Canwel Building Materials Group Ltd.

Consolidated Financial Statements

December 31, 2010 and 2009
(in thousands of Canadian dollars)

PRICEWATERHOUSECOOPERS

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Independent Auditor's Report

To the Shareholders of CanWel Building Materials Group Ltd.

We have audited the accompanying consolidated financial statements of CanWel Building Materials Group Ltd. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of deficit, earnings and comprehensive earnings and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CanWel Building Materials Group Ltd. and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of their operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

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

CANWEL BUILDING MATERIALS GROUP LTD.
Consolidated Balance Sheets

(in thousands of Canadian dollars)	December 31, 2010 $	December 31, 2009 $
Assets		
Current assets		
Cash and cash equivalents	19,175	-
Restricted cash	-	55,630
Accounts receivable		
Trade	48,783	45,884
Other	4,825	436
Inventories (note 5)	78,356	71,505
Prepaid expenses	5,591	2,656
Future income taxes (note 14)	6,211	6,716
	162,941	182,827
Property, plant and equipment (note 6)	3,224	30,074
Future income taxes (note 14)	-	1,681
Intangible assets (note 7)	9,083	6,228
Goodwill (note 4)	91,606	28,982
Pension benefits (note 12)	13,051	12,383
Other assets (note 8)	8	2,477
	279,913	264,652
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	-	4,107
Accounts payable and accrued liabilities	49,735	42,335
Subscription receipts	-	57,500
Dividends payable (note 13)	6,071	1,467
Current portion of long-term debt (note 10)	-	87
	55,806	105,496
Deferred amounts	592	449
Future income taxes (note 14)	850	-
Revolving loan facility (note 10)	8,454	71,716
Convertible debentures (note 10)	42,901	-
Post-retirement benefits (note 12)	4,942	5,122
	113,545	182,783
Shareholders' Equity		
Shareholders' capital (note 13)	251,333	148,851
Contributed surplus (note 13)	4,228	4,338
Deficit	(89,193)	(71,320)
	166,368	81,869
	279,913	264,652

Contingencies and commitments (note 16)

Approved by the Board of Directors

(signed) Amar Doman Director (signed) Ian Baskerville Director

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

CANWEL BUILDING MATERIALS GROUP LTD.

Consolidated Statements of Deficit

For the years ended December 31, 2010 and 2009

(in thousands of Canadian dollars)	2010 $	2009 $
Deficit - Beginning of year	(71,320)	(64,559)
Net earnings for the year	5,861	13,765
Dividends and distributions declared	(23,723)	(20,455)
Accrued dividends on unvested Restricted Equity Shares (note 13)	(11)	(71)
Deficit - End of year	(89,193)	(71,320)

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

CANWEL BUILDING MATERIALS GROUP LTD.

Consolidated Statements of Earnings and Comprehensive Earnings

For the years ended December 31, 2010 and 2009

(in thousands of Canadian dollars except per share amounts)	2010 $	2009 $
Sales	1,032,347	408,172
Cost of sales	925,907	353,070
	106,440	55,102
Expenses		
Distribution, selling and administration	73,497	35,651
Acquisition, conversion and integration costs (note 4)	3,261	1,904
Share-based compensation (note 13)	247	383
Depreciation of property, plant and equipment	2,283	1,904
Amortization of intangible assets, other assets and deferred gain	857	(74)
	80,145	39,768
Operating earnings before the following items	26,295	15,334
Foreign exchange gain on repayment of promissory note (note 4)	(1,102)	-
Interest (note 11)	4,526	1,303
Earnings from continuing operations before income taxes	22,871	14,031
Provision for (recovery of) income taxes (note 14)		
Current	1,340	-
Future	5,787	(1,696)
	7,127	(1,696)
Net earnings and comprehensive earnings from continuing operations	15,744	15,727
Loss from discontinued operations (note 3)	(9,883)	(1,962)
Net earnings	5,861	13,765
Net earnings per share/unit		
Basic and diluted - continuing operations	0.27	0.45
Basic and diluted - net earnings	0.10	0.39
Weighted average number of shares/units outstanding (note 13)		
Basic	58,603,332	35,061,385
Diluted	58,816,331	35,104,710

CANWEL BUILDING MATERIALS GROUP LTD.

Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(in thousands of Canadian dollars)	2010 $	2009 $
Cash flows from operating activities		
Net earnings from continuing operations for the year	15,744	15,727
Items not affecting cash		
Depreciation of property, plant and equipment	2,283	1,904
Future income taxes	5,787	(1,696)
Net change in pensions and other post-retirement benefits	(848)	(730)
Amortization of:		
Intangible assets	917	-
Other assets	13	-
Financing costs	1,096	253
Deferred gain	(73)	(74)
Accretion of promissory note	11	129
Foreign exchange gain on repayment of promissory note	(1,102)	-
Share-based compensation	247	383
	24,075	15,896
Changes in non-cash working capital items (note 18)	3,659	12,639
	27,734	28,535
Cash flows from financing activities		
Shares issued	57,600	240
Share issuance costs	(3,626)	-
Dividends paid	(19,119)	(21,021)
Repayment of promissory note (note 4)	(18,680)	-
Financing costs (note 10)	(4,210)	(699)
Net increase in leasehold inducements	216	-
Proceeds from issuance of convertible debentures	45,000	-
Net decrease in revolving loan facility	(87,070)	(2,767)
	(29,889)	(24,247)
Cash flows from investing activities		
Business acquisition (note 4)	(20,000)	-
Net (increase) decrease in other assets	(1)	5
Proceeds from the sale of discontinued operations (note 3)	50,000	-
Costs incurred on sale of discontinued operations	(3,252)	-
Purchase of property, plant and equipment	(494)	(266)
	26,253	(261)
Increase in cash/bank indebtedness from continuing operations	24,098	4,027
Decrease in cash/bank indebtedness from discontinued operations	(816)	(992)
Cash and cash equivalents (bank indebtedness) - Beginning of year	(4,107)	(7,142)
Cash and cash equivalents (bank indebtedness) - End of year	19,175	(4,107)
Supplemental cash flow information		
Cash paid for interest	3,419	917
Non-cash financing activities		
Shares issued for business acquisition (note 4)	47,458	-
Promissory note issued for business acquisition (note 4)	19,782	-

(in thousands of Canadian dollars, except per unit/share amounts)

1. Nature of operations and conversion to a corporation

During the current year, the Company (as defined below) continued jurisdictions and changed its name from Canwel Holdings Corporation to Canwel Building Materials Group Ltd. (the “Company”). The Company operates through its wholly owned subsidiaries in Canada as a national distributor of building materials, home renovation products and hardware and provides wood pressure treating services.

