



## **Colabor Income Fund**

### **Interim Consolidated Financial Statements as at June 20, 2009 and June 14, 2008**

#### **2nd 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)

	2009-06-20 (84 days)	2008-06-14 (84 days)	2009-06-20 (171 days)	2008-06-14 (166 days)
	\$	\$	\$	\$
<b>Sales</b>	<u>283,722</u>	<u>278,721</u>	<u>540,667</u>	<u>458,750</u>
Earnings before the following items	9,977	9,428	17,701	14,783
Financial expenses	1,426	1,628	2,987	3,051
Amortization of property, plant and equipment	868	875	1,756	1,521
Amortization of intangible assets	2,180	1,827	4,377	3,460
	<u>4,474</u>	<u>4,330</u>	<u>9,120</u>	<u>8,032</u>
Earnings before income taxes and non-controlling interest	5,503	5,098	8,581	6,751
Income taxes				
Current	1,754	1,114	1,844	1,319
Future	359	934	1,052	1,193
	<u>2,113</u>	<u>2,048</u>	<u>2,896</u>	<u>2,512</u>
Earnings before non-controlling interest	3,390	3,050	5,685	4,239
Non-controlling interest	1,646	1,903	2,726	2,501
<b>Net earnings and comprehensive income</b>	<u>1,744</u>	<u>1,147</u>	<u>2,959</u>	<u>1,738</u>
Basic and diluted net earnings per unit (Note 9)	<u>\$0.12</u>	<u>\$0.09</u>	<u>\$0.20</u>	<u>\$0.16</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)

	2009-06-20 (84 days)	2008-06-14 (84 days)	2009-06-20 (171 days)	2008-06-14 (166 days)
	\$	\$	\$	\$
<b>CONSOLIDATED DEFICIT</b>				
Balance, beginning of period	(18,635)	(12,981)	(17,236)	(11,797)
Net earnings	<u>1,744</u>	<u>1,147</u>	<u>2,959</u>	<u>1,738</u>
	(16,891)	(11,834)	(14,277)	(10,059)
Adjustment in non-controlling interest resulting from the increase in the Fund's interest in Colabor LP		616		616
Distributions declared	<u>(3,921)</u>	<u>(3,506)</u>	<u>(6,535)</u>	<u>(5,281)</u>
Balance, end of period	<u><u>(20,812)</u></u>	<u><u>(14,724)</u></u>	<u><u>(20,812)</u></u>	<u><u>(14,724)</u></u>
<b>CONSOLIDATED CONTRIBUTED SURPLUS</b>				
Balance, beginning of period	39	31	349	189
Compensation cost from long-term incentive plan	123	96	229	162
Acquisition of units by participants of long-term incentive plan			(416)	(224)
Balance, end of period	<u><u>162</u></u>	<u><u>127</u></u>	<u><u>162</u></u>	<u><u>127</u></u>

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

## Colabor Income Fund Consolidated Cash Flows

(unaudited and in thousands of dollars)

	2009-06-20 (84 days) \$	2008-06-14 (84 days) \$	2009-06-20 (171 days) \$	2008-06-14 (166 days) \$
<b>OPERATING ACTIVITIES</b>				
Net earnings	1,744	1,147	2,959	1,738
Non-cash items				
Amortization of property, plant and equipment	868	875	1,756	1,521
Amortization of intangible assets	2,180	1,827	4,377	3,460
Amortization of deferred financing expenses	27	24	55	43
Non-controlling interest	1,646	1,903	2,726	2,501
Future income taxes	359	934	1,052	1,193
Compensation cost from long-term incentive plan	123	96	229	162
Amortization of debenture transaction costs	230	208	468	414
	<u>7,177</u>	<u>7,014</u>	<u>13,622</u>	<u>11,032</u>
Changes in operating assets and liabilities	<u>(7,403)</u>	<u>(9,677)</u>	<u>(17,130)</u>	<u>(637)</u>
Cash flows from operating activities	<u>(226)</u>	<u>(2,663)</u>	<u>(3,508)</u>	<u>10,395</u>
<b>INVESTING ACTIVITIES</b>				
Business acquisitions		(57,640)		(70,424)
Repayment of balances of purchase price	(4,015)		(4,015)	
Property, plant and equipment	(380)	(308)	(867)	(450)
Cash flows from investing activities	<u>(4,395)</u>	<u>(57,948)</u>	<u>(4,882)</u>	<u>(70,874)</u>
<b>FINANCING ACTIVITIES</b>				
Bank loan	9,340	24,291	22,939	33,984
Financing expenses		(225)		(225)
Distributions paid to unitholders	(3,921)	(2,199)	(7,842)	(4,862)
Distributions paid to holders of exchangeable Colabor LP units	(1,369)	(913)	(2,738)	(2,282)
Repayment of long-term debt	(166)	(143)	(350)	(260)
Purchase of units held by the Fund for long-term incentive plan			(789)	(575)
Issue of trust units		38,022		38,022
Unit and debenture issue expenses		(1,150)		(1,150)
Cash flows from financing activities	<u>3,884</u>	<u>57,683</u>	<u>11,220</u>	<u>62,652</u>
<b>Net change in bank overdraft</b>	<u>(737)</u>	<u>(2,928)</u>	<u>2,830</u>	<u>2,173</u>
Bank overdraft, beginning of period	<u>(4,147)</u>	<u>(4,672)</u>	<u>(7,714)</u>	<u>(9,773)</u>
Bank overdraft, end of period	<u>(4,884)</u>	<u>(7,600)</u>	<u>(4,884)</u>	<u>(7,600)</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)

