COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FISCAL YEAR AND

114-DAY PERIOD (FOURTH QUARTER) ENDED DECEMBER 31, 2012

MARCH 25, 2013

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1. Scope of MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor"), formerly Colabor Income Fund (the "Fund"), discusses the comprehensive income, financial situation and cash flows for the 114-day period (4th quarter) of the fiscal year ending December 31, 2012. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com.

Colabor's fiscal year comprises thirteen periods, the first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year-end is December 31. As a result, the Company's sales and earnings have been proportionately lower in the first quarter and higher in the fourth quarter because the fourth quarter generally has 33% more operating days than the other quarters of the year.

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

In reviewing Colabor's financial statements, investors should consider that the statements of earnings include significant depreciation expenses for property, plant and equipment and amortization expense for intangible assets resulting from Colabor's acquisitions in recent years, for deferred taxes and a non-cash portion of the implicit interest on debentures. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount, which is lower than the annual dividend of $0.72 per share. *For a more in-depth analysis of Colabor, investors should analyze the cash flows per share calculations in Section 6.1 (Operating Profit – Earning per Share) in the MD&A as they are a better indication of the Company's ability to support its annual dividend.*

2. Forward-looking Statements

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

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

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

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

Additional information

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

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

4. Corporate Profile

Activities

Colabor was founded in 1962 and is a wholesaler and master food distributor serving the foodservice (cafeterias, restaurants, hotels, restaurant chains) the retail (small-sized grocery stores, convenience stores, etc.) markets. It currently carries out its activities through two segments and three divisions: Ontario, Central Quebec and Eastern Quebec and New Brunswick.

Distribution Segment

This Segment includes the following operating activities:

1. Summit Foodservice (Summit) (Ontario Division)

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

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

This division, with about 700 employees, operated five distribution centres, including the London head office, where administrative services are located.

These warehouses covered a total of 454,476 square feet, allocated as follows:

Mississauga:	127,961 square feet
London:	113,595 square feet (could be expanded)
Ottawa:	103,460 square feet (could be expanded)
Cambridge:	109,460 square feet
Vaughan:	205,000 square feet

The Company ended its Cambridge warehouse operations on December 14, 2012.

2. Colabor Eastern Quebec and New Brunswick Division (Colabor)

Colabor Eastern Quebec and New Brunswick Division is a major distributor to foodservice and retail customers in the Québec City, Saguenay, eastern Quebec and northern New Brunswick regions and part of the North Shore and the Lower North Shore regions. It employs approximately 650 people, distributes over 12,000 products from its four strategically located warehouses in Lévis, Saguenay Rimouski and Edmundston, totalling approximately 580,000 square feet. This division's customers consist primarily of foodservice operators, specialty food stores, institutional accounts such as healthcare institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry staples, dairy products, fresh meat, fresh fish and seafood, poultry, fresh fruits and vegetables, disposables and sanitation products as well as meat processing and preparation services, it therefore offers its customers a "one-stop-shop" solution.

3. Les Pêcheries Norref Québec Inc. (Norref) (Central Quebec Division)

Norref is a fresh fish and seafood products importer and distributor in the province of Quebec and the Ottawa region and is recognized as the leading importer and distributor of this type in Quebec.
Norref operates from a 40,000 square-foot warehouse in Montréal, and distributes a full range of fresh and frozen fish products as well as ready-to-eat fish and seafood meals. Its diversified client base is comprised of supermarkets, restaurants, hotels, caterers and fish stores. It has about 200 employees and 50% of its sales are from medium-term contracts.

4. Skor Cash & Carry Division (Ontario Division):

This division operates five "Cash & Carry" locations in southern Ontario and offers over 12,000 retail and food service products to convenience stores, small grocery stores, cafeterias and restaurants.

5. Skor Culinary Concepts Division (Ontario Division):

This division, whose clients primarily consisted of vending machine operators, mobile canteen owners, schools, health care establishment and government institutions, prepared over 400 fresh and frozen products in its Mississauga, Ontario facilities. Colabor disposed of this Division on December 24, 2012.