Prior to February 1, 2010, these operations were owned by CanWel Building Materials Income Fund (the “Fund”). On February 1, 2010, the Fund was converted, on a tax deferred basis, from an open-ended limited purpose trust to a dividend-paying common share corporation (the “Conversion”) pursuant to a plan of arrangement under the Business Corporations Act (British Columbia). Pursuant to the Conversion, the Company acquired all of the outstanding units of the Fund (“Units”), in exchange for common shares of the Company (“Common Shares”), on the basis of one Common Share for each Unit. Other securities exercisable or exchangeable for Units were either exchanged for Common Shares or for securities exercisable for Common Shares, as applicable. As a result of the Conversion, the Company became the sole holder of the outstanding Units. On February 1, 2010, the Fund was dissolved and all of its assets were transferred to, and all of its liabilities were assumed by, the Company, as the Fund’s sole unitholder on that date.

The exchange of the Units of the Fund to the Company was recorded at the carrying values of the Fund’s assets and liabilities on February 1, 2010 in accordance with the continuity of interest method of accounting as the Company is considered to be a continuation of the Fund.

The financial results of Broadleaf Logistics Company (“BLC”) have been consolidated commencing February 1, 2010 (note 4).

2. Basis of presentation and significant accounting policies

Basis of presentation

The consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated.

Discontinued operations

The financial results for the Company's hardware division, which was sold on November 15, 2010, have been reclassified as discontinued operations. Operating results of a company's component disposed of by sale are reported as discontinued operations if the operations and cash flows of that component have been eliminated from the company's current operations pursuant to the disposal and if the company does not have significant continuing involvement in the operations of the component after the disposal transaction. The Company allocates interest on its parent company debt to discontinued operations on a relative net asset basis (note 3).

Business combinations

During the year ended December 31, 2009, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook 1582 "Business Combinations". The standard requires all business combinations to be accounted for by applying the acquisition method, whereby assets acquired and liabilities assumed are measured at their fair value at the date of acquisition. Acquisition costs associated with a business combination are expensed in the period incurred.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant areas requiring estimates are long-term asset valuation, goodwill and related impairment testing assumptions, inventory valuation and obsolescence, allocation of convertible debentures between debt and equity, future income taxes, recoverability of accounts receivable, volume rebates and certain actuarial and economic assumptions used in the determination of the cost and accrued benefit obligations of employee future benefits. Management believes the estimates utilized in preparing these consolidated financial statements are reasonable and prudent and are based on management's best knowledge of current events and actions that the Company may undertake in future. Actual results may differ from those estimates.

Foreign currency translation

Purchases and sales in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the balance sheet date. Exchange gains or losses resulting from fluctuations in exchange rates between the balance sheet date or date of settlement and the dates of transactions are recorded in the consolidated statements of earnings.

Revenue recognition

Revenue from the sale of products is recognized, net of discounts and customer rebates, when title passes to customers, which is at the time goods are shipped and the transfer of significant risks and rewards of ownership has taken place, and collectability is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term interest bearing securities maturing within three months of the date of purchase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method, net of vendor rebates, and includes materials, freight and, where applicable, treatment cost.

Vendor rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and reflects it as a reduction to cost of sales and related inventory when recognized in the consolidated statements of earnings and consolidated balance sheets. Certain exceptions apply where the cash consideration received is either a reimbursement of incremental selling costs incurred by the reseller or a payment for goods or services delivered to the vendor, in which case the rebate is reflected as a reduction of operating expenses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of assets and is calculated on a straight-line basis at the following annual rates:

Buildings	3%
Leasehold improvements	lease term
Machinery and equipment	10% to 20%
Automotive equipment	30%
Computer equipment and systems development	20% to 33-1/3%

Computer equipment and systems development include an enterprise resource planning system that comprises various modules. Each module is being amortized on a straight-line basis over 5 years beginning in the period the module is put into service.

Intangible assets

Intangible assets represent assets acquired that have no physical substance and meet the specified criteria for recognition, other than goodwill. Intangible assets comprise customer relationships, which are amortized on a straight-line basis over 10 years.

Impairment of long-lived assets

The Company periodically reviews the useful lives and the carrying values of its long-lived assets. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is equal to the amount of the carrying value in excess of the discounted estimated future cash flows expected to be generated by the asset.

Goodwill

Goodwill represents the excess of the purchase price paid for a business over the fair value of the identifiable net assets acquired. Goodwill at December 31, 2010 relates to the Company's historic acquisition of a wood pressure treatment business as well as the acquisition of BLC during the year. Goodwill is not amortized, but is tested for impairment annually, or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of that reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the fair value of goodwill related to the reporting unit is compared to its carrying value and any excess of carrying value is recognized as an impairment loss.

Long-term debt

The Company's long-term debt is initially recognized at fair value, net of financing costs incurred. Long-term debt is subsequently stated at amortized cost; any difference between the proceeds (net of financing costs) and the redemption value is recognized in the consolidated statements of earnings over the term of the debt using the effective interest method.

