

UNI-SELECT INC. CONSOLIDATED INTERIM REPORT



1st QUARTER 2011

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SUMMARY

Uni-Select recorded sales of close to \$400 million for the first quarter of 2011, an increase of 34% compared to the same period of last year. This increase is primarily attributed to the FinishMaster acquisition. In addition, the Corporation recorded an adjusted EBITDA of \$23 million which represents 5.8% of sales, a 0.7% increase compared to the adjusted EBITDA margin of 5.1% in 2010. Furthermore, adjusted earnings per share reached \$0.53 for the quarter, an increase of \$0.13 or 33% compared to the same period of last year.

INTRODUCTION

This Management Report on the operating results and cash flows of the Corporation for the period ended March 31, 2011 compared to the period ended March 31, 2010 and on its financial position as at March 31, 2011 compared with its position as at December 31, 2010 should be read in conjunction with the consolidated financial statements and accompanying notes. The information contained in this Management Report takes into account all major events that occurred prior to May 11, 2011, on which date the financial statements and Management Report were approved by the Board of Directors of the Corporation. It presents the status and business context of the Corporation as they were, to management's best knowledge, at the time these lines were written.

Additional information on Uni-Select, including the audited financial statements as of December 31, 2010 and the Annual Information Form of the Corporation, is available on SEDAR's website at: www.sedar.com.

In this Management Report, "Uni-Select" or the "Corporation" designates, as the case may be, Uni-Select Inc., or its subsidiaries, divisions or joint ventures. **Unless otherwise indicated, all financial amounts appearing in this Management Report, including tabular amounts, are expressed in thousands of US dollars, and all comparisons are made with the previous period.**

Certain sections of this Management Report contain forward-looking statements which, by their very nature, include risks and uncertainties, such that actual results could differ from those indicated in these forward-looking statements. Unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

The interim financial statements for the period ended March 31, 2011 have not been reviewed by the auditors of the Corporation.

1. FINANCIAL HIGHLIGHTS OF THE FIRST QUARTER

(in thousands of US dollars, except for per-share amounts and percentages)			
	Three-month periods ended		
	March 31 2011	March 31 2010	%
Sales	396,784	295,458	34.3%
Adjusted EBITDA	23,139	14,960	54.7%
<i>Adjusted EBITDA margin</i>	5.8%	5.1 %	
EBITDA	21,700	13,805	57.2%
Adjusted earnings	11,347	7,937	43.0%
Net earnings	9,662	7,183	34.5%
COMMON SHARE DATA			
Adjusted basic earnings	0.53	0.40	
Net basic earnings	0.45	0.36	
Dividend	0.117	0.112	
Number of shares issued at the end of the period (in thousands)	21,691	19,708	
Weighted average number of outstanding shares (in thousands)	21,559	19,716	
FINANCIAL POSITION			
	March 31 2011	Dec. 31 2010	
Working Capital	477,777	367,452	
Total Assets	1,127,294	801,703	
Total net indebtedness	384,640	189,678	
Shareholders' equity	454,199	389,073	
Long-term debt / equity	74.4%	45.9%	
Total net debt / invested capital	43.4%	32.8%	
Funded debt on EBITDA	3.40	2.43	
Return on average shareholders' equity	12.7%	12.4%	
Book value per share	20.94	19.74	

Activities in the first quarter are in line with the strategic plan of the Corporation and reflect the various ongoing projects and achievements to date.

	Impact – 1st quarter
Acquisition of FinishMaster, Inc. , the largest independent distributor of automotive paints, coatings and related accessories in the United States. The acquisition was completed January 11, 2011 (<i>For more details, see note 7 in Consolidated Financial Statements</i>).	<ul style="list-style-type: none"> – Sales of \$100 million – Net earnings of \$0.9 million – Acquisition related costs of \$3.0 million
In order to finance the FinishMaster, Inc acquisition, a new financing structure was implemented. (<i>For more details, see section on financing sources as well as notes 11 and 12 in consolidated financial statements</i>)	<ul style="list-style-type: none"> – New credit agreement: \$400 million – Issuance of convertible debentures, net of costs: \$49.7 million – Issuance of shares, net of costs: \$49.4 million
Acquisition and disposal of stores	<ul style="list-style-type: none"> – Stores Acquired: 1 in Canada and 2 in the United States – Stores Disposed : 2 in Canada
The Corporation initiated the reorganization of the Prairies and Pacific regions in Canada. In order to optimize its network, the Corporation proceeded with the disposal of a distribution center in each of these regions.	<ul style="list-style-type: none"> – Non-recurring costs: \$0.3 million
Disposal of two buildings	<ul style="list-style-type: none"> – Net gain on disposals: \$1.7 million
The development of the enterprise resource planning system is progressing according to plan.	<ul style="list-style-type: none"> – \$8.3 million in non-recurring capital expenditures and \$1.1 million in operating expenses were incurred
<p>In addition, the deployment of the operational module has begun, as planned, April 4, 2011 with a warehouse in Canada as well as a warehouse in the United States and its 9 associated corporate stores. The deployment will be pursued gradually throughout the year to be completed by the end of 2012.</p>	

International Financial Reporting Standards (IFRS) are in effect as of January 1, 2011 with retrospective application as at January 1, 2010 and replace the Canadian standards. This implementation was made mandatory to Corporations who are publicly accountable following the CICA's Accounting Standards Board's announcement in February of 2008. IFRS are established by the International Accounting Standards Board. The previous year's financial statements were restated as were the financial position as at January 1, 2010. (*For further information on the effects, see note 18 of the consolidated financial statements*). The financial information included in this document has been prepared according to IFRS, and is presented as such unless otherwise noted.

2. DESCRIPTION OF THE CORPORATION'S ACTIVITIES

A KEY INDUSTRY PLAYER

Uni-Select, founded in 1968, is a major distributor of replacement parts, equipment, tools and accessories for motor vehicles in North America. Uni-Select is a Canadian leader as well as the sixth-largest distributor in the United States. With its 6,100 employees, the Corporation operates two divisions; the independent merchants and major accounts division supplies automotive parts and accessories through its 64 distribution centres, while the Stores division offers installers and consumers the same products through its 424 stores. Uni-Select is one of the largest network of independent automotive parts wholesalers, installers and body workshops.

Uni-Select is a first-choice supplier not only of parts and equipment for domestic vehicles but also of parts for imported cars with Beck/Arnley™ products leading the way. In addition, with the acquisition of FinishMaster™ in January 2011, Uni-Select has become North America's largest distributor of paint and bodyshop accessories.

With its latest acquisition, 71% of Uni-Select's annual sales are in the United States and 29% in Canada.

AN ESSENTIAL LINK IN THE SUPPLY CHAIN

The Corporation plays an essential role by linking manufacturers of automotive parts and accessories with the wholesalers and installers that form its client base. With access to close to two million automotive parts and accessories, Uni-Select

provides efficient management of the supply chain, with more than 350,000 different part numbers kept in inventory to meet its clients' needs. Finally, the Corporation holds significant shares in the market of automotive paints, coatings and related accessories.

SOLUTIONS ADAPTED TO CUSTOMERS' NEEDS

Uni-Select stands out from the competition with a business model characterized by a flexible focus and the availability of solutions adapted for independent wholesalers, installers and body workshops. The latter may source the national brand products they need from any of the following means of access: directly from suppliers, from Uni-Select warehouses or Uni-Select stores strategically located across North America, or through a combination of these alternatives.

Because it recognizes the importance of each customer's business, Uni-Select treats them as partners to help ensure their success. The Corporation offers an à la carte menu that allows customers to choose only the programs and resources they want. This approach helps them meet their development and growth goals, through Uni-Select's offering of marketing, store identification or inventory and order-management programs. In addition, Uni-Select offers succession programs to assist its customers when they ponder retirement and are in need of assistance to facilitate their transition.

EXCHANGE RATE DATA

The Corporation began reporting its consolidated financial statements in U.S. dollars January 1, 2011. This decision was a result of the acquisition of FinishMaster on January 11, 2011, which caused a significant impact on the geographical composition of its sales. More than 70% of Uni-Select's sales now originate from the United States. As a result, management was of the view that it is more

pertinent and economically representative to use the U.S. currency as the reporting currency. This decision will reduce changes due to the fluctuation of currencies on the financial statements. The individual financial statements of the various subsidiaries of Uni-Select Inc. will continue to be produced in their respective local currencies.

The following table sets forth information about exchange rates based upon rates expressed as US dollars per CAD\$1.00:

	March 31 2011	March 31 2010
Average for the period For statement of earnings purposes	1.01	0.96
	March 31 2011	Dec. 31 2010
Period End For statement of financial position	1.03	1.00

As the Corporation uses the US dollar as its reporting currency in its consolidated financial statements and in this document, unless otherwise indicated, results from its Canadian operations are translated into US dollars using the average rate for the period. Variances and explanations related to variations in the foreign exchange rate and the volatility of the Canadian dollar which are discussed in this document are therefore related to the translation to

the US dollars of its Canadian operations' results and do not have an economic impact on its performance since most of the Corporation's consolidated sales and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, the sensitivity of the Corporation's results to variations in foreign exchange rates is economically limited.

4. ANALYSIS OF RESULTS

ANALYSIS OF CONSOLIDATED RESULTS

(in thousands of US dollars, except for percentages)

	First quarter		
	2011	2010	%
Sales			
United States	281,435	185,889	54.4%
Canada	115,349	109,569	5.3%
	396,784	295,458	34.3%
EBITDA	21,700	13,805	57.2%
EBITDA Margin	5.5%	4.7%	
Non-recurring items ⁽¹⁾	1,439	1,155	
Adjusted EBITDA	23,139	14,960	54.7%
Adjusted EBITDA Margin	5.8%	5.1%	

⁽¹⁾ For further details, see the following table and the "Compliance with IFRS" section.

This table presents the various non-recurring items as well as the reconciliation of adjusted EBITDA and EBITDA.

Non-recurring Items

(in thousands of US dollars)	First Quarter	
	2011	2010
Expenses related to enterprise resource planning (ERP) ⁽¹⁾	1 121	1 155
Expenses related to network reorganization and disposal of stores ⁽²⁾	318	-
Total non-recurring items	1 439	1 155

⁽¹⁾ Notably includes costs related to data conversion and employee training.

⁽²⁾ Primarily costs related to terminating leases, workforce and expenses required to relocate inventory, losses and write-off of fixed assets.

SALES

The 34.3% increase in sales of the quarter compared to the same period of last year is primarily due to:

- The FinishMaster, Inc. acquisition, which had a positive effect of 31.3 %;
- The effects of the variation of the Canadian dollar vis-à-vis the US dollar that had a positive impact of 2.0% on sales;
- Organic growth of 1.0 %, e.g. 0.4% in the United States and 1.9% in Canada;

In addition, the impact on sales related to the closing of unprofitable stores and/or in areas with lesser growth potential in the United States and the disposal of stores was compensated by one less invoicing day in the United States.

