Colabor Group Inc.

Consolidated Financial Statements
December 31, 2010 and 2009

Independent Auditor's Report

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To the Shareholders of
Colabor Group Inc.

We have audited the accompanying consolidated financial statements of Colabor Group Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings and comprehensive income, retained earnings (deficit), contributed surplus and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Colabor Group Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/ Raymond Chabot Grant Thornton LLP [1]

Montréal
March 7, 2011

[1] Chartered accountant auditor permit no. 21290

Colabor Group Inc.
Consolidated Earnings and Comprehensive Income

Years ended December 31, 2010 and 2009

(In thousands of dollars, except earnings per share)

	2010	2009
	$	$
Sales	1,051,960	1,182,481
Earnings before the following items	37,416	42,800
Costs not related to current operations (Note 7)	911	2,541
	36,505	40,259
Financial expenses	6,178	6,265
Amortization of property, plant and equipment	3,987	3,864
Amortization of intangible assets	9,758	9,450
	19,923	19,579
Earnings before income taxes and non-controlling interest	16,582	20,680
Income taxes (Notes 5 and 9)		
Current (recovery)		(1,642)
Future	350	1,650
	350	8
Earnings before non-controlling interest	16,232	20,672
Non-controlling interest (Note 19)		4,001
Net earnings and comprehensive income	16,232	16,671
Earnings per share (Note 29)		
Basic	0.76	1.03
Diluted	0.76	0.94

The accompanying notes are an integral part of the consolidated financial statements and Notes 8 and 12 provide additional information on consolidated earnings.

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

Years ended December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
	$	$
CONSOLIDATED RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), beginning of year	1,549	(17,236)
Net earnings	16,232	16,671
	17,781	(565)
Dividends declared	(24,000)	(7,453)
Distributions declared to unitholders		(10,160)
Decrease in the stated capital of the Company's shares without payment to the Company's shareholders (Note 20)		19,727
Retained earnings (deficit), end of year	(6,219)	1,549
CONSOLIDATED CONTRIBUTED SURPLUS		
Balance, beginning of year	447	349
Costs of stock-based compensation plan (Note 20)	596	514
Acquisition of shares/units by participants of the long-term incentive plan (Note 20)	(530)	(416)
Balance, end of year	513	447

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

Colabor Group Inc.
Consolidated Cash Flows
Years ended December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net earnings	16,232	16,671
Non-cash items		
Amortization of property, plant and equipment	3,987	3,864
Amortization of intangible assets	9,758	9,450
Amortization of deferred financing expenses	121	121
Non-controlling interest		4,001
Future income taxes	350	1,650
Cost from stock-based compensation plan	596	514
Non-cash portion of the implicit interest on debentures	1,034	1,000
	32,078	37,271
Changes in working capital items (Note 10)	2,722	(17,366)
Cash flows from operating activities	34,800	19,905
INVESTING ACTIVITIES		
Business acquisition (Note 4)	(22,335)	
ConjuChem transaction (Note 5)		(5,000)
Payment of balances of purchase price		(6,515)
Property, plant and equipment	(2,241)	(2,670)
Cash flows from investing activities	(24,576)	(14,185)
FINANCING ACTIVITIES		
Bank loan	(24,990)	1,834
Issue of convertible debentures (Note 3)	47,500	
Dividends paid	(25,249)	
Distributions paid to unitholders		(11,467)
Distributions paid to holders of exchangeable Colabor LP units		(4,004)
Repayment of long-term debt	(850)	(706)
Purchase of shares/units held by the Company for stock-based compensation plans (Note 20)	(218)	(789)
Cash flows from financing activities	(3,807)	(15,132)
Net change in bank overdraft	6,417	(9,412)
Bank overdraft, beginning of year	(17,126)	(7,714)
Bank overdraft, end of year	(10,709)	(17,126)

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

Colabor Group Inc.
Consolidated Balance Sheets

December 31, 2010 and 2009
(In thousands of dollars)

