

CHAIRMAN'S REPORT TO SHAREHOLDERS

The Company is pleased to report record revenue and operating performance during the third quarter of our current fiscal year.

As noted in earlier quarterly reports the Company has changed its fiscal year end to correspond with the calendar year. The presentation of this year's third quarter results include the months of July, August and September. The comparative period for last year includes the months of August, September and October.

Revenue for the third quarter was \$ 34.8 million and EBITDA grew to \$13.5 million. Year to date revenue was \$64.9 million. EBITDA for the 9 month period ended September 30, 1999 was \$19.4 million or \$.54 per share (basic).

As noted previously, the change of year end has created differences in the months included in the historical comparative results. The following table sets out Revenue and EBITDA for identical periods in 1999 and 1998 respectively.

	3 months ended Sept. 30		9 months ended Sept. 30	
	1999	1998	1999	1998
	(\$ 000's)		(\$000's)	
Revenue	34,861	28,241	64,927	38,531
EBITDA	13,495	9,350	19,400	9,178
EBITDA Margin (% of Revenue)	39%	33%	30%	24%

The Company's focus on improving operating performance in our business units has been very successful. Year to date Revenue has increased 69 percent over the same period last year. EBITDA more than doubled. EBITDA Margins of 39 percent for the quarter and 30 percent for the year to date represent an increase of 6 percentage points.

We will continue to create value through reducing overhead, increasing production efficiencies and rationalization of distribution systems. Our acquisition strategy remains geographically focused with an emphasis on continued expansion adjacent to our existing market locations. During the third quarter the Company completed 4 acquisitions bringing the total to 12 for the current fiscal year.

During the third quarter, the Company completed a financing package of \$127 million. The Bank of Nova Scotia and RoyNat Inc. provided a \$100 million term

loan. In addition, \$27 million in convertible debentures were purchased by Citicorp North America Inc. and RoyNat Capital Inc. The proceeds of this financing package was utilized for working capital, to repay existing debt and to provide capital for future acquisitions.

The Company is well capitalized to fund its operations and growth over the next year. At the end of the third quarter, the Company has credit facilities of over \$30 million available in addition to working capital of \$18 million.

INTERIM CONSOLIDATED BALANCE SHEET
as at September 30, 1999 and October 31, 1998
(unaudited)
(in \$ thousands)

	September 30	October 31
	1999	1998
ASSETS		
Current assets:		
Cash	\$ 9,062	\$ 4,675
Cash held in trust	982	-
Accounts receivable	11,446	5,501
Inventories	2,320	1,767
Prepaid expenses and deferred charges	6,760	384
	30,570	12,327
Capital Assets:		
Land, buildings, and equipment	88,919	64,010
Accumulated depreciation	(10,824)	(7,764)
	78,095	56,246
Goodwill - net	66,585	54,202
Other Assets	6,022	1,957
	\$ 181,272	\$ 124,732
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	10,037	12,841
Current portion of obligations under capital lease	200	-
Current portion of long-term debt	1,949	186
	12,186	13,027
Obligations under capital leases	388	713
Long-term debt	101,178	56,774
Deferred income taxes	7,656	2,029
Shareholders' equity:		
Capital stock	46,319	17,677
Warrants	-	26,286
Equity portion of convertible debt	8,318	5,054
Retained Earnings	4,929	2,517
CTA	298	655
	59,864	52,189
	\$ 181,272	\$ 124,732

INTERIM CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
Nine months ended September 30, 1999 and October 31, 1998
(unaudited)
(in \$ thousands)

	September 30 1999	October 31 1998
Sales	\$ 64,927	\$ 39,831
Cost of sales, selling, general & administrative expenses	<u>45,527</u>	<u>29,703</u>
Earnings (loss) before the undernoted	19,400	10,128
Amortization	6,741	2,689
Interest	6,251	2,011
Non-recurring expenses	<u>358</u>	<u>-</u>
Earnings before income taxes	6,050	5,428
Income expense:		
Current	102	1,170
Deferred	<u>579</u>	<u>1,110</u>
Net earnings for the period	\$ 5,369	\$ 3,148
Retained Earnings (Deficit), beginning of period	(225)	(631)
Interest on equity portion of convertible debentures (net of applicable deferred income taxes of \$98,731)	<u>(215)</u>	<u>-</u>
Retained Earnings, end of period	<u>\$ 4,929</u>	<u>\$ 2,517</u>
Weighted Average Number of Common Shares	35,851,594	21,655,068
Earnings per common share - Basic	<u>\$ 0.15</u>	<u>\$ 0.15</u>
Earnings per common share - Fully Diluted	<u>\$ 0.14</u>	<u>\$ 0.10</u>
EBITDA per common share - Basic	<u>\$ 0.54</u>	<u>\$ 0.47</u>

INTERIM CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
Three months ended September 30, 1999 and October 31, 1998
(unaudited)
(in \$ thousands)