ADJUSTED EBITDA

The adjusted EBITDA margin was 5.8% of sales compared to 5.1% for the same period of last year. This increase is mainly attributable to:

A 1.0% higher gross margin explained by:

- The contribution of FinishMaster, Inc., which generates a higher gross margin than existing operations;
- Higher profit on inventory originating from an increase in prices which occurred at the end of 2010 and at the beginning of 2011 in the United States.

Partially offset by:

- Pressures on prices and a change in the product mix.

Slightly higher operating expenses caused by:

- FinishMaster, Inc.'s expenses which account for a higher percentage of sales than the average existing operations originating from a different market approach;
- An increase in delivery costs and utilities due to an increase in energy prices;

ANALYSIS OF OTHER ITEMS AND AMOUNTS RELATED TO CONSOLIDATED RESULTS

(in thousands of US dollars, except for percentages)

	First quarter		
	2011	2010	%
Gains on disposal of assets	(1,728)	-	
Acquisition related costs	2,976	-	
Finance costs	4,528	1,559	190.4%
Depreciation and amortization	4,949	3,270	51.3%
Income taxes	1,473	1,874	
Tax rate	13.4%	20.9%	

GAINS ON DISPOSAL OF ASSETS

In the course of the quarter, the Corporation proceeded to the disposal of two buildings. The net gain resulting from these transactions is presented separately in the statement of earnings.

ACQUISITION RELATED COSTS

Refer to expenses related to the acquisition of FinishMaster, Inc. According to IFRS, these expenses are now directly reported in the financial statements, whereas they were previously included in the balance sheet as goodwill. *(For further details, see notes 3 and 7 in the Consolidated Financial Statements).*

FINANCE COSTS

The increase of the interest expense is primarily due to the financing of the acquisition of FinishMaster, Inc., as well as:

- An increase in the average debt level to support the needs of the working capital and the implementation of the enterprise resource planning system (ERP); and
- An Increase in interest rates

(For further details, see note 5 in the Consolidated Financial Statements)

DEPRECIATION AND AMORTIZATION

The increase in depreciation and amortization is mainly attributable to the assets of FinishMaster, Inc., partly offset by lower fixed assets acquisitions over the last quarters.

INCOME TAXES

The income tax rate for the first quarter of 2011 is explained by:

- The financing structure implemented at the end of 2009 was leveraged in January from the additional funding requirements;

- The favourable tax treatment of capital gains on disposals of buildings

Partially offset by expenses related to transactions costs in respect of the FinishMaster, Inc. acquisition, some of which are not deductible for tax purposes.

It should be noted that the tax rate presented in the first quarter of 2011 is not characteristic of what is expected for the current year; the benefits from the financing structure materialize in a linear manner throughout the year whereas operating benefits are subject to seasonality variations. *(For further details on the tax rate, see note 9 in the Consolidated Financial Statements)*

EARNINGS AND EARNINGS PER SHARE

The following table represents a reconciliation of net earnings attributable to shareholders and adjusted earnings per share.

(in thousands of US dollars, except for percentages)

	First quarter		
	2011	2010	%
Net Earnings attributable to shareholders, as reported	9,662	7,183	34.5%
Gain on disposal of assets, after taxes	(1,665)	-	
Acquisition related costs, after taxes	2,374	-	
Non-recurring items, after taxes	976	754	
Adjusted earnings	11,347	7,937	43.0%
Earnings per share attributable to shareholders, as reported	0.45	0.36	25.0%
Gain on disposal of assets	(0.08)	-	
Acquisition related costs	0.11	-	
Non-recurring items	0.05	0.04	
Adjusted Earnings per share	0.53	0.40	32.5%

5. SOURCES OF FINANCING AND FINANCIAL POSITION

CASH FLOWS

The Corporation manages its cash flows to match cash inflows and planned disbursements. The following table shows the main cash flows resulting directly from the various projects and realizations of the quarter.

(in thousands of US dollars)	First quarter	
	2011	2010
Cash at beginning of the quarter	379	15,144
Cash flows from operations before working capital items	18,835	14,152
Trade and other receivables	(7,021)	(16,639)
Inventory	16,477	(8,294)
Prepaid expenses	(2,347)	(239)
Trade and other payables	(68,381)	(9,513)
Working capital items	(61,272)	(34,685)
Cash flows from operations	(42,437)	(20,533)
Income taxes/interest	(11,635)	(6,935)
Business acquisitions	(222,765)	(4,008)
Repayment of long term debt	(171,039)	(26)
Development of intangible assets	(7,187)	(6,177)
Purchase of various fixed assets	(3,173)	(2,802)
Payment of dividends	(2,296)	(2,245)
TOTAL disbursements	(460,532)	(42,726)
New long-term debts	362,335	-
Bank indebtedness	(866)	25,536
Issuance of convertible debentures, net of costs	49,777	-
Issuance of shares, net of costs	49,361	-
Disposal of assets	1,410	1,365
TOTAL cash inflows	462,017	26,901
Other	(1,724)	730
Cash at end of quarter	140	49

WORKING CAPITAL ITEMS

The variances of working capital items between 2011 and 2010 are explained by the following:

Trade and other receivables: The variance is essentially due to the seasonality of sales.

Inventory: Given the large purchases made at the end of 2010 to receive special one-time discounts, purchases were reduced in the first quarter of 2011.

Trade and other payables: The decrease in accounts payables in 2011 is mostly related to the large purchases made at the end of 2010 which were paid for during the first quarter.

REIMBURSEMENT OF LONG-TERM DEBT

During the quarter, the Corporation renegotiated all of its credit agreements and settled its former debt from the proceeds of the new credit facility.

BUSINESS ACQUISITIONS

Mostly relates to the acquisition of FinishMaster, Inc. as announced on January 11, 2011. *(For more details, see note 7 in the Consolidated Financial Statements.)*

DEVELOPMENT OF INTANGIBLES ASSETS

Almost exclusively related to the development of the enterprise resource planning system.

PURCHASE OF VARIOUS FIXED ASSETS

These purchases mostly consist of equipment for the opening of a new warehouse as well as the renewal of the fleet of vehicles.

PAYMENT OF DIVIDENDS

Payment of dividends to shareholders of \$0.117 per share for the quarter.

NEW LONG-TERM DEBT

The long-term debt stems from the new credit facility and was used to settle the former credit facility as well as for financing the FinishMaster Inc. acquisition. *(For further information, see section 7 "Sources of financing" and note 11 in the Consolidated Financial Statements).*

ISSUANCE OF CONVERTIBLE DEBENTURES AND ISSUANCE OF SHARES

In order to complete the financing of the FinishMaster Inc. acquisition, the Corporation issued convertible debentures as well as shares. *(For further information, see notes 11 and 12 in the Consolidated Financial Statements).*

SOURCES OF FINANCING

AVAILABLE CREDIT FACILITIES

On January 6, 2011, a new unsecured credit facility, of a 5 year term, replaced the Corporation's existing credit facilities. The new agreement consists of two components. The first component is a term loan of \$200,000 repayable by increasing quarterly instalments and bearing interest at LIBOR plus 2.3 %; the second is a long-term revolving credit facility bearing interest at LIBOR plus 2.3%.

As at March 31, 2011, the Corporation had unused credit facilities of \$35,000 (\$175,000 as at December 31, 2010).

VENDOR FINANCING PROGRAM

The Corporation benefits from a vendor financing program. Under this program, financial institutions make discounted accelerated payments to suppliers, and the Corporation makes full payment to the financial institution, according to the new extended terms agreed to with suppliers.

As at March 31, 2011, under these agreements, Uni-Select deferred payment of its account payables in the amount of US\$38,450 (US\$41,552 as at December 31, 2010). These amounts are presented in the trade and other payables in the consolidated statement of financial position. This program is available upon request and may be modified by either party. As at March 31, 2011, the Corporation had an authorized limit of US\$ 75,000 for this program.

CONVERTIBLE DEBENTURES

To finance the FinishMaster acquisition, the Corporation issued convertible unsecured subordinated debentures which bear interest at a rate of 5.9% per annum. The convertible debentures are convertible at the holder's option into the Corporation's common shares at a conversion price of \$41.76 per share. *(For further details, see note 11 of Consolidated Financial Statements)*

FINANCIAL INSTRUMENTS

The Corporation uses financial derivatives to reduce the interest-rate risks to which its debt is exposed. The Corporation does not use financial instruments for trading or speculation purposes. In 2008, the Corporation entered into various interest-rate swap agreements as part of its program to manage floating interest rates on its debt and its corresponding overall borrowing cost. These contracts, in the amount of \$120,000, mature in a series of three consecutive instalments of \$40,000 due in 2011, 2012 and 2013, and bear an average interest rate of 3.68%. In the first quarter of 2011, \$20,000 came to maturity.

CAPITAL STRUCTURE

INDEBTEDNESS

The Corporation strives to maintain the following objectives:

(in thousands of US dollars, except for percentages)

	Objectives	March 31, 2011	Dec. 31, 2010
Long-term debt		373,385	178,602
Total net debt		384,640	189,678
Shareholders' equity		454,199	389,073
<i>Total net debt on total net debt plus equity</i>			
	<i>Less than 45%</i>	43.4%	32.8%
<i>Long-term debt on equity ratio</i>	<i>Less than 125%</i>	74.4%	45.9%
<i>Funded debt to EBITDA ratio</i>			
	<i>Maximum 3.5</i>	3.40	2.43

The variances of indebtedness ratios are directly attributable to:

Increased indebtedness related to:

- Financing of the FinishMaster, Inc. acquisition; and
- Increase of the working capital

Partially compensated by an increase in shareholders' equity following the issuance of convertible debentures and common shares in order to complete the financing of the purchase price of FinishMaster, Inc.

SHAREHOLDERS' EQUITY

Under its capital management policy, the Corporation seeks to achieve the following returns:

- A 15% return on average equity; and
- A dividend corresponding to 20% of the previous year's net earnings.

Additional Information on share capital

As at May 11, 2011, the Corporation had 21,691,387 shares outstanding and unexercised options on 77,949 shares. (Additional information of the stock option plan intended for officers and senior executives as at December 31, 2010, is presented in Note 21 to the Consolidated Financial Statements contained in the Annual Report.)

Dividends

The Corporation paid \$2,296 in dividends during the first quarter, or \$0.117 per share. At March 15, 2011, the Corporation also declared a dividend of \$0.12 per share, a 3.0% increase, that was paid on April 21, 2010 to shareholders of record as at March 31, 2011.

FINANCIAL POSITION

The main variances in the financial position statement items stem from the FinishMaster Inc. acquisition, the fluctuation of the exchange rate and a certain seasonality effect.

The following table shows an analysis of the main items in the consolidated statement of financial position.

