COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR AND 111-DAY PERIOD (4TH QUARTER) ENDED DECEMBER 31, 2010

MARCH 8, 2011

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TABLE OF CONTENTS

1. SCOPE OF MD&A AND NOTICE TO INVESTORS	3
2. FORWARD-LOOKING STATEMENTS	3
3. GENERAL	4
4. CORPORATE PROFILE	4-6
5. MAIN RESOURCES AND COMPETENCIES:	
5.1 BOARD OF DIRECTORS	7
5.2 MANAGEMENT	7
5.3 HUMAN RESOURCE DEVELOPMENT	7
6. PERFORMANCE ANALYSIS	
6.1 HIGHLIGHTS FOR THE YEAR	8
6.2 EXECUTIVE SUMMARY OF PERFORMANCE	8
6.3 RESULTS OF OPERATIONS	9-15
6.4 BALANCE SHEETS	16-17
6.5 CASH AND CASH FLOW PER SHARE	18-20
7. CONTRACTUAL OBLIGATIONS	20-21
8. SUMMARY OF PAST QUARTERS	21
9. RELATED PARTY TRANSACTIONS	21-22
10. OFF-BALANCE SHEET TRANSACTIONS	22
11. CURRENT ECONOMIC SITUATION, DEVELOPMENT STRATEGIES AND OUTLOOK	22-24
12. RISKS AND UNCERTAINTIES	24-25
13. SIGNIFICANT ACCOUNTING MEASUREMENTS	26
14. DISCLOSURE CONTROLS AND PROCESSES	26-27
15. CONVERSION TO INTERNATIONAL STANDARDS (IFRS)	28-33
16. SUBSEQUENT EVENT	33

March 8, 2011

1. Scope of MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor") (formerly Colabor Income Fund (the "Fund")) discusses the operating results, financial situation and cash flows for the 111-day period (4th quarter) and year ended December 31, 2010. These financial statements are in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com.

Colabor's fiscal year comprises thirteen periods, the first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year end is December 31.

This report also contains information that is a non-GAAP measure of performance, such as the concept of earnings before financial expenses, amortization and income taxes (EBITDA). Since these concepts are not defined in Canadian GAAP, they may not be comparable with those of other companies

In reviewing Colabor's financial statements, investors should consider that the statement of earnings includes significant amortization expenses for property, plant and equipment, for intangible assets resulting from Colabor's acquisitions in recent years and for deferred financing expenses and transaction costs related to debentures. This amortization has a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is frequently lower than the annual dividend of $1.08 per share.

For a more in-depth analysis of Colabor, investors should analyze basic and diluted cash flows per share, which are calculated in Section 6.4 (Cash and Cash Flows per Share) in the MD&A as they are a better indication of the Company's ability to support its annual dividend.

2. Forward-looking Statements

The MD&A is intended to assist shareholders in understanding the nature and extent of changes and trends, as well as risks and uncertainties. Consequently, actual results may differ significantly from information reported or inferred in these statements. The main factors that could result in a significant difference between Colabor's actual results and the projections or expectations set out in the forward-looking statements are described herein under Risks and Uncertainties.

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

The Fund was an unincorporated, open-ended, limited purpose trust that was established under the laws of the Province of Quebec under a Declaration of Trust dated May 19, 2005. The Fund's units were traded on the Toronto Stock Exchange under the symbol CLB.UN.

On July 8, 2009, the Fund had announced its intention to convert from an income trust structure to a corporation (the "Conversion"). In order to effect the Conversion, on that date, Colabor had entered into an arrangement agreement (the "Arrangement Agreement") with ConjuChem Biotechnologies Inc. ("ConjuChem"), in order to conclude the Conversion pursuant to a statutory plan of arrangement of ConjuChem (the "Plan of Arrangement") under Section 192 of the *Canada Business Corporations Act* ("CBCA") and the Conversion was completed on August 25, 2009, further to the approval of the unitholders of the Fund, which was obtained at a special meeting held on August 19, 2009.

Additional Information

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL-T, while its convertible debentures are traded under the symbol GCL.DB and GCL.DB.A.

Additional information on GCL, and previously the Fund, may be found on SEDAR at www.sedar.com and on its information site www.colabor.com.

4. Corporate Profile

Activities

Colabor was founded in 1962 and is a wholesaler and master food distributor serving the retail (small-sized grocery stores, convenience stores, etc.) and foodservice (cafeterias, restaurants, hotels, restaurant chains, etc.) markets.

It currently carries out its activities through two divisions:

Wholesale Segment

Wholesale Segment Sales of this Segment consist of food, food-related and non-food products that it purchases and supplies to wholesale distributors that, in turn, distribute these products to over 25.000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces.

Products are sold either directly from its distribution centre ("warehouse sales") or through direct delivery from manufacturers and suppliers to the warehouses of wholesale distributors ("direct sales").

This Segment generally sells its products at the manufacturers' and suppliers' list price. Accordingly, it generates gross profit on sales as follows:

a) From a profit on warehouse sales:
Through a mark-up of the cost price of its private brand-name products and by making purchases from manufacturers and suppliers before a price increase and subsequently selling such products at the manufacturer's new price. There is no profit margin on direct sales.

b) Primarily from rebates from suppliers:
These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

This Segment operates a 371.120 square-foot distribution centre in Boucherville that employs about 150 people and could be expanded to 650.000 square feet.

Over 90% of this Segment's sales are covered by long-term contracts.

Distribution Segment
This Segment includes the following operating activities:

1. *Summit Food Service Distributors (Summit)*

Summit distributes more than 8,000 products from warehouses in Ottawa, London, Mississauga and Cambridge to more than 3,000 customers, including Cara (Swiss Chalet, Harvey's, Kelsey's Neighbourhood Bar and Grill, Montana's Cookhouse and Milestone's Grill and Bar), Compass, Extendicare, Mr Sub, Zehrs, other foodservice chains and independent restaurants as well as to institutions, including hospitals, schools and government institutions. Summit’s product line includes frozen products, dry staples, dairy products, meat, seafood, poultry and sanitation products.

This division services primarily the Ontario market, but also distributes Cara restaurant products in Quebec.

