

12 - PROPERTY, PLANT AND EQUIPMENT

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Land	63		63
Building	92	64	28
Furniture and fixtures	844	433	411
Warehouse equipment and vehicles	8,339	4,120	4,219
Road vehicles	4,387	2,107	2,280
Computer hardware and software	3,105	1,599	1,506
Distribution software	3,879	1,400	2,479
Leasehold improvements	4,159	1,310	2,849
	24,868	11,033	13,835

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

13 - INTANGIBLE ASSETS

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Customer relationships	136,040	30,026	106,014
Trademarks	27,855		27,855
	163,895	30,026	133,869

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

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14 - CREDIT FACILITY

As at December 31, 2009 and 2008, the credit facility is about $100,000,000. This credit facility matures in 2011 and is secured by a first ranking hypothec on the Company's assets.

As at December 31, 2009 and 2008, a letter of guarantee in the amount of $2,028,000 is used for one of the commitments described in Note 25.

The credit facility bears interest at the prime rate plus 0.25% (i.e. 2.50%) as at December 31, 2009 and at the prime rate plus 0.25% as at December 31, 2008 (i.e. 3.75%). The Company is required to comply with certain financial ratios and, as at December 31, 2009 and 2008, it is in compliance with these ratios.

15 - LONG-TERM DEBT

	2009	2008
	$	$
Bank loan, secured by furniture and fixtures, warehouse equipment and vehicles and distribution software having an amortized cost of $1,396,000 in 2009 ($1,477,000 in 2008), bank's base rate less 1.5% (2.75 % as at December 31, 2009; 3.75% as at December 31, 2008) payable in monthly instalments of $39,000, maturing in July, 2011 (a)	741	1,209
Bank loans secured by road vehicles having an amortized cost of $411,000 in 2009 ($639,000 in 2008) rate varying from 5% to 5.25%, payable in monthly instalments of $24,000, maturing in May, 2011	202	440
	943	1,649
Instalments due within one year	636	707
	307	942

(a) Under the terms of the credit agreement, the Company is required to comply with a financial ratio, which is respected as at December 31, 2009 and 2008.

The instalments on long-term debt for the next years are $636,000 in 2010 and $307,000 in 2011.

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16 - DEBENTURES

The par value of the debentures, which mature on December 31, 2011, is $49,055,000 as at December 31, 2009 ($49,070,000 in 2008). Interest, at the nominal rate of 7%, is payable semi-annually. The effective rate of the debentures is 9.69%. The Company can redeem the debentures between December 31, 2009 and December 31, 2010, by giving advance notice, at a price equal to the capital plus accrued and unpaid interest, provided the market rate is at least 125% of the conversion price. After December 31, 2010, the Company can redeem the debentures, by giving advance notice, at a price equal to the capital plus accrued and unpaid interest. The debentures are convertible into shares at the holder's option, at any time but no later than the close of business on the day immediately preceding the date specified by the Company for the redemption of the debentures, at a conversion price of $10.25 per share, which is a conversion rate of about 97,561 shares for $1,000,000 of debenture capital. Holders who convert their debentures will receive the accrued and unpaid interest thereon to the conversion date.

On July 25, 2009, debentures with a par value of $15,000 were converted into 1,463 units in accordance with the conversion rules in effect. The $14,000 carrying amount of these debentures and the $1,000 related conversion option were recognized in the unitholders' capital account.

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

17 - NON-CONTROLLING INTEREST

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

During the conversion of the Fund into a Company, Investments converted its exchangeable units in Colabor SC into Company shares. The Company thus recognized the carrying amount of the non-controlling interest in its capital stock. Because of the increase in the Company's holding in Colabor SC, future income taxes of $2,759,000.00 are recognized in capital stock.