(in thousands of US dollars)

	March 31, 2011	Dec. 31, 2010	Variance	Impact from business acquisitions/ disposals	Exchange rate impact	Net Variance	Explanations for net variances
Working capital excluding cash and bank indebtedness	489,032	378,528	110,504	54,066	4,158	52,280	The increase is mostly explained by the payment of additional purchases made at the end of 2010 and the proceeds from the sale of buildings.
Fixed Assets	40,187	34,389	5,798	9,759	425	(4,386)	Explained by the disposal of two buildings as well as the quarter's amortization
Intangible Assets	141,775	59,264	82,511	74,900	584	7,027	Mostly explained by the development of the enterprise resource planning system.
Goodwill	184,180	94,725	89,455	88,237	1,185	33	-
Long-term debt	356,290	170,610	185,680	118,482	-	67,198	Mostly explained by financing of the working capital
Convertible debentures	47,832	-	47,832	46,770	1,062	-	-
Share capital	89,079	39,099	49,980	49,980	-	-	-

6. RELATED PARTIES TRANSACTIONS

The Corporation incurred rental expenses of \$882 for the three-month period ended March 31, 2011 (\$785 in 2010) from Clarit Realty Ltd, a Corporation controlled by a member of the Board of Directors. These agreements are concluded in the Corporation's normal course of business, are negotiated at fair market value, and consist of 3-to-5-year term periods.

7. COMPLIANCE WITH IFRS

Unless otherwise indicated, the financial information presented hereinafter is prepared in compliance with International Financial Reporting Standards (IFRS). The information included in this report contains some items that are not performance measures consistent with IFRS. In addition, the following expressions do not have any standardised meaning according to the IFRS. As a result, they may be unlikely to be comparable to similar measures presented by other corporations. The Corporation is of the view that users of its management report may analyze its results based on these measurements.

Organic growth	This measurement consists of quantifying the increase in consolidated sales between two given periods, excluding the impact of acquisitions, sales and closing of corporate stores, exchange-rate fluctuations and, when necessary, the variance in the number of billing days. Uni-Select uses this measurement because it enables the Corporation to judge the intrinsic trend in the sales generated by its operational base in comparison with the rest of the market.
EBITDA	This measurement represents operating profit before gain on disposal of assets, acquisition related costs, depreciation and amortization, finance costs, income taxes and net earnings attributable to non-controlling interest. This measurement is a widely accepted financial indicator of a corporation's ability to service and incur debt. It should not be considered by an investor as an alternative to sales or net earnings, as an indicator of operating performance or cash flows, or as a measurement of liquidity, but as additional information. In the Corporation's statement of earnings, EBITDA corresponds to "Earnings before the followings items."
EBITDA margin	The EBITDA margin is a percentage corresponding to the ratio of EBITDA to sales.
Non-recurring Items	These are rarely incurred costs that management regards as not being characteristic or representative of the Corporation's regular operations. They include, amongst others, the non-capitalizable costs related to the implementation of the enterprise resource planning system and costs related to closing of stores and network optimization. This document presents analysis of variations in EBITDA, earnings and earnings per share, excluding non-recurring items. Although these measurements are not standardized in IFRS, management regards them as good indicators for comparing operational performance.
Adjusted EBITDA	This measurement corresponds to EBITDA adjusted from the impact of non-recurring items. According to management, adjusted EBITDA is more representative of the Corporation's operational performance and more appropriate in providing additional

	information to investors because it gives an indication of the Corporation's ability to repay its debts.
Total net indebtedness	This measure consists of bank indebtedness, long-term debt and clients' deposits in a guarantee fund (including short-term portions), net of cash.
Ratio of total net debt to total invested capital	This ratio corresponds to total net debt divided by the sum of total net debt, convertible debentures and shareholders' equity.
Funded debt to EBITDA	This ratio corresponds to total net debt to EBITDA.

8. CONSOLIDATED QUATERLY OPERATING RESULTS

Quarterly results are affected by seasonal factors. The Corporation records earnings in each quarter, but the second and third quarters have historically been more productive in terms of sales than the first and fourth quarters. For 2011, the first quarter, compared to the other quarters, deviates from the rule as it includes the sales of FinishMaster acquired January 11, 2011.

The following table summarizes the main financial information drawn from the consolidated interim financial statements for each of the last eight quarters.

(in thousands of US dollars, except for per-share amounts and percentages)

	1 st quarter		4 th quarter		3 rd quarter		2 nd quarter	
	2011	2010	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾	2010	2009 ⁽¹⁾
Sales								
United States	281,435	185,889	180,847	179,390	204,753	200,292	210,347	207,045
Canada	115,349	109,569	124,570	119,276	130,563	126,729	138,837	122,335
	396,784	295,458	305,417	298,666	335,316	327,021	349,184	329,380
EBITDA	21,700	13,805	17,065	8,677	23,489	24,766	23,593	27,367
Adjusted EBITDA	23,139	14,960	18,182	13,705	25,559	26,285	24,752	27,367
Adjusted EBITDA margin	5.8%	5.1%	6.0%	4.6%	7.6%	8.0%	7.1%	8.3%
Adjusted earnings	11,347	7,937	12,566	8,107	14,485	12,848	15,270	13,828
Net earnings	9,662	7,183	11,044	6,865	13,155	7,161	14,523	13,286
Adjusted basic and diluted earnings per share	0.53	0.40	0.64	0.41	0.73	0.65	0.77	0.70
Basic and diluted earnings per share	0.45	0.36	0.56	0.35	0.67	0.36	0.74	0.67
Dividends paid per share	0.117	0.112	0.116	0.109	0.113	0.106	0.113	0.10
Average exchange rate for earnings	1.01	0.96	0.99	0.94	0.96	0.91	0.97	0.85

⁽¹⁾ The results of the quarters from 2009 were not restated under IFRS (The obligation to restate the financial statement bearing only to the preceding comparative year, e.g. 2010 in this case). However, because earnings' adjustments related to the IFRS conversion are negligible, these should not mislead the reader.

9. ACCOUNTING POLICY CHANGE

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board of the CICA announced that the use of IFRS established by the International Accounting Standards Board will be required for fiscal years beginning January 1, 2011, for publicly accountable profit-oriented businesses. IFRS will replace the Canadian standards.

The different positions and impacts were discussed in the annual management report as at December 31, 2010 and can be found on the SEDAR website at the following address: www.sedar.com. Subsequently, few modifications have been made. The financial statements of the previous year as well as the opening statement of financial position as at January 1, 2011 have been restated.

At note 18 of the consolidated financial statements, the Corporation presents the choices it made with respect to IFRS 1 "First-time Adoption", which permits certain exemptions. In this note, the Corporation also presents the reconciliation of Canadian GAAP to IFRS for the statement of financial position, equity and comprehensive income as of January 1, 2010, March 31, 2010, and December 31, 2010, as well as the statement of earnings for the period ended March 31, 2010, and December 31, 2010.

10. FUTURE ACCOUNTING POLICIES

Financial instruments

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Financial instruments - Disclosures

The International Accounting Standards Board "IASB" has issued an amendment to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Corporation has not yet assessed the impact of the standard.

11. RISK MANAGEMENT

The Corporation attempts to continually reduce its exposure to risk and uncertainties that it may encounter in its operational or financial situation. Accordingly, management continually reviews overall controls and preventive measure to ensure they are better matched to significant risks to which the Corporation's operating activities are exposed. A report on risk management program is reviewed once a year by the Audit Committee of the Corporation.

This focus also guides management's decisions regarding its day-to-day operations, among which, cost-reduction measures and the addition or removal of products from the existing product offering. It also has a direct impact on decisions made regarding investments, acquisitions or disposals of assets as well as to financing related to the growth of the Corporation.

A complete description of the main risks is available in the management report section of the 2010 annual report. No major change occurred during the course of the first quarter of 2011 with respect to the various risks.

12. EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Since 2008, Management plans and performs auditing works related to the Canadian Securities Authorities National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings* (NI 52-109). These works are performed in accordance with the recognized control framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

This quarter's efforts focused on updating the documentation and evaluating the effectiveness of the Corporation's disclosure controls and procedures and internal controls over financial reporting.

Disclosure controls and procedures

Uni-Select has pursued its evaluation of disclosure controls and procedures in accordance with the NI 52-109 guidelines. On March 31, 2010, the President and Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are properly designed and effective.

Internal controls over financial reporting

Uni-Select has pursued its evaluation of the effectiveness of internal control over financial reporting as at March 31, 2011, in accordance with the NI 52-109 guidelines. This evaluation enabled the President and Chief Executive Officer and the Vice-President and Chief Financial Officer to conclude that internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Over the years, a number of compensatory controls have been added to the various automated controls over the systems in place to offset the risks that could be caused by interfaces between systems that are being changed.

In addition, this work enabled management to determine that, during the quarter ended March 31, 2011, no change to internal controls over financial reporting has occurred that has materially affected, or is reasonably likely to have materially affected, such controls.

13. OUTLOOK

During the next quarters, the Corporation will continue to focus on the following objectives:

- The pursuit of integration of FinishMaster;
- The pursuit of the orderly deployment of the enterprise resource planning system while ensuring a smooth transition for internal resources and customer service through sound management of change; and
- Upholding the efforts to increase the efficiency of existing operations by increased sales, improved productivity and improved expense control.

Management is confident that, through the deployment of its strategy combined with the elements mentioned above, it will continue to improve profitability in the short and long run. Increased profitability combined with sound management of assets and working capital will result in a reduction of the debt to a level that our investors and shareholders are accustomed to.



Richard G. Roy, CA
President and Chief Executive Officer



Denis Mathieu, CA
Vice-President and Chief Financial Officer

Approved by the Board of Directors on May 11, 2011.

Uni-Select Inc.

Consolidated Interim Financial Statements for the three-month periods ended March 31, 2011 and 2010



UNI-SELECT®

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Notice related to the review of interim financial statements

The consolidated interim financial statements for the periods ended March 31, 2011 and 2010 have not been reviewed by the auditors of the Company.

Uni-Select Inc.
Consolidated Statement of Earnings

Three-month periods ended March 31, 2011 and 2010

(In thousands of US dollars, except earnings per share, unaudited)

	Note	2011	2010
		\$	\$
Sales		<u>396,784</u>	<u>295,458</u>
Earnings before the following items:		<u>21,700</u>	13,805
Net gain on disposal of property and equipment	8	(1,728)	-
Acquisition-related costs	7	2,976	-
Finance costs, net	5	4,528	1,559
Depreciation and amortization	6	4,949	3,270
Earnings before income taxes		<u>10,975</u>	<u>8,976</u>
Income taxes	9		
Current		9,914	10,575
Deferred		(8,441)	(8,701)
Net earnings		<u>1,473</u>	<u>1,874</u>
		<u>9,502</u>	<u>7,102</u>
Attributable to shareholders		9,662	7,183
Attributable to non-controlling interests		(160)	(81)
		<u>9,502</u>	<u>7,102</u>
Net earnings per share			
Basic and diluted		0.45	0.36
Weighted average shares outstanding (in thousands)			
Basic		21,559	19,716
Diluted		21,568	19,716
Actual shares outstanding (in thousands)		21,691	19,708

The statement of earnings by nature required by International Financial Reporting Standards is presented in Note 17.