This division, with about 525 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover a total of 454,476 square feet, allocated as follows:
Toronto: 127,961 square feet
London: 113,595 square feet (could be expanded)
Ottawa: 103,460 square feet (could be expanded)
Cambridge: 109,460 square feet

2. *Bertrand Food Distributor (Bertrand)*

Bertrand is a major distributor to foodservice and retail customers in the Québec City and Saguenay regions. Bertrand, which employs approximately 325 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Saguenay, totalling 231,000 (could be expanded) and 133,000 square feet, respectively. Bertrand's customers consist primarily of foodservice operators, specialty food stores, institutional accounts such as healthcare

institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry staples, dairy products, fresh meat, fresh fish and seafood, poultry, fresh fruits and vegetables, disposables and sanitation products as well as meat processing and preparation services, Bertrand therefore offers its customers a “one-stop-shop” solution.

3. *RTD Distributions (RTD)*

RTD specializes in distributing food and non-food products to grocery stores, convenience stores, hotels, restaurants and institutions in the Lower St. Lawrence, Gaspé, part of the North Shore and the Lower North Shore and in north-western New Brunswick. RTD operates a 120,000 square-foot distribution centre in Rimouski and offers over 10,000 products to about 2,500 customers across its territory with a fleet of more than 50 trucks. It has about 260 employees.

The Distribution Segment generates gross profit on sales as follows:

a) From a profit on warehouse sales:
Generated primarily from a mark-up of the cost price of products pursuant to rates negotiated with its customers.

b) From rebates from suppliers:
These rebates consist of: (i) rebates received from suppliers based on buying volumes, (ii) cash discounts on purchases and (iii) net advertising funds received in connection with promotional activities.

Almost 50% of this Segment’s sales are covered by long-term contracts.

Over 50% of the sales activities of the two segments is secured by long-term agreements and manufacturers' and suppliers' cost increases which can be passed on to customers, thereby significantly reducing its risk.

5. MAIN RESOURCES AND COMPETENCIES:

5.1 Board of Directors

Director	Role	Occupation
Jacques Landreville	Chairman	Corporate Director
Richard Lord	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Claude Gariépy	Director	Executive Vice-President and Chief Executive Officer, Familiprix Inc.
Donald Dubé	Director	President, Edfrex Inc.

5.2 Management

Gilles C. Lachance	President and Chief Executive Officer	Colabor Group Inc.
Michel Loignon CA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Jack Battersby	President	Colabor Limited Partnership, Summit Division
Marko Potvin	Vice-President, Corporate Purchasing	Colabor Group Inc.
Denis Melançon	Vice-President and General Manager	Colabor Group Inc., Bertrand Division and RDT
Louise Laforce	Vice-President Human Resources	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Geneviève Brouillette, CA	Vice-President and General Manger	Colabor Limited Partnership, Wholesale Division

5.3 Human Resource Development

The Board of Directors is pursuing a succession planning process, through the Human Resources and Corporate Governance Committee and with the assistance of an external human resources consulting firm.

6. Performance Analysis

6.1 Highlights for the Year

Highlights of Colabor's 2010 fiscal year are presented below:

- The Company's sales and profit margins were impacted by the difficult economic situation prevailing in Eastern Canada which led to intense competition among players in the foodservice distribution sector.
- The loss, in February 2010, of a major contract with a fast food restaurant chain, had a significant impact on sales, even though the profitability on this contract was very low.
- The issuance, in April 2010, of $50 million in convertible debentures, bearing interest of 5.7% for a seven-year term, at a conversion price of $16.85. The purpose of this issue was to make it possible for the Company to finance its acquisitions using its banking facilities at a relatively low capital cost.
- The acquisition in September 2010, of RTD Distributions.
- Subsequent to year end, the acquisition of Les Pêcheries Norref inc.

6.2 Executive Summary of Performance

Year ended December 31, 2010 (compared with 2009 year)

- 1.8% decrease in comparable sales (overall decrease in sales of 11,0%)
- Decrease in EBITDA percentage from 3.62% to 3.56%
- $439,000 decrease in net earnings to $16,232,000
- Debt/EBITDA ratio: 0.86:1.00 (banking syndicate's requirement: <3.00:1.00)
- Interest coverage ratio: 5.96:1.00 (banking syndicate's requirement: >3.50:1.00)
- Dividend payout ratio of 77% and 82% on a fully diluted basis

Stock transactions during the year ended December 31, 2010

- Conversion of $34,788,000 of debentures issued in 2007 into 3,393,932 common shares
- Issuance of $50,000,000 in convertible debentures at $16.85 per share, bearing interest at 5.7%, maturing on April 30, 2017
- Share price: as at January 1, 2010: $11.07; Share price: as at December 31, 2010: $12.22
- Share price increase from January 1 to December 31, 2010: 10.4%
- Annual dividend: $1.08
- Dividend yield over market price as at January 1, 2010: 9.7%
- Total yield: 20.1%

6.3 Results of Operations

The results of operations and their comparison with the comparable periods of 2009 should be read in conjunction with the Current Economic Situation section presented further on in this MD&A and the following facts:

- On September 21, 2010, the Company concluded the acquisition of the assets of RTD. The financial results of the RTD division are included in the Company's consolidated earnings since then.

- A decrease in sales of about $44.8 million for the quarter and of $129.4 million for the year ended December 31, 2010 following the loss of a major contract in the Summit division, as explained in the 2009 third and fourth quarter reports.

- The results for 2009 were achieved as an income fund before the Fund's conversion to a corporation. Accordingly, the 2009 results include expenses relating to a minority interest and current taxes, which are nil in 2010.

- The fourth quarter of 2010 comprises 111 days, compared with 110 days for 2009.

Consolidated Earnings (in thousands of dollars, except per share amounts)

		2010-12-31 (365 days)		2009-12-31 (365 days)		Variance	
		$		$		$	%
Sales		1,051,960	100.00%	1,182,481	100.00%	(130,521)	-11.04%
Earnings before the following items		37,416	3.56%	42,800	3.62%	(5,384)	-12.58%
Costs not related to current operations		911	0.09%	2,541	0.21%	(1,630)	-64.15%
		36,505	3.47%	40,259	3.41%	(3,754)	-9.32%
Financial expenses		6,178	0.59%	6,265	0.53%	(87)	-1.39%
Amortization of property, plant and equipment		3,987	0.38%	3,864	0.33%	123	3.18%
Amortization of intangible assets		9,758	0.93%	9,450	0.80%	308	3.26%
		19,923	1.90%	19,579	1.66%	344	1.76%
Earnings before income taxes and non-controlling interest		16,582	1.57%	20,680	1.75%	(4,098)	-19.82%
Income taxes	Recovery			(1,642)	-0.14%	1 642	N/A
	Future	350	0.03%	1,650	0.14%	(1,300)	-78.79%
		350	0.03%	8	0.00%	342	4275.00%
Earnings before non-controlling interest		16,232	1.54%	20,672	1.75%	(4,440)	-21.48%
Non-controlling interest				4,001	0.34%	(4,001)	-100.00%
Net earnings		**16,232**	**1.54%**	**16,671**	**1.41%**	**(439)**	**-2.63%**
Basic earnings per share		$0.76		$1.03			

