



**Interim Consolidated Financial Statements  
as at March 24, 2012 and March 26, 2011  
(1st Quarter)**

(unaudited)

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

# Colabor Group Inc.

## Consolidated Income Statements

(unaudited, in thousands of Canadian dollars, except data per share)

	Notes	2012-03-24 (84 days) \$	2011-03-26 (85 days) \$
<b>Sales of goods</b>	4	297,933	239,416
Operating expenses excluding depreciation and amortization		<u>292,477</u>	<u>234,512</u>
<b>Profit before depreciation and amortization</b>		<u>5,456</u>	<u>4,904</u>
Depreciation of property, plant and equipment		1,004	714
Amortization of intangible assets		<u>3,284</u>	<u>2,637</u>
		<u>4,288</u>	<u>3,351</u>
<b>Operating profit</b>		1,168	1,553
Finance costs	5	<u>2,150</u>	<u>1,484</u>
<b>Profit (loss) before tax</b>		<u>(982)</u>	<u>69</u>
Tax expense (recovery)			
Current			
Deferred		<u>(246)</u>	<u>17</u>
		<u>(246)</u>	<u>17</u>
<b>Profit (loss)</b>		<u>(736)</u>	<u>52</u>
<b>After-tax cash flows per share</b>	6	<u>\$ 0.14</u>	<u>\$ 0.14</u>
<b>Basic and diluted earnings per share</b>	6	<u>(\$ 0.03)</u>	<u>\$ 0.00</u>

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

# Colabor Group Inc.

## Consolidated Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	2012-03-24 (84 days) \$	2011-03-26 (85 days) \$
Profit (loss)	(736)	52
Other comprehensive income, net of taxes		
Available-for-sale financial asset - loss for the period	(1,531)	
Cash flow hedges - gain for the period	1,076	
Taxes on other comprehensive income	(81)	
Total other comprehensive income	(536)	
<b>Total comprehensive income</b>	<b>(1,272)</b>	<b>52</b>

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

**Colabor Group Inc.**  
**Consolidated Changes in Equity**

(unaudited, in thousands of Canadian dollars)

	Share capital	Convertible debenture conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for-sale financial asset	Cash flow hedges	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2011</b>	<b>177,960</b>	<b>2,415</b>	<b>771</b>	<b>(936)</b>	<b>1,982</b>	<b>—</b>	<b>11,789</b>	<b>193,981</b>
Total comprehensive income							52	52
Conversion of convertible debentures	685	(32)						653
Stock-based compensation plan expenses			125					125
Shares released for stock-based compensation plans			(455)	455				
Transactions with owners	685	(32)	(330)	455	—	—	—	778
<b>Balance as at March 26, 2011</b>	<b>178,645</b>	<b>2,383</b>	<b>441</b>	<b>(481)</b>	<b>1,982</b>	<b>—</b>	<b>11,841</b>	<b>194,811</b>
<b>Balance as at January 1, 2012</b>	<b>179,652</b>	<b>1,742</b>	<b>1,206</b>	<b>(622)</b>	<b>1,154</b>	<b>(457)</b>	<b>(6,661)</b>	<b>176,014</b>
Loss							(736)	(736)
Other comprehensive income								
Loss on available-for-sale financial asset					(1,531)			(1,531)
Gain on cash flow hedges						1,076		1,076
Taxes on other comprehensive income					198	(279)		(81)
Total comprehensive income	—	—	—	—	(1,333)	797	(736)	(1,272)
Stock-based compensation plan expenses			37					37
Transactions with owners	—	—	37	—	—	—	—	37
<b>Balance as at March 24, 2012</b>	<b>179,652</b>	<b>1,742</b>	<b>1,243</b>	<b>(622)</b>	<b>(179)</b>	<b>340</b>	<b>(7,397)</b>	<b>174,779</b>

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

# Colabor Group Inc.

## Consolidated Cash Flows

(unaudited, in thousands of Canadian dollars)

	Notes	2012-03-24 (84 days) \$	2011-03-26 (85 days) \$
<b>Operating activities</b>			
Profit (loss) before income taxes		(982)	69
Depreciation of property, plant and equipment		1,004	714
Amortization of intangible assets		3,284	2,637
Finance costs		2,150	1,484
Stock-based compensation plan expenses		37	125
		<u>5,493</u>	<u>5,029</u>
Income tax recovery (withholdings)		(332)	57
Net changes in working capital	7	<u>(6,423)</u>	<u>1,094</u>
<b>Cash flows from operating activities</b>			
<b>Investing activities</b>		<u>(1,262)</u>	<u>6,180</u>
Business acquisitions, net of cash acquired	3	(7,440)	(42,831)
Purchase of property, plant and equipment		(226)	(580)
Purchase of intangible assets			(59)
<b>Cash flows from investing activities</b>		<u>(7,666)</u>	<u>(43,470)</u>
<b>Financing activities</b>			
Bank borrowings		24,409	46,245
Repayment of long-term debt			(137)
Dividends paid		(6,220)	(6,204)
Payment of balances of purchase price		(87)	(2,013)
Finance costs paid	5	<u>(1,958)</u>	<u>(1,241)</u>
<b>Cash flows from financing activities</b>		<u>16,144</u>	<u>36,650</u>
<b>Net change in bank overdraft</b>		7,216	(640)
Bank overdraft, beginning of year		<u>(10,151)</u>	<u>(10,709)</u>
<b>Bank overdraft, end of year</b>		<u>(2,935)</u>	<u>(11,349)</u>