	2010	2009
ASSETS	$	$
Current assets		
Accounts receivable (Note 11)	82,540	75,438
Income taxes receivable	2,694	685
Inventory (Note 12)	69,669	71,909
Prepaid expenses	1,484	1,500
Future income taxes (Note 9)	7,928	8,540
	164,315	158,072
Deferred financing expenses	37	158
Share investment in Colabor Investments Inc., at cost (Note 22)	8,569	6,159
Property, plant and equipment (Note 13)	13,651	13,835
Intangible assets (Note 14)	134,264	133,869
Goodwill	78,928	72,317
Future income taxes (Note 9)		1,802
	399,764	386,212
LIABILITIES		
Current liabilities		
Bank overdraft	10,709	17,126
Accounts payable and accrued liabilities	69,365	65,762
Dividends payable	6,204	7,453
Sales rebates payable	14,283	13,808
Balances of purchase price payable (Note 15)	13,236	10,081
Deferred revenue	491	961
Deferred credit (Notes 5 and 9)	7,110	7,290
Bank loan (Note 16)	24,345	
Debentures (Note 18)	13,905	
Instalments on long-term debt	307	636
	159,955	123,117
Bank loan (Note 16)		49,335
Balances of purchase price payable (Note 15)	1,143	
Long-term debt (Note 17)		307
Debentures (Notes 3 and 18)	45,500	46,711
Accrued benefit liability for employee benefits (Note 26)	526	787
Deferred credit (Notes 5 and 9)	14,197	19,875
Future income taxes (Note 9)	3,913	
	225,234	240,132
SHAREHOLDERS' EQUITY		
Capital stock (Note 20)	178,124	143,018
Option to convert debentures	3,048	2,314
Contributed surplus	513	447
Shares held for the stock-based compensation plans (Note 20)	(936)	(1,248)
Retained earnings (deficit)	(6,219)	1,549
	174,530	146,080
	399,764	386,212

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, 2010 and 2009
(Amounts in the tables are in thousands of dollars, except earnings per share.)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Colabor Group Inc. is incorporated under the Canada Business Corporations Act. Colabor Group Inc. and its subsidiaries (the "Company") 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 units in Colabor, Limited Partnership ("Colabor LP"), a subsidiary of the Company, 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 and are presented in expenses not related to current transactions.

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 - CONVERTIBLE DEBENTURES ISSUE

On April 27, 2010, the Company issued a total of $50,000,000 of unsecured subordinated debentures. The Company’s net proceeds after deducting underwriters' fees of $2,000,000 and $500,000 in other costs were $47,500,000 (Note 18).

The net proceeds of the offering were used by the Company to enhance its financial flexibility by reducing its bank loan.

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

4 - BUSINESS ACQUISITION

On September 21, 2010, the Company acquired substantially all of the net asset of RTD Distributions Ltée ("RTD"), a company carrying on business in the foodservices distribution sector. The results of operations are consolidated in the statement of earnings since the acquisition date. The assets acquired also include all of the outstanding shares of Transport Paul-Émile Dubé Ltée and a 3.85% interest in Colabor Investments Inc.

Including direct acquisition costs of $505,000, the preliminary purchase price allocation was determined as follows:

	$
Trade accounts receivable	10,137
Inventory	4,800
Prepaid expenses	934
Property, plant and equipment	1,562
Investment in shares of Colabor Investments Inc.	2,410
Customer relationships	10,153
Goodwill	6,611
Accounts payable and accrued liabilities	(9,567)
Income taxes payable	(74)
Long-term debt	(214)
Future income taxes	(119)
Purchase price	26,633
Balances of purchase price	(4,298)
Cash consideration paid	22,335

The purchase price allocation has not been finalized. Management is currently concluding its evaluation of the assets acquired and liabilities assumed.

The Company expects that goodwill in the amount of $4,958,000 will be deductible for tax purposes.

5 - ACQUISITION OF TAX ATTRIBUTES

In 2009, 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 ($125,428,000 for Quebec purposes) was recognized, for which a future income tax asset was recognized.

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5 - 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 as follows, in accordance with EIC-110, "Accounting for Acquired Future Tax Benefits in Certain Purchase Transactions that are not Business Combinations":

	$
Future income tax asset	38,846
Deferred credit	(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.

