



**Interim Consolidated Financial Statements**  
**As at March 22, 2014 and March 23, 2013**  
**(1st Quarter)**  
(Unaudited)

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# Colabor Group Inc.

## Consolidated Statements of Earnings

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

	Notes	2014-03-22 (81 days) \$	2013-03-23 (82 days) \$
<b>Sales of goods</b>	4	279,318	293,580
Operating expenses excluding costs not relating to current operations, depreciation and amortization		<u>279,170</u>	<u>291,271</u>
<b>Operating earnings before costs not relating to current operations, depreciation and amortization</b>		<u>148</u>	<u>2,309</u>
Costs not relating to current operations	5		247
Depreciation of property, plant and equipment		975	1,219
Amortization of intangible assets		<u>3,279</u>	<u>3,023</u>
		<u>4,254</u>	<u>4,489</u>
<b>Operating earnings</b>		(4,106)	(2,180)
Finance costs	6	<u>3,391</u>	<u>2,323</u>
<b>Earnings before tax</b>		<u>(7,497)</u>	<u>(4,503)</u>
Income taxes			
Current			
Deferred		<u>(1,931)</u>	<u>(1,145)</u>
		<u>(1,931)</u>	<u>(1,145)</u>
<b>Earnings</b>		<u>(5,566)</u>	<u>(3,358)</u>
<b>Basic and diluted earnings per share</b>	7	<u>(0.21 \$)</u>	<u>(0.14 \$)</u>

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

# Colabor Group Inc.

## Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Earnings	(5,566)	(3,358)
Other comprehensive income that will be subsequently reclassified in earnings		
Available-for-sale financial asset		
Loss for the period	(365)	(2,362)
Reclassified in earnings		2,342
Cash flow hedges – gain (loss) for the period		
Loss for the period	(190)	(149)
Reclassified in earnings	268	
Taxes on other comprehensive income that will be subsequently reclassified in earnings	26	42
	(261)	(127)
Other comprehensive income that will not be reclassified in earnings		
Re-measurement of pension obligation	(550)	225
Taxes on other comprehensive income that will not be reclassified in earnings	143	(59)
	(407)	166
Total other comprehensive income	(668)	39
<b>Total comprehensive income</b>	<b>(6,234)</b>	<b>(3,319)</b>

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

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

(unaudited, in thousands of Canadian dollars)

	Share capital	Convertible debt conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for- sale financial asset	Cash flow hedge	Deficit	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2014</b>	<b>208,622</b>	<b>1,742</b>	<b>1,326</b>	<b>(381)</b>	<b>—</b>	<b>(57)</b>	<b>(37,439)</b>	<b>173,813</b>
Earnings							(5,566)	(5,566)
Other comprehensive income								
Loss on available-for-sale financial asset					(365)			(365)
Reclassification in earnings						268		268
Loss on cash flow hedge						(190)		(190)
Re-measurement of pension obligation							(550)	(550)
Taxes on other comprehensive income					47	(21)	143	169
Total comprehensive income	—	—	—	—	(318)	57	(5,973)	(6,234)
Stock-based compensation plan expenses			25					25
Transactions with owners	—	—	25	—	—	—	—	25
<b>Balance as at March 22, 2014</b>	<b>208,622</b>	<b>1,742</b>	<b>1,351</b>	<b>(381)</b>	<b>(318)</b>	<b>—</b>	<b>(43,412)</b>	<b>167,604</b>
<b>Balance as at January 1, 2013</b>	<b>179,652</b>	<b>1,742</b>	<b>1,136</b>	<b>(381)</b>	<b>(1,003)</b>	<b>(50)</b>	<b>(23,679)</b>	<b>157,417</b>
Earnings							(3,358)	(3,358)
Other comprehensive income								
Loss on available-for-sale financial asset					(2,362)			(2,362)
Reclassification in earnings					2,342			2,342
Loss on cash flow hedge						(149)		(149)
Re-measurement of pension obligation							225	225
Taxes on other comprehensive income					3	39	(59)	(17)
Total comprehensive income	—	—	—	—	(17)	(110)	(3,192)	(3,319)
Issuance of shares (Note 3)	28,993							28,993
Stock-based compensation plan expenses			13					13
Transactions with owners	28,993	—	13	—	—	—	—	29,006
<b>Balance as at March 23, 2013</b>	<b>208,645</b>	<b>1,742</b>	<b>1,149</b>	<b>(381)</b>	<b>(1,020)</b>	<b>(160)</b>	<b>(26,871)</b>	<b>183,104</b>