Convertible debentures

The convertible debentures are compound instruments and the proceeds received are bifurcated to record the material fair value, if any, of the conversion feature with the residual being allocated to the equity portion of the convertible debentures.

The fair value of the conversion feature and the debt was determined using a discounted cash flow model, which resulted in a non-material allocation of value to the conversion feature, and therefore 100% of the fair value was recorded as debt. Transactions costs offset the carrying value and are amortized over the expected life of the convertible debentures.

Pension and other post-retirement benefit plans

The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method (which incorporates management's best estimate of future salary levels, health care costs, retirement ages of employees and other actuarial factors). The accrued benefit obligation of the defined benefit pension plans reflects the pension formula applicable to the years up to the measurement date; the current service cost reflects the pension formula in the year following the measurement date.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan 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 excess of the net accumulated actuarial gain (loss) from the pension plan over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees in the defined benefit pension plans (2010 - 8.4 years), and actuarial gains (losses) arising from other retirement benefits are amortized over the average remaining life expectancy of the former employees (2010 - 14.8 years). Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the same periods as for actuarial gains (losses).

When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized based on differences between the bases of assets and liabilities used for financial reporting and income tax purposes. Future income assets and liabilities are calculated using substantively enacted rates for the period in which the differences are expected to reverse. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Share-based compensation plans

The Company uses a fair value based approach for accounting for share options and Restricted Equity Common Shares granted to employees and non-employees. For employees, compensation cost is measured at the grant date and recognized over the applicable vesting period with the corresponding credit being recorded as contributed surplus. For non-employees, compensation cost is remeasured at the subsequent vesting date and recognized over the applicable vesting period with the corresponding credit being recorded as contributed surplus. Any consideration received when options are exercised or shares are issued is credited to shareholders' capital together with the related compensation cost originally recorded as contributed surplus.

(in thousands of Canadian dollars, except per unit/share amounts)

Financial instruments

The Company accounts for financial assets held for trading or available for sale at fair value. Loans, receivables and investments held to maturity are measured at amortized cost using the effective interest rate method. Other financial liabilities are measured at fair value or at amortized cost using the effective interest rate method.

Comprehensive earnings

Other comprehensive earnings is the method used to record revenues, expenses, gains and losses on net financial assets that are not required to be included in earnings. Comprehensive earnings is the sum of earnings for the year plus the other comprehensive earnings.

Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. Discontinued operations

On November 15, 2010, the Company sold substantially all the assets and liabilities of its CanWel Hardware division. Accordingly, current and prior period results for this division have been reclassified as discontinued operations.

The hardware division distributed hardware and building material products through four facilities located in Quebec and Ontario. The decision to sell this division was based in part on a strategic determination to focus exclusively on the Company's core business of distributing building materials products. The Company used the net proceeds to reduce its bank indebtedness.

Total cash proceeds on sale were $50,000. Total assets and liabilities disposed of were $86,980 and $29,030, respectively. Comparative figures for the CanWel Hardware division as at December 31, 2009 were as follows:

	December 31, 2009 $
Current assets	48,440
Long-term assets	42,085
Current liabilities	(17,450)
Long-term liabilities	(8,210)
Net assets	64,865

The transaction is subject to a working capital adjustment based on agreed values at November 15, 2010; this has not yet been finalized. The after-tax loss on the sale of this division is $10,540.

(in thousands of Canadian dollars, except per unit/share amounts)

In addition to the net loss on disposal, the Company recorded results from discontinued operations as follows:

	2010 $	2009 $
Earnings (loss) from discontinued operations include the following:		
Net sales	198,670	241,857
Pre-tax earnings (loss)	943	(1,757)
Cash flows from discontinued operations include the following:		
Cash flows from operating activities	7,535	14,244
Cash flows from financing activities	(8,351)	(16,217)
Cash flows from investing activities	-	981
Decrease in cash	(816)	(992)

Pre-tax earnings (loss) is presented net of an allocation of corporate interest of $2,053 (2009 - $1,587). Total income tax (recovery) charge related to discontinued operations was ($4,296) (2009 - $211).

4. Business acquisition

On February 1, 2010 (the “Acquisition Date”), the Company purchased 100% of the outstanding common shares of BLC (the “Acquisition”). BLC was a private, wholesale distributor of building materials and related products and marketed its products nationally in Canada through facilities located across the country. BLC’s principal customers were the major retailers in the building materials industry. The primary reasons for the Acquisition included, but were not limited to, to increase and diversify the customer base of the Company, its suppliers and product offerings from what either the Company or BLC had prior to the Acquisition. The combined business is also expected to benefit from cost-saving synergies from the eventual consolidation of the operations of the Company and BLC, including the reduction of general and administrative expenses, warehouse costs, economies of scale in storage and transportation, consolidation of sales, marketing and distribution resources, as well as opportunities to benefit from greater volume discounts on purchases.

The consideration transferred to the former shareholder of BLC was satisfied through:

a. the issuance of 10,250,000 Common Shares of the Company, with an Acquisition Date fair value of $4.63 per common share;

b. $20,000 in cash;

c. a secured subordinated interest-bearing promissory note of the Company in the aggregate principal amount of US$18,500; and

(in thousands of Canadian dollars, except per unit/share amounts)

d. an adjustment to be based on the difference between net working capital of each of BLC and the Company on February 1, 2010. The final net working capital adjustment in the purchase consideration has not yet been finalized. This may affect the final determination of consideration and identifiable assets and liabilities.

The promissory note was repaid by the Company on March 31, 2010, realizing a foreign exchange gain of $1,102.

The Company's estimate of the fair value of the purchase consideration is $87,240. The fair value of the Common Shares issued as consideration was determined using the average market price for Common Shares of the Company trading on the TSX on February 1, 2010.