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, the cost of stock-based compensation plans 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.

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

6 - ACCOUNTING POLICIES (Continued)

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.

Amortization

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

	Methods	Rate and periods
Building	Straight-line	20 years
Furniture, 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 3 to 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.

6 - ACCOUNTING POLICIES (Continued)

Trademarks

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

Goodwill

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

Income taxes

The 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. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

Debentures

The convertible debentures are separated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in shareholders’ equity.

The equity component represents the fair value of the conversion right granted to the holder, which remains a fixed amount over the term of the related convertible debentures. Debentures issue costs are applied against the two components based on their proportionate fair value.

The debt component presented on the balance sheet increases over the term of the debenture to the full face value of the outstanding debentures at maturity. The difference, that is, the accretion on convertible debentures, is presented as implicit interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the debentures.

Upon conversion of the debentures into common shares by the holders, both of the above-mentioned components are transferred to capital stock.

6 - ACCOUNTING POLICIES (Continued)

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, 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 resulting from a change in fair value 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 does not have a quoted market price in an active market. The bank overdraft, accounts payable and accrued liabilities, balances of purchase price payable, dividends payable, sales rebates payable, bank loan, 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.

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 14 years.

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6 - ACCOUNTING POLICIES (Continued)

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

Stock-based compensation

– **Long-term incentive plan**

The Company has a long-term incentive plan (LTIP) for certain employees. During the vesting period, the Company recognizes a compensation expense based on the fair value of the shares on the award date with a corresponding increase in contributed surplus.

Under the LTIP, 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.

– **Stock option plan**

The Company has a stock option plan for certain of its officers and employees. The Company uses the fair value method to recognize options awarded. The compensation cost is measured on the award date at the fair value of the options and recognized over the related service period with a corresponding increase in contributed surplus. The impact of any change in the number of options acquired is recognized in the period the estimate is revised. Any consideration received from employees when options are exercised or shares purchased is included in capital stock and the corresponding compensation cost is recognized as contributed surplus.

– **Performance stock unit plan**

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

Under the PSU plan, shares purchased on the open market on behalf of plan members are recognized at cost 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.

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

6 - ACCOUNTING POLICIES (Continued)

– **Employee stock ownership plan**

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

– **Directors' share units plan**

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

Earnings per share and information on number of shares

Earnings per share are computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The treasury stock method is used to determine the dilutive effect of stock options and shares awarded under the LTIP and the PSU. The treasury stock method assumes that proceeds received from the exercise of stock options are used to purchase common shares at the average market price during the period. With respect to the LTIP and the PSU plan, this method assumes that the unrecognized compensation cost is used to redeem shares at their average market price during the period. The "if-converted" method is used for the conversion of debentures.

7 - COSTS NOT RELATED TO CURRENT OPERATIONS

	2010	2009
	$	$
Direct costs of business acquisition that did not occur	274	
Direct costs of converting the financial statements to International Financial Reporting Standards (IFRS)	137	
Special allocation to an officer	500	
Costs related to the restructuring and conversion to a corporation (Note 2)		2,125
Severance bonuses related to the reorganization following the loss of a major customer		416
	911	2,541

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

8 - INFORMATION ON CONSOLIDATED EARNINGS

	2010	2009
	$	$
Other financial liabilities		
Interest on bank loan	832	1,487
Interest on long-term debt	15	37
Implicit interest on debentures	5,040	4,434
	5,887	5,958
Amortization of deferred financing costs	121	121

9 - INCOME TAXES

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

	2010	2009
	%	%
Combined federal and provincial income tax rate	30.46	32.05
Deferred credit	(35.33)	(32.31)
Non-controlling interest		(6.81)
Income tax rate adjustment	3.13	3.35
Non-tax deductible items	3.82	4.37
Other	0.03	(0.61)
	2.11	0.04

The future income taxes result from the difference between the tax basis and the carrying amount of the following items:

