



## **Colabor Income Fund**

### **Interim Consolidated Financial Statements**

**March 28, 2009 and March 22, 2008**

**1st quarter**

(unaudited)

|  |       |
|--|-------|
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The interim consolidated financial statements were not reviewed by the Fund's auditor.

## Colabor Income Fund

### Consolidated Earnings

(unaudited and in thousands of dollars, except earnings per unit)

|   | 2009-03-28<br>(87 days) | 2008-03-22<br>(82 days) |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>Sales</b>  | <u>256 945</u>          | <u>180 029</u>          |
| Earnings before the following items                       | 7 724                   | 5 355                   |
| Financial expenses  | 1 561                   | 1 423                   |
| Amortization of property, plant and equipment             | 888                     | 646                     |
| Amortization of intangible assets                         | <u>2 197</u>            | <u>1 633</u>            |
|   | <u>4 646</u>            | <u>3 702</u>            |
| Earnings before income taxes and non-controlling interest | 3 078                   | 1 653                   |
| Income taxes  |                         |                         |
| Current   | 90                      | 205                     |
| Future  | 693                     | 259                     |
|   | <u>783</u>              | <u>464</u>              |
| Earnings before non-controlling interest                  | 2 295                   | 1 189                   |
| Non-controlling interest                                  | <u>1 080</u>            | <u>598</u>              |
| <b>Net earnings and comprehensive income</b>              | <u>1 215</u>            | <u>591</u>              |
| Basic and diluted net earnings per unit (Note 8)          | <u>0,08 \$</u>          | <u>0,06 \$</u>          |

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

**Colabor Income Fund**  
**Consolidated Deficit**  
**Consolidated Contributed Surplus**

(unaudited and in thousands of dollars)

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|   | 2009-03-28<br>(87 days) | 2008-03-22<br>(82 days) |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>CONSOLIDATED DEFICIT</b>   |                         |                         |
| Balance, beginning of period  | (17 236)                | (11 797)                |
| Net earnings  | 1 215                   | 591                     |
|   | <u>(16 021)</u>         | <u>(11 206)</u>         |
| Distributions declared  | 2 614                   | 1 775                   |
| Balance, end of period  | <u><u>(18 635)</u></u>  | <u><u>(12 981)</u></u>  |
| <b>CONSOLIDATED CONTRIBUTED SURPLUS</b>                             |                         |                         |
| Balance, beginning of period  | 349                     | 189                     |
| Compensation cost from long-term incentive plan                     | 106                     | 66                      |
| Acquisition of units by participants of long-term<br>incentive plan | <u>(416)</u>            | <u>(224)</u>            |
| Balance, end of period  | <u><u>39</u></u>        | <u><u>31</u></u>        |

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## Colabor Income Fund

### Consolidated Cash Flows

(unaudited and in thousands of dollars)

|   | 2009-03-28<br>(87 days) | 2008-03-22<br>(82 days) |
|---|-------------------------|-------------------------|
|   | \$                      | \$                      |
| <b>OPERATING ACTIVITIES</b>                                     |                         |                         |
| Net earnings  | 1 215                   | 591                     |
| Non-cash items  |                         |                         |
| Amortization of property, plant and equipment                   | 888                     | 646                     |
| Amortization of intangible assets                               | 2 197                   | 1 633                   |
| Amortization of deferred financing expenses                     | 28                      | 19                      |
| Non-controlling interest  | 1 080                   | 598                     |
| Future income taxes   | 693                     | 259                     |
| Compensation cost from long-term incentive plan                 | 106                     | 66                      |
| Amortization of debenture transaction costs                     | 238                     | 206                     |
|   | <u>6 445</u>            | <u>4 018</u>            |
| Changes in operating assets and liabilities                     | <u>(9 727)</u>          | <u>9 040</u>            |
| Cash flows from operating activities                            | <u>(3 282)</u>          | <u>13 058</u>           |
| <b>INVESTING ACTIVITIES</b>                                     |                         |                         |
| Business acquisition  |                         | (12 784)                |
| Property, plant and equipment                                   | <u>(487)</u>            | <u>(142)</u>            |
| Cash flows from investing activities                            | <u>(487)</u>            | <u>(12 926)</u>         |
| <b>FINANCING ACTIVITIES</b>                                     |                         |                         |
| Bank loan   | 13 599                  | 9 693                   |
| Distributions paid to unitholders                               | (3 921)                 | (2 663)                 |
| Distributions paid to holders of exchangeable Colabor LP units  | (1 369)                 | (1 369)                 |
| Repayment of long-term debt                                     | (184)                   | (117)                   |
| Purchase of units held by the Fund for long-term incentive plan | <u>(789)</u>            | <u>(575)</u>            |
| Cash flows from financing activities                            | <u>7 336</u>            | <u>4 969</u>            |
| <b>Net change in bank overdraft</b>                             | 3 567                   | 5 101                   |
| Bank overdraft, beginning of period                             | <u>(7 714)</u>          | <u>(9 773)</u>          |
| Bank overdraft, end of period                                   | <u>(4 147)</u>          | <u>(4 672)</u>          |