The Acquisition is recorded under the acquisition method of accounting. Under this method, the identifiable assets acquired and the liabilities assumed are measured and recognized at their Acquisition Date fair values. Any excess of the Acquisition Date fair value of the consideration over the net of the Acquisition Date fair values of the identifiable assets acquired and the liabilities assumed is recognized as goodwill and any deficiency is recognized as a gain.

The fair value of assets acquired and liabilities assumed was determined by the Company's management based on information furnished by the management of BLC and its own detailed review.

The determination of the fair value of consideration and identifiable assets and liabilities acquired is as follows:

	$
Fair value of purchase consideration at Acquisition Date	87,240
Fair values of identifiable assets acquired and liabilities assumed:	
Trade receivables	38,565
Other receivables	4,838
Inventories	36,364
Prepaid expenses	3,363
Future income taxes, current	1,076
Property, plant and equipment	1,269
Other assets	24
Intangible assets - customer relationships	10,000
Goodwill	62,624
Accounts payable and accrued liabilities	(36,767)
Future income taxes, long term	(2,700)
Loan payable	(31,416)
	87,240

The amounts allocated to goodwill will not be deductible for tax purposes.

(in thousands of Canadian dollars, except per unit/share amounts)

The majority of customers and products sold by BLC are common with the existing operations of the Company. Following the Acquisition in the early part of 2010, the operations of BLC and the Company were organized to optimize the servicing of customers from the location best suited. Additionally, a number of functions including product and customer management were allocated across the Company's existing management and the management of BLC. Commencing in the final quarter of 2010, the operations of BLC were integrated with those of the Company.

In these circumstances, management believes the disclosure of the revenue and net income of BLC, to the extent that it is separable, would not provide the reader of these financial statements with useful information.

For the year ended December 31, 2010, the Company expensed $633 of costs (2009 - $1,534) associated with the Acquisition and $281 of costs (2009 - $370) associated with the Conversion (note 13).

Restructuring charges related to the integration of BLC, included in accounts payable and accrued liabilities, are as follows:

	2010 $
Accrued liability - Beginning of year	-
Paid during the year	(247)
Expensed during the year	2,347
Accrued liability - End of year	2,100

5. Inventories

	2010 $	2009 $
Inventories held for resale	70,778	67,310
Inventories held for processing	7,578	4,195
	78,356	71,505

For the year ended December 31, 2010, $910,390 (2009 - $354,144) of inventory was expensed as cost of sales. Inventory provision charges and credits adjust the carrying amount of inventory to its net realizable value. For the year ended December 31, 2010, inventory provision charges included in cost of sales were $860 (2009 - $(13)). All of the Company's inventory is pledged as security for its revolving loan facility (note 10).

(in thousands of Canadian dollars, except per unit/share amounts)

6. Property, plant and equipment

			2010
	Cost $	Accumulated depreciation $	Net $
Land	75	-	75
Buildings and leasehold improvements	1,203	416	787
Machinery and equipment	8,607	6,505	2,102
Automotive equipment	92	17	75
Computer equipment and systems development	649	464	185
	10,626	7,402	3,224

			2009
	Cost $	Accumulated depreciation $	Net $
Land	2,092	-	2,092
Buildings and leasehold improvements	28,607	5,393	23,214
Machinery and equipment	11,335	7,188	4,147
Automotive equipment	153	153	-
Computer equipment and systems development	13,914	13,293	621
	56,101	26,027	30,074

7. Intangible assets

			2010
	Cost $	Accumulated amortization $	Net $
Customer relationships (note 4)	10,000	917	9,083

			2009
	Cost $	Accumulated amortization $	Net $
Customer relationships (note 3)	12,905	6,677	6,228

(in thousands of Canadian dollars, except per unit/share amounts)

8. Other assets

	2010 $	2009 $
Loans and advances to a customer, bearing interest at prime plus 1.25% and maturing in 2014	-	193
Deferred financing costs	-	1,941
Interests in buying groups	-	25
Banner conversion program - net of amortization	-	318
Deferred lease amounts	8	-
	8	2,477

Included in the prior year's other assets are deferred financing costs related to the renewal of the Company's revolving loan facility (note 10) and activities related to the issuance of Fund Units by way of a private placement (note 13). Amortization of costs to renew the bank facility commenced concurrently with the effective date of the renewed revolving loan facility. Private placement costs were charged to equity on completion of the arrangement.

9. Bank indebtedness

	2010 $	2009 $
Cheques written in excess of cash in hand	-	(4,107)

(in thousands of Canadian dollars, except per unit/share amounts)

10. Long-term debt

	2010 $	2009 $
Revolving loan facility (see below)	10,050	72,165
Financing costs - net of amortization	(1,596)	(449)
	8,454	71,716
Convertible debentures (see below)	45,000	-
Financing costs - net of amortization	(2,099)	-
	42,901	-
Promissory notes payable to a company controlled by a Director, non-interest bearing, repayable by monthly instalments of $97, maturing on January 1, 2010	-	87
	51,355	71,803
Less: Current portion	-	87
	51,355	71,716

Revolving loan facility

The Company's revolving loan facility with Wells Fargo Capital Finance Corporation Canada was renewed on February 1, 2010 and matures on January 31, 2013. Under the facility, up to $275,000, with an additional $50,000 accordion facility, may be borrowed for operating requirements in Canadian and US currency. Interest is variable based on the Canadian or US prime rate. The amount advanced under the facility at any time is limited to a defined percentage of inventories and accounts receivable, less certain reserves. The facility is secured by a first charge over the Company's assets and an assignment of accounts receivable and requires that certain covenants be met by the Company. The Company was not in breach of any of its covenants during the year ended December 31, 2010.

Convertible debentures

On April 22, 2010, the Company completed a bought-deal prospectus financing and issued $45,000 of unsecured convertible debentures denominated in principal amounts of one thousand dollars, resulting in proceeds of $42,676 net of underwriting fees and costs of $2,324. The debentures bear interest at an annual rate of 5.85% payable semi-annually in arrears on October 31 and April 30 in each year commencing on October 31, 2010, and have a maturity date of April 30, 2017.