	2010	2009
	$	$
Current assets		
Non-capital loss carry-forwards	7,928	8,540
Long-term assets (liabilities)		
Non-capital loss carry-forwards	14,067	18,755
Property, plant and equipment	(696)	(1,002)
Intangible assets	(12,749)	(14,217)
Equity investment in Colabor Investments Inc.	(1,576)	(1,592)
Goodwill	(3,498)	(3,413)
Unit and debenture issue expenses	572	1,206
Other	(33)	2,065
	(3,913)	1,802

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9 - INCOME TAXES (Continued)

As at December 31, 2010, the Company had non-capital loss carry-forwards not recognized in future income taxes that could serve to reduce the taxable earnings of future years by $43,236,000, maturing in 2025.

The deferred credit established following the conversion of the Fund into a corporation, as presented in Note 5, varied as follows:

	$
Balance established during conversion	33,846
Amortization of deferred credit in 2009	6,681
Balance as at December 31, 2009	27,165
Amortization of deferred credit in 2010	5,858
Balance as at December 31, 2010	21,307
Portion disclosed in short term	7,110
Portion disclosed in long term	14,197

10 - ADDITIONAL CONSOLIDATED CASH FLOWS DISCLOSURES

Changes in working capital items between the two years or since the business acquisition, as the case may be:

	2010	2009
	$	$
Accounts receivable	3,035	5,366
Income taxes receivable	(2,083)	(685)
Inventory	7,040	1,324
Prepaid expenses	950	164
Accounts payable and accrued liabilities	(5,964)	(20,183)
Income taxes payable		(1,855)
Sales rebates payable	475	(1,358)
Deferred revenue	(470)	(154)
Accrued employee benefit liability	(261)	15
	2,722	(17,366)

Cash flows relating to interest paid amount to $4,442,000 ($4,971,000 in 2009) and those relating to taxes paid amount to $2,083,000 ($898,000 in 2009).

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

11 - ACCOUNTS RECEIVABLE

	2010	2009
	$	$
Trade accounts (a)		
Customers controlled by directors	459	664
Other	63,890	58,950
	64,349	59,614
Suppliers rebates receivable	16,332	15,722
Other	1,859	102
	82,540	75,438

(a) One customer accounts for 21% of total trade accounts receivable in 2010 (22% in 2009).

12 - INVENTORY

Inventory for an amount of $931,008,000 was recorded as an expense in consolidated earnings ($1,051,956,000 in 2009).

13 - PROPERTY, PLANT AND EQUIPMENT

			2010
	Cost	Accumulated amortization	Net
	$	$	$
Land	63		63
Building	92	85	7
Furniture	772	416	356
Warehouse equipment and vehicles	8,774	4,494	4,280
Road vehicles	4,594	2,300	2,294
Computer hardware and software	3,292	1,665	1,627
Distribution software	4,773	2,042	2,731
Leasehold improvements	4,230	1,937	2,293
	26,590	12,939	13,651

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

13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

			2009
	Cost	Accumulated amortization	Net
	$	$	$
Land	63		63
Building	92	64	28
Furniture	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

14 - INTANGIBLE ASSETS

			2010
	Cost	Accumulated amortization	Net
	$	$	$
Customer relationships	146,193	39,784	106,409
Trademarks	27,855		27,855
	174,048	39,784	134,264

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

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15 - BALANCES OF PURCHASE PRICE PAYABLE

The balances of purchase price payable relate to business acquisitions.

	2010	2009
	$	$
Non-interest bearing	6,331	6,331
Bearing interest at 4.5%	3,750	3,750
Bearing interest at the base rate less 1% (2% as at December 31, 2010)	4,298	
	14,379	10,081
Instalments due within one year	13,236	10,081
Instalment due in 2012	1,143	–

16 - CREDIT FACILITY

As at December 31, 2010 and 2009, the credit facility is about $100,000,000. This credit facility is secured by a first ranking hypothec on the Company's assets.

As at December 31, 2010 and 2009, a letter of guarantee in the amount of $2,028,000 is used for one of the commitments described in Note 27.