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

# Colabor Group Inc.

## Consolidated Financial Position

(unaudited, in thousands of Canadian dollars)

	<u>2012-03-24</u>	<u>2011-12-31</u>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Trade and other receivables	112,129	108,164
Recoverable tax assets	2,855	2,421
Inventory	71,893	76,632
Prepaid expenses	3,311	2,596
<i>Current assets</i>	<u>190,188</u>	<u>189,813</u>
<b>Non-current</b>		
Equity investment in Colabor Investments Inc.	10,879	12,410
Derivative financial instrument	458	
Property, plant and equipment	17,511	17,319
Intangible assets	152,561	154,845
Goodwill	116,508	114,775
<i>Non-current assets</i>	<u>297,917</u>	<u>299,349</u>
<b>Total assets</b>	<u><u>488,105</u></u>	<u><u>489,162</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	2,935	10,151
Trade and other payables	93,364	105,575
Dividends payable		6,220
Rebates payable	13,233	11,783
Balances of purchase price payable	12,473	12,560
Deferred revenue	689	344
<i>Current liabilities</i>	<u>122,694</u>	<u>146,633</u>
<b>Non-current</b>		
Bank borrowings	120,614	96,167
Derivative financial instrument		618
Balances of purchase price payable	250	250
Long-term debt	14,613	14,598
Convertible debentures	46,223	46,080
Pension obligations	381	448
Deferred income tax liabilities	8,551	8,354
<i>Non-current liabilities</i>	<u>190,632</u>	<u>166,515</u>
<b>Total liabilities</b>	<u><u>313,326</u></u>	<u><u>313,148</u></u>
<b>EQUITY</b>		
Share capital	179,652	179,652
Deficit	(7,397)	(6,661)
Other components of equity	2,524	3,023
<i>Total equity</i>	<u>174,779</u>	<u>176,014</u>
<b>Total liabilities and equity</b>	<u><u>488,105</u></u>	<u><u>489,162</u></u>

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

The Board of Directors approved and authorized the publication of the consolidated financial statements on May 2, 2012.

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 1. NATURE OF OPERATIONS

Colabor Group Inc. (hereafter the "Group") and its wholly-owned subsidiaries (hereafter, collectively the "Company") distribute and market food and food-related products in Canada.

Sales of goods and operating profits are proportionately the smallest in the first quarter and the largest in the fourth quarter, as sales of goods are considerably higher in the other quarters than in the first quarter and because the fourth quarter has 33% more operating days than other quarters. However, costs are incurred more evenly throughout the year given the Company's fixed cost structure. The Company's operating margins increase gradually as the year progresses. Accordingly, it would be more meaningful to compare earnings for an entire year or with the prior year's corresponding quarter than to compare two consecutive quarters.

Colabor Group Inc., the group's ultimate parent company, is incorporated under the Canada Business Corporations Act. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The shares and convertible debentures of Colabor Group Inc. are listed on the Toronto Stock Exchange (TSX: GCL).

### 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"). These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, taking into account the accounting policies that the Company adopted for its financial statements for the year ended December 31, 2011. The accounting policies have been similarly applied throughout all periods presented in the financial statements.

### 3. BUSINESS COMBINATIONS

#### Acquisition of Les Viandes Décarie Inc.

On January 1, 2012, the Company acquired substantially all of the assets of Viandes Décarie ("Décarie"), a company which operates in the Wholesale Segment primarily in Quebec. The results of operation are included in the consolidated statement of earnings since the acquisition date. The acquisition of Décarie reflects Colabor's strategic objectives to broaden its product offering.

The preliminary purchase price allocation is determined as follows:

	Value recognized on the acquisition date
	<u>\$</u>
Trade and other receivables	5,012
Inventory	3,426
Prepaid expenses	12
Property, plant and equipment	966
Intangible assets	1,000
Goodwill	1,733
Trade and other payables	(4,346)
Deferred tax assets	<u>(363)</u>
Acquisition cost, fair value of the cash consideration transferred and net cash flows on acquisition	<u><u>7,440</u></u>

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 3. BUSINESS COMBINATIONS (continued)

The purchase price allocation is still preliminary because some items used in the purchase price determination have to be determined and management is currently concluding its evaluation of the assets acquired and liabilities assumed.

Business acquisition-related costs amounting to \$90,000 are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the prior year's consolidated statements of earnings.

Décarie has contributed a total of \$12,912,000 to the Company's sale of goods and \$41,000 to operating results before depreciation and amortization for the period between the date of acquisition and the end of the quarter.