(in thousands of Canadian dollars, except per unit/share amounts)

Each debenture is convertible into Common Shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date specified by the Company for redemption of the debentures at a conversion price of $6.40 per Common Share (the “Conversion Price”), being a conversion rate of approximately 156.25 Common Shares per one thousand dollars of debenture principal amounts, subject to adjustment in accordance with the trust indenture governing the terms of the debentures.

The debentures may not be redeemed by the Company on or before April 30, 2013. After April 30, 2013 and prior to April 30, 2015, the debentures may be redeemed by the Company, in whole or in part from time to time, on not more than 60 days and not less than 30 days prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after April 30, 2015 and prior to the maturity date, the debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

The debentures are classified as a liability and associated transaction costs are amortized as interest expense over the life of the debentures.

	2010 **$**	**2009** **$**
Opening balance	-	-
Face value of debentures issued	45,000	-
Less financing costs	(2,324)	-
Carrying value of debentures on issue	42,676	-
Amortization of financing costs	225	-
Carrying value of debentures at year-end	42,901	-

(in thousands of Canadian dollars, except per unit/share amounts)

11. Interest

The Company incurred interest expense and interest income as follows:

	2010 $	2009 $
Revolving loan facility	3,654	2,580
Convertible debentures	1,810	-
Cash, bank indebtedness and loans	8	(76)
Net cash interest	5,472	2,504
Amortization of financing costs	1,096	257
Accretion of promissory notes	11	129
	6,579	2,890
Allocated to discontinued operations	(2,053)	(1,587)
	4,526	1,303

12. Pensions and other post-retirement benefits

Description of benefit plans

Defined benefit pension plans

The Company sponsors two non-contributory defined benefit pension plans: one a registered pension plan for salaried employees and the other a non-registered pension plan for executives. The pensions from both plans are based on years of service and highest average salary. The plans were closed to new participants effective August 1, 2000. The Company amended the registered defined benefit pension plan effective January 1, 2005 to reduce the benefit formula for future years of service and to allow members of the defined benefit pension plan to participate in the defined contribution plan. In respect of the unfunded executive pension plan, the Company has issued letters of credit amounting to $1,657 (2009 - $1,675) based on annual actuarial estimates.

The most recent actuarial valuation of the pension plans for funding purposes was as of December 31, 2010.

The next actuarial valuation is scheduled for December 31, 2013.

Defined contribution plans

The Company sponsors defined contribution plans for eligible employees. Pension expense for the defined contribution plans for the year ended December 31, 2010 amounted to $1,587 (2009 - $344).

(in thousands of Canadian dollars, except per unit/share amounts)

Post-retirement benefits other than pensions

The Company provides extended health care benefits and pays provincial medical plan premiums on behalf of qualifying employees. The Company also pays for the dental benefits of certain retirees who had been employed at a predecessor company.

Total cash payments

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were $3,535 (2009 - $2,322).

The status of the defined benefit pension plans and post-retirement benefit plans, in aggregate, is as follows:

	Pension benefit plans		**Other benefit plans**	
	2010 $	**2009 $**	**2010 $**	**2009 $**
Defined benefit costs				
Current service cost	468	367	-	-
Interest cost	2,221	2,400	234	258
Actual return on plan assets	(2,737)	(3,889)	-	-
Actuarial losses	1,552	5,744	330	569
Defined benefit costs before adjustments	1,504	4,622	564	827
Adjustments to recognize the long-term nature of employee future benefit costs				
Difference between expected return and actual return on plan assets for year	720	1,706	-	-
Difference between actuarial loss or gain recognized for year and actual actuarial loss or gain on accrued benefit obligation for year	(1,281)	(5,757)	(330)	(569)
Difference between past service costs recognized for year and past service costs owing	-	-	(77)	(83)
Defined benefit costs recognized	943	571	157	175

(in thousands of Canadian dollars, except per unit/share amounts)

	Pension benefit plans		Other benefit plans	
	2010 $	2009 $	2010 $	2009 $
Accrued benefit obligation				
Balance - Beginning of year	39,934	34,038	4,246	3,699
Current service cost	468	367	-	-
Interest cost	2,221	2,400	234	258
Benefits paid	(3,541)	(2,615)	(336)	(280)
Actuarial losses (gains)	1,552	5,744	330	569
Balance - End of year	40,634	39,934	4,474	4,246
Plan assets				
Fair value - Beginning of year	37,404	34,935	-	-
Actual return on plan assets	2,737	3,889	-	-
Employer contributions	1,611	1,195	336	280
Benefits paid	(3,541)	(2,615)	(336)	(280)
Fair value - End of year	38,211	37,404	-	-
Funded status - plan deficit	(2,423)	(2,530)	(4,474)	(4,246)
Unamortized net actuarial loss	15,474	14,913	598	268
Unamortized past service costs	-	-	(1,066)	(1,144)
Accrued benefit asset (liability)	13,051	12,383	(4,942)	(5,122)

Assets

The weighted average asset allocation of the defined benefit plan consists of:

	2010 %	2009 %
Equity securities	50	46
Debt securities	46	45
Short-term securities	4	9
	100	100

(in thousands of Canadian dollars, except per unit/share amounts)

Significant assumptions

The significant weighted average assumptions used are as follows:

	Pension benefit plans		Other benefit plans	
	2010 %	**2009** %	**2010** %	**2009** %
Accrued benefit obligation as of December 31				
Discount rate	5.50	5.75	5.50	5.75
Rate of compensation increase	3.50	3.50	n/a	n/a
Benefit costs for year ended December 31				
Discount rate	5.75	7.25	5.75	7.25
Expected long-term rate of return on plan assets	7.00	7.00	n/a	n/a
Rate of compensation increase	3.50	3.50	n/a	n/a

Assumed health care cost trend rates at December 31 are as follows:

	2010	**2009**
Initial health care cost trend rate	6.0%	6.0%
Cost trend rate declines to	6.0%	6.0%
Year that the rate reaches the rate it is assumed to remain at	all years	all years

Sensitivity analysis

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates for 2010 would increase or decrease total service and interest costs by $nil and $23, respectively. In addition, this change would increase or decrease the accrued benefit obligation by $410 and $357, respectively.