The credit facility bears interest at the prime rate (i.e. 3%) as at December 31, 2010 and at the prime rate plus 0.25% as at December 31, 2009 (i.e. 2.5%). The Company is required to comply with certain financial ratios and these ratios have an impact on the credit facility interest rate. As at December 31, 2010 and 2009, it is in compliance with these ratios.

As at December 31, 2010, the bank loan is presented on a short-term basis because the Company had not renewed the existing agreement expiring on April 28, 2011. The Company is currently negotiating with its lenders to increase its credit facilities and management considers it should be able to renew for a five-year period before April 28, 2011.

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17 - LONG-TERM DEBT

	2010	2009
	$	$
Debt, secured by furniture, warehouse equipment and vehicles and distribution software having an amortized cost of $1,116,000 in 2010 ($1,396,000 in 2009), bank's base rate less 1.5% (3.5% as at December 31, 2010; 2.75% as at December 31, 2009), maturing in July 2011 (a)	273	741
Debts, secured by road vehicles having an amortized cost of $87,000 in 2010 ($411,000 in 2009), rate varying from 5% to 5.25%, maturing in May 2011	34	202
	307	943
Instalments due within one year	307	636
	–	307

(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, 2010 and 2009.

18 - DEBENTURES

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

Interest is payable semi-annually. The effective interest rate of the debentures is 9.69%. After December 31, 2010, the Company may redeem the debentures by giving advance notice, at a price equivalent to their capital plus accrued and unpaid interest. The debentures are subordinated, unsecured and 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 to redeem the debentures, at a conversion price of $10.25 per share, which corresponds to a conversion rate of about 97,561 shares per $1,000,000 of debenture capital. Holders who convert their debentures will receive the accrued and unpaid interest on such debentures to the conversion date.

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18 - DEBENTURES (Continued)

	Par value	Carrying amount Debentures	Carrying amount Conversion option
	$	$	$
Balance as at December 31, 2008	49,070	45,725	2,315
Conversion into 1,463 shares during the year. The carrying amount of the converted debentures and the related conversion option was recognized in share capital	(15)	(14)	(1)
Amortization of debenture transaction costs		1,000	
Balance as at December 31, 2009	49,055	46,711	2,314
Conversion into 3,393,932 shares during the year. The carrying amount of the converted debentures and the related conversion option was recognized in share capital	(34,788)	(33,465)	(1,641)
Amortization of debenture transaction costs		659	
Balance as at December 31, 2010	14,267	13,905	673

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

Interest is payable semi-annually. The effective interest rate of the debentures is 7.54%. The Company may redeem the debentures between May 1, 2015 and April 30, 2016, by giving advance notice, at a price equivalent to their capital plus accrued and unpaid interest, provided the market price is equivalent to at least 125% of the conversion price. After April 30, 2016, the Company may redeem the debentures by giving advance notice, at a price equivalent to their capital plus accrued and unpaid interest. The debentures are subordinated, unsecured and 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 to redeem the debentures, at a conversion price of $16.85 per share, which corresponds to a conversion rate of about 59,347 shares per $1,000,000 of debenture capital. Holders who convert their debentures will receive any accrued and unpaid interest on such debentures for the period from the last interest payment date to the last reference date, inclusively, before the conversion to determine the right to receive dividends on common shares. It is understood that if there is no reference date between the last interest payment date and the conversion date, no interest shall be paid for that period.

	Par value	Carrying amount Debentures	Carrying amount Conversion option
	$	$	$
April 27, 2010 issue (Note 3)	50,000	45,125	2,375
Amortization of debenture transaction costs		375	
Balance as at December 31, 2010	50,000	45,500	2,375

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19 - NON-CONTROLLING INTEREST

The non-controlling interest represented the 5,087,439 exchangeable units of Colabor LP issued to Colabor Investments Inc. 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 corporation, Colabor Investments Inc. 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 are recognized in capital stock.