	2009-06-20 (unaudited)	2008-12-31
	\$	\$
<b>ASSETS</b>		
Current assets		
Accounts receivable	97,317	80,804
Inventory	69,855	73,233
Prepaid expenses	2,715	1,664
	<u>169,887</u>	<u>155,701</u>
Deferred financing expenses	224	279
Investments in shares of a private company, at cost	6,159	6,159
Property, plant and equipment	14,140	15,029
Intangible assets	138,942	143,319
Goodwill	72,317	69,574
	<u>401,669</u>	<u>390,061</u>
<b>LIABILITIES</b>		
Current liabilities		
Bank overdraft	4,884	7,714
Accounts payable and accrued liabilities	77,149	85,945
Income taxes payable	4,343	1,855
Balances of purchase price payable	12,581	10,103
Distributions payable to unitholders		1,307
Distributions payable to holders of exchangeable Colabor LP units		456
Rebates payable	18,071	15,166
Deferred revenue	1,574	1,115
Instalments on long-term debt	690	707
	<u>119,292</u>	<u>124,368</u>
Bank loans	70,440	47,501
Balance of purchase price payable		3,750
Long-term debt	609	942
Debentures	46,193	45,725
Accrued benefit liability for employee benefits	772	772
Future income taxes	18,466	17,414
Non-controlling interest	30,157	29,713
	<u>285,929</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	162	349
Units held for the long-term incentive plan	(1,248)	(875)
Deficit	(20,812)	(17,236)
	<u>115,740</u>	<u>119,876</u>
	<u>401,669</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

June 20, 2009 and June 14, 2008

(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. Where necessary, the financial statements include amounts based on informed estimates and the best judgement of management. Operating results for the interim periods presented are not necessarily indicative of the results that are expected for the year.

#### **2 - BUSINESS ACQUISITIONS**

On April 28, 2008, through Colabor LP, the Fund purchased all of the shares of Gestion Bertrand & Frères Inc. ("Bertrand") for an initially estimated amount of \$78,588,000. As a result of obtaining the final documents from Bertrand and completing the due diligence process on June 15, 2009, the purchase price was determined to be \$81,331,000. Accordingly, goodwill and the balance of purchase price for the Bertrand acquisition were increased by \$2,743,000.

#### **3 - CHANGES IN ACCOUNTING POLICIES**

On January 1, 2009, the Fund adopted the new 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 a significant impact on the Fund's consolidated earnings, cash flows and balance sheet.

The Emerging Issues Committee issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which provides guidance on how to measure financial assets and liabilities, taking into account the entity's own credit risk and the credit risk of the counterparty. These new recommendations did not have a significant impact on the Fund's consolidated earnings, cash flows and balance sheet.

#### **4- INVENTORY**

Inventory in the amount of \$481,627,000 was recorded as an expense in consolidated earnings for the 171-day period ended June 20, 2009 (\$411,437,000 in 2008).

#### **5 - 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 171-day period ended June 20, 2009 the Fund recognized \$6,813,000 (\$6,461,000 in 2008) which has been estimated on the basis of meeting certain requirements to be entitled to the rebates.

#### **6 - 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 171-day period ended June 20, 2009 the compensation cost expensed was \$229,000 (\$162,000 in 2008).

## Colabor Income Fund

### Notes to Consolidated Financial Statements

June 20, 2009 and June 14, 2008

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

#### 7 - EMPLOYEE FUTURE BENEFITS

For the 171-day period ended June 20, 2009, total expenses for defined benefit pension plans amounted to \$108,000 (\$114,000 in 2008).

#### 8 - 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.

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.