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

Uni-Select Inc.
Consolidated Statement of Comprehensive Income

Three-month periods ended March 31, 2011 and 2010

(In thousands of US dollars, unaudited)

	<u>2011</u>	<u>2010</u>
	\$	\$
Net earnings	<u>9,502</u>	<u>7,102</u>
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges (net of income taxes of \$(19) ((\$472) in 2010))	(52)	(1,212)
Net change in fair value of derivative financial instrument designated as cash flow hedges transferred to earnings (net of income taxes of \$234 (\$248 in 2010))	633	748
	581	(464)
Unrealized exchange losses on translation of financial statements to presentation currency	(2,674)	(517)
Unrealized exchange gains on translation of long-term debt designated as a hedge of net investments in foreign operations	7,804	5,214
Other comprehensive income	<u>5,711</u>	<u>4,233</u>
Comprehensive income	<u>15,213</u>	<u>11,335</u>
Attributable to shareholders	15,373	11,416
Attributable to non-controlling interests	(160)	(81)
	<u>15,213</u>	<u>11,335</u>

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

Uni-Select Inc.
Consolidated Statement of Changes in Equity
Three-month periods ended March 31, 2011 and 2010
(In thousands of US dollars, unaudited)

Note	Share capital	Cumulative translation account	Accumulated changes in fair value of derivative financial instrument designated as cash flow hedge	Equity component of convertible debentures and contributed surplus	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2010	39,046	—	(3,515)	298	308,283	344,112	3,299	347,411
Net earnings (loss) for the period	—	—	—	—	7,183	7,183	(81)	7,102
Other comprehensive income for the period	—	4,697	(464)	—	—	4,233	—	4,233
Total comprehensive income for the period	—	4,697	(464)	—	7,183	11,416	(81)	11,335
<i>Contributions by and distributions to shareholders</i>								
Shares issuance	89	—	—	—	—	89	—	89
Dividends	—	—	—	—	(2,246)	(2,246)	—	(2,246)
Foreign exchange translation adjustment on non-controlling interest	—	—	—	—	(2,246)	(2,157)	—	(2,157)
Stock-based compensation expense	—	—	—	18	—	18	—	18
Balance at March 31, 2010	39,135	4,697	(3,979)	316	313,220	353,389	3,316	356,705
Net earnings (loss) for the period	—	—	—	—	38,722	38,722	(196)	38,526
Other comprehensive income for the period	—	3,517	463	—	—	3,980	—	3,980
Total comprehensive income for the period	—	3,517	463	—	38,722	42,702	(196)	42,506
<i>Contributions by and distributions to shareholders</i>								
Shares redemption	(36)	—	—	—	(330)	(366)	—	(366)
Dividends	—	—	—	—	(6,711)	(6,711)	—	(6,711)
Changes in ownership interests in subsidiaries that do not result in a loss of control	(36)	—	—	—	(7,041)	(7,077)	—	(7,077)
Buy-back of non-controlling interest	—	—	—	—	—	—	(488)	(488)
Foreign exchange translation adjustment on non-controlling interest	—	—	—	—	—	—	25	25
Stock-based compensation expense	—	—	—	59	—	59	—	59
Balance at December 31, 2010	39,099	8,214	(3,516)	375	344,901	389,073	2,657	391,730
Net earnings (loss) for the period	—	—	—	—	9,662	9,662	(160)	9,502
Other comprehensive income of the period	—	5,130	581	—	—	5,711	—	5,711
Total comprehensive income for the period	—	5,130	581	—	9,662	15,373	(160)	15,213
<i>Contributions by and distributions to shareholders</i>								
Shares issuance (net of share issuance costs of \$2,706)	12	49,980	—	—	—	49,980	—	49,980
Issuance of convertible debentures, net of tax effect	11	—	—	2,418	—	2,418	—	2,418
Dividends	—	—	—	—	(2,664)	(2,664)	—	(2,664)
Foreign exchange translation adjustment on non-controlling interest	—	—	—	—	—	—	78	78
Stock-based compensation expense	—	—	—	19	—	19	—	19
Balance at March 31, 2011	89,079	13,344	(2,935)	2,812	351,899	454,199	2,575	456,774

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

Uni-Select Inc.
Consolidated Statement of Cash Flows

Three-month periods ended March 31, 2011 and 2010

(In thousands of US dollars, unaudited)

	Note	2011	2010
		\$	\$
OPERATING ACTIVITIES			
Net earnings		9,502	7,102
Non-cash items			
Depreciation and amortization	6	4,949	3,270
Income tax expense		1,473	1,874
Compensation cost relating to stock option plans		19	19
Pension expense in excess of contributions		92	328
Finance costs	5	4,528	1,559
Net gain on disposal of property and equipment	8	(1,728)	-
		<u>18,835</u>	<u>14,152</u>
Changes in working capital items		(61,272)	(34,685)
Interests paid		(3,157)	(1,438)
Income taxes paid		(8,478)	(5,497)
Cash flows from continuing operating activities		<u>(54,072)</u>	<u>(27,468)</u>
Cash flows from discontinued operating activities		-	(1,058)
Cash flows from operating activities		<u>(54,072)</u>	<u>(28,526)</u>
INVESTING ACTIVITIES			
Business acquisitions	7	(222,765)	(4,008)
Business disposals		-	1,365
Balance of purchase price		37	913
Advances to merchant members		(2,771)	(684)
Receipts on advances to merchant members		910	1,050
Property and equipment		(3,173)	(2,802)
Disposal of property and equipment	8	1,410	359
Intangible assets	10	(7,187)	(6,177)
Cash flows from investing activities		<u>(233,539)</u>	<u>(9,984)</u>
FINANCING ACTIVITIES			
Bank indebtedness		(866)	25,536
Long-term debt	11	362,335	-
Repayment of long-term debt		(171,039)	(26)
Merchant members' deposits in guarantee fund		98	61
Issuance of convertible debentures, net of issuance costs	11	49,777	-
Issuance of shares, net of issuance costs	12	49,361	89
Dividends paid		(2,296)	(2,245)
Cash flows from financing activities		<u>287,370</u>	<u>23,415</u>
Effect of exchange rate changes on cash		<u>2</u>	<u>-</u>
Decrease in cash		<u>(239)</u>	<u>(15,095)</u>
Cash, beginning of period		<u>379</u>	<u>15,144</u>
Cash, end of period		<u>140</u>	<u>49</u>

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

Uni-Select Inc.
Consolidated Statement of Financial Position

March 31, 2011, December 31, 2010 and January 1, 2010

(In thousands of US dollars, unaudited)

	Note	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>January 1, 2010</u>
		\$	\$	\$
ASSETS				
Current assets				
Cash		140	379	15,144
Trade and other receivables		213,248	157,219	143,742
Income taxes receivable		5,287	7,020	3,687
Inventory		482,262	404,336	375,255
Prepaid expenses		15,927	7,492	6,052
Assets related to discontinued operations		—	—	2,863
Total current assets		<u>716,864</u>	<u>576,446</u>	<u>546,743</u>
Investments and advances to merchant members		19,224	16,854	16,082
Property and equipment		40,187	34,389	37,092
Intangible assets	10	141,775	59,264	27,401
Goodwill	10	184,180	94,725	89,777
Deferred tax assets		25,064	20,025	16,699
TOTAL ASSETS		<u>1,127,294</u>	<u>801,703</u>	<u>733,794</u>
LIABILITIES				
Current liabilities				
Bank indebtedness		11,395	11,455	42
Trade and other payables		215,805	194,976	181,687
Dividends payable		2,679	2,294	2,195
Instalments on long-term debt and on merchant members' deposits in guarantee fund		9,208	269	385
Liabilities related to discontinued operations		—	—	1,532
Total current liabilities		<u>239,087</u>	<u>208,994</u>	<u>185,841</u>
Long-term debt	11	356,290	170,610	170,373
Convertible debentures	11	47,832	—	—
Merchant members' deposits in guarantee fund		7,887	7,723	6,963
Derivative financial instruments		4,020	4,816	4,951
Deferred tax liabilities		15,404	17,830	18,255
TOTAL LIABILITIES		<u>670,520</u>	<u>409,973</u>	<u>386,383</u>
EQUITY				
Share capital	12	89,079	39,099	39,046
Contributed surplus		394	375	298
Equity component of convertible debentures	11	2,418	—	—
Retained earnings		351,899	344,901	308,283
Accumulated other comprehensive income		10,409	4,698	(3,515)
TOTAL SHAREHOLDERS' EQUITY		<u>454,199</u>	<u>389,073</u>	<u>344,112</u>
Non-controlling interest		2,575	2,657	3,299
TOTAL EQUITY		<u>456,774</u>	<u>391,730</u>	<u>347,411</u>
TOTAL LIABILITIES AND EQUITY		<u>1,127,294</u>	<u>801,703</u>	<u>733,794</u>

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

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

(In thousands of US dollars, except for per share amounts, unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Uni-Select Inc. ("The Corporation") is a Corporation domiciled in Canada and incorporated under Part IA of the Companies Act (Québec) and is the Corporation's ultimate parent company. The Corporation is a wholesale distributor and trader of automotive replacement parts and automotive paints, coating and accessories. The address of its registered office is 170 Industriel Blvd, Boucherville, Quebec, Canada.

The consolidated financial statements of the Corporation comprise the Corporation and its subsidiaries (together referred to as the "Corporation") and the Corporation's interest in jointly controlled entities.

2 - BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". These are the Corporation's first International Financial Reporting Standards (IFRS) condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated financial statements have been prepared in accordance with the accounting Policies the Corporation expects to adopt in its December 31, 2011 financial statements and they should be read in conjunction with the Corporation's 2010 financial statements that were prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flow of the Corporation is provided in Note 18. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP (previous GAAP) to those reported for those periods and at the date of transition under IFRSs.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 11, 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value, provisions which are measured based on best estimates of the expenditures to settle the obligation and the defined benefit asset which is recognized as the net total of the plan assets plus unrecognized past service cost less the present value of the defined benefit obligation.

(c) Functional and presentation currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Corporation's presentation currency. The Corporation's presentation currency differs from the parent entity's functional currency because management believe that, following the acquisition realized in early 2011, it is more representative to use the US dollar since approximately 70 % of the sales will now originate from the United States.

(d) Use of accounting estimates and judgments

The preparation of financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

The Corporation has applied judgement on identifying the indicators of impairment for property and equipment and intangible assets with finite useful lives.

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

(In thousands of US dollars, except for per share amounts, unaudited)

2 - BASIS OF PRESENTATION (CONTINUED)

Estimates are used when estimating the useful life of the enterprise resources planning software for the purpose of depreciation and amortization, when determining the discount rate to be used for the purpose of calculating the retirement benefit obligation, when determining discounted cash flows, growth factor and performance indicator multiples when measuring the fair value of certain elements in a business combination or when testing goodwill, indefinite useful life intangible assets and other assets for impairment. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 - ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRSs, unless otherwise indicated.

Basis of consolidation

(i) Business combinations

Acquisitions on or after January 1, 2010

For acquisitions on or after January 1, 2010, the Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the statement of earnings.