	2009
	$
Balance, beginning of year	29,713
Non-controlling interest	4,001
Distributions declared to holders of exchangeable Colabor LP units	(3,548)
During the conversion of the Fund into a corporation, holders of non-controlling units exchanged their exchangeable units in Colabor SC for Company shares	(30,166)
Balance, end of year	–

20 - CAPITAL STOCK

Authorized

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

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20 - CAPITAL STOCK (Continued)

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

	Number of units/shares	$
Units outstanding as at December 31, 2008	14,570,730	135,323
Conversion of debentures in 2009 (Note 18)	1,463	15
Conversion of the Fund into a corporation on August 25, 2009 (Note 2)		
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 the stated 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
Conversion of debentures in 2010 (Note 18)	3,393,932	35,106
Outstanding common shares as at December 31, 2010	23,053,564	178,124

Change in number of special voting units outstanding and total value:

	Number of special units	$
Balance as at December 31, 2008	5,087,439	
Exchange of special voting units for common shares during conversion of the Fund into a corporation (Note 2)	(5,087,439)	
Balance as at December 31, 2009	–	–

Stock option plan

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

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

20 - CAPITAL STOCK (Continued)

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

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

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

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

Under the terms of the Option Plan, on March 1, 2010, the Board of Directors granted to the Company's officers 70,000 options for $11.49 expiring on March 1, 2017. On April 30, 2010, an additional 117,500 options at $12.10 expiring on April 30, 2017 were granted to other officers. As at December 31, 2010, there are 187,500 outstanding stock options and none are exercisable.

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

Risk-free interest rate	2.85%
Expected volatility of shares	24%
Expected annual dividend	$1.08
Expected term (in years)	5.5 years

The compensation cost expensed pursuant to the Option Plan is $82,000.

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20 - CAPITAL STOCK (Continued)

Long-term incentive plan

Under the terms of the Fund's LTIP established on June 28, 2005, units could be issued to certain Fund employees based on the Fund's financial return with respect to certain distributable cash targets. The Fund or a trustee appointed to administer the LTIP 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 corporation, these units were converted into shares. LTIP participants are 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 LTIP 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 August 25, 2009, during the conversion of the Fund into a corporation, the LTIP ceased all new issues.

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

On February 24, 2010, under the terms of the LTIP, 55,653 shares (with a cost of $530,000) were released. Moreover, during the year, the Company sold on the market 1,860 shares for a total of $22,000 following the withdrawal of a participant. On August 25, 2009, during the conversion of the Fund into a corporation, the plan stopped all new issues. As at December 31, 2010, there are 30,172 shares that have not been released under the LTIP.

The compensation cost expensed under the LTIP is $446,000.

Performance stock unit plan

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

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

The compensation cost expensed under this plan is $68,000.

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20 - CAPITAL STOCK (Continued)

Directors' share units plan

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

No DSUs have been granted under this plan.

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.

During the year ended December 31, 2010, the Company did not redeem any shares.

21 - ECONOMIC DEPENDENCE

The Company signed supply contracts with customers expiring between 2012 and 2017. Sales to these customers amounted to 62% in 2010 (55% in 2009) of Company sales. One customer in the Distribution Segment accounts for 21% of Company sales in 2010 (19% in 2009).

22 - RELATED PARTY TRANSACTIONS

	2010	2009
	$	$
Transactions with customers controlled by directors		
Sales (a)	14,862	17,179
Transactions with Colabor Investments Inc., an entity that has a significant influence over the Company (c)		
Earnings (a)		
Rebates (b)	13,943	14,066
Selling, distribution and administration expenses		
Rent	2,028	2,028
Computer services	472	492
Balance sheets		
Equity investment in Colabor Investments Inc.	8,569	6,159
Sales rebates payable	13,663	13,086
Distribution software	659	962

22 - RELATED PARTY TRANSACTIONS (Continued)

(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 Colabor Investments Inc. in accordance with various contracts governing the relationships between the Company and Colabor Investments Inc. since the Fund's initial public offering in 2005.

(c) As at December 31, 2010, the Company owns 15.62% of the outstanding shares of Colabor Investments Inc. (11.77% in 2009). The changes between the two years is attributable to a business acquisition (see Note 4).

23 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of accounts receivable, bank overdraft, accounts payable and accrued liabilities, dividends payable 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, balances of 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 rates that the Company would obtain for financial liabilities with similar terms and conditions and maturities.