The Distribution Segment generates gross profit on sales as follows:
(a) From a profit on warehouse sales:
Generated primarily from a mark-up of the cost price of products pursuant to rates negotiated with its customers.
(b) From rebates from suppliers:
These rebates consist of: (i) rebates received from suppliers based on buying volumes, (ii) cash discounts on purchases and (iii) net advertising funds received in connection with promotional activities.

Wholesale Segment:

1. Boucherville Distribution Centre (Boucherville) (Central Quebec Division)

Sales of the Boucherville Distribution Centre consist of food, food-related and non-food products that it purchases and supplies to wholesalers that, in turn, redistribute these products to over 25,000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces.

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

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

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

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

The Centre, that employs about 125 people, operates a 371,120 square-foot distribution centre in Boucherville that could be expanded to 650,000 square feet.

2. Viandes Décarie (Décarie) (Central Quebec Division)

Décarie is a wholesaler and distributor in the meat and meat products market. It has a distribution centre of about 27,000 square feet located in Montréal. As a wholesaler, it distributes a wide range of fresh and frozen meat including beef, veal, lamb, pork and poultry. It has a diversified customer base of foodservice distributors, food retailers and specialty butchers. Décarie's facilities are Hazard Analysis and Critical Control Points (HACCP) certified and they hold a federal permit giving them the opportunity to sell their products across Canada.

Nearly 50% of the Company's sales are covered by long-term contracts.

5. Main Resources and Competencies:

5.1 Board of Directors

	Role	Occupation
Jacques Landreville	Chairman	Corporate Director
Richard Lord, FCMA	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Gilles C. Lachance	Director	Corporate Director
Donald Dubé	Director	Corporate Director

5.2 Management

Claude Gariépy	President and Chief Executive Officer	Colabor Group Inc.
Michel Loignon, CPA, CA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Jack Battersby	President	Ontario Division
Marko Potvin	Vice-President, Corporate Purchasing	Colabor Group Inc.
Denis Pascal	Vice-President and	Eastern Quebec and New Brunswick Division
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Geneviève Brouillette, CPA, CA	Vice-President and General Manger	Central Quebec Division

6. Performance Analysis

6.1 Earnings

Earnings, and their comparison with the comparable period of 2011, should be read in conjunction with the *Current Economic Situation* section presented further on in this MD&A and the following facts:

- The Company’s sales and profit margins in some of its divisions continue to be impacted by the economic situation prevailing in Eastern Canada which led to intense competition among players in the foodservice distribution sector.
- As a result of high fuel prices, commodity taxes and household debt, there is less disposable income for eating out.
- On February 28, 2011, the Company concluded the acquisition of the shares of Les Pêcheries Norref Québec Inc. Norref's financial results are included in the Company's income for 2012, but from February 28, 2011 for the prior year’s comparative period.
- On March 30, 2011, the Company concluded the acquisition of Edfrex Inc.'s assets. Edfrex's financial results are included in the Company's income for 2012 but from March 30, 2011 for the prior year’s comparative period.
- On May 9, 2011, the Company concluded the acquisition of The Skor Food Group Inc. Skor's financial results are included in the Company's income for 2012 but from May 9, 2011 for the prior year’s comparative period.
- On January 1, 2012, the Company concluded the acquisition of Viandes Décarie Inc. Décarie’s financial results are included in the Company's income for 2012 but not for the comparative 2011 quarter.
- During the year, the Company reorganized and integrated several of its activities following its 2011 acquisitions, incurring major expenses and disrupting current operations as described below.