13. Share capital and contributed surplus

Pursuant to the Conversion, the Company is considered to be a continuation of the Fund and therefore the exchange of Fund Units for Common Shares of the Company is recorded at the carrying values of the Fund's assets and liabilities on January 31, 2010, in accordance with the continuity of interest method of accounting, as outlined in EIC - 170 "Conversion of an Unincorporated Entity to an Incorporated Entity". In addition, all of the outstanding options to acquire Fund Units were exchanged for options to acquire an equal number of Common Shares on the same terms and all of the outstanding entitlements under the Fund's Restricted Equity Unit Plan became rights to acquire an equivalent number of Common Shares on the same terms under the new Restricted Equity Common Share Plan.

The authorized capital of the Company consists of an unlimited number of common and preferred shares.

(in thousands of Canadian dollars, except per unit/share amounts)

The following is a summary of changes of capital and contributed surplus of the Company:

	Shares		Fund Units		Exchangeable partnership units		Contributed surplus
	Number	Amount $	Number	Amount $	Number	Amount $	$
Balance - December 31, 2008	-	-	23,706,598	111,108	11,144,279	36,486	4,901
Units issued pursuant to							
Unit option plan - for cash	-	-	55,333	285	-	-	(168)
Employee Unit Ownership Plan - for cash	-	-	67,508	123	-	-	-
Restricted Equity Unit Plan	-	-	230,765	849	-	-	(849)
Unit-based compensation	-	-	-	-	-	-	383
Accrued distributions on unvested Restricted Equity Units	-	-	-	-	-	-	71
Balance - December 31, 2009	-	-	24,060,204	112,365	11,144,279	36,486	4,338
Units issued pursuant to Employee Unit Ownership Plan - for cash	-	-	14,732	52	-	-	-
Balance prior to conversion to corporate entity	-	-	24,074,936	112,417	11,144,279	36,486	4,338
Exchange of Fund Units for Common Shares	24,074,936	112,417	(24,074,936)	(112,417)	-	-	-
Exchange of exchangeable partnership units for Common Shares	11,144,279	36,486	-	-	(11,144,279)	(36,486)	-
Shares issued pursuant to							
Private placement	15,131,700	57,500	-	-	-	-	-
Share issue costs net of future income tax	-	(2,944)	-	-	-	-	-
Business acquisition	10,250,000	47,458	-	-	-	-	-
Employee Common Share Purchase Plan	14,493	48	-	-	-	-	-
Restricted Equity Common Share Plan	94,273	368	-	-	-	-	(368)
Share-based compensation	-	-	-	-	-	-	247
Accrued dividends on unvested restricted shares	-	-	-	-	-	-	11
Balance - December 31, 2010	60,709,681	251,333	-	-	-	-	4,228

Subscription receipts

On December 17, 2009, the Fund issued 15,131,700 subscription receipts by way of private placement at a price of $3.80 per subscription receipt for gross proceeds of $57,500. Subject to the satisfaction of certain conditions, each subscription receipt entitled the holder to receive one Fund Unit without further action or payment immediately prior to the completion of the Conversion and Acquisition. On February 1, 2010, immediately prior to the Conversion and Acquisition, all of the subscription receipts were exchanged for Fund Units on a one-for-one basis. All of these Funds Units were then exchanged for Common Shares as part of the Conversion. The cash proceeds of $57,500, net of transaction costs deferred at December 31, 2009 of approximately $1,870, were held in escrow at December 31, 2009 and released to the Fund on February 1, 2010.

On February 1, 2010, the Company issued 10,250,000 Common Shares as partial consideration for the Acquisition of BLC (note 4).

(in thousands of Canadian dollars, except per unit/share amounts)

Share option plan

The Fund had a unit option plan available to trustees, employees and consultants. On February 1, 2010, in accordance with the arrangement, 1,245,083 outstanding unit options of the Fund were converted into 1,245,083 share options of the Company. The plan authorizes a maximum of 7% of the Company's issued and outstanding common shares to be reserved for issuance.

The following is an analysis of the outstanding share options:

	Share options	Weighted average exercise price $
Unit options outstanding December 31, 2008	1,300,416	3.89
Unit options exercised	(55,333)	2.13
Unit options outstanding December 31, 2009	1,245,083	3.96
Share options exercised	-	-
Share options outstanding December 31, 2010	1,245,083	3.96

The following table summarizes the share options outstanding at December 31, 2010:

Exercise price $	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of exercisable options
2.125 - 4.25	1,245,083	3	3.96	1,245,083

Compensation expense in respect of outstanding options for the year ended December 31, 2010 was $nil (2009 - $nil).

Employee unit ownership plan and Employee Common Share Purchase Plan

Effective January 1, 2010, the Fund issued 14,732 Units from treasury at a price of $3.51 per Unit for gross proceeds of $52 from employees, pursuant to this plan. On February 1, 2010, the plan's underlying securities were changed so that it is now an Employee Common Share Purchase Plan. During the year, the Company issued 14,493 shares from treasury at a price of $3.31 per share for gross proceeds of $48 from employees, pursuant to this plan.

(in thousands of Canadian dollars, except per unit/share amounts)

Restricted Equity Unit Plan and Restricted Equity Common Share Plan

On May 11, 2006, unitholders approved the CanWel Restricted Equity Unit Plan (the “Plan”). The Plan provides for an allotment of Restricted Equity Units (“REUs”) to designated trustees of the Fund and designated directors, officers and employees of CanWel (each a “Member”) at the discretion of the compensation committee. On February 1, 2010, the Plan’s underlying securities were changed so that it is now a Restricted Equity Common Share (“RSU”) Plan.