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

## Colabor Income Fund

### Consolidated Balance Sheets

(in thousands of dollars)

|   | 2009-03-28<br>(unaudited) | 2008-12-31     |
|---|---------------------------|----------------|
|   | \$                        | \$             |
| <b>ASSETS</b>   |                           |                |
| Current assets  |                           |                |
| Accounts receivable   | 89 206                    | 80 804         |
| Inventory   | 67 505                    | 73 233         |
| Prepaid expenses  | 2 714                     | 1 664          |
|   | <u>159 425</u>            | <u>155 701</u> |
| Deferred financing expenses                                       | 251                       | 279            |
| Investments in shares of a private company, at cost               | 6 159                     | 6 159          |
| Property, plant and equipment                                     | 14 628                    | 15 029         |
| Intangible assets   | 141 122                   | 143 319        |
| Goodwill  | 69 574                    | 69 574         |
|   | <u>391 159</u>            | <u>390 061</u> |
| <b>LIABILITIES</b>  |                           |                |
| Current liabilities   |                           |                |
| Bank overdraft  | 4 147                     | 7 714          |
| Accounts payable and accrued liabilities                          | 77 955                    | 85 945         |
| Income taxes payable  | 2 671                     | 1 855          |
| Balances of purchase price payable                                | 10 103                    | 10 103         |
| Distributions payable to unitholders                              |                           | 1 307          |
| Distributions payable to holders of exchangeable Colabor LP units |                           | 456            |
| Rebates payable   | 16 025                    | 15 166         |
| Deferred revenue  | 1 427                     | 1 115          |
| Instalments on long-term debt                                     | 696                       | 707            |
|   | <u>113 024</u>            | <u>124 368</u> |
| Bank loan   | 61 100                    | 47 501         |
| Balance of purchase price payable                                 | 3 750                     | 3 750          |
| Long-term debt  | 769                       | 942            |
| Debentures  | 45 963                    | 45 725         |
| Accrued benefit liability for employee benefits                   | 772                       | 772            |
| Future income taxes   | 18 107                    | 17 414         |
| Non-controlling interest  | 29 880                    | 29 713         |
|   | <u>273 365</u>            | <u>270 185</u> |
| <b>UNITHOLDERS' EQUITY</b>  |                           |                |
| Unitholders' capital account                                      | 135 323                   | 135 323        |
| Option to convert debentures                                      | 2 315                     | 2 315          |
| Contributed surplus   | 39                        | 349            |
| Units held for the long-term incentive plan                       | (1 248)                   | (875)          |
| Deficit   | (18 635)                  | (17 236)       |
|   | <u>117 794</u>            | <u>119 876</u> |
|   | <u>391 159</u>            | <u>390 061</u> |

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

# Colabor Income Fund

## Notes to Consolidated Financial Statements

March 28, 2009

(unaudited, amounts in the tables are in thousands of dollars, except earnings per unit)

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### **1 - BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles for interim financial statements and do not include all the information required for complete financial statements. They are also consistent with the policies outlined in the Fund's audited financial statements for the year ended December 31, 2008. The interim financial statements should be read in conjunction with the previously mentioned financial statements.

### **2 - CHANGES IN ACCOUNTING POLICIES**

On January 1, 2009, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (the "CICA Handbook") Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. However, the section does not apply to the initial recognition of goodwill and intangible assets generated in connection with a business combination. These new recommendations do not have any impact on the Fund's consolidated earnings, cash flows and balance sheet.

### **3- INVENTORY**

Inventory in the amount of \$228,193,000 was recorded as an expense in consolidated earnings (\$162,354,000 in 2008).