Acquisition prior to January 1, 2010

As part of its transition to IFRSs, the Corporation elected to restate only those business combinations that occurred on or after January 1, 2010 (Note 7). In respect of acquisitions prior to January 1, 2010, goodwill is included in the statement of financial position on the basis of its deemed cost, which represents the amounts recognized under previous Canadian GAAP.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Corporation and its subsidiaries from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Corporation.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement. The consolidated financial statements include the pro rata share of the assets, liabilities, revenues and expenses of the joint ventures in which the Corporation holds an interest, from the date that joint control commences until the date that joint control ceases. This share is accounted for according to the proportionate consolidation method.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized revenue and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

(In thousands of US dollars, except for per share amounts, unaudited)

3 - ACCOUNTING POLICIES (CONTINUED)

Sales recognition

The Corporation recognizes sales upon shipment of goods at the fair value of the consideration received or receivable, net of right of return provisions and guarantees and other trade and volume discounts, when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the good, recovery of the consideration is probable and the amount of revenue can be measured reliably.

The Corporation offers its customers a right of return on sale of goods and certain guarantees. At the time of sales recognition, the Corporation records provisions for the right of return and guarantees which are based on the Corporation's historical experience and management's assumptions.

Discontinued operations

A discontinued operation is a component of the Corporation's business that represents a separate major line of business or geographical area of operations that has been disposed of. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of earnings is re-presented as if the operation had been discontinued from the start of the comparative period

Inventory

Inventory consists only of finished goods and is valued at the lower of costs and net realizable value. Cost is determined by the first in, first out method and includes expenditures incurred in acquiring the inventory, net of trade discounts, rebates and other similar items received or receivable from vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Property and equipment

Property and equipment is measured at its cost less accumulated amortization and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Cost less residual value of property and equipment is amortized over the estimated useful lives according to the following methods, annual rates and periods:

	<u>Methods</u>	<u>Rates and periods</u>
Paving	Diminishing balance	8%
Buildings	Straight-line and diminishing balance	2.5% and 5%
Furniture and equipment	Straight-line and diminishing balance	10% and 20%
System software and automotive equipment	Diminishing balance	30%
Computer equipment	Straight-line	20%
Leasehold improvements	Straight-line	Lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Intangible assets

The Corporation records as internally-generated intangible asset the costs directly allocated to the acquisition and development of an enterprise resources planning software which meets capitalization criteria under IFRS and the corresponding borrowing costs.

Trademarks, which were all acquired as a result of business acquisitions, are determined as having an indefinite useful life based on the prospects for long-term profitability and the overall positioning of the trademarks on the market in terms of notoriety and volume. They are measured at cost less accumulated impairment losses. They are not amortized but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

(In thousands of US dollars, except for per share amounts, unaudited)

3 - ACCOUNTING POLICIES (CONTINUED)

Other intangible assets, which were all acquired as a result of business acquisitions, are measured at cost less accumulated amortization and accumulated impairment losses and amortized over their estimated useful lives according to the following methods, annual rates and periods:

	<u>Methods</u>	<u>Rates and periods</u>
Customer relationships	Straight-line	4, 16 and 20 years
Covenants not to compete	Straight-line	4 years
Software	Straight-line and diminishing balance	14.3%, 20% and 30%
Enterprise resources planning software	Straight-line	10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See business combination for information on how goodwill is initially determined. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized. It is tested for impairment annually or more frequently if events or changes in circumstances indicate that it is impaired.

Impairment of goodwill and other long term assets

Property and equipment and finite life intangible assets are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash-generating unit ("CGU") may not be recoverable. If any such indication exists, then the asset's or CGU's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events or circumstances indicate that it is impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The data used for impairment testing procedures are directly linked to the Corporation's latest approved budget and strategic plan. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses are recognized in earnings. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill, and then to reduce the carrying amounts of the other assets of a CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss in respect of other assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of other assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases and the leased assets are not recognized in the Corporation's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

The gain on a leaseback arrangement classified as an operating lease is recognized immediately to earnings if the sale price is at or below fair value.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax of assets and liabilities for financial reporting purposes is 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.

However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date. They are reduced to the extent that it is no longer probable that the related tax benefit will be realized and previously unrecognized deferred tax assets are recognized to the extent that they have become probable to be recovered.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Foreign currency

(i) Foreign currency transactions

The financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency of the subsidiary, are recognized in the statement of earnings, except for the long-term debt designated as a hedging instrument of net investments in foreign operations which are included in other comprehensive income and are transferred to earnings only when a reduction in the net investment in these foreign subsidiaries is realized. (A foreign operation is an entity that is a subsidiary, associate or joint venture of the reporting entity (the Corporation) of which the activities are based or conducted in a functional currency other than the one of the reporting entity (Canadian dollar).)

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

(ii) Hedge of net investment in foreign operation

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

The Corporation applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the parent entity's functional currency (Canadian dollars). Foreign currency differences arising on the retranslation of the long term debt designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the currency translation differences balance. To the extent that the hedge is ineffective, such differences are recognized in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal.

Employee future benefits

The Corporation accrues its obligations under employee pension plans and the related costs, net of plan assets. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Corporation contributes to several state and province plans that are considered defined contribution plans. Contributions to the plans are recognized as an expense in the period that relevant employee services are received. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Corporation has adopted the following policies for defined benefit plans:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method. The calculations reflect management's best estimate of expected plan investment performance, salary increases and the retirement ages of employees;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.
- Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plans assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation. The actuarial gains (losses) are recognized immediately in other comprehensive income.

The pension expense recorded in earnings for the defined contribution plans represents contributions to be made by the Corporation in exchange for services rendered by employees.

Employee future benefits' expense is recorded under "Employee benefits" in the financial statements.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or long-term incentive plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognized if, as a result of past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Due to the immaterial amounts involved, provisions are presented in Trade and other payables in the financial statements.

(i) Self-insurance

In the United States, the Corporation is self-insured for certain losses related to car insurance, general liability, workers' compensation and health care. The estimated cost for claims incurred as of the reporting date is recognized as a liability and a corresponding expense is recognized in net earnings. This cost is estimated based upon analysis of the Corporation's historical data and independent actuarial estimates based on management's most probable estimates, particularly the one concerning increases in insured care costs and the one regarding claims exceeding the maximal amount permitted by the plan.

(ii) Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Financial instruments

(i) Non derivative financial instruments

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are initially measured at fair value plus transaction costs and their subsequent measurement depends of their classification, as described below. The classification depends on the objectives set forth when the financial instruments were purchased or issued, their characteristics and their designation by the Corporation.

The Corporation has made the following classifications:

- Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Cash, trade and other receivables and investments and advances to merchant members are classified as loans and receivables. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.
- Bank indebtedness, trade and other payables, dividends payable, long-term debt, convertible debentures and merchant members' deposits in guarantee fund are classified as liabilities measured at amortized cost. Subsequent valuations are recorded at amortized cost using the effective interest rate method.

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

(ii) Impairment of financial assets (including receivables)

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognised in profit or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

(iii) Compound financial instruments

Compound financial instruments issued by the Corporation comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

(iv) Derivative financial instruments, including hedge accounting

A specific accounting treatment is required for derivatives designated as hedging instruments in cash flow hedge relationships. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness. All other derivative financial instruments are accounted for at fair value through profit or loss.

On initial designation of the hedge, the Corporation formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

Derivative financial instruments are utilized to reduce interest rate risk on the Corporation's debt. The Corporation does not use financial instruments for trading or speculative purposes. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

Cash flow hedges

The Corporation's policy is to formally designate each derivative financial instrument as cash flow hedge of a highly probable forecast interest expense, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in cash flow hedge in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The Corporation believes the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument, as for the entire term to maturity, the notional principal amount and the interest rate basis in the instruments all match the terms of the debt instrument being hedged.

Interest rate swap agreements are used as part of the Corporation's program to manage the floating interest rate of the Corporation's total debt portfolio and related overall borrowing cost. The interest rate swap agreements involve the periodic exchange of interest payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of hedged interest expense on debt. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in accumulated changes in fair value of derivative financial instrument designated as cash flow hedges in equity remains there until the forecast interest expense affects profit or loss. If the forecast interest expense is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount in recognized other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(v) Finance income and finance costs

Financial income comprises interest income on cash and on advances from merchant members. Interest income is recognised as it accrues in earnings, using the effective interest method.

Financial expenses comprise interest on bank indebtedness, long-term debt and on merchant members' deposits in guarantee fund, nominal and accreted interest on convertible debentures, amortization of transaction costs incurred in conjunction with debt transactions, reclassification of realized losses to net earnings on derivative financial instruments, unwinding of the discount on provisions as well as impairment losses on financial assets. Borrowing costs that are not directly attributable to the acquisition and development of a qualifying asset are recognized in profit or loss using the effective interest method. Borrowing costs directly attributable to the development of the enterprise resources planning software (i.e. qualifying asset), for which the commencement date for capitalization is on or after January 1st 2010, are capitalized as part of the cost of that intangible asset until it is substantially ready for its intended use.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from share capital and retained earnings. Repurchased shares are classified as treasury shares and are presented as a deduction from share capital. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Uni-Select Inc.

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3 - ACCOUNTING POLICIES (CONTINUED)

Stock-based compensation

The Corporation measures stock options granted to employees based on the fair value at the grant date by using the Black & Scholes option pricing model and a compensation expense is recognized over the vesting period, which is five years, with a corresponding increase in the contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting condition are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in the contributed surplus. None of the Corporation's plans feature any options for cash settlement.

Earnings per share and information pertaining to number of shares

Earnings per common share is calculated by dividing net earnings available for common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The Corporation has two categories of dilutive potential ordinary shares: convertible debentures and share options. If, after applying the "if-converted" method, it is determined that the conversion has a dilutive effect, the convertible debentures are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of dilutive potential ordinary shares is determined independently for each period.

4 - ACCOUNTING CHANGES

FUTURE ACCOUNTING CHANGES

(i) Financial instruments

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(ii) Financial instruments - Disclosures

The International Accounting Standards Board "IASB" has issued an amendment to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Corporation has not yet assessed the impact of the standard.

Certain other new standards and interpretations have been issued but are not expected to have material impacts on the Corporation's financial statements.

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4 - ACCOUNTING CHANGES (CONTINUED)

CHANGE IN PRESENTATION CURRENCY

On January 1, 2011 the Corporation changed the presentation currency from Canadian dollars (CAD \$) to US dollars (USD \$). The presentation currency of a Corporation is the currency in which the Corporation chooses to present its financial reports. As approximately 70% of the Corporation's sales are in the United States, the Corporation changed its presentation currency for financial reporting in order to better reflect its financial position and financial performance.

In order to derive US dollar comparatives for the condensed consolidated interim financial statements, the Corporation has accounted for this change in presentation currency in accordance with IFRS, which involves share capital at the historical rate of CAD\$1 = US\$0.7786, retained earnings at the historical rate of CAD\$1 = US\$0.8077, and earnings for the year ended December 31, 2010 at the 2010 annual average of CAD\$1 = US\$0.9705.

As a result of this change, translation differences arising from translation of entities having the Canadian dollar as functional currency to presentation currency are recognized in other comprehensive income and included in a separate cumulative translation account within equity.