		2010-12-31 (111 days) (Unaudited)		2009-12-31 (110 days) (Unaudited)		Variance	
		$		$		$	%
Sales		347,141	100.00%	364,973	100.00%	(17,832)	-4.89%
Earnings before the following items		13,984	4.03%	15,073	4.13%	(1,089)	-7.22%
Costs not related to current operations		911	0.26%	416	0.11%	495	118.99%
		13,073	3.77%	14,657	4.02%	(1,584)	-10.81%
Financial expenses		1,831	0.53%	1,874	0.51%	(43)	-2.29%
Amortization of property, plant and equipment		1,409	0.41%	1,125	0.31%	284	25.24%
Amortization of intangible assets		3,202	0.92%	2,894	0.79%	308	10.64%
		6,442	1.86%	5,893	1.61%	549	9.32%
Earnings before income taxes		6,631	1.91%	8,764	2.41%	(2,133)	-24.34%
Income taxes	Recovery			(1,844)	-0.51%	1,844	-100.00%
	Future	763	0.22%	1,606	0.44%	(843)	-52.49%
		763	0.22%	(238)	-0.07%	1,001	-420.59%
Net earnings		**5,868**	**1.69%**	**9,002**	**2.48%**	**(3,134)**	**-34.81%**
Basic earnings per share		$0.26		$0.53			

Sales

Sales consist of:

For the Wholesale Segment: Gross sales from the Boucherville warehouse and direct sales to affiliated-wholesalers, less rebates of 3% of the affiliated-wholesalers' sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers and sales to other customers, less rebates, as provided in individual agreements with these customers. Net sales are allocated between foodservice sales and retail sales.

For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Cambridge, Lévis, Saguenay and Rimouski (since the acquisition) warehouses less rebates, as provided in individual agreements with these customers.

Inter-segment sales are then eliminated. These are primarily sales by the Wholesale Segment to Summit, Bertrand and RTD in the Distribution Segment essentially for foodservice. The following table presents a comparison of comparable sales for 2010 and 2009.

The following tables provide readers with a comparison, for the year and the fourth quarter, of comparable sales and sales from acquisitions with the same periods in the prior year.

Additionally, because the 2010 fourth quarter comprises 111 days, whereas the fourth quarter of 2009 had 110 days, sales for 2009 have been adjusted based on the number of days in 2010 to display the actual organic growth.

Sales (in thousands of dollars)

	2010-12-31 (365 days)			2009-12-31 (365 days)						
	Comparable sales	Post-acquisition sales	Total sales	Comparable sales	Loss of a customer	Total sales	Variance Comparable sales		Variance Total sales	
	$	$	$	$	$	$	$	%	$	%
Wholesale Segment										
Foodservice	361,564		361,564	371,921		371,921	(10,357)	N/A	(10,357)	N/A
Eliminations	(92,335)	(8,289)	(100,624)	(97,096)		(97,096)	4,761	N/A	(3,528)	N/A
	269,229	(8,289)	260,940	274,825		274,825	(5,596)	-2.0%	(13,885)	-5.1%
Retail	140,941		140,941	140,171		140,171	770	0.5%	770	0.5%
	410,170	(8,289)	401,881	414,996		414,996	(4,826)	-1.2%	(13,115)	-3.2%
Distribution segment	621,203	28,876	650,079	638,104	129,381	767,485	(16,901)	-2.6%	(117,406)	-15.3%
	1,031,373	20,587	1,051,960	1,053,100	129,381	1,182,481	(21,727)	-1.8%	(130,521)	-11.0%

	31/12/2010 (Unaudited) (111 days)			2009-12-31 (Unaudited) (110 days)							
	Comparable sales	Post-acquisition sales	Total sales	Comparable sales	One-day adjustment	Loss of a customer	Total sales	Variance Comparable sales		Variance Total sales	
	$	$	$	$	$	$	$	$	%	$	%
Wholesale segment											
Foodservice	115,790		115,790	118,508	(855)		117,653	(2,718)	N/A	(1,863)	N/A
Eliminations	(30,635)	(8,289)	(38,924)	(31,130)	229		(30,901)	495	N/A	(8,023)	N/A
	85,155	(8,289)	76,866	87,378	(626)		86,752	(2,223)	-2.5%	(9,886)	-11.4%
Retail	51,369		51,369	52,013	(310)		51,703	(644)	-1.2%	(334)	-0.6%
	136,524	(8,289)	128,235	139,391	(936)		138,455	(2,867)	-2.1%	(10,220)	-7.4%
Distribution segment	190,030	28,876	218,906	183,731	(2,017)	44,804	226,518	6,299	3.4%	(7,612)	-3.4%
	326,554	20,587	347,141	323,122	(2,953)	44,804	364,973	3,432	0.9%	(17,832)	-4.9%

The *Current Economic Situation...* section presented further on in this MD&A provides an overview of the context in which the Company and its competitors operate.

Lastly, the fourth quarter indicates an overall 0.9% increase in comparable sales, following several quarters of decreases, including a 3.4% contribution from the Distribution Segment. While the economy has not recovered and it will be some time before it does recover, a resurgence of activity in the Distribution Segment is cause for cautious optimism regarding the coming quarters.

Wholesale Segment

This segment, which serves primarily distributors in Quebec and the Atlantic Provinces, experienced anorganic decline of 2.1% in comparable sales for the quarter, thereby leading to a decline in organic sales of about 1.2% or $4.8M for the year compared to 2009.

Foodservices

The negative growth is primarily attributable to this segment. Foodservice distributors in Quebec and in the Atlantic provinces are experiencing a difficult economic situation which has led to intense competition with national competitors. Other distributors have responded to the continuing recession by rationalizing inventories and ordering smaller quantities, which has resulted in lower sales for the Wholesale Segment.

Retail

While the economic situation has led to a slight slowdown in this sector in the last quarter, the year as a whole shows growth of 0.5%.

Distribution Segment

The 3.4% growth in this Segment's comparable sales (which had experienced a 4.3% decline in the third quarter) is primarily attributable to:

1) the Summit Division, whose activities are mainly in Ontario, and which posted improved sales;
2) the Bertrand Division, which in 2009 lost a fish distribution contract to a national food distributor, but which is no longer compared with 2009.

