Colabor Group Inc.

(formerly Colabor Income Fund)

Interim Consolidated Financial Statements
March 27, 2010 and March 28, 2009
1st Quarter

(unaudited)

Financial Statements

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

Colabor Group Inc.
Consolidated Earnings

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

	2010-03-27 (86 days)	2009-03-28 (87 days)
	$	$
Sales	225,355	256,945
Earnings before the following items	6,873	7,724
Financial expenses	1,310	1,561
Amortization of property, plant and equipment	836	888
Amortization of intangible assets	2,197	2,197
	4,343	4,646
Earnings before income taxes and non-controlling interest	2,530	3,078
Income taxes		
Current		90
Future	253	693
	253	783
Earnings before non-controlling interest	2,277	2,295
Non-controlling interest		1,080
Net earnings and comprehensive income	2,277	1,215
Basic and diluted net earnings per share/unit (Note 7)	0.12 $	0.08 $

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

Colabor Group Inc.
Consolidated Retained Earnings (Deficit)
Consolidated Contributed Surplus
(unaudited and in thousands of dollars)

	2010-03-27 (86 days)	2009-03-28 (87 days)
	$	$
CONSOLIDATED RETAINED EARNINGS (DEFICIT)		
Retained earnings (deficit), beginning of period	1,549	(17,236)
Net earnings	2,277	1,215
	3,826	(16,021)
Distributions declared		2,614
Retained earnings (deficit), end of period	3,826	(18,635)
CONSOLIDATED CONTRIBUTED SURPLUS		
Balance, beginning of period	447	349
Compensation cost from long-term incentive plan	118	106
Acquisition of units by participants of long-term incentive plan	(530)	(416)
Balance, end of period	35	39

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

Colabor Group Inc.
Consolidated Cash Flows
(unaudited and in thousands of dollars)

	2010-03-27 (86 days)	2009-03-28 (87 days)
	$	$
OPERATING ACTIVITIES		
Net earnings	2,277	1,215
Non-cash items		
Amortization of property, plant and equipment	836	888
Amortization of intangible assets	2,197	2,197
Amortization of deferred financing expenses	28	28
Non-controlling interest		1,080
Future income taxes	253	693
Compensation cost from long-term incentive plan	118	106
Amortization of transaction costs related to debentures	247	238
	5,956	6,445
Changes in operating assets and liabilities	2,690	(9,727)
Cash flows from operating activities	8,646	(3,282)
INVESTING ACTIVITIES		
Property, plant and equipment	(419)	(487)
Cash flows from investing activities	(419)	(487)
FINANCING ACTIVITIES		
Bank loan	12,766	13,599
Dividends paid	(7,453)	
Distributions paid to unitholders		(3,921)
Distributions paid to holders of exchangeable Colabor LP units		(1,369)
Repayment of long-term debt	(173)	(184)
Purchase of units held by the Fund for long-term incentive plan		(789)
Cash flows from financing activities	5,140	7,336
Net change in bank overdraft	13,367	3,567
Bank overdraft, beginning of period	(17,126)	(7,714)
Bank overdraft, end of period	(3,759)	(4,147)

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

Colabor Group Inc.
Consolidated Balance Sheets
(in thousands of dollars)

	2010-03-27 (unaudited)	2009-12-31
	$	$
ASSETS		
Current assets		
Accounts receivable	80,166	75,438
Income taxes receivable	6,335	685
Inventory	60,411	71,909
Prepaid expenses	2,106	1,500
Future income taxes	8,399	8,540
	157,417	158,072
Deferred financing expenses	130	158
Share investment in Colabor Investments Inc., at cost	6,159	6,159
Property, plant and equipment	13,418	13,835
Intangible assets	131,672	133,869
Goodwill	72,317	72,317
Future income taxes	1,322	1,802
	382,435	386,212
LIABILITIES		
Current liabilities		
Bank overdraft	3,759	17,126
Accounts payable and accrued liabilities	65,910	65,762
Balance of purchase price payable, bearing interest of 4.5%	3,750	3,750
Balance of purchase price payable, non-interest bearing	6,331	6,331
Dividends payable		7,453
Rebates payable	15,695	13,808
Deferred revenue	1,102	961
Deferred credit	7,110	7,290
Instalments on long-term debt	600	636
	104,257	123,117
Bank loan	62,101	49,335
Long-term debt	170	307
Debentures	34,028	46,711
Accrued benefit liability for employee benefits	787	787
Deferred credit	19,687	19,875
	221,030	240,132
SHAREHOLDERS' EQUITY		
Capital stock	156,585	143,018
Option to convert debentures	1,677	2,314
Contributed surplus	35	447
Shares held for the long-term incentive plan	(718)	(1,248)
Retained earnings	3,826	1,549
	161,405	146,080
	382,435	386,212