5 - FINANCE INCOME AND COSTS

	3 months	
	2011	2010
	\$	\$
Interest on bank indebtedness	248	91
Interest on long-term debt	2,773	525
Interest on convertible debentures	724	-
Accreted interest on convertible debentures	145	-
Amortization of financing costs	305	-
Interest on merchant members' deposits in guarantee fund	40	28
Reclassification of realized losses to net earnings on derivative financial designated as cash flow hedges	867	996
	<u>5,102</u>	<u>1,640</u>
Capitalized interest	(479)	-
Total finance costs	<u>4,623</u>	<u>1,640</u>
Interest income on cash	-	(24)
Interest income from merchant members	(95)	(57)
Total finance income	<u>(95)</u>	<u>(81)</u>
	<u>4,528</u>	<u>1,559</u>

6 - DEPRECIATION AND AMORTIZATION

	3 months	
	2011	2010
	\$	\$
Property and equipment	2,984	2,628
Intangible assets	1,965	642
	<u>4,949</u>	<u>3,270</u>

7 - BUSINESS COMBINATIONS

2011

Acquisition of subsidiary

On January 11, 2011, the Corporation proceeded to the acquisition of all the outstanding shares of FinishMaster Inc., a company based in the United States and the largest North American independent distributor of automotive paints, coatings and paint-related accessories to the automotive collision industry. The purchase price, which was settled in cash, amounted to \$221,774, including the assumption of an estimated net debt of approximately \$56,000.

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7 - BUSINESS COMBINATIONS (CONTINUED)

The determination of the fair values of the assets and liabilities of FinishMaster Inc. has been determined only provisionnally at March 31, 2011, because the Corporation is currently obtaining the information necessary to finalize the valuation of certain items including the finalization of tax impacts of the purchase price allocation. The fair value amounts provisionnally recognized for each class of the acquiree's assets and liabilities at the acquisition date are as follows:

	Pre- acquisition carrying amounts	Adjustment to fair value	Recognized at acquisition date
Cash	1,473	-	1,473
Trade and other receivables	38,715	-	38,715
Inventory	85,890	-	85,890
Prepaid expenses	12,429	(6,450)	5,979
Total current assets	138,507	(6,450)	132,057
Property and equipment	9,707	-	9,707
Intangible assets	110,239	(35,339)	74,900
Deferred tax assets	7,066	(212)	6,854
Other long-term assets	10,023	(10,023)	-
	275,542	(52,024)	223,518
Trade and other payables	75,430	-	75,430
Other liabilities	3,586	-	3,586
Current portion of long-term debt	1,434	-	1,434
Total current liabilities	80,450	-	80,450
Long-term debt	1,540	-	1,540
Deferred tax liabilities	11,564	(3,574)	7,990
Total non-current liabilities	13,104	(3,574)	9,530
Net identifiable assets and liabilities			133,538
Goodwill on acquisition			88,236
Consideration transferred in cash			221,774
Cash acquired			1,473
Net cash outflow on acquisition			220,301

The fair value of intangible assets (FinishMaster's trade name and customers relationships) has been determined provisionnally pending the finalization of an independant valuation.

Acquisition-related costs amounting to \$2,976 are not included as part of consideration transferred and have been recognized as an expense in the consolidated statements of earnings in a separate line.

The goodwill is attributable mainly to the synergies expected to be derived from the combination and the value of the workforce of FinishMaster Inc. which cannot be recognized as an intangible asset. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Uni-Select Inc.

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7 - BUSINESS COMBINATIONS (CONTINUED)

For the period ended March 31, 2011, the acquisition contributed sales of \$100,468 and net earnings of \$877, net of financing and related costs. If the acquisition had occurred on January 1, 2011 rather than January 11, 2011, management estimates that additional revenue and earnings for the period would have been \$11,847 and \$8, respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2011.

FinishMaster occupies facilities and uses equipment and vehicles under operating lease agreements requiring annual rental payments approximating \$9,011 for 2011, \$6,868 for 2012, \$4,790 for 2013, \$3,206 for 2014, \$1,736 for 2015 and \$2,351 for years after 2015.

Acquisition of assets and liabilities

In the normal course of business, the Corporation acquires some of the assets and liabilities of companies. For the period ended on March 31, 2011, the Corporation acquired a portion of the assets and liabilities of a company operating in the United States and another operating in Canada. The total cost of these acquisitions of \$2,551, of which \$87 is payable as at March 31, 2011, was allocated primarily to current assets and liabilities based on their fair values.

The Corporation did not incur any acquisition-related costs and contribution to sales and earnings are immaterial for the first quarter.

8 - DISPOSAL OF ASSETS

During the first quarter, the Corporation disposed of certain assets for a cash consideration of \$6,484, of which \$5,074 is receivable.

9 - INCOME TAXES

Reconciliation of effective tax rate

	2011	2010
	%	%
Income tax using the Corporation's domestic tax rate	28.20	29.25
Effect of tax rates in foreign jurisdictions	11.37	9.68
Earnings taxable at lower rates in future years	(0.94)	(0.22)
Tax economy due to a capital gain	(3.47)	-
Non deductible expenses	6.84	0.35
Tax benefit from a financing structure	(27.16)	(18.41)
Losses at higher tax rates and other	(1.42)	0.22
Income tax expense	<u>13.42</u>	<u>20.87</u>

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10 - INTANGIBLE ASSETS AND GOODWILL

	Intangible assets				Goodwill
	Customer			Total	
	Trademark	relationships	Software		
Cost	750	6,454	33,046	40,250	89,777
Accumulated amortization	-	(1,012)	(11,837)	(12,849)	-
Balance at January 1, 2010	<u>750</u>	<u>5,442</u>	<u>21,209</u>	<u>27,401</u>	<u>89,777</u>
Amortization	-	(310)	(2,440)	(2,750)	-
Additions from internal development ⁽¹⁾	-	-	30,172	30,172	-
Additions	-	-	2,563	2,563	-
Acquisitions through business combinations	-	-	-	-	3,409
Capitalized interest	-	-	1,092	1,092	-
Disposals	-	-	-	-	(250)
Effect of movements in exchange rate	-	14	772	786	1,789
Total changes	<u>-</u>	<u>(296)</u>	<u>32,159</u>	<u>31,863</u>	<u>4,948</u>
Cost	750	6,524	68,212	75,486	94,725
Accumulated amortization	-	(1,378)	(14,844)	(16,222)	-
Balance at December 31, 2010	<u>750</u>	<u>5,146</u>	<u>53,368</u>	<u>59,264</u>	<u>94,725</u>
Amortization	-	(1,564)	(401)	(1,965)	-
Additions from internal development ⁽¹⁾	-	-	7,800	7,800	-
Additions	-	7	664	671	-
Acquisitions through business combinations	7,900	67,000	-	74,900	88,236
Capitalized interest	-	-	479	479	-
Effect of movements in exchange rate	-	91	535	626	1,219
Total changes	<u>7,900</u>	<u>65,534</u>	<u>9,077</u>	<u>82,511</u>	<u>89,455</u>
Cost	8,650	73,578	78,132	160,360	184,180
Accumulated amortization	-	(2,898)	(15,687)	(18,585)	-
Balance at March 31, 2011	<u>8,650</u>	<u>70,680</u>	<u>62,445</u>	<u>141,775</u>	<u>184,180</u>

(1) In 2011, software includes the capitalized portion (\$55,212) of costs related to the acquisition and internal development of an enterprise resources planning software which will be completed over the next few years. The amortization for this software over 10 years started when the financial component was put into service, on July 1, 2010. The amortization related to the operational component will start in 2011 as the software is implemented on the first sites.

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11 - CREDIT FACILITIES AND CONVERTIBLE DEBENTURES

On January 6, 2011, a new unsecured financing agreement has replaced the Corporation existing credits facilities at December 31, 2010. The new agreement consists of two components. The first component is a term loan of \$200,000 repayable by increasing quarterly instalments and bearing interest at LIBOR plus 2.3 %. The second one is a \$200,000 long-term revolving credit facility bearing interest at LIBOR plus 2.3%. Both components are recorded net of financing costs and the interest expense is accounted for using the effective interest rate method. The term loan and revolving credit facility amount to \$200,000 and \$161,000 respectively as at March 31, 2011.

The Corporation also issued convertible unsecured subordinated debentures which bear interest at a rate of 5,9% per annum, payable semi-annually on January 31 and July 31 each year. The nominal amount of the offering was \$52,041 with net proceeds of \$49,777 after deduction of financing costs. The convertible debentures are convertible at the holder's option into the Corporation's common shares at a conversion price of \$41,76 per share, representing a conversion rate of 23.946 common share per \$1,000 principal amount of convertible debentures. The convertible debentures will mature on Januray 31, 2016 and may be redeemed by the Corporation, in certain circumstances, after January 31, 2014. The equity component of the debentures was determined using the difference between the fair value of the convertible debentures as a whole and the fair value of the liability component.

12 - SHARE CAPITAL

	March 31, 2011	December 31, 2010
	\$	\$
Issued and fully paid		
Balance, beginning of period: 19,707,637 common shares (19,716,357 in 2010)	39,099	39,046
Issuance of 5,980 common shares on the exercise of stock options	-	89
Issuance of 1,983,750 common shares ⁽²⁾	49,980	-
Common shares redemption ⁽¹⁾	-	(36)
Balance, end of period: 21,691,387 common shares (19,707,637 in 2010)	89,079	39,099

(1) In 2010, the Corporation redeemed 14,700 common shares for a cash consideration of \$366 including a share redemption premium of \$330 applied against the retained earnings.

(2) To complete the financing of its FinishMaster Inc.'s acquisition, the Corporation completed an offering of 1,983,750 common shares . The increase of \$49,980 represents net proceeds of \$49,361 plus \$619 of future income tax benefits from tax deductions of share issuance costs.

Dividend of \$0.12 per common share was declared by the Corporation for the quarter ended March 31, 2011 (\$0.11 in 2010).

13 – EMPLOYEE FUTURE BENEFITS

As at March 31, 2011, the Corporation's pension plans are defined benefit and contribution plans.

For the three-month period ended March 31, 2011, the total expense for the defined contribution pension plans was \$290 (\$305 in 2010) and \$442 (\$523 in 2010) for the defined benefit pension plans.

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14 - GUARANTEES

Under inventory repurchase agreements, the Corporation has made a commitment to financial institutions to repurchase inventories from some of its customers at a rate of 60% to 80% of the cost of the inventories for a maximum amount of \$68,986 (\$64,100 in 2010). In the event of legal proceedings, the inventories would be liquidated in the normal course of the Corporation's operations. These agreements are for an undetermined period of time. In management's opinion, the likelihood of major payments being made and losses being absorbed is low, since the value of the assets held in guarantee is significantly greater than the Corporation's commitments.

15 - RELATED PARTIES

During the period, the Corporation incurred rental expenses of \$882 for the three-month period ended March 31, 2011 (\$785 in 2010) from Clarit Realty Ltd, a company controlled by a member of the Board of Directors. These agreements are concluded in the Corporation's normal course of business, are recorded at the exchange amount, and consist of 3 to 5-year term periods.