	2009-06-20 (84 days)			
	Wholesale Segment	Distribution Segment	Head office	Total
	\$	\$	\$	\$
Segment sales	125,046	183,168		308,214
Inter-segment sales	(24,492)			(24,492)
Sales	<u>100,554</u>	<u>183,168</u>	<u>—</u>	<u>283,722</u>
Earnings (loss) before financial expenses, amortization, income taxes and non-controlling interest	5,214	5,628	(865)	9,977
Total assets	137,453	264,216	—	401,669
Acquisitions				
Property, plant and equipment	30	350	—	380
Goodwill	—	2,743	—	2,743
	2008-06-14 (84 days)			
	Wholesale Segment	Distribution Segment	Head office	Total
	\$	\$	\$	\$
Segment sales	112,318	177,097		289,415
Inter-segment sales	(10,694)			(10,694)
Sales	<u>101,624</u>	<u>177,097</u>	<u>—</u>	<u>278,721</u>
Earnings (loss) before financial expenses, amortization, income taxes and non-controlling interest	5,676	4,434	(682)	9,428
Total assets	145,236	257,913	—	403,149
Acquisitions				
Property, plant and equipment	101	4,531	—	4,632
Goodwill	—	67,839	—	67,839

## Colabor Income Fund

### Notes to Consolidated Financial Statements

June 20, 2009 and June 14, 2008

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

#### 8 - SEGMENT DISCLOSURES (Continued)

	2009-06-20 (171 days)			
	Wholesale Segment	Distribution Segment	Head office	Total
	\$	\$	\$	\$
Segment sales	226,446	358,655		585,101
Inter-segment sales	(44,434)			(44,434)
Sales	<u>182,012</u>	<u>358,655</u>	<u>—</u>	<u>540,667</u>
Earnings (loss) before financial expenses, amortization, income taxes and non-controlling interest	9,460	9,923	(1,682)	17,701
Total assets	137,453	264,216	—	401,669
Acquisitions				
Property, plant and equipment	43	824	—	867
Goodwill	—	2,743	—	2,743
	2008-06-14 (166 days)			
	Wholesale Segment	Distribution Segment	Head office	Total
	\$	\$	\$	\$
Segment sales	196,497	273,284		469,781
Inter-segment sales	(11,031)			(11,031)
Sales	<u>185,466</u>	<u>273,284</u>	<u>—</u>	<u>458,750</u>
Earnings (loss) before financial expenses, amortization, income taxes and non-controlling interest	8,909	7,227	(1,353)	14,783
Total assets	145,236	257,913	—	403,149
Acquisitions				
Property, plant and equipment	170	5,635	—	5,805
Goodwill	—	71,339	—	71,339

#### 9 - NET EARNINGS PER UNIT

The following tables present basic and diluted earnings per unit:

2009-06-20 (84 days)			2008-06-14 (84 days)		
Net earnings	Weighted average number of units	Net earnings per unit	Net earnings	Weighted average number of units	Net earnings per unit
\$		\$	\$		\$
<u>1,744</u>	<u>14,454.071</u>	<u>0.12</u>	<u>1,147</u>	<u>12,504.722</u>	<u>0.09</u>
2009-06-20 (171 days)			2008-06-14 (166 days)		
Net earnings	Weighted average number of units	Net earnings per unit	Net earnings	Weighted average number of units	Net earnings per unit
\$		\$	\$		\$
<u>2,959</u>	<u>14,437.001</u>	<u>0.20</u>	<u>1,738</u>	<u>11,187.959</u>	<u>0.16</u>



## Colabor Income Fund

### Notes to Consolidated Financial Statements

June 20, 2009 and June 14, 2008

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

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#### **9 - NET EARNINGS PER UNIT (Continued)**

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 held by the Fund for the long-term incentive plan.

#### **10 - NEW ACCOUNTING POLICIES PUBLISHED BUT NOT YET ADOPTED**

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

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

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

#### **11 - SUBSEQUENT EVENTS**

On July 8, 2009, the Fund announced that it had entered into a transaction through a memorandum of arrangement with Biotechnologies ConjuChem Inc. (ConjuChem). As a result, the Fund will be converted to a listed corporation (the Corporation) for a cash consideration of about \$5 million plus the transaction costs.

Under the proposed transaction, the Fund's unitholders will become shareholders of the Corporation, with no expected change in the Fund's current business activities. Simultaneously, the interest of Colabor Investments Inc. in special voting units of the Fund and in exchangeable units of Colabor LP will be converted into shares of the Corporation. ConjuChem's tax losses over \$100 million may be applied against the Corporation's taxable income.

The agreement is expected to be finalized around the end of August 2009, and subject to approval of the Fund's unitholders, ConjuChem and regulatory authorities.