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

# Colabor Group Inc.

## Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	Notes	2014-03-22 (81 days)	2013-03-23 (82 days)
		\$	\$
<b>Operating activities</b>			
Earnings before income taxes		(7,497)	(4,503)
Depreciation of property, plant and equipment		975	1,219
Amortization of intangible assets		3,279	3,023
Change in provisions		(360)	
Finance costs	6	3,391	2,323
Stock-based compensation plan expenses		25	13
		(187)	2,075
Income tax withholdings		(107)	(174)
Net changes in working capital	8	12,241	(27,690)
<b>Cash flows from operating activities</b>		<u>11,947</u>	<u>(25,789)</u>
<b>Investing activities</b>			
Business acquisitions, net of cash acquired	3		(10,000)
Dividends received from Colabor Investments Inc.			2,342
Purchase of property, plant and equipment		(273)	(632)
Disposal of property, plant and equipment		8	
Purchase of intangible assets		(919)	
<b>Cash flows from investing activities</b>		<u>(1,184)</u>	<u>(8,290)</u>
<b>Financing activities</b>			
Bank borrowings	9	(21,455)	11,947
Lease payment		(8)	
Issuance of shares	3		28,638
Dividends paid			(4,161)
Refund of advance received on dividends to be declared by Colabor Investments Inc.			(1,722)
Payment of balances of purchase price		(10,735)	(404)
Repayment of long-term debt	10	(15,000)	
Net issuance of long-term debt	10	42,087	
Finance costs paid	6	(2,735)	(2,107)
<b>Cash flows from financing activities</b>		<u>(7,846)</u>	<u>32,191</u>
<b>Net change in bank overdraft</b>		2,917	(1,888)
Bank overdraft, beginning of period		(6,828)	(5,994)
<b>Bank overdraft, end of period</b>		<u>(3,911)</u>	<u>(7,882)</u>

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

# Colabor Group Inc.

## Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

	<u>2014-03-22</u>	<u>2013-12-31</u>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Trade and other receivables	100,795	114,803
Recoverable tax assets	2,960	2,853
Inventory	73,421	80,243
Prepaid expenses	2,380	1,996
<i>Current assets</i>	<u>179,556</u>	<u>199,895</u>
<b>Non-current</b>		
Equity investment in Colabor Investments Inc.	4,748	5,113
Property, plant and equipment	16,844	16,615
Intangible assets	128,752	131,112
Goodwill	115,065	115,065
<i>Non-current assets</i>	<u>265,409</u>	<u>267,905</u>
<b>Total assets</b>	<u><u>444,965</u></u>	<u><u>467,800</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	3,911	6,828
Trade and other payables	77,431	84,684
Rebates payable	7,409	8,663
Balances of purchase price payable	761	11,496
Bank borrowings	9 6,000	
Obligations under leases	178	
Deferred revenue	409	41
Provisions	974	1,111
<i>Current liabilities</i>	<u>97,073</u>	<u>112,823</u>
<b>Non-current</b>		
Bank borrowings	9 81,448	108,684
Derivative financial instrument		78
Long-term debt	10 42,101	14,737
Convertible debentures	47,533	47,373
Obligations under leases	753	
Pension obligation	1,004	520
Provisions	4,142	4,365
Deferred income tax liabilities	3,307	5,407
<i>Non-current liabilities</i>	<u>180,288</u>	<u>181,164</u>
<b>Total liabilities</b>	<u><u>277,361</u></u>	<u><u>293,987</u></u>
<b>EQUITY</b>		
Share capital	208,622	208,622
Deficit	(43,412)	(37,439)
Other components of equity	2,394	2,630
<i>Total equity</i>	<u>167,604</u>	<u>173,813</u>
<b>Total liabilities and equity</b>	<u><u>444,965</u></u>	<u><u>467,800</u></u>

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

The Board of Directors approved and authorized the publication of the interim consolidated financial statements on May 1, 2014.