	September 30 1999	October 31 1998
Sales	\$ 34,861	\$ 17,041
Cost of sales, selling, general & administrative expenses	<u>21,366</u>	<u>13,091</u>
Earnings (loss) before the undernoted	13,495	3,950
Amortization	3,182	1,241
Interest	2,542	1,381
Non-recurring expenses	<u>92</u>	<u>-</u>
Earnings before income taxes	7,679	1,328
Income expense:		
Current	117	77
Deferred	<u>849</u>	<u>423</u>
Net earnings for the period	\$ 6,713	\$ 828
Retained Earnings (Deficit), beginning of period	(1,717)	1,689
Interest on equity portion of convertible debentures (net of applicable deferred income taxes of \$98,731)	<u>(67)</u>	<u>-</u>
Retained Earnings, end of period	<u>\$ 4,929</u>	<u>\$ 2,517</u>
Weighted Average Number of Common Shares	35,851,594	21,655,068
Earnings per common share - Basic	<u>\$ 0.19</u>	<u>\$ 0.04</u>
Earnings per common share - Fully Diluted	<u>\$ 0.17</u>	<u>\$ 0.04</u>
EBITDA per common share - Basic	<u>\$ 0.38</u>	<u>\$ 0.18</u>

INTERIM CONSOLIDATED CASH FLOW STATEMENT
Nine months ended September 30, 1999 and October 31, 1998
(unaudited)
(in \$ thousands)

	September 30 1999	October 31 1998
Cash flows from operating activities		
Net earnings (loss)	5,369	3,148
Items not involving cash		
Amortization on capital assets	4,324	2,206
Amortization on goodwill & other assets	2,417	483
Deferred income tax expense	579	1,110
Funds from operations	<u>12,689</u>	<u>6,947</u>
Changes in non-cash working capital	<u>(6,563)</u>	<u>(7,764)</u>
	<u>6,126</u>	<u>(817)</u>
Cash flows from investing activities		
Additions to capital assets	(8,876)	(3,871)
Acquisitions of subsidiaries	(34,228)	(74,251)
Other	(4,510)	(247)
	<u>(47,614)</u>	<u>(78,369)</u>
Cash flows from financing activities		
Payable to vendors	(2,419)	9
Proceeds from long term debt	133,479	39,252
Principal payments on long-term debt	(89,103)	-
Equity portion of convertible debentures	2,581	5,708
Interest on equity portion of convertible debentures	(357)	(152)
Associated company accounts	-	193
Issuance of common shares	2,030	9,194
Issuance of warrants	-	26,106
Redemption of preferred shares	-	(78)
Principal payments under capital lease obligations	(155)	-
	<u>46,056</u>	<u>80,232</u>
Foreign exchange loss on cash held in foreign currency	56	-
Increase (decrease) in cash	4,568	1,046
Cash, beginning of period	<u>4,438</u>	<u>3,628</u>
Cash, end of period	<u>9,062</u>	<u>4,675</u>
Cash flows from operations, per common share		
Basic	<u>\$ 0.35</u>	<u>\$ 0.32</u>
Fully Diluted	<u>\$ 0.30</u>	<u>\$ 0.26</u>

INTERIM CONSOLIDATED CASH FLOW STATEMENT
Three months ended September 30, 1999 and October 31, 1998
(unaudited)
(in \$ thousands)

	September 30 1999	October 31 1998
Cash flows from operating activities		
Net earnings (loss)	6,713	828
Items not involving cash		
Amortization on capital assets	1,630	1,074
Amortization on goodwill & other assets	1,552	167
Deferred income tax expense	849	423
Funds from operations	<u>10,744</u>	<u>2,492</u>
Changes in non-cash working capital	<u>(1,869)</u>	<u>(6,468)</u>
	<u>8,875</u>	<u>(3,976)</u>
Cash flows from investing activities		
Additions to capital assets	(2,632)	(166)
Acquisitions of subsidiaries	(4,853)	(24,425)
Other	(4,319)	-
	<u>(11,804)</u>	<u>(24,591)</u>
Cash flows from financing activities		
Proceeds from long term debt	93,137	28,386
Principal payments on long-term debt	(88,415)	-
Equity portion of convertible debentures	2,606	-
Interest on equity portion of convertible debentures	(111)	-
Issuance of common shares	100	708
Issuance of warrants	-	6
Change in obligations under capital leases	(46)	191
	<u>7,271</u>	<u>29,291</u>
Foreign exchange loss on cash held in foreign currency	149	-
Increase (decrease) in cash	4,342	724
Cash, beginning of period	<u>4,571</u>	<u>3,951</u>
Cash, end of period	<u>9,062</u>	<u>4,675</u>
Cash flows from operations, per common share		
Basic	<u>\$ 0.30</u>	<u>\$ 0.12</u>
Fully Diluted	<u>\$ 0.27</u>	<u>\$ 0.10</u>