	2009	2008
	$	$
Balance, beginning of year	29,713	29,187
Adjustment in non-controlling interest as a result of the increase in the Fund's interest in Colabor LP (Note 4)		(616)
Non-controlling interest	4,001	6,618
Distributions declared to holders of exchangeable Colabor LP units	(3,548)	(5,476)
During the conversion of the Fund into a Company, holders of non-controlling units exchanged their exchangeable units in Colabor SC for Company shares	(30,166)	
Balance, end of year	–	29,713

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18 - CAPITAL STOCK/UNITHOLDERS' CAPITAL ACCOUNT

Authorized as at December 31, 2009
Common shares
Unlimited number of common shares, voting and participating
Unlimited number of preferred shares issuable in series, whose designation, rights, restrictions and conditions related to each series shall be established at issue time

Authorized as at December 31, 2008
Units
Unlimited number of units, each entitling the holder to one vote
Unlimited number of special voting units of the Fund, each entitling the holder to one vote and attached to the exchangeable Colabor LP unit with which it was issued

Issued and fully paid
Change in number of shares/units outstanding and their total value

	Number of units/shares	$
Balance of shares outstanding as at December 31, 2007	9,896,048	88,905
Conversion of debentures in 2008 (Note 16)	44,682	442
Unit issues in 2008 during transaction described in Note 4b)	4,630,000	45,976
Balance of shares outstanding as at December 31, 2008	14,570,730	135,323
Conversion of debentures in 2009 (Note 16)	1,463	15
Conversion of the Fund into a Company on August 25, 2009 (Note 3)		
Exchange of units for common shares		
Cancellation of units	(14,572,193)	(135,338)
Common share issue	14,572,193	135,338
Exchange of special voting units and exchangeable units of Colabor SC for common shares		
Exchange of special voting units	5,087,439	
Exchange of exchangeable units of Colabor SC		30,166
Future income taxes due to increase in Company's holding in Colabor SC		(2,759)
Decrease in declared capital of Company shares without payment to Company shareholders on September 12, 2009		(19,727)
Balance of shares outstanding as at December 31, 2009	19,659,632	143,018

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18 - CAPITAL STOCK/UNITHOLDERS' CAPITAL ACCOUNT (Continued)

Change in number of special voting units outstanding and total value

	Number of voting units	$
Balance as at December 31, 2007 and at December 31, 2008	5,087,439	
Exchange of special voting units for common shares during conversion of the Fund into a Company (Note 3)	(5,087,439)	
Balance as at December 31, 2009	–	–

Long-term incentive plan

Under the terms of the Fund's long-term incentive plan (the "Plan") established on June 28, 2005, units could be issued to certain Fund employees based on the Fund's financial return based on certain distributable cash targets. The Fund or a trustee appointed to administer the Plan would purchase units in the market and hold the units until such time as ownership is vested to each participant. Following the conversion of the Fund into a Company, these units were converted into shares. Plan participants will be entitled to receive dividends on all shares held on their account prior to the applicable vesting date. Unvested shares held by the trustee for a plan participant will be forfeited if the participant resigns for a reason other than his retirement or is terminated for just cause prior to the applicable vesting date. In such an event, these shares will be sold and the proceeds returned to the Company. Dividends on these shares will also be remitted to the Company.

On February 25, 2009, under the terms of the long-term incentive plan, 37,439 units (with a cost of $416,000) were released. On the same date, the Company granted $789,000 under the plan and acquired 90,510 units on the market. For the year ended December 31, 2009, the compensation cost expensed was $514,000.

On February 27, 2008, under the terms of the long-term incentive plan, 19,704 units (with a cost of $224,000) were released. On the same date, the Company granted $575,000 under the plan and acquired 53,195 units on the market. For the year ended December 31, 2008, the compensation cost expensed was $384,000.

On August 25, 2009, during the conversion of the Fund into a Company, the plan stopped all new issues. As at December 31, 2009, the value of unreleased shares was $1,248,000. A stock option plan was approved by the shareholders, however the conditions remain to be determined by the directors.

19 - ECONOMIC DEPENDENCE

The Company signed supply contracts with customers expiring in 2012 and 2017. Sales to these customers amounted to 55% in 2009 (59% in 2008) of Company sales. One customer accounts for 19% of Company sales in 2009 (20% in 2008).

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19 - ECONOMIC DEPENDENCE (Continued)

The Company has lost a major distribution contract with a fast-food chain. This contract will end in February 2010. For the year 2009, sales to this customer were $129,382,000, equal to 11% of Company sales. The Company estimates the earnings before financial expenses, amortization and income taxes ("EBITDA") generated by this contract at $900,000, or 2% of the total EBITDA. As soon as the Company was informed that the contract would not be renewed, it announced layoffs and set aside a $416,000 provision for severance pay.