RSUs vest one-third on the date of grant and one-third on each of the first and second anniversary of the date of the grant. However, vesting may be accelerated at the discretion of the compensation committee. RSUs shall, within 30 days of vesting and, in any event, by no later than December 31 following the vesting date, be satisfied by the Company issuing to the employee that number of shares equal to the number of vested RSUs then credited to the employee. The RSUs earn additional RSUs for the distributions that would otherwise have been paid on the RSUs as if they had been issued as of the date of the grant. The number of additional RSUs is calculated using the average market price of the Company’s shares in the five days immediately preceding each distribution.

RSUs granted are considered to be in respect of future services and are recognized in unit-based compensation costs over the vesting period. Compensation cost is measured based on the market price of the Company’s shares units on the date of grant of the RSUs. The value of the RSUs will appreciate or depreciate with increases or decreases in the market price of the Company’s Common Shares.

The Company’s obligation to issue shares on the vesting of RSUs is an unfunded and unsecured obligation of the Company.

Outstanding RSUs are as follows:

	2010 $	2009 $	2008 $
Beginning of year	64,061	244,151	274,110
Granted	82,730	19,048	143,393
Cancelled	-	-	(2,804)
Vested	(94,273)	(230,765)	(217,515)
Earned	8,119	31,627	46,967
End of year	60,637	64,061	244,151

Compensation expense in respect of RSUs for the year ended December 31, 2010 amounted to $247 (2009 - $383).

Earnings per share

Earnings per share is a calculation using the weighted average number of Common Shares outstanding for the period. Diluted earnings per share assumes the exercise of share options using the treasury stock method.

(in thousands of Canadian dollars, except per unit/share amounts)

Distributions and dividends

The amounts and record dates of distributions and dividends declared were as follows:

Record date	Amount $	$
January 19, 2010	1,467	0.04166 per unit
March 31, 2010	4,044	0.06667 per share
June 30, 2010	6,070	0.10000 per share
September 30, 2010	6,071	0.10000 per share
December 31, 2010	6,071	0.10000 per share
	23,723	0.40838

On December 21, 2010, the Company declared a dividend of $0.10 per share, totalling $6,071 (2009 - $1,467) to shareholders of record on December 31, 2010, which was accrued at December 31, 2010 and paid on January 14, 2011.

14. Income taxes

For the month of January 2010 (prior to the Conversion), the Fund was a unit trust for income tax purposes and, accordingly, the Fund was taxable only on any taxable income in the month of January not allocated to the unitholders. In January, all taxable income of the Fund was distributed to unitholders. Any income tax obligations relating to the distributions are the obligations of the unitholders.

Commencing February 1, 2010, the Company and its subsidiaries are subject to tax at statutory rates.

The Company's effective income tax rate differs from the statutory income tax rate. The difference arises from the following items:

	2010 $	2009 $
Earnings before income taxes	22,871	14,031
Income tax at statutory rates	6,898	4,392
Fund distributions deductible for tax purposes	(426)	(4,487)
Partnership income allocated to partners	-	(1,920)
Adjustment to future tax assets related to tax rates	(281)	(257)
Share-based compensation	75	120
Amounts not deductible for tax and other	861	456
Provision for (recovery of) income taxes	7,127	(1,696)

(in thousands of Canadian dollars, except per unit/share amounts)

Temporary differences that give rise to future income tax assets and liabilities are as follows:

	2010		2009	
	Current $	Long-term $	Current $	Long- term $
Future income tax assets (liabilities)				
Property, plant and equipment	643	440	63	(93)
Pensions and other post-retirement benefits	-	(2,133)	-	(1,925)
Non-capital losses	5,167	2,505	5,426	3,793
Non-deductible reserves	401	894	1,227	1,547
Intangible assets - customer relationships	-	(2,556)	-	(1,641)
	6,211	(850)	6,716	1,681

At December 31, 2010, the Company has approximately $27,190 of non-capital losses that may be available for deduction against taxable income in future years. These losses expire as follows:

	$
2014	4,643
2025	6,450
2026	1,954
2027	423
2028	7,763
2030	5,957
	27,190

(in thousands of Canadian dollars, except per unit/share amounts)

15. Related party transactions

The Company has transactions with related parties in the normal course of operations at exchange amounts as agreed between the related parties as follows:

	2010 $	2009 $
Land and building lease payments for distribution facilities paid to a company in which a director and an officer of the Company have an interest and lease payments for certain treatment plant facilities to a company solely controlled by a director of the Company.	2,846	2,558
Fees for management services and other charges paid to a company controlled by a director of the Company.	772	756
Fees for professional services and other charges paid to a company controlled by an officer of the Company.	748	558
Land and building lease payments for distribution facilities paid to a company which is an affiliate of Rudy Holding II S.a.r.l. (“Rudy”), a shareholder of the Company. A director of the Company is a partner at an affiliate of Rudy.	1,795	-

During the year, the Company purchased $5,183 of product from a company in which a director of the Company has an ownership interest. These purchases are in the normal course of operations and are recorded at exchange amounts. As at December 31, 2010, payables to this related party were $11.

As at December 31, 2010, other accounts receivable include an amount due from a director of $46 (2009 - $45).