### **4 - REBATES FROM SUPPLIERS**

In connection with CICA Handbook EIC-144, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor, the Fund is required to disclose the amount of any vendor rebate that has been recognized in income but for which the full requirements for entitlement have not yet been met. For the 87-day period ended March 28, 2009, the Fund recognized \$3,437,000 (\$3,342,000 in 2008) which has been estimated on the basis of meeting certain requirements to be entitled to the rebates.

### **5 - LONG-TERM INCENTIVE PLAN**

On February 25, 2009, under the terms of the long-term incentive plan, 37,439 units were released (with a cost of \$416,000). On the same date, the Fund granted \$789,000 under the plan and acquired 90,510 units on the market. For the 87-day period ended March 28, 2009, the compensation cost expensed was \$106,000 (\$66,000 in 2008).

### **6 - EMPLOYEE FUTURE BENEFITS**

For the 87-day period ended March 28, 2009, total expenses for defined benefit pension plans amounted to \$54,000 (\$38,000 in 2008).

## Colabor Income Fund

### Notes to Consolidated Financial Statements

March 28, 2009

(unaudited, amounts in the tables are in thousands of dollars, except earnings per unit)

#### 7 - SEGMENT DISCLOSURES

The Fund has two reportable segments: distribution to food distributors (Wholesale Segment) and distribution to foodservice enterprises (Distribution Segment). Head office costs are not allocated and comparative segment information has been restated accordingly.

The accounting policies that apply to the reportable segments are the same as those described in the Fund's audited financial statements for the year ended December 31, 2008. The Fund evaluates performance according to earnings before financial expenses, amortization, income taxes and non-controlling interest.

|  | 2009-03-28 (87 days) |                         |                |                |
|--|----------------------|-------------------------|----------------|----------------|
|  | Wholesale<br>Segment | Distribution<br>Segment | Head<br>office | Total          |
|  | \$                   | \$                      | \$             | \$             |
| Segment sales  | 101 400              | 175 487                 |                | 276 887        |
| Inter-segment sales  | (19 942)             |                         |                | (19 942)       |
| Sales  | <u>81 458</u>        | <u>175 487</u>          | –              | <u>256 945</u> |
| Earnings (loss) before financial expenses,<br>amortization, income taxes and<br>non-controlling interest | 4 246                | 4 295                   | (817)          | 7 724          |
| Total assets   | 133 495              | 257 664                 | –              | 391 159        |
| Acquisitions   |                      |                         |                |                |
| Property, plant and equipment  | 13                   | 474                     | –              | 487            |
|  |                      |                         |                |                |
|  | 2008-03-22 (82 days) |                         |                |                |
|  | Wholesale<br>Segment | Distribution<br>Segment | Head<br>office | Total          |
|  | \$                   | \$                      | \$             | \$             |
| Segment sales  | 84 179               | 96 187                  |                | 180 366        |
| Inter-segment sales  | (337)                |                         |                | (337)          |
| Sales  | <u>83 842</u>        | <u>96 187</u>           | –              | <u>180 029</u> |
| Earnings (loss) before financial expenses,<br>amortization, income taxes and<br>non-controlling interest | 3 233                | 2 793                   | (671)          | 5 355          |
| Total assets   | 132 469              | 152 537                 | –              | 285 006        |
| Acquisitions   |                      |                         |                |                |
| Property, plant and equipment  | 69                   | 1 104                   | –              | 1 173          |
| Goodwill   | –                    | 3 500                   | –              | 3 500          |

## Colabor Income Fund

### Notes to Consolidated Financial Statements

March 28, 2009

(unaudited, amounts in the tables are in thousands of dollars, except earnings per unit)

#### 8 - EARNINGS PER UNIT

The following tables present basic and diluted earnings per unit:

|              |  |                          | 2009-03-28<br>(87 days) |  |              |          | 2008-03-22<br>(82 days) |
|--------------|--|--------------------------|-------------------------|--|--------------|----------|-------------------------|
| Net earnings | Weighted<br>average number<br>of units | Net earnings<br>per unit | Net earnings            | Weighted<br>average number<br>of units | Net earnings | per unit |                         |
| \$           |  | \$                       | \$                      |  | \$           | \$       |                         |
| 1 215        | 14 470 552                             | 0,08                     | 591                     | 9 839 079                              | 0,06         |          |                         |

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

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