20 - RELATED PARTY TRANSACTIONS

	2009	2008
	$	$
Transactions with customers controlled by directors (trustees in 2008)		
Sales (a)	17,179	17,337
Transactions with Investments, an entity that has a significant influence on the Company		
Earnings (a)		
Rebates (b)	14,066	13,731
Selling, distribution and administration expenses		
Rent	2,028	2,028
Computer services	492	375
Balance sheets		
Equity investment in Colabor Investments Inc.	6,159	6,159
Sales rebates payable	13,086	13,833
Distribution software	962	365

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

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

21 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of equity investment in Colabor Investments Inc. was not determined given that the shares are not publicly traded.

The fair value of the bank loan, balance of the purchase price payable and long-term debt is equivalent to the carrying amount. The fair value was established by discounting the future cash flows using a rate that the Company would obtain for financial liabilities with similar terms and conditions and maturities.

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21 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of the liability component of the debentures is $48,250,000 ($37,570,000 in 2008). It was determined by discounting future cash flows at 7.75% (18% in 2008), the rate which the Company could obtain for non-convertible debentures with similar terms and conditions and maturities.

The Company has no financial instruments recognized at fair value in its consolidated statements.

22 - CAPITAL MANAGEMENT

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

The Company is subject to certain covenants with respect to its credit facilities, including a total interest-bearing debt ratio (excluding the debentures) to EBITDA and an interest coverage ratio.

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

	Requirements	2009	2008
Total interest bearing debt (excluding debentures)/ EBITDA (a)	Maximum of 3.00:1.00	1.31	1.18
EBITDA/financial expenses (a)	Minimum of 3.50:1.00	6.83	5.32

(a) These ratios are calculated over 12 consecutive months

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

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23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

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

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

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

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 1% fluctuation in the bank prime rate would have a $494,000 impact on net earnings in 2009 ($430,000 in 2008).

Credit risk

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

The Company's credit risk is primarily attributable to its trade accounts receivable. The credit risk related to trade accounts receivable is generally diversified, with the exception of one customer that accounts for 22% of trade accounts receivable as at December 31, 2009 (20% as at December 31, 2008). The Company requires a guarantee from some of its customers. As at December 31, 2009, the Company has guarantees for 21% of its trade accounts (15% as at December 31, 2008). The Company's policy is to have each customer undergo a credit check.

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

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23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)

The aging of trade accounts receivable was as follows:

	2009	2008
	$	$
Current	58,256	60,614
Overdue from 1 to 60 days	813	2,465
Overdue more than 61 days	2,164	1,888
	61,233	64,967
Less allowance for doubtful accounts	(1,619)	(660)
	59,614	64,307

The changes in the allowance for doubtful accounts recorded for trade accounts receivable are as follows:

	2009	2008
	$	$
Balance, beginning of year	660	266
Increase attributable to business acquisitions		789
	660	1,055
Expense for the year	1,644	586
Write-off of receivables	(685)	(981)
Balance, end of year	1,619	660

Liquidity risk

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

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23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)

Cash flows (including capital and interest) related to Company liabilities expire as follows:

	Maturing in less than 12 months	Maturing in 1 to 5 years
	$	$
Bank overdraft	17,126	
Accounts payable and accrued liabilities	65,762	
Balance of purchase price payable	10,250	
Dividends payable	7,453	
Sales rebates payable	13,808	
Long-term debt	674	319
Bank loan		49,335
Debentures	3,434	52,489
	118,507	102,143

24 - EMPLOYEE FUTURE BENEFITS

As at December 31, 2009, the Company has a defined benefit pension plan and contributes to group plans.

The total expense for group plans is $801,000 ($507,000 in 2008).

Total cash payments for employee future benefits, comprised of the Company's contributions to the defined benefit pension plan, were $127,000 ($216,000 in 2008).

The Company evaluates its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 each year. There is an actuarial valuation of the defined benefit pension plan for funding purposes every three years. The last actuarial valuation was as at December 1, 2006. The plan will be re-evaluated as at December 1, 2009 by September 1, 2010.