The minimum payments under the terms of the leases with companies which a director or an officer of the Company either own or have an interest in are as follows:

	$
Year ending December 31	
2011	2,961
2012	2,973
2013	2,973
2014	2,182
2015	1,205
Thereafter	3,000
	15,294

(in thousands of Canadian dollars, except per unit/share amounts)

The minimum payments under the terms of the leases with Rudy are as follows:

	$
Year ending December 31	
2011	1,855
2012	1,252
2013	1,252
2014	1,252
2015	1,252
Thereafter	5,851
	12,714

16. Contingencies and commitments

Lease commitments

The Company has operating lease commitments as follows:

a. real estate operating leases with third parties and related parties covering the head office as well as many of the distribution centre properties and treatment plant properties that it operates across Canada.

b. operating leases covering certain vehicles, computer equipment and warehouse equipment.

Future minimum payments due under the terms of these leases are as follows:

	$
Year ending December 31	
2011	11,040
2012	9,241
2013	7,972
2014	6,034
2015	4,624
Thereafter	11,648
	50,559

Claims

During the normal course of business, certain product liability and other claims have been brought against the Company and/or its suppliers. Management has contested the validity of these claims and believes that they are without merit and that any possible settlement will have no material effect on the financial position or future earnings of the Company.

(in thousands of Canadian dollars, except per unit/share amounts)

Sales tax dispute

The Company is objecting to an interest charge of approximately $700 that has been levied by way of a notice of assessment by a provincial tax authority on one of its subsidiaries. The interest is the result of a timing difference between the initial disallowance of input tax credit claims and their subsequent acceptance by the tax authority. There is no dispute on the eventual eligibility of the input tax credit claims and at no time was there any delay in remitting taxes. The Company believes that it will be successful with its appeal, but there can be no certainty on the outcome. The financial statements do not reflect any charge for this matter.

17. Financial instruments

The carrying amounts and fair values of financial instruments are as follows:

	2010		2009	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	19,175	19,175	-	-
Loans and receivables				
Trade receivables	48,783	48,783	45,884	45,884
Other receivables	4,825	4,825	436	436
Financial liabilities				
Bank indebtedness	-	-	4,107	4,107
Accounts payable and accrued liabilities	49,735	49,735	42,335	42,335
Dividends payable	6,071	6,071	1,467	1,467
Revolving loan facility	8,454	8,454	71,716	71,716
Convertible debentures	42,901	45,000	-	-
Promissory notes payable	-	-	97	97

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of trade receivable, other receivables, bank indebtedness, accounts payable and accrued liabilities, and dividends payable is comparable to their carrying amount, given the short maturity periods.
- The fair value of loans and advances approximates the carrying value given their short maturity periods.
- The fair value of the Company's revolving loan facility approximates its carrying value as it bears interest at variable rates based on current market rates.
- The fair value of the Company's convertible debentures is based on the present value of future cash flows discounted at 5.85% which is considered to be a market rate.

(in thousands of Canadian dollars, except per unit/share amounts)

The revenues and expenses resulting from financial assets and liabilities recorded in net earnings (loss) were as disclosed in note 10.

Financial risk management

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, interest rates, currency and liquidity.

Financial assets include accounts receivable. Accounts receivable are measured at amortized cost. Financial liabilities include accounts payable and accrued liabilities, dividends payable, bank indebtedness and long-term debt. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management which seeks to minimize any potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's accounts receivable from customers and loans and advances. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly. The Company also has mortgages on some property and charges on inventory owned by debtors.

The Company regularly reviews the collectability of its accounts receivable and loans and advances and establishes an allowance for doubtful amounts based on its best estimate of any potentially uncollectible accounts. At December 31, 2010, management believes that the maximum exposure to credit risk is the carrying value of receivables.

As at December 31, 2010, the trade accounts receivable were as follows:

	$
Current	49,929
Past due over 60 days	135
Trade accounts receivable	50,064
Less: Allowance for doubtful accounts	1,281
	48,783

As at December 31, 2010, the maximum exposure to credit risk is $53,608 (2009 - $46,320) which represents the carrying value amount of financial instruments classified as trade and other receivables.

(in thousands of Canadian dollars, except per unit/share amounts)

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility (note 10). Based on the Company's average revolving loan facility balance during 2010, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $860 in net annual earnings.

Currency risk

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the United States dollar component of its revolving loan facility as well as sales and purchase transactions that are denominated in United States dollars.

As at December 31, 2010, a $0.01 increase in the United States dollar versus the Canadian dollar would have an insignificant impact on net earnings. As at December 31, 2010, contracts held were not material to operations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks as there can be no assurance that the Company will be able to secure credit on the same terms or amounts when this facility expires.

At December 31, 2010, the fair value of the Company's revolving loan facility approximated its carrying value of $8,454 (2009 - $71,706) as the revolving loan facility bore interest at current market rates. The fair value of other financial liabilities approximates their carrying value due to their short-term nature.

18. Changes in non-cash working capital items

	2010 $	2009 $
Accounts receivable	16,897	4,824
Inventories	921	7,001
Prepaid expenses	203	141
Accounts payable and accrued liabilities	(14,362)	673
	3,659	12,639

(in thousands of Canadian dollars, except per unit/share amounts)

19. Foreign sales and significant customers

During the year ended December 31, 2010, the Company had sales outside of Canada of $2,245 (2009 - $981).

The Company has sold products to certain customers that comprise greater than 10% of its sales. During the year ended December 31, 2010, three customers individually accounted for sales in excess of 10%, purchasing an aggregate of $509,944 (2009 - $296,900, representing three customers).

20. Segmented information

The Company has one material reportable segment. The percentage of total revenues from external customers for each product group is as follows:

	2010 %	**2009 %**
Construction materials	54	57
Specialty and hardware	46	43
	100	100

Sales by geographic region

	2010 %	**2009 %**
B.C.	17	19
Prairies	34	22
Ontario	19	19
Quebec	17	22
Atlantic	13	18
	100	100

21. Capital disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders, and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, and deficit, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurately with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy is to dividend all available cash from operations to shareholders after provision for cash required for maintenance capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during this period.

CanWel®

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Stock Exchange

Toronto Stock Exchange

Trading Symbol:

CWX; CWX. DB