The fair value of the liability component of the debentures is $59,735,000 ($48,250,000 in 2009). It was determined by discounting future cash flows at 5.25% for debentures maturing on December 31, 2011 and 7.75% for those maturing on April 30, 2017 (7.75% in 2009 for debentures maturing on December 31, 2011), 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 balance sheets.

24 - 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. As was the case in 2009, 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.

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

24 - CAPITAL MANAGEMENT (Continued)

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	2010	2009
Total interest bearing debt (excluding debentures)/ EBITDA (a)	Maximum of 3.00:1.00	0.86	1.31
EBITDA/financial expenses (a)	Minimum of 3.50:1.00	5.96	6.83

(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 (see Note 20), issue new shares, raise capital through debt instruments (secured, unsecured, convertible or other) or refinance current debt through various instruments with different characteristics.

25 - 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 investing and financing 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 balances of purchase price 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 loan and the major portion of long-term debt and certain balances of purchase price 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 risk exposure through an appropriate mix of fixed-rate and variable-rate financial liabilities.

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

The sensitivity analysis includes items bearing interest at variable rates and indicates that a 1% fluctuation in the bank prime rate would have a $301,000 impact on net earnings in 2010 ($494,000 in 2009).

Credit risk

The carrying amount on the balance sheet of accounts receivable, net of 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 21% of trade accounts receivable as at December 31, 2010 (22% as at December 31, 2009). The Company requires a guarantee from some of its customers. As at December 31, 2010, the Company has guarantees for 22% of its trade accounts (21% as at December 31, 2009). 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.

The aging of trade accounts receivable was as follows:

	2010	2009
	$	$
Current	63,783	58,256
Overdue from 1 to 60 days	705	813
Overdue more than 60 days	831	2,164
	65,319	61,233
Allowance for doubtful accounts	(970)	(1,619)
	64,349	59,614

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

	2010	2009
	$	$
Balance, beginning of year	1,619	660
Increase attributable to business acquisitions	146	
	1,765	660
Expense for the year	496	1,644
Write-off of receivables	(1,291)	(685)
Balance, end of year	970	1,619

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

Liquidity risk

The Company establishes budget and cash estimates to ensure it has the necessary funds, in particular through its credit facilities, to fulfil its obligations. In light of the cash sources available to the Company, management believes that the liquidity risk is low.

Contractual undiscounted 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	Maturing in over 5 years
	$	$	$
Bank overdraft	10,709		
Accounts payable and accrued liabilities	71,084		
Balances of purchase price payable	13,445	1,159	
Dividends payable	6,204		
Sales rebates payable	14,283		
Long-term debt	315		
Bank loan	24,345		
Debentures	18,116	11,400	53,800
	158,501	12,559	53,800

As at December 31, 2010, the bank loan is presented on a short-term basis because the Company had not renewed the existing agreement expiring on April 28, 2011. The Company is currently negotiating with its lenders to increase its credit facilities and management considers it should be able to renew for a five-year period before April 28, 2011.

26 - EMPLOYEE FUTURE BENEFITS

As at December 31, 2010, the Company has a defined benefit pension plan and contributes to group plans.

The total expense for group plans is $836,000 ($801,000 in 2009).

Total cash payments for employee future benefits, comprised of the Company's contributions to the defined benefit pension plan and group plans, were $1,272,000 ($928,000 in 2009).

The Company evaluates its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 each year. The last actuarial valuation was as at December 1, 2009. The plan will be re-evaluated as at December 1, 2010 by September 1, 2011.