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

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

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### 1. **NATURE OF OPERATIONS**

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

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

As of 2014, the Company's year end will be the last Saturday in the month of December, that is, December 27, 2014 for the current year.

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

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

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and prepared in accordance with IAS 34, Interim Financial Reporting, taking into account the accounting policies that the Company adopted for its consolidated financial statements for the year ended December 31, 2013. The accounting policies have been similarly applied throughout all periods presented in the financial statements. Since they are condensed financial statements, certain information and footnote disclosures normally included in annual financial statements have been voluntarily omitted or summarized. They should be read in conjunction with the Company audited consolidated financial statements for the year ended December 31, 2013.

### 3. **BUSINESS COMBINATION**

#### **Acquisition of T. Lauzon Ltd. Assets**

On March 4, 2013, the Company acquired substantially all of the assets of T. Lauzon Ltd. (hereafter "Lauzon"), a company operating in the Distribution and Wholesale Segments primarily in Quebec. Operating results are included in the consolidated statement of earnings since the acquisition date. The acquisition of Lauzon reflects Colabor's strategic objective to broaden its product offering.

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

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

### 3. BUSINESS COMBINATION (continued)

The purchase price allocation is determined as follows:

	Value recognized on the acquisition date <u>\$</u>
Trade and other receivables	4,122
Inventory	7,960
Prepaid expenses	38
Property, plant and equipment	1,071
Intangible assets	2,215
Trade and other payables	(2,795)
Deferred income tax liabilities	(81)
Acquisition cost and fair value of consideration transferred	<u>12,530</u>
Portion paid in balances of purchase price	<u>(2,530)</u>
Net cash flows on acquisition and fair value of portion transferred to cash	<u><u>10,000</u></u>

Business acquisition-related costs amounting to \$247,000 are not included as part of the acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

#### Trade and other receivables

The contractual amount of trade and other receivables amounts to \$4,122,000 at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

### 4. SEGMENT REPORTING

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

Segment information can be analyzed as follows:

	2014-03-22		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	193,289	123,642	316,931
Segment operating expenses			
Cost of goods sold	168,637	117,434	286,071
Employee remuneration	15,868	2,189	18,057
Other expenses	9,577	1,623	11,200
	<u>194,082</u>	<u>121,246</u>	<u>315,328</u>
Segment earnings	<u>(793)</u>	<u>2,396</u>	<u>1,603</u>



# Colabor Group Inc.

## Notes to Consolidated Financial Statements

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

### 4. SEGMENT REPORTING (continued)

	2013-03-23		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	208,416	120,949	329,365
Segment operating expenses			
Cost of goods sold	182,338	114,747	297,085
Employee remuneration	16,349	2,083	18,432
Other expenses	9,173	1,599	10,772
	<u>207,860</u>	<u>118,429</u>	<u>326,289</u>
Segment earnings	<u>556</u>	<u>2,520</u>	<u>3,076</u>

The following table presents a reconciliation of the Company's total operating segment earnings and key financial data as presented in its consolidated financial statements:

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Sales of goods		
Total segment earnings	316,931	329,365
Elimination of intersegment earnings	(37,613)	(35,785)
Company sales of goods	<u>279,318</u>	<u>293,580</u>
	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Earnings		
Total segment earnings	1,603	3,076
Employee remuneration not allocated	(1,434)	(499)
Other expenses not allocated	(21)	(268)
Costs not relating to current operations		(247)
Depreciation of property, plant and equipment	(975)	(1,219)
Amortization of intangible assets	(3,279)	(3,023)
Company operating earnings	(4,106)	(2,180)
Finance costs	(3,391)	(2,323)
Company earnings before taxes	<u>(7,497)</u>	<u>(4,503)</u>

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

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

### 5. COSTS NOT RELATING TO CURRENT OPERATIONS

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Costs directly relating to business acquisition		247
Dividends received from Colabor Investments Inc.		(2,342)
Writedown in Colabor Investments Inc. investment		2,342
	<u>-</u>	<u>247</u>