#### Trade and other receivables

The gross contractual amount of trade and other receivables amounts to \$4,911,000. At the acquisition date, and based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

#### Goodwill

Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is not expected to be deductible for tax purposes.

### 4. SEGMENT REPORTING

The Company has two reportable segments: distribution to foodservice enterprises (Distribution Segment) and distribution to food distributors (Wholesale Segment). These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Management does not take assets and liabilities into account in the analysis of the various segments.

Segment information can be analyzed as follows:

	2012-03-24 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment revenues	215,117	117,098	332,215
Segment operating expenses			
Cost of goods sold	186,192	110,669	296,861
Employee compensation	16,496	2,024	18,520
Other expenses	8,714	1,309	10,023
	211,402	114,002	325,404
Segment earnings	3,715	3,096	6,811



# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 4. SEGMENT REPORTING (continued)

	2011-03-26 (85 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment revenues	167,138	94,948	262,086
Segment operating expenses			
Cost of goods sold	145,853	88,919	234,772
Employee compensation	12,332	1,300	13,632
Other expenses	6,650	1,265	7,915
	164,835	91,484	256,319
Segment earnings	2,303	3,464	5,767

The totals presented for the Company's operating segments reconcile to key financial figures as presented in its financial statements as follows:

	2012-03-24 (84 days)	2011-03-26 (85 days)
	\$	\$
Sale of goods		
Total segment earnings	332,215	262,086
Elimination of intersegment earnings	(34,282)	(22,670)
Company sale of goods	297,933	239,416
	2012-03-24 (84 days)	2011-03-26 (85 days)
	\$	\$
Earnings		
Total segment earnings	6,811	5,767
Employee compensation not allocated	(543)	(404)
Other expenses not allocated	(884)	(523)
Depreciation of property, plant and equipment	(1,004)	(714)
Amortization of intangible assets	(3,284)	(2,637)
Elimination of intersegment earnings	72	64
Company operating earnings	1,168	1,553
Finance costs	(2,150)	(1,484)
Company earnings before taxes	(982)	69

## Colabor Group Inc.

### Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

#### 5. FINANCE COSTS AND FINANCE COSTS PAID

	2012-03-24 (84 days) \$	2011-03-26 (85 days) \$
Finance costs	2,150	1,484
Non-cash portion of effective interest on long-term debt included in finance costs	(15)	
Non-cash portion of effective interest on debentures included in finance costs	(143)	(215)
Amortization of prepaid finance costs included in finance costs	(34)	(28)
Finance costs paid	<u>1,958</u>	<u>1,241</u>

Based on the terms of the credit agreement with the banking syndicate, the DEBT/EBITDA ratio is 3.36:1.00, which is higher than the authorized ratio of 3.25:1.00. In light of this situation, the banking syndicate has accepted that the DEBT/EBITDA ratio to be met will be 3.50:1.00 through the third quarter of 2012 and 3.25:1.00 through the third quarter of 2013.

#### 6. DATA PER SHARE

##### After-tax cash flows per share

	2012-03-24 (84 days) \$	2011-03-26 (85 days) \$
Cash flows from operating activities before income tax recovery (withholdings) and net changes in working capital	5,493	5,029
Finance costs	(2,150)	(1,484)
Non-cash portion of effective interest on long-term debt included in finance costs	15	
Non-cash portion of effective interest on debentures included in finance costs	143	215
Purchase of property, plant and equipment	(226)	(580)
Purchase of intangible assets		(59)
	<u>3,275</u>	<u>3,121</u>
Weighted average number of shares outstanding	<u>23,061,348</u>	<u>22,984,463</u>
After-tax cash flows per share	<u>\$ 0.14</u>	<u>\$ 0.14</u>
Annual dividend declared for the quarter	<u>\$ 0.17</u>	<u>\$ 0.25</u>
Ratio of dividend to after-tax cash flows per share	<u>117%</u>	<u>183%</u>

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 6. DATA PER SHARE (continued)

#### Earnings per share

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

	2012-03-24 (84 days)	2011-03-26 (85 days)
	\$	\$
Earnings	<u>(736)</u>	<u>52</u>
Weighted average number of shares used to calculate basic and diluted earnings per share	<u>23,061,348</u>	<u>22,984,463</u>
Basic and diluted earnings per share	<u>\$ (0.03)</u>	<u>\$ 0.00</u>

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the long-term incentive plan ("LTIP") and the performance stock unit ("PSU") plan were not included in the calculation of diluted net earnings per share because they had an antidilutive effect.

### 7. NET CHANGES IN WORKING CAPITAL

Net changes in working capital between the two period-ends taking into account the working capital assumed on the business combinations described in Note 3:

	2012-03-24 (84 days)	2011-03-26 (85 days)
	\$	\$
Trade and other receivables	946	(6,861)
Inventory	8,165	7,948
Prepaid expenses	(702)	(1,153)
Trade and other payables	(16,561)	421
Rebates payable	1,450	581
Deferred revenue	345	224
Pension obligations	<u>(66)</u>	<u>(66)</u>
	<u>(6,423)</u>	<u>1,094</u>