16 - GEOGRAPHICAL INFORMATION

The Corporation considers its distribution and commercial activity of automotive replacement parts as only one operating segment. The Corporation operates in Canada and the USA. The primary financial information per geographical location is as follows:

	3 months		
	2011	2010	
	\$	\$	
Sales in Canada	115,349	109,569	
Sales in the United States	281,435	185,889	
	396,784	295,458	

	March 31, 2011		
	Canada	United States	Total
	\$	\$	\$
Property and equipment	13,573	26,614	40,187
Intangible assets	21,123	120,652	141,775
Goodwill	41,774	142,406	184,180

	December 31, 2010		
	Canada	United States	Total
	\$	\$	\$
Property and equipment	15,985	18,404	34,389
Intangible assets	19,523	39,741	59,264
Goodwill	40,556	54,169	94,725

	January 1, 2010		
	Canada	United States	Total
	\$	\$	\$
Property and equipment	13,911	23,181	37,092
Intangible assets	15,190	12,211	27,401
Goodwill	39,016	50,761	89,777

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17 - CONSOLIDATED STATEMENTS OF EARNINGS BY NATURE

	Note	2011	2010
		\$	\$
Sales		396,784	295,458
Operating expenses			
Employee benefits		71,807	49,222
Change in inventories		275,199	210,827
Other expenses		28,078	21,604
		375,084	281,653
Earnings before net gain on disposal of assets, acquisition-related costs, finance costs and depreciation and amortization		21,700	13,805
Net gain on disposal of assets	8	(1,728)	—
Acquisition-related costs	7	2,976	—
Depreciation and amortization	6	4,949	3,270
		6,197	3,270
Operating profit		15,503	10,535
Finance costs, net	5	4,528	1,559
Earnings before income taxes		10,975	8,976
Income taxes	9		
Current		9,914	10,575
Future		(8,441)	(8,701)
		1,473	1,874
Net earnings		9,502	7,102
Attributable to shareholders		9,662	7,183
Attributable to non-controlling interests		(160)	(81)
		9,502	7,102
Net earnings per share			
Basic and diluted		0.45	0.36
Weighted average shares outstanding (in thousands)			
Basic		21,559	19,716
Diluted		21,568	19,716
Actual shares outstanding (in thousands)		21,691	19,708

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

Uni-Select Inc.

Notes to Consolidated Financial Statements

March 31, 2011 and 2010

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18 - FIRST ADOPTION OF IFRS

As stated in Note 2, Basis of presentation, these are the Corporation's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the period ended March 31, 2011 and March 31, 2010, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Corporation's date of transition). The Corporation will ultimately prepare its opening IFRS statement of financial position and financial statements for 2010 and 2011 by applying existing IFRS with an effective date of December 31, 2011. Accordingly, the opening statement of financial position and financial statements for 2010 and 2011 may differ from these financial statements.

The Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRSs has affected the Corporation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

First-time adoption exemptions applied

Upon transition, IFRS 1, "First time adoption of International Financial Reporting Standards permits certain exemptions from full retrospective application. The Corporation has applied the mandatory exceptions and certain optional exemptions. The exemptions adopted by the Corporation are set out below.

IFRS exemptions options

- BUSINESS COMBINATIONS - The Corporation elected not to retrospectively apply IFRS 3, "Business combinations", to business combinations that occurred prior to its transition date and such business combinations have not been restated. Any goodwill arising on such business combinations before the transition date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.
- EMPLOYEE BENEFITS - The Corporation elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all of its employee benefit plans. Also, the Corporation has elected to use the exemption not to disclose defined benefit plan surplus / deficit and experience adjustments before the date of transition.
- CUMULATIVE TRANSLATION DIFFERENCE - The Corporation has deemed the cumulative translation difference for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation to presentation currency are recognized in other comprehensive income and included in a separate cumulative translation account within equity.
- DESIGNATION OF PREVIOUSLY RECOGNIZED FINANCIAL INSTRUMENTS - The Corporation elected to change the designation of cash on adoption of IFRS from held-for-trading category to loans and receivable.
- SHARE-BASED PAYMENTS TRANSACTIONS - The Corporation has elected not to apply IFRS 2, "Share-based payments" to awards that vested prior to November 7, 2002.

IFRS mandatory exceptions

- HEDGE ACCOUNTING - The Corporation has only applied hedge accounting in the opening statement of financial position where all the requirements in IAS 39 were met at the date of transition.
- ESTIMATES - The Corporation has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity as at January 1, 2010

	Effect of transition to IFRS			IFRS
	Previous GAAP	Reclassifications	Adjustments	
	\$	\$	\$	\$
ASSETS				
Cash	15,144	–	–	15,144
Trade and other receivables	143,742	–	–	143,742
Income taxes receivable	3,687	–	–	3,687
Inventory	E 384,627	–	(9,372)	375,255
Prepaid expenses	F 6,606	–	(554)	6,052
Future income taxes	A 9,617	(9,617)	–	–
Assets related to discontinued operations	2,863	–	–	2,863
Current assets	566,286	(9,617)	(9,926)	546,743
Investments and advances to merchant members	16,082	–	–	16,082
Property and equipment	37,092	–	–	37,092
Financing costs	D 530	(530)	–	–
Intangible assets	27,401	–	–	27,401
Goodwill	89,777	–	–	89,777
Deferred tax assets	A 3,209	9,617	3,873	16,699
TOTAL ASSETS	740,377	(530)	(6,053)	733,794
LIABILITIES				
Bank indebtedness	42	–	–	42
Trade and other payables	F, K 173,682	–	8,005	181,687
Dividends payable	2,195	–	–	2,195
Instalments on long-term debt and on merchant members' deposits in guarantee fund	385	–	–	385
Future income taxes	A 10,694	(10,694)	–	–
Liabilities related to discontinued operations	1,532	–	–	1,532
Current liabilities	188,530	(10,694)	8,005	185,841
Deferred gain on a sale-leaseback arrangement	G 1,945	–	(1,945)	–
Long-term debt	D 170,903	(530)	–	170,373
Merchant members' deposits in guarantee fund	6,963	–	–	6,963
Derivative financial instruments	4,951	–	–	4,951
Deferred tax liabilities	A, H 7,473	10,694	88	18,255
Non-controlling interest	B 3,299	(3,299)	–	–
TOTAL LIABILITIES	384,064	(3,829)	6,148	386,383
SHAREHOLDERS' EQUITY				
Share capital	39,046	–	–	39,046
Contributed surplus	298	–	–	298
Retained earnings	C, E, F, G, H, K 286,386	34,098	(12,201)	308,283
Accumulated other comprehensive income	C 30,583	(34,098)	–	(3,515)
TOTAL SHAREHOLDERS' EQUITY	356,313	–	(12,201)	344,112
Non-controlling interest	B –	3,299	–	3,299
TOTAL EQUITY	356,313	3,299	(12,201)	347,411
TOTAL LIABILITIES AND EQUITY	740,377	(530)	(6,053)	733,794

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity as at March 31, 2010

		Effect of transition to IFRS		IFRS
		Previous GAAP	Reclassifications	
		\$	\$	\$
ASSETS				
Cash		49	–	49
Trade and other receivables	I	165,049	–	162,649
Income taxes receivable		–	–	–
Inventory	E	396,273	–	386,618
Prepaid expenses	F	6,615	–	6,056
Future income taxes	A	10,032	(10,032)	–
Assets related to discontinued operations		2,773	–	2,773
Current assets		580,791	(10,032)	558,145
Investments and advances to merchant members		16,674	–	16,674
Property and equipment		37,981	–	37,981
Financing costs	D	517	(517)	–
Intangible assets		33,459	–	33,459
Goodwill	I	92,808	–	95,208
Deferred tax assets	A	3,102	10,032	17,294
TOTAL ASSETS		765,332	(517)	758,761
LIABILITIES				
Bank indebtedness		25,701	–	25,701
Trade and other payables	F, K	170,222	–	178,639
Income taxes payable		1,717	–	1,717
Dividends payable		2,262	–	2,262
Instalments on long-term debt and on merchant members' deposits in guarantee fund		95	–	95
Future income taxes	A	2,168	(2,168)	–
Liabilities related to discontinued operations		316	–	316
Current liabilities		202,481	(2,168)	208,730
Deferred gain on a sale-leaseback arrangement	G	1,893	–	(1,893)
Long-term debt	D	170,912	(517)	170,395
Merchant members' deposits in guarantee fund		7,506	–	7,506
Derivative financial instruments		5,684	–	5,684
Deferred tax liabilities	A, H	7,481	2,168	9,741
Non-controlling interest	B	3,316	(3,316)	–
TOTAL LIABILITIES		399,273	(3,833)	402,056
SHAREHOLDERS' EQUITY				
Share capital		39,135	–	39,135
Contributed surplus		316	–	316
Retained earnings	C, E, F, G, H, K	351,422	(25,532)	313,220
Accumulated other comprehensive income	C	(24,814)	25,532	718
TOTAL SHAREHOLDERS' EQUITY		366,059	–	353,389
Non-controlling interest	B	–	3,316	3,316
TOTAL EQUITY		366,059	3,316	356,705
TOTAL LIABILITIES AND EQUITY		765,332	(517)	758,761

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

Reconciliation of equity as at December 31, 2010

	Effect of transition to IFRS			IFRS
	Previous GAAP	Reclassifications	Adjustments	
	\$	\$	\$	\$
ASSETS				
Cash	379	–	–	379
Trade and other receivables	I 159,619	–	(2,400)	157,219
Income taxes receivable	7,020	–	–	7,020
Inventory	E 414,136	–	(9,800)	404,336
Prepaid expenses	F 8,022	–	(530)	7,492
Future income taxes	A 12,858	(12,858)	–	–
Current assets	602,034	(12,858)	(12,730)	576,446
Investments and advances to merchant members	16,854	–	–	16,854
Property and equipment	34,389	–	–	34,389
Financing costs	D 250	(250)	–	–
Intangible assets	J 58,139	–	1,125	59,264
Goodwill	I 92,325	–	2,400	94,725
Deferred tax assets	A 2,997	12,858	4,170	20,025
TOTAL ASSETS	806,988	(250)	(5,035)	801,703
LIABILITIES				
Bank indebtedness	11,455	–	–	11,455
Trade and other payables	F, K 186,688	–	8,288	194,976
Dividends payable	2,294	–	–	2,294
Instalments on long-term debt and on merchant members' deposits in guarantee fund	269	–	–	269
Future income taxes	A 8,788	(8,788)	–	–
Current liabilities	209,494	(8,788)	8,288	208,994
Deferred gain on a sale-leaseback arrangement	G 1,735	–	(1,735)	–
Long-term debt	D 170,860	(250)	–	170,610
Merchant members' deposits in guarantee fund	7,723	–	–	7,723
Derivative financial instruments	4,816	–	–	4,816
Deferred tax liabilities	A, H 8,640	8,788	402	17,830
Non-controlling interest	B 2,657	(2,657)	–	–
TOTAL LIABILITIES	405,925	(2,907)	6,955	409,973
SHAREHOLDERS' EQUITY				
Share capital	39,099	–	–	39,099
Contributed surplus	375	–	–	375
Retained earnings	C, E, F, G, J, K 322,227	34,664	(11,990)	344,901
Accumulated other comprehensive income	C 39,362	(34,664)	–	4,698
TOTAL SHAREHOLDERS' EQUITY	401,063	–	(11,990)	389,073
Non-controlling interest	B –	2,657	–	2,657
TOTAL EQUITY	401,063	2,657	(11,990)	391,730
TOTAL LIABILITIES AND EQUITY	806,988	(250)	(5,035)	801,703