### 6. FINANCE COSTS AND FINANCE COSTS PAID

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Finance costs	3,391	2,323
Non-cash portion of effective interest on long-term debt and debentures and writeoff of deferred transaction costs	(437)	(167)
Credit facility amendment fees	16	
Amortization of prepaid finance costs included in finance costs	(235)	(49)
Finance costs paid	<u>2,735</u>	<u>2,107</u>

### 7. DATA PER SHARE

#### Earnings per share

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

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Earnings	<u>(5,566)</u>	<u>(3,358)</u>
Weighted average number of shares used to calculate basic and diluted earnings per share	<u>27,062,315</u>	<u>24,057,583</u>
Basic and diluted earnings per share	<u>(0.21 \$)</u>	<u>(0.14 \$)</u>

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of shares in connection with different stock-based compensation plans were not included in the calculation of diluted net earnings per share because they had an antidilutive effect.

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

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

### 8. **NET CHANGE IN WORKING CAPITAL**

Net changes in working capital between the two year-ends taking into account the working capital items assumed on the business combinations and disposal of a wholly-owned subsidiary:

	2014-03-22 (81 days)	2013-03-23 (82 days)
	\$	\$
Trade and other receivables	14,008	(6,500)
Inventory	6,822	10,646
Prepaid expenses	(384)	157
Trade and other payables	(7,253)	(32,801)
Rebates payable	(1,254)	1,011
Deferred revenue	368	(138)
Pension obligation	(66)	(65)
	<u>12,241</u>	<u>(27,690)</u>

### 9. **BANK BORROWINGS**

#### 9.1 **Credit facilities**

On January 1, 2014, the Company finalized two agreements on the refinancing of its credit facilities and long-term debt.

First, a banking syndicate granted the Company a credit facility of a maximum amount of \$140,000,000 over a three-year term. By mutual agreement, the credit facility may be increased by an additional \$30,000,000. It matures in January 2017 and is secured by a first-ranking hypothec on the Company's present and future assets. Amounts borrowed from the credit facility come in various forms and the interest rate varies based on the type of loan. As at March 22, 2014, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 3.25% and 3.75%.

The Company was also granted term credit facilities of a total amount of \$18,000,000 to be used for specific purposes and repayable over 24 months starting on the date they are used, as applicable. The Company used \$12,000,000 of this credit facility. During the year, \$500,000 was repaid. It is secured by a first-ranking hypothec on the amount of the Company's present and future assets. As at March 22, 2014, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 4.25% and 4.75%.

The credit facilities' interest rates are determined according to a calculation table that takes into account their usage.

Under certain circumstances, the Company is required to respect a ratio. As at March 22, 2014, this ratio has been respected.

#### 9.2 **Average bank borrowings**

The Company, based on the nature of its business agreements, is subject to significant fluctuations on its daily bank borrowings. The daily average bank borrowing was a measure used in the past to respect certain ratios and conditions. For the years ended March 22, 2014 and March 23, 2013, the average bank borrowing was respectively \$96,212,000 and \$128,255,000.

**Colabor Group Inc.**  
**Notes to Consolidated Financial Statements**

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

**10. LONG-TERM DEBT**

	2014-03-22	
	Par value	Book value
	\$	\$
<b>Unsecured debt, 6.5%, maturing on February 28, 2017, issued on December 28, 2011</b>		
Balance as at December 31, 2013	15,000	14,737
Non-cash portion of effective interest on long-term debt		5
Write-off of deferred transaction costs after repayment of debt		258
Balance repaid	<u>(15,000)</u>	<u>(15,000)</u>
Balance, end of year	<u>-</u>	<u>-</u>

In connection with its bank refinancing, the Company entered into a loan agreement for a total capital amount of \$42,500,000. The loan agreement was signed with the banking syndicate made up of several creditors. A \$12,500,000 portion is secured by a second-ranking hypothec on the Company's present and future assets. An option provides that the loan balance may become secured under certain conditions.

	2014-03-22	
	Par value	Book value
	\$	\$
<b>Debt, 9.1%, maturing on February 1, 2018, issued on January 31, 2014</b>		
Initial disbursement on January 31, 2014 (net of transaction costs)	42,500	42,087
Non-cash portion of effective interest on long-term debt		14
Balance, end of year	<u>42,500</u>	<u>42,101</u>