Note that this contract of about $10M will be recovered by Colabor Group as a result of the acquisition of Pêcheries Norref which now serves the above-mentioned national food chain.

Earnings Before Costs not Related to Current Operations, Financial Expenses, Amortization and Income Taxes (EBITDA)

Gross Profit

Gross profit is composed of the following items:

- Wholesale Segment: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
  Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.

- Rebates from suppliers
  A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates

received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Selling, operating and administrative expenses

The main expenses consist of salaries and employee benefits, delivery costs for the Distribution Segment and occupancy costs relating to the Company's distribution centres.

Despite a decline in its sales, the Company continued to manage expenses conservatively to offset the lower revenues.

EBITDA, as a percentage of sales was 3.56% for the year compared to 3.62% in 2009. This is primarily attributable to the fact that, in order to retain its customers, the Company had to cut back its gross margin on sales to offset intense competition. Additionally, it has to absorb its fixed costs, mainly occupancy and delivery costs, while dealing with lower volumes.

Costs not Related to Current Operations

This item includes the following costs in 2010:

These costs are excluded from EBITDA because they are not related to current transactions. They include:

- Direct costs relating to business acquisitions that did not take place: $274,000

  One of Colabor's strategies is to grow through acquisitions in various sectors (see Section 11). During the year, the Company had undertaken some negotiations and incurred direct costs relating to potential acquisitions which were not conclusive .

- Direct costs for converting the financial statements to IFRS: $137,000

- Special allocation to an officer: $500,000

  An amount of $500,000 was recognized in a retirement plan for the President and Chief Executive Officer as recognized past service costs.

Income Taxes

The acquisition of the assets of Summit Food Service Distributors Inc. by the Fund was finalized and carried out on January 8, 2007. Since this transaction was considered an "undue expansion" by the Department of Finance in its ruling rendered at the end of 2007, the Fund became taxed immediately in 2007 instead of in 2011.

As explained under the *General* section, on August 25, 2009, the Fund became a corporation as a result of a Plan of Arrangement with ConjuChem, and acquired approximately $130,000,000 in tax losses for $5,000,000.

In 2009, the Company had recorded current income taxes for the first three quarters, however, subsequent to the above transaction and through the use of its tax losses, this expense was reversed in the 3rd quarter of 2009. In 2010, the Company used a portion of these tax losses to eliminate its current income tax.

For future income taxes, the Company uses the liability method to account for its income taxes. Under this method, 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.

Non-controlling Interest

Additionally, in connection with the conversion to a corporation described in the *General* section above, unitholders who had a non-controlling interest in the Fund converted their exchangeable Colabor LP units into shares of the Company and the Company therefore recorded the carrying amount of the non-controlling interest in capital stock.

The amount for the year ended December 31, 2009 was $4,001,000 which was recorded as non-controlling interest. Beginning August 25, 2009, no expense was recognized for non-controlling interest.

6.4 Balance Sheets

Consolidated Balance Sheets
(in thousands of dollars)

	2010-12-31	2009-12-31
ASSETS	$	$
Current assets		
Accounts receivable	82,540	75,438
Income taxes receivable	2,694	685
Inventory	69,669	71,909
Prepaid expenses	1,484	1,500
Future income taxes	7,928	8,540
	164,315	158,072
Deferred financing expenses	37	158
Share investment in Colabor Investments Inc., at cost	8,569	6,159
Property, plant and equipment	13,651	13,835
Intangible assets	134,264	133,869
Goodwill	78,928	72,317
Future income taxes		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	13,236	10,081
Deferred revenue	491	961
Deferred credit	7,110	7,290
Bank loan	24,345	
Debentures	13,905	
Instalments on long-term debt	307	636
	159,955	123,117
Bank loan		49,335
Balances of purchase price payables	1,143	
Long-term debt		307
Debentures	45,500	46,711
Accrued benefit liability for employee benefits	526	787
Deferred credit	14,197	19,875
Future income taxes	3,913	
	225,234	240,132
SHAREHOLDERS' EQUITY		
Capital stock	178,124	143,018
Option to convert debentures	3,048	2,314
Contributed surplus	513	447
Shares held for the stock-based compensation plans	(936)	(1,248)
Retained earnings (deficit)	(6,219)	1,549
	174,530	146,080
	399,764	386,212

The main change in the December 31, 2010 balance sheet is the presentation of the following items in current liabilities (instead of long-term liabilities):

- Bank loan:

  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 the credit facilities for a five-year period. At the date hereof, a banking syndicate composed of the main Canadian banks was approached and a final agreement is expected to be ratified shortly after publication of this MD&A.

- The 7% debentures issued in January 2007 mature on December 31, 2011.

Debenture characteristics:

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

On April 27, 2010, the Company issued debentures bearing annual interest of 5.70%, payable semi-annually on April 30 and October 31 each year, starting on October 31, 2010 for a seven-year term.

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 59,347 common shares per $1,000 principal amount of debentures, which is equal to a conversion price of $16.85 per common share. The debentures will mature on April 30, 2017 and may be early redeemed by the Company, in certain circumstances, after April 30, 2015, as explained in greater detail in the prospectus relating to the financing.

The Company's net proceeds after deducting underwriters' fees of $2,000,000 and $500,000 in other costs were $47,500,000. An amount of $45,125,000 was recognized in liabilities and an amount of $2,325,000 was recognized in shareholders' equity as an option to convert debentures.

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

The debentures are convertible at the holder's option into common shares of the Company at a conversion rate of 97,561 common shares per $1,000 principal amount of debentures, which is equal to a conversion price of $10.25 per common share. The debentures will mature on December 31, 2011and may be early redeemed by the Company, in certain circumstances.

During the year ended December 31, 2010, debentures with a par value of $34,788,000 were converted into 3,393,932 shares of the Company. The $33,465,000 carrying amount of these debentures and the related $1,641,000 conversion option were recognized in capital stock.

6.5 Cash and Cash Flows per Share

Credit Facilities

The Company has entered into a three-year agreement with a banking syndicate for operating credit facilities for an authorized amount of $100M secured by a first ranking hypothec on the Company's assets.

Under the terms of the credit agreement, the Company is required to maintain (i) a prescribed ratio of total debt (excluding the debentures) to EBITDA less than 3.00:1.00 and (ii) a prescribed ratio of EBITDA to interest expenses greater than 3.50:1.00.

Based on the banking syndicate's method of calculation, the debt/EBITDA ratio is 0.86:1.00 and the interest coverage ratio is 5.96:1.00 times.

As previously mentioned, the Company is currently negotiating with a lending syndicate to increase this credit facility to $150M, with a possible additional amount of $100M, for a five-year period.