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

Colabor Group Inc.
Notes to Interim Consolidated Financial Statements
March 27, 2010
(unaudited, amounts in the tables are in thousands of dollars, except net earnings per share/unit)

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 accounting policies outlined in the Company's audited financial statements for the year ended December 31, 2009. The interim financial statements should be read in conjunction with the previously mentioned financial statements.

On August 25, 2009, Colabor Income Fund (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 the non-controlling interest converted their exchangeable units of Colabor, Limited Partnership (Colabor LP), a subsidiary of the Company, into shares of the Company and the Company, therefore, recognized the carrying amount of the non-controlling interest in capital stock.

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 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, share and unit, 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.

2 - INVENTORY

An amount of $199,284,000 in inventories has been expensed in consolidated earnings ($228,193,000 in 2009).

3 - 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 Company 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 86-day period ended March 27, 2010, the Company recognized $3,620,000 ($3,437,000 in 2009) which has been estimated on the basis of meeting certain requirements to be entitled to the rebates.

4 - LONG-TERM INCENTIVE PLAN

On February 24, 2010, under the terms of the long-term incentive plan, 55,653 shares were released (with a cost of $530,000). For the 86-day period ended March 27, 2010, the compensation cost expensed was $118,000 ($106,000 in 2009).

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5 - CONVERSION OF DEBENTURES

For the 86-day period ended March 27, 2010, debentures with a par value of $13,516,000 were converted into 1,318,627 shares pursuant to the conversion rules in effect. The $12,930,000 carrying amount of these debentures and the $637,000 related conversion option were recognized in capital stock. As at March 27, 2010, the par value of the outstanding debentures is $35,539,000.

6 - 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 Company's audited financial statements for the year ended December 31, 2009. The Company evaluates performance according to earnings before financial expenses, amortization, income taxes and non-controlling interest.

	2010-03-27 (86 days)			
	Wholesale segment	Distribution segment	Head office	Total
	$	$	$	$
Segment sales	96,609	146,442		243,051
Inter-segment sales	(17,696)			(17,696)
Sales	78,913	146,442	–	225,355
Earnings before financial expenses, amortization, income taxes and non-controlling interest	4,149	3,581	(857)	6,873
Total assets	130,434	252,001	–	382,435
Acquisitions				
Property, plant and equipment	248	171	–	419

	2009-03-28 (87 days)			
	Wholesale segment	Distribution segment	Head office	Total
	$	$	$	$
Segment sales	101,400	175,487		276,887
Inter-segment sales	(19,942)			(19,942)
Sales	81,458	175,487	–	256,945
Earnings before financial expenses, amortization, income taxes and 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

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7 - NET EARNINGS PER SHARE/UNIT

The following tables present basic and diluted earnings per share/unit:

		2010-03-27 (86 days)			2009-03-28 (87 days)
Net earnings	Weighted average number of shares	Net earnings per share	Net earnings	Weighted average number of shares	Net earnings per share
$		$	$		$
2,277	19,762,282	0.12	1,215	14,470,552	0.08

Units that were hypothetically issued after the conversion of convertible debentures were not included in the calculation of diluted net earnings per share/unit 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.

8 - SUBSEQUENT EVENT

On April 7, 2010, the Company reached an agreement with an underwriting syndicate under which the underwriters agreed to subscribe, on a bought-deal basis, to convertible unsecured subordinated debentures with an overall principal of $50 million (the "New Debentures"). The closing was on April 27, 2010.

The New Debentures bear interest at a rate of 5.70% per annum payable semi-annually on April 30 and October 31 each year, commencing on October 31, 2010. The New Debentures will be convertible at the holder’s option into common shares (the "shares") of the Company at a conversion rate of 59,347 shares per $1,000 principal amount of debentures which is equal to a conversion price of $16.85 per share. The New Debentures will mature on April 30, 2017 and may be redeemed by the Company in certain circumstances, after April 30, 2015.

The net proceeds of the offering were used by the Company to enhance its financial flexibility by reducing existing indebtedness under its current credit facilities and for general corporate purposes.