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

Reconciliation of statement of earnings for the period ended March 31, 2010

	Effect of transition to IFRS			IFRS
	Previous GAAP	Reclassifications	Adjustments	
	\$	\$	\$	\$
Sales	295,458	–	–	295,458
Operating expenses				
Employee benefits	F 48,943	–	279	49,222
Change in inventories	E 210,827	–	–	210,827
Other expenses	G 21,551	–	53	21,604
	281,321	–	332	281,653
Earnings before finance costs and depreciation and amortization	14,137	–	(332)	13,805
Depreciation and amortization	3,270	–	–	3,270
	3,270	–	–	3,270
Operating profit	10,867	–	(332)	10,535
Finance costs, net	1,559	–	–	1,559
Earnings before income taxes	9,308	–	(332)	8,976
Income taxes				
Current	10,575	–	–	10,575
Future	F, G (8,551)	–	(150)	(8,701)
	2,024	–	(150)	1,874
Net earnings	7,284	–	(182)	7,102
Attributable to shareholders	7,365	–	(182)	7,183
Attributable to non-controlling interests	(81)	–	–	(81)
	7,284	–	(182)	7,102
Earnings per share				
Basic and diluted	0.37	–	(0.01)	0.36

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

Reconciliation of statement of earnings for the period ended December 31, 2010

		Effect of transition to IFRS		IFRS	
		Previous GAAP	Reclassifications		Adjustments
		\$	\$	\$	
Sales		<u>1,285,375</u>	<u>-</u>	<u>1,285,375</u>	
Operating expenses					
Employee benefits	F	204,505	-	(94)	204,411
Change in inventories	E	918,007	-	4	918,011
Other expenses	G, J	84,789	-	212	85,001
		<u>1,207,301</u>	<u>-</u>	<u>122</u>	<u>1,207,423</u>
Earnings before finance costs and depreciation and amortization		<u>78,074</u>	<u>-</u>	<u>(122)</u>	<u>77,952</u>
Depreciation and amortization		<u>12,465</u>	<u>-</u>	<u>-</u>	<u>12,465</u>
		<u>12,465</u>	<u>-</u>	<u>-</u>	<u>12,465</u>
Operating profit		<u>65,609</u>	<u>-</u>	<u>(122)</u>	<u>65,487</u>
Finance costs, net	J	7,714	-	(1,099)	6,615
Earnings before income taxes		<u>57,895</u>	<u>-</u>	<u>977</u>	<u>58,872</u>
Income taxes					
Current		13,837	-	-	13,837
Future	E, F, G, J	(1,706)	-	199	(1,507)
		<u>12,131</u>	<u>-</u>	<u>199</u>	<u>12,330</u>
Earnings from continuing operations		<u>45,764</u>	<u>-</u>	<u>778</u>	<u>46,542</u>
Loss from discontinued operations		<u>(914)</u>	<u>-</u>	<u>-</u>	<u>(914)</u>
Net earnings		<u>44,850</u>	<u>-</u>	<u>-</u>	<u>45,628</u>
Attributable to shareholders		45,127	-	778	45,905
Attributable to non-controlling interests		(277)	-	-	(277)
		<u>44,850</u>	<u>-</u>	<u>778</u>	<u>45,628</u>
Basic and diluted earnings per share					
From continuing operations		2.29	-	0.04	2.33
From discontinued operations		(0.05)	-	-	(0.05)
		<u>2.24</u>	<u>-</u>	<u>0.04</u>	<u>2.28</u>

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

No material adjustments have been brought to the statement of cash flows for 2010.

- A TAX RECLASSIFICATION** - Under previous GAAP, deferred tax assets and liabilities were presented as current or long-term on the consolidated statement of financial position in accordance with the assets or liabilities that gave rise to the deferred tax balance. Under IFRS, all deferred tax assets and liabilities are classified as non-current irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference.
- B NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARY** - Under IFRSs, non-controlling interests in the consolidated statement of earnings and statement of comprehensive income are presented as an allocation of the net earnings and of other comprehensive income. Non-controlling interest in the consolidated statement of financial position and statement of shareholders' equity are classified as equity but are presented separately from equity attributable to equity holders of the Corporation. Under previous GAAP, non-controlling interest included in the statement of consolidated earnings were presented as an expense in the calculation of consolidated net earnings. Non-controlling interest in the consolidated statement of financial position was previously classified between liabilities and shareholders' equity.
- C CUMULATIVE TRANSLATION ADJUSTMENT** - In accordance with IFRS 1, the Corporation has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition and the corresponding adjustment was recorded in retained earnings.
- D FINANCING COSTS** - Under IFRS, financing costs will be presented against the credit facility and amortized using the effective interest method. Whereas under previous GAAP, they were capitalized under "Deferred financing costs and amortized using the straight-line method over a five-year period.
- E REBATES** - Under IFRS, there are no specific criteria for accounting for consideration received from suppliers, therefore such consideration in the form of discounts, rebates and other similar incentives, subject to the general requirements of IAS 2, Inventories, are considered in the establishment of cost of goods sold and, as such are deducted in determining the costs of purchased goods for resale. Under Canadian GAAP, over the years, a portion of such consideration was considered a reimbursement of costs incurred by the Corporation to sell the products of the suppliers and supplier incentives offered to the customers and was accounted for as a reduction of such costs or as revenue respectively.

	Three-month period ended March 31, 2010	Year ended December 31, 2010
	\$	\$
Net earnings impact		
Change in inventory	-	4
Income tax expense	-	1
Decrease in net earnings	-	3
	<u> </u>	<u> </u>
	January 1, 2010	December 31, 2010
	\$	\$
Statement of financial position impact		
Inventory	(9,372)	(9,801)
Deferred tax assets	(2,522)	(2,636)
Decrease in retained earnings	(6,850)	(7,165)
	<u> </u>	<u> </u>

Uni-Select Inc.
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March 31, 2011 and 2010

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

- F** EMPLOYEE BENEFITS - Under previous GAAP, the Corporation recognized as an expense the excess of the net actuarial gain on a loss over 10% greater of the benefit obligation and the fair value of plan assets over the average remaining service period of active employees (the "corridor approach"). The Corporation elected to recognize all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all of its employee benefit plans.

Under previous GAAP, past service costs from plan amendments were deferred and amortized on a straight-line basis over the remaining service period of active employees at the date of the amendment. Under IFRS, liabilities and expenses for vested past service costs under a defined benefit plan are recognized immediately.

	Three-month period ended March 31, 2010	Year ended December 31, 2010
	\$	\$
Net earnings impact		
Employee benefits	100	402
Income tax expense	27	108
Increase in net earnings	<u>73</u>	<u>294</u>
	<u>January 1, 2010</u>	<u>March 31, 2010</u>
	\$	\$
Statement of financial position impact		
Prepaid expense	(554)	(530)
Trade and other payables	6,008	6,104
Deferred tax assets	1,765	1,735
Decrease in retained earnings	<u>4,797</u>	<u>4,720</u>

For employees of the US subsidiary, a provision relative to the personal time off (PTO) policy is taken. Under IFRS, the obligation exists, and is recognised, even if the compensated absences are non-vesting, although the possibility that employees may leave before they use an accumulated non-vesting entitlement affects the measurement of that obligation. Under previous GAAP, no provision had to be taken since the compensated absence were not vested.

	Three-month period ended March 31, 2010	Year ended December 31, 2010
	\$	\$
Net earnings impact		
Employee benefits	379	308
Income tax expense	152	120
Decrease in net earnings	<u>227</u>	<u>188</u>
	<u>January 1, 2010</u>	<u>March 31, 2010</u>
	\$	\$
Statement of financial position impact		
Trade and other payables	1,041	1,328
Deferred tax assets	383	548
Decrease in retained earnings	<u>658</u>	<u>853</u>

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(In thousands of US dollars, except for per share amounts, unaudited)

18 - FIRST ADOPTION OF IFRS (CONTINUED)

- G DEFERRED GAIN ON A SALE-LEASEBACK ARRANGEMENT** - Under previous GAAP, the Corporation had deferred gains on sale-leaseback transactions and was unrecognizing the gains in earnings over the lease term. Under IFRS, when the lease is classified as an operating lease, any gain is recognized immediately if the sale and leaseback terms clearly are at fair value.

	Three-month period ended March 31, 2010	Year ended December 31, 2010
	\$	\$
Net earnings impact		
Other expenses	53	212
Income tax expense	25	92
Decrease in net earnings	28	120
	<u>January 1, 2010</u>	<u>March 31, 2010</u>
	\$	\$
Statement of financial position impact		
Deferred gain on a sale-leaseback arrangement	(1,945)	(1,735)
Deferred tax assets	(797)	(711)
Increase in retained earnings	1,148	1,024

- H DEFERRED TAXES** - Canadian GAAPs allowed an exception to the basic concept of temporary differences for intangible assets other than goodwill acquired in assets deal. IFRS do not have that kind of exception.

	January 1, 2010	March 31, 2010	December 31, 2010
	\$	\$	\$
Statement of financial position impact			
Deferred tax liabilities	88	92	87
Decrease in retained earnings	(88)	(92)	(87)

- I CONTINGENT CONSIDERATION** - Under previous GAAP, contingent consideration was recognized only when its payment was probable. Under IFRS, the fair value of any contingent consideration must be measured at the acquisition date.
- J BORROWING COSTS** - Under previous GAAP, borrowing costs were not capitalized to qualifying assets, even though the Corporation had the option to do so. Under IFRS, borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are recognized as part of the cost of that asset.

	Three-month period ended March 31, 2010	Year ended December 31, 2010
	\$	\$
Net earnings impact		
Finance costs	-	(1,099)
Income tax expense	-	(303)
Increase in net earnings	-	(796)

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18 - FIRST ADOPTION OF IFRS (CONTINUED)

	<u>January 1, 2010</u>	<u>March 31, 2010</u>	<u>December 31, 2010</u>
	\$	\$	\$
Statement of financial position impact			
Intangibles	-	-	1,125
Deferred tax liabilities	-	-	315
Increase in retained earnings	<u>-</u>	<u>-</u>	<u>810</u>

- K** PROVISIONS - Under previous GAAP, provisions were recorded under a higher threshold of probability than under IFRS. Also, the probability of occurrence was not factored in the amount of the provision.

	<u>January 1, 2010</u>	<u>March 31, 2010</u>	<u>December 31, 2010</u>
	\$	\$	\$
Statement of financial position impact			
Trade and other payables	956	985	999
Decrease in retained earnings	<u>(956)</u>	<u>(985)</u>	<u>(999)</u>