Dividends

A $5,739,000 dividend was paid on April 15, 2010 to shareholders of record on March 31, 2010, a $5,881,000 dividend was paid on July 15, 2010 to shareholders of record on June 30, 2010 and a $6,177,000 dividend was paid on October 15, 2010 to shareholders of record on September 30, 2010 and a $6,204,000 dividend was paid on January 15, 2011 to shareholders of record on December 31, 2010.

In management's opinion, cash flows from operating activities and the funds from operating credits are sufficient to support planned capital expenditures, working capital requirements, quarterly dividends of $0.2691 per share and will comply with the banking syndicate's ratio requirements.

Consolidated Cash Flows (in thousands of dollars)

	2010-12-31 (111 days) (Unaudited)	2009-12-31 (110 days) (Unaudited)	2010-12-31 (365 days)	2009-12-31 (365 days)
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	5,868	9,002	16,232	16,671
Non-cash items				
Amortization of property, plant and equipment	1,409	1,125	3,987	3,864
Amortization of intangible assets	3,202	2,894	9,758	9,450
Amortization of deferred financing expenses	37	37	121	121
Non-controlling interest				4,001
Future income taxes	763	1,606	350	1,650
Stock-based compensation cost	198	163	596	514
Non-cash portion of the implicit interest on debentures	297	301	1,034	1,000
	11,774	15,128	32,078	37,271
Changes in working capital items				
Accounts receivable	6,733	19,205	3,035	5,366
Income taxes receivable	466	(685)	(2,083)	(685)
Inventory	(5,175)	(6,541)	7,040	1,324
Prepaid expenses	2,215	817	950	164
Accounts payable and accrued liabilities	(9,071)	(12,555)	(5,964)	(20,183)
Income taxes payable		(1,413)		(1,855)
Rebates payable	3,302	3,186	475	(1,358)
Deferred revenue	(1,653)	(508)	(470)	(154)
Accrued benefit liability for employee benefits	(261)	15	(261)	15
	(3,444)	1,521	2,722	(17,366)
Cash flows from operating activities	8,330	16,649	34,800	19,905
INVESTING ACTIVITIES				
Business acquisition	(22,335)		(22,335)	
Transaction with ConjuChem				(5,000)
Repayment of balances of purchase price				(6,515)
Property, plant and equipment	(350)	(1,468)	(2,241)	(2,670)
Cash flows from investing activities	(22,685)	(1,468)	(24,576)	(14,185)
FINANCING ACTIVITIES				
Bank loan	15,124	(26,757)	(24,990)	1,834
Convertible debentures issue			47,500	
Dividends paid	(6,177)		(25,249)	
Distributions paid to unitholders		(1,011)		(11,467)
Distributions paid to holders of exchangeable Colabor LP units		(353)		(4,004)
Repayment of long-term debt	(398)	(230)	(850)	(706)
Purchase of shares/units held by the Company for stock-based compensation plans			(218)	(789)
Cash flows from financing activities	8,549	(28,351)	(3,807)	(15,132)
Net change in bank overdraft	(5,806)	(13,170)	6,417	(9,412)
Bank overdraft, beginning of period	(4,903)	(3,956)	(17,126)	(7,714)
Bank overdraft, end of period	(10,709)	(17,126)	(10,709)	(17,126)

Basic and diluted cash flows and payout ratio for the year 2010

Cash flows per share

	Cash flows	Diluted cash flows
	$000	$000
Net earnings	16,232	16,232
Amortization of property, plant and equipment	3,987	3,987
Amortization of intangible assets	9,758	9,758
Amortization of deferred financing expenses	121	121
Future income taxes	350	350
Stock-based compensation cost	596	596
Non-cash portion of the implicit interest on debentures	1,034	1,034
Interest savings on debentures		4,006
Property, plant and equipment	(2,241)	(2,241)
Cash flows from operating activities before changes in working capital items	29,837	33,843
Weighted number of shares (see Note 29 of the financial statements)	21,471,521	21,471,521
Adjustment to take account of debenture conversion		4,359,261
Number of shares for calculation purposes	21,471,521	25,830,782
Cash flows per share	**$1.390**	**$1.310**
Annual dividend	**$1.076**	**$1.076**
Dividend payout ratio	**77%**	**82%**

Readers should bear in mind that Colabor Group Inc. has a 15.6% interest in Colabor Investments Inc., which owns 5,087,349 shares in Colabor Group Inc. (see *Related Party Transactions*).

7. Contractual Obligations

('000)		**Payments due per period**			
Contractual obligations	**Total**	**Less than 1 year**	**From 1 to 3 years**	**From 4 to 5 years**	**5 years and over**
Bank loan	$24,345	$24,345	$-	$-	$-
Long-term debt	$307	$307			
Balances of purchase price payable	$14,379	$13,236	$1,143		
Debentures (par value)	$64,267	$14,267			$50,000
Operating leases and service contracts	$93,845	$13,081	$24 375	$18,665	$37,724
Total	$197,143	$65,236	$25 518	$18,665	$87,724

Debentures maturing in 2011

These debentures may be converted until December 31, 2011, or redeemed, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest.

Debentures maturing in 2017

These debentures may be converted until December 31, 2017.

The debentures are redeemable between April 30, 2015 and April 30, 2016, with advance notice, at a price that corresponds to the principal plus accrued and unpaid interest, provided the current market price is at least 125% of the conversion price.

After April 30, 2016, they are redeemable, with advance notice, at a price that is equivalent to the principal plus accrued and unpaid interest

8. Summary of Past Quarters

('000)	2010-12-31	2010-09-11	2010-06-19	2010-03-27	2009-12-31	2009-09-12	2009-06-20	2009-03-28
	(111 days)	(84 days)	(84 days)	(86 days)	(110 days)	(84 days)	(84 days)	(87 days)
	$	$	$	$	$	$	$	$
Sales	347,142	234,309	245,155	225,355	364,973	276,841	283,722	256,945
EBITDA	13,984	7,578	8,981	6,873	15,073	10,026	9,977	7,724
Net earnings	5,868	3,885	4,202	2,277	9,002	4,710	1,744	1,215
Basic net earnings per share/unit	$0.26	$0.18	$0.20	$0.12	$0.53	$0.30	$0.14	$0.08

Readers should bear in mind that results for quarters prior to September 12, 2009 were achieved in an income fund structure. Results for the quarter ended September 12, 2009 include income tax recoveries calculated for the quarters ended June 20, 2009 and March 28, 2009 following conversion to a corporation and the acquisition of ConjuChem's tax losses.