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26 - EMPLOYEE FUTURE BENEFITS (Continued)

Information regarding the defined benefit pension plan is as follows:

	2010	2009
Accrued benefit obligation	$	$
Balance, beginning of year	4,607	3,262
Employee contributions	91	99
Current service costs	147	112
Interest receivable	265	239
Benefits paid	(79)	(96)
Actuarial loss		991
Balance, end of year	5,031	4,607
Plan assets		
Fair value, beginning of year	3,705	3,167
Actual return	362	408
Employer contributions	436	127
Employee contributions	91	99
Benefits paid	(79)	(96)
Fair value, end of year	4,515	3,705
Funded status – Deficit	(516)	(902)
Unamortized net actuarial loss (gain)	(10)	115
Accrued benefit liability for employee benefits	(526)	(787)

	2010	2009
	%	%
Components of plan assets		
Equity interests	56	57
Debt securities	35	37
Real estate	4	4
Cash	5	2
	100	100

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

26 - EMPLOYEE FUTURE BENEFITS (Continued)

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

	2010	2009
	$	$
Current service costs	147	112
Interest receivable	265	239
Actual return on plan assets	(362)	(408)
Actuarial loss		991
Components of the cost of employee future benefits before adjustment to reflect the long-term nature of this cost	50	934
Adjustments to reflect the long-term nature of the cost of employee future benefits		
Difference between expected return and actual return on plan assets	126	214
Difference between the loss recognized for the year and the actual amount of the accrued benefit obligation loss for the year		(974)
Defined benefit costs recognized	176	174

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

	2010	2009
	%	%
Accrued benefit obligation as of December 31		
Discount rate	5.50	5.85
Rate of compensation increase	3.20	3.20
Benefit costs for the year		
Discount rate	5.85	7.00
Expected long-term rate of return on plan assets	6.00	6.00
Rate of compensation increase	3.20	3.20

27 - COMMITMENTS

The Company has entered into various long-term leases and service contracts expiring until August 2022, which call for minimum lease payments of $93,845,000, including $27,842,000 to Colabor Investments Inc. The Company's commitment under one of the leases is secured by a $2,028,000 bank letter of guarantee.

Minimum payments under the various leases and service contracts over the next five years total $13,081,000 in 2011, $12,771,000 in 2012, $11,604,000 in 2013, $9,946,000 in 2014 and $8,719,000 in 2015. These annual payments include $2,627,000 to Colabor Investments Inc.

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28 - 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 and the non-controlling interest.

				2010
	Wholesale Segment	Distribution Segment	Head office	Total
	$	$	$	$
Segment sales	502,506	650,078		1,152,584
Inter-segment sales	(100,624)			(100,624)
Sales	401,882	650,078	–	1,051,960
Earnings (loss) before financial costs, amortization and income taxes	21,483	20,086	(4,153)	37,416
Total assets	124,528	276,955	–	401,483
Acquisitions				
Property, plant and equipment	904	2,899	–	3,803
Intangible assets	–	10,153	–	10,153
Goodwill	–	6,611	–	6,611

				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
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	–	2,743	–	2,743

Colabor Group Inc.
Notes to Consolidated Financial Statements

December 31, 2010 and 2009

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

29 - EARNINGS PER SHARE

The following table presents the basic and diluted earnings per share:

	2010	2009
	$	$
Earnings		
Net earnings for purposes of calculating basic earnings per share	16,232	16,671
Earnings for purposes of calculating diluted earnings per share	16,232	19,775
Number of shares		
Weighted average number of shares used to calculate basic earnings per share (1)	21,471,521	16,243,665
Dilutive effect of convertible debentures		4,785,854
Weighted average number of shares used to calculate diluted earnings per share	21,471,521	21,029,519
Basic earnings per share	$ 0.76	$ 1.03
Diluted earnings per share	$ 0.76	$ 0.94

(1) The weighted average number of shares does not include the shares acquired by the Company for the LTIP and the PSU plan.

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the LTIP and the PSU plans were not included in the calculation of diluted net earnings per share in 2010 because they had an antidilutive effect.

30 - SUBSEQUENT EVENT

On February 28, 2011, the Company acquired all of the outstanding shares of Les Pêcheries Norref Québec ("Norref"), the leading importer and distributor of fresh fish and seafood products in the province of Quebec and the Ottawa region. The acquisition of Norref perfectly reflects Colabor's strategic objectives to broaden its product offering and client base.

This transaction amounts to about $44,00,000 and is subject to certain post-closing adjustments. The Company financed the Norref share acquisition from its existing credit facilities.