Information regarding the defined benefit pension plan is as follows:

	2009	2008
Accrued benefit obligation	$	$
Balance, beginning of year	3,262	4,209
Employee contributions	99	130
Current service costs	112	226
Interest receivable	239	226
Benefits paid	(96)	(93)
Actuarial loss (actuarial gain)	991	(1,436)
Balance, end of year	4,607	3,262

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24 - EMPLOYEE FUTURE BENEFITS (Continued)

	2009	2008
Plan assets	$	$
Fair value, beginning of year	3,167	3,449
Actual return	408	(535)
Employer contributions	127	216
Employee contributions	99	130
Benefits paid	(96)	(93)
Fair value, end of year	3,705	3,167
Funded status – Deficit	(902)	(95)
Unamortized net actuarial loss (unamortized net actuarial gain)	115	(677)
Accrued benefit liability for employee benefits	(787)	(772)

	2009	2008
Components of plan assets	%	%
Equity interests	57	50
Debt	37	45
Real estate	4	5
Cash	2	
	100	100

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

	2009	2008
	$	$
Current service costs	112	226
Interest receivable	239	226
Actual return on plan assets	(408)	535
Actuarial gain (actuarial loss)	(991)	1,436
Components of the cost of employee future benefits before adjustment to reflect the long-term nature of this cost	(1,048)	2,423
Adjustments to reflect the long-term nature of the cost of employee future benefits		
Difference between expected return and actual return on plan assets	214	(751)
Difference between the gain recognized for the year and the actual amount of the accrued benefit obligation for the year		
	1,008	(1,436)
Defined benefit costs recognized	174	236

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24 - EMPLOYEE FUTURE BENEFITS (Continued)

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

	2009	2008
	%	%
Accrued benefit obligation as of December 31		
Discount rate	5.85	7.00
Rate of compensation increase	3.20	3.20
Benefit costs for the year		
Discount rate	7.00	5.00
Expected long-term rate of return on plan assets	6.00	6.00
Rate of compensation increase	3.20	3.20

25 - COMMITMENTS

The Company has entered into various long-term leases and service contracts expiring until August 2022, which call for minimum lease payments of $93,373,000, including $30,305,000 to Investments. The Company's commitment under one of the leases is secured by a $2,028,000 bank letter of credit.

Minimum payments under the various leases and service contracts over the next five years total $11,829,000 in 2010, $10,918,000 in 2011, $10,942,000 in 2012, $9,914,000 in 2013 and $8,497,000 in 2014. These annual payments include $2,598,000 to Investments.

26 - SEGMENT DISCLOSURES

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

The accounting policies that apply to the reportable segments are the same as those described in the accounting policies. The Company evaluates performance according to EBITDA.

				2009
	Wholesale segment	Distribution segment	Head office	Total
	$	$	$	$
Segment sales	512,092	767,485		1,279,577
Inter-segment sales	(97,096)			(97,096)
Sales	414,996	767,485	–	1,182,481

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26 - SEGMENT DISCLOSURES (Continued)

				2009
	Wholesale segment	Distribution segment	Head office	Total
	$	$	$	$
Earnings (loss) before financial costs amortization, income taxes and non-controlling interest	23,152	23,488	(3,840)	42,800
Total assets	127,425	258,787	–	386,212
Acquisitions				
Property, plant and equipment	894	1,776	–	2,670
Goodwill (Note 4b)	–	2,743	–	2,743

				2008
	Wholesale segment	Distribution segment	Head office	Total
	$	$	$	$
Segment sales	485,215	725,225		1,210,440
Inter-segment sales	(64,338)			(64,338)
Sales	420,877	725,225	–	1,146,102
Earnings (loss) before financial costs amortization, income taxes and non-controlling interest	23,163	20,718	(3,612)	40,269
Total assets	121,130	268,931	–	390,061
Acquisitions				
Property, plant and equipment	779	7,397	–	8,176
Intangible assets	–	34,976	–	34,976
Goodwill (Note 4)	–	35,595	–	35,595

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27 - EARNINGS PER SHARE/UNIT

The following table presents the basic and diluted earnings per share/unit

		2009			2008
Net earnings	Weighted average number of shares	Net basic earnings per share	Net earnings	Weighted average number of units	Net basic and diluted earnings per unit
$		$	$		$
16,671	16,243,665	1.03	8,375	12,992,392	0.64

Earnings for calculation of net dilutedearnings per share	Weighted average number of shares	Net diluted earnings per share
		$
19,775	21,029,519	0.94

Units that were hypothetically issued after the conversion of convertible debentures were not included in the calculation of diluted net earnings per unit in 2008 because they had an antidilutive effect.

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

28 - NEW ACCOUNTING POLICIES PUBLISHED BUT NOT YET ADOPTED

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

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

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

Other new standards were published, but should not have a material effect on the Company's financial statements.