9. Related Party Transactions

Following the initial public offering on June 28, 2005, the Fund had indirectly acquired a 53.2% interest in Colabor LP, with the remaining 46.8% interest in Colabor LP being held by Colabor Investments Inc. ("Investments") as exchangeable Colabor LP units.

Subsequent to the Summit and Bertrand acquisitions, Investments held an undiluted 25.9% interest and a diluted 20.8% interest in Colabor LP.

Subsequent to the conversion to a corporation and the conversion of debentures, Investments now holds an undiluted 22.1% and a diluted 18.6% interest in Colabor Group Inc., which enables it to exercise significant influence over GCL.

However, following the acquisition of Bertrand and RTD, Colabor Group Inc. now holds 15.6% of Colabor Investments Inc., which has a 5,087,349 share investment in Colabor Group Inc.

Related party transactions include the following:

- Sales to customers controlled by directors, which are on the same terms and conditions as sales to Company's other customers.

- Rebates to affiliated- and preferred wholesalers of Investments at the rate of 3% of their sales, as provided in the agreement in effect until 2015;

- Until 2022, the Company leases the building in which its head office and the Boucherville distribution centre are located from Investments;

- Under an agreement expiring in 2015, the Company pays fees to a subsidiary of Investments for IT services.

All of these transactions were concluded in the normal course of business and are measured at the exchange amount.

Related party transactions (in thousands of dollars)

	2010-12-31 (111 days) (Unaudited)	2009-12-31 (110 days) (Unaudited)	2010-12-31 (365 days)	2009-12-31 (365 days)
	$	$	$	$
Sales to customers controlled by directors	5,047	5,348	14,862	17,179
Rebates	4,634	6,394	13,943	14,066
Rent	624	624	2,028	2,028
IT services	129	586	1,131	1,454

10. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than, primarily, a $2,028,000 bank letter of guarantee supporting one year of leasing the Boucherville distribution centre.

11. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. Once again in 2010, the Canadian economy underwent one of the most severe economic downturns in the past 40 years. Although there appears to be some improvement in the economy, in our opinion, the recovery will be slow and the 2011 year will be also be difficult in terms of competition between foodservice distributors, all the more so since the food sector is generally the last sector to fully regain its robustness. Additionally, the phasing out of the governments' economic recovery plans will result in reduced government contributions to economic growth. Most governments have announced budget deficit reduction measures, including, among others, increases in commodity taxes, which may translate into decreased public administration spending, thereby potentially

creating some uncertainty in the minds of consumers, who will reign in their discretionary spending.

Colabor has prepared its business plan, described below, and believes that the current situation could offer more business opportunities that it is prepared to analyse for their potential to contribute to a strategic sales growth, with the objective of providing added value for the shareholders

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase its penetration of the food services market in Canada.

Affiliated-wholesalers network in Quebec and the Atlantic Provinces

Despite a slowdown in the organic growth in the Wholesale Segment, management is convinced that these loyal, entrepreneurial, customer-service-driven affiliated-wholesalers will continue to grow their market share in their respective regions.

Consolidation of food distribution services

The Summit acquisition has made it possible for the Company to gain a foothold in Ontario, the most important foodservices market in Canada. The Company could acquire other distributors operating in Ontario and use its business model to integrate any new acquisitions. This strategy has proven beneficial with the Bruce Edmeades acquisition, for example.

The Company could also acquire affiliated-wholesalers' networks in Quebec, using its Bertrand division to integrate these new acquisitions, and in the Atlantic Provinces. This was the case with the recent acquisition of RTD Distributions. This would allow it to complete its distribution network in Eastern Canada.

Geographic expansion

At this time, the Company is not present in Western Canada. Since this region was experiencing the fastest economic growth in the country in recent years, there is no doubt that expansion into this region could be beneficial, although it must be considered carefully in light of the labour availability issues. Additionally, a prerequisite to expansion in this region is developing a solid customer base before investing in new infrastructure.

Related sectors

The Company's mission is to provide its customers with one-stop shopping in the food distribution services market.

In the future, the Company could add a meat, fish, fruit and vegetables, packaged goods, natural and organic products and ethnic products distribution network, as was the case with the recent acquisition of Pêcheries Norref (see *Subsequent event).*

Convenience stores and small-sized grocery stores

The Company believes that, in the medium term, there will be opportunities to acquire convenience store networks currently owned by major food chains wishing to return to their original niche, serving medium- and large-sized grocery stores.

Outlook

Despite the economic downturn, these acquisition opportunities would make it possible for the Company to significantly increase its purchasing power and ability to generate cost savings in order to increase its net earnings.

12. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its Annual Information Form. In addition to those risks, the Company wishes to emphasize the industry-related risks that could impact profitability and return on investments and that are beyond management's control.

Industry-related risks that could impact profitability and that are beyond management's control:

- *Dependence on affiliated-wholesalers*

  Sales generated by affiliated-wholesalers account for a significant portion of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.
  This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses and through the acquisition of RTD Distributions in 2010 and Bertrand in 2008. However, there is no assurance that Colabor LP would be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Investments to encourage the affiliated-wholesalers to increase their purchases from Colabor.

- *Absence of long-term agreements between affiliated-wholesalers and their customers*

  In accordance with general industry practice, affiliated-wholesalers do not normally enter into long-term agreements with their customers. As a result, customers may, without notice or penalty, terminate their relationship with the affiliated-wholesalers. In addition, even if customers should decide to continue their relationship with the affiliated-wholesalers, there is no guarantee they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by the affiliated-wholesalers, or decrease in the volume purchased or the price paid by them for products, could affect the Company's sales and have an adverse effect on its financial condition and results of operations. In the past, affiliated-20 wholesalers, relying on their knowledge of their respective markets, have been able to differentiate themselves from their competitors by providing personalized services to their

customers, in particular flexible delivery schedules and a product line tailored to their customers' needs. In management's view, there will be no change in this regard in the future.

- *Customer choices*

  Colabor's success also depends on the continuing interests of customers in its products. A change in customer choices could affect demand for Colabor's products.

- *Dependence on Cara and other chains*

  Subsequent to the Summit acquisition, sales to Cara (including franchisees of Cara) represented a significant portion of the Company's sales. The loss of Cara as a customer, a decrease in purchases by Cara or a decrease in Cara's market share in the foodservice industry could have a material and adverse effect on the Company's financial condition, results of operations and liquidity. This risk has been mitigated by the execution of a ten-year distribution agreement, with a five-year renewal option with Cara and through the Bruce Edmeades, Bertrand and RTD Distributions acquisitions.

- *Integration of acquired companies*

  While some acquisitions are managed with little change, some could result in major streamlining. Difficulties encountered with such integrations could have an impact on the Company's results.

- *Product recall*

  Colabor could have to deal with product recalls due to sanitation issues encountered by certain manufacturers, such as the listeriosis problems during 2008. Such recalls can trigger a decrease in sales of certain types of products for a period of time and cause a slump in sales figures. At this time, Colabor has the necessary mechanisms in place to quickly trace contaminated products, return them to the manufacturer and recover the cost of the contaminated products from these manufacturers.

Return on investment

The return is based on many assumptions. Although the Company intends to pay quarterly dividends, such dividends may be reduced or suspended. The dividends paid will depend on numerous factors, in particular, the inherent industry risks described above and other risks described in the Company's Annual Information Form. Additionally, the market value of the shares could decline significantly if the Company is unable to respect its dividend payment objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the *Cash Flow* section.

Climate change

Colabor has very little climate change risk exposure.

13. Significant Accounting Measurements

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated economic events. Significant estimates relate exclusively to the allowance for excess or obsolete inventory, accounting for rebates from suppliers, goodwill and intangible assets.

- *Allowance for excess or obsolete inventory*

  Inventory is valued at the lower of net realizable value or cost calculated using the first-in first-out method. The Company records an allowance for obsolescence that is calculated on the basis of assumptions relating to future demand for its products and conditions in the markets in which its products are sold. The allowance, which reduces inventory to the net realizable value, is then applied against inventory in the balance sheet. Management has to make estimates and exercise judgement when determining these allowances. If actual market conditions are less favourable than management's assumptions, additional allowances may be required.

- *Accounting for rebates from suppliers*

  Colabor negotiates procurement contracts with its suppliers providing for the payment of rebates based on volumes purchased. The procurement contracts with suppliers are reviewed periodically and rebates adjusted according to prevailing market conditions.

- *Goodwill and intangible assets*

  Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in fair value, it is tested for impairment. The impairment test involves comparing the fair value of the Company's business with its carrying amount. If the carrying amount of the business exceeds its fair value, the Company compares the fair value of any goodwill relating to the business to its carrying amount. An impairment loss equal to the amount of the excess is charged to earnings. The fair value of the business is calculated using discounted cash flows.

  Intangible assets include customer relationships and trademarks. Customer relationships are amortized on the straight-line basis over their estimated useful lives of 20 years for relationships with affiliated-wholesalers, 15 years for customer relationships with Cara and 3 to 10 years for relationships with other customers. Trademarks are not amortized.

14. Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all the information required is accumulated and communicated to the Group's management which ensure the information is reported appropriately. Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance regarding the completeness and reliability of financial reporting in accordance with Canadian GAAP.

The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer are responsible for the implementation and maintenance of DC&P and ICFR, in accordance with the guidance in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. They are supported in this task by the Disclosure Committee and the Audit Committee.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of DC&P as at December 31, 2010 and, based on that evaluation, concluded that they were effective at that date and adequately designed.

Also as at December 31, 2010, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer caused to be evaluated under their supervision the effectiveness of ICFR and, based on that evaluation, concluded that it was effective at that date and adequately designed.

The DC&P evaluation was performed using the control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The evaluation of the design and effectiveness of ICFR was performed in accordance with the COSO control framework for entity level and financial controls, and Control Objectives for Information and Related Technologies (COBIT) for general IT controls.

Given the inherent limitations of any control systems, management's evaluation of controls can only provide reasonable, not absolute assurance that all control issues that may result in material misstatement, if any, have been detected.

Changes to Internal Controls over Financial Reporting

On September 21, 2001, the Group completed the acquisition of the assets of RTD Distributions Ltée. The Group availed itself of provision NI 52-109 3.3(1)(b) which permits exclusion of this acquisition in the DC&P and ICFR evaluation for a maximum period of 365 days. The following information summarizes RTD's financial information for the period from the date of acquisition to December 31, 2010:

Sales:	$28.9M
Net earnings:	$0.7M
Current assets:	$13.8M
Long-term assets:	$3.9M
Current liabilities:	$7.9M
Long-term liabilities:	$1.6M

During the year ended December 31, 2010, with the exception of the previously described acquisition, no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting.

15. Change to International Accounting Standards (“IFRSs”)

The Company has substantially completed all of the steps leading to the transition to IFRSs. The Company should be able to comply with the instructions of the Autorité des marchés financiers and the Canadian Institute of Chartered Accountants on the application dates stipulated by these entities. The following tables set out the Company’s position, illustrate the impacts on the various opening balances of the January 1, 2010 balance sheet based on our analyses to date.

FIRST-TIME ADOPTION OF IFRSs

The date of transition to IFRS is January 1, 2010. IFRS accounting policies have been used to prepare the opening consolidated statement of financial position as at January 1, 2010.

The Company applied IFRS 1, "First-time Adoption of International Financial Reporting Standards", to prepare this opening consolidated statement of financial position using IFRSs. The impact of the transition to IFRSs on equity is presented and explained in greater detail in the following tables.

Exceptions and exemptions regarding first-time adoption

On transition to IFRSs, IFRS 1 provides a number of mandatory exceptions to and authorizes certain optional exemptions from full retrospective application.

The Company adopted the following exemptions and exceptions:

- The Company decided not to retrospectively apply IFRS 3, “Business Combinations”, to business combinations that occurred before the date of transition (January 1, 2010).
- The Company decided to recognize all cumulative actuarial gains and losses for its defined benefit plans at the date of transition. From the date of transition, the Company’s accounting policy consists in using the corridor approach and splitting cumulative gains and losses between a recognized portion and an unrecognized portion. Additionally, the Company elected to adopt the exemption consisting in not disclosing the defined benefit pension surplus or deficit and experience adjustments before the date of transition.

Mandatory exception applicable to the Company

- The Company’s estimates in accordance with IFRSs are consistent with estimates made in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

Reconciliation of equity

Equity at the date of transition may be reconciled with amounts presented using the pre-changeover accounting standards, as follows:

	January 1, 2010
	($000)
Equity according to pre-changeover accounting standards	146,080
Increase (decrease) in previously determined equity due to difference between pre-changeover standards and IFRSs	
Defined benefit pension plans – recognition of cumulative actuarial gains and losses at the date of transition	(116)
Deferred credit – write off of accrued liability portion at the date of transition	27,165
Contributed surplus – difference in the recognition of the expense for the long-term incentive plan (LTIP)	(327)
Retained earnings – difference in the recognition of the expense for the LTIP	327
Equity under IFRSs	173,129

Presentation differences

Some presentation differences between pre-changeover accounting standards and IFRSs have no impact on earnings presented or total equity.

As shown in the following tables, the description of some items is different under IFRSs compared with the pre-changeover accounting standards, even if the assets and liabilities in the items are not affected.

Reconciliation

Goodwill and business combinations

The Company elected not to restate business combinations that occurred before the date of transition to IFRSs. The carrying amount of goodwill has not been adjusted to take account of intangible assets included in goodwill or that do not qualify for recognition in accordance with IFRSs. Goodwill at the date of transition relates to cash generating units. At the date of transition, this goodwill was tested for impairment based on cash flow forecasts at that date. No impairment was detected. Accordingly, the amount of goodwill recognized on transition to IFRSs is the carrying amount as at January 1, 2010, in accordance with pre-changeover accounting standards.

Deferred financing expenses

Deferred financing expenses cannot be capitalized as assets under IFRSs, contrary to the accounting treatment under the pre-changeover accounting standards. Deferred financing expenses must be connected to the financial instrument for which the expenses were incurred or expensed directly, depending on the classification. Since the related financial instrument is a bank loan, which is measured at amortized cost, this results in eliminating $158,000 from deferred financing expenses and reducing the bank loan by the same amount.

Pension and other employee obligations

At the date of transition, the Company elected to apply the exemption in IFRS 1 and recognize all cumulative actuarial gains and losses in retained earnings. This led to a $115,900 increase in pension and other employee obligations at the date of transition.

Deferred credit

Under the pre-changeover accounting standards, the Company recognized a deferred credit related to a portion of the tax attributes acquired in connection with a past transaction. Under IFRSs, a deferred credit liability may not be recognized. Accordingly, the Company derecognized the liability and increased equity by $27,165,000.

Deferred tax

Under the pre-changeover accounting standards, deferred tax was called "future income tax". On the transition, the deferred tax classification is changed. Separation between current and non-current is no longer permitted under IFRSs and deferred tax is now classified as non-current. This led to an increase in deferred tax assets classified as non-current and a decrease in current assets in the amount of $8,540,000.

Other financial liabilities

Under the pre-changeover accounting standards, there is no "other financial liabilities" item. This item includes the reclassification of the following items in accordance with the pre-changeover accounting standards: balance of purchase price bearing interest at 4.5%, non-interest bearing balance of purchase price and dividends payable.

Contributed surplus

Under the pre-changeover accounting standards, the compensation expense relating to the LTIP was recognized on a straight-line basis, which is not permitted under IFRSs. Accordingly, the Company increased contributed surplus and reduced equity by $327,000.

FIRST-TIME ADOPTION OF IFRSs

The following tables provide details on the total impact on the statement of financial position

Former wording	January 1, 2010 Canadian GAAP	Impact of transition to IFRSs	IFRSs	New wording
	$	$	$	
ASSETS				**ASSETS**
Current assets				**Current**
Accounts receivable	75,438		75,438	Trade and other receivables
Income taxes receivable	685		685	Current tax assets
Inventory	71,909		71,909	Inventory
Prepaid expenses	1,500		1,500	Prepaid expenses
Future income taxes	8,540	(8,540)	0	
	158,072	(8,540)	149,532	*Current assets*
Long-term assets				**Non-current**
Deferred financing expenses	158	(158)	0	
Share investment in Colabor Investments Inc.	6,159		6,159	Share investment in Colabor Investments Inc.
Property, plant and equipment	13,835		13,835	Property, plant and equipment
Intangible assets	133,869		133,869	Intangible assets
Goodwill	72,317		72,317	Goodwill
Future income taxes	1,802	8,540	10,342	Deferred tax assets
	228,140	8,382	236,522	*Non-current assets*
	386,212	(158)	386,054	*Total assets*

Former wording	Canadian GAAP	Impact of transition to IFRSs	IFRSs	New wording
	$	$	$	
LIABILITIES				**LIABILITIES**
Current liabilities				**Current**
Bank overdraft	17,126		17,126	Bank overdraft
Accounts payable and accrued liabilities	65,762		65,762	Trade and other payables
Balance of purchase price payable, 4.5%	3,750		3,750	Other financial liabilities
Balance of purchase price payable, without interest	6,331		6,331	Other financial liabilities
Dividends payable	7,453		7,453	Other financial liabilities
Sales rebates payable	13,808		13,808	Trade and other payables
Deferred revenue	961		961	Other current liabilities (deferred revenue)
Deferred credit	7,290	(7,290)		Other liabilities
Instalments on long-term debt	636		636	Long-term debt payable within one year
	123,117	(7,290)	115,827	*Current liabilities*
Long-term liabilities				**Non-current**
Bank loan	49,335	(158)	49,177	Bank loan
Long-term debt	307		307	Long-term debt
Debentures	46,711		46,711	Debentures
Accrued benefit liability for employee benefits	787	116	903	Pension and other employee obligations
Deferred credit	19,875	(19,875)	0	Other liabilities
	117,015	(19,917)	97,098	*Non-current liabilities*
	240,132	(27,207)	212,925	*Total liabilities*

Former wording	Canadian GAAP	Impact of transition to IFRSs	IFRSs	New wording
	$	$	$	
SHAREHOLDERS' EQUITY				**EQUITY**
Equity attributable to shareholders	143,018		143,018	Share capital
Options to convert debentures	2,314		2,314	Options to convert debentures
Contributed surplus	447	327	774	Contributed surplus
Shares held for the stock-based compensation plans	(1,248)		(1,248)	Shares held for long-term incentive plan
Retained earnings	1,549	26,722	28,271	Retained earnings
	146,080	27,049	173,129	*Total equity attributable to owners of the parent*
	386,212	(158)	386,054	*Total liabilities and equity*

16. 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 transaction provides Colabor with a wide product assortment catering to the high margin “centre-of-the-plate” meal solutions category.

Founded in 1987, Norref’s annual sales reached $113M for the twelve-month period ended July 31, 2010. From a strategically located 40,000 square-foot warehouse in Montreal, Norref distributes a full range of fresh and frozen fish products as well as ready-to-eat fish and seafood meals. Its diversified client base is comprised of restaurants, hotels, grocery stores, caterers and fish stores. The acquisition will be financed from credit facilities available to the Company. This transaction amounts to about $44M and is subject to certain post-closing adjustments. The acquisition was financed from credit facilities available to the Company.

The acquisition of Norref perfectly reflects Colabor’s strategic objectives to broaden its product offering and client base.