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

	2012-12-31 (366 days)		2011-12-31 (365 days)		Variance	
	$		$		$	
Sales of goods	**1,466,848**	**100.00%**	**1,313,251**	**100.00%**	**153,597**	**11.70%**
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	1,427,742	97.33%	1,275,053	97.09%	152,689	11.98%
Operating earnings before costs not relating to current operations, depreciation and amortization	39,106	2.67%	38,198	2.91%	908	2.38%
Costs not related to current operations	6,639	0.45%	3,618	0.28%	3,021	83.50%
Depreciation of property, plant and equipment	4,634	0.32%	4,063	0.31%	571	14.05%
Amortization of intangible assets	14,150	0.96%	13,562	1.03%	588	4.34%
	25,423	1.73%	21,243	1.62%	4,180	19.68%
Operating earnings	13,683	0.94%	16,955	1.29%	(3,272)	-19.30%
Finance costs	9,977	0.68%	8,511	0.65%	1,466	17.22%
Earnings before tax	3,706	0.26%	8,444	0.64%	(4,738)	-56.11%
Income taxes						
Current						
Deferred	497	0.03%	1,616	0.12%	(1,119)	-69.25%
	497	0.03%	1,616	0.12%	(1,119)	-69.25%
Earnings	3,209	0.23%	6,828	0.52%	(3,619)	-53.00%
After-tax cash flows per share	$1.23		$1.15			
Basic and diluted earnings per share	$0.14		$0.30			
Earnings per share (excluding costs not relating to current operations and related taxes)	$0.32		$0.34			

	2012-12-31 (114 days) (unaudited)		2011-12-31 (112 days) (unaudited)		Variance	
	$		$		$	
Sales of goods	**464,280**	**100.00%**	**431,664**	**100.00%**	**32,616**	**7.56%**
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	452,303	97.42%	419,151	97.10%	33,152	7.91%
Operating earnings before costs not relating to current operations, depreciation and amortization	11,977	2.58%	12,513	2.90%	(536)	-4.28%
Costs not relating to current operations	5,284	1.14%	1,823	0.42%	3,461	189,85%
Depreciation of property, plant and equipment	1,751	0.38%	1,367	0.32%	384	28.09%
Amortization of intangible assets	4,226	0.91%	4,787	1.11%	(561)	-11.72%
	11,261	2.43%	7,977	1.85%	3,284	41.17%
Operating earnings	716	0.15%	4,536	1.05%	(3,820)	-84.22%
Finance costs	3,410	0.73%	3,027	0.70%	383	12.65%
Earnings before tax	(2,694)	-0.58%	1,509	0.35%	(4,203)	-278.53%
Income taxes						
Current						
Deferred	(689)	-0.15%	(493)	-0.11%	(196)	N/A
	(689)	-0.15%	(493)	-0.11%	(196)	N/A
Earnings	(2,005)	-0.43%	2,002	0.46%	(4,007)	-200.15%
After-tax cash flows per share	$0.42		$0.35			
Basic and diluted earnings per share	$(0.09)		$0.09			
Earnings per share (excluding costs not relating to current operations and related taxes)	$0.11		$0.12			

Sales

Sales consist of:

For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Cambridge, Vaughan, Lévis, Saguenay, Rimouski, Edmundston and Montréal (Norref) warehouses, and sales of Skor Cash & Carry and Skor Culinary Concepts less rebates, as provided in individual agreements with these customers.

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

Inter-segment and inter-division sales are eliminated.

Sales (in thousands of dollars)

	2012-12-31 (366 days)			2011-12-31 (365 days)						
	Total sales	Sales subsequent to acquisitions	Comparable sales	Total sales	Adjustment for one day	Comparable sales	Variance Total sales		Variance Comparable sales	
	$	$	$	$	$	$	$	%	$	%
Distribution Segment	1,050,035	65,956	984,079	943,077	2,584	945,661	106,958	11.3%	38,418	4.1%
Eliminations	(19,399)	(83)	(19,316)	(1,205)	(3)	(1,208)	(18,194)	N/A	(18,108)	N/A
	1,030,636	65,873	964,763	941,872	2,581	944,453	88,764	9.4%	20,310	2.2%
Wholesale Segment	627,332	84,926	542,406	525,943	1,441	527,384	101,389	19.3%	15,022	2.8%
Eliminations	(191,120)	(21,934)	(169,186)	(154,564)	(423)	(154,987)	(36,556)	23.7%	(14,199)	9.2%
	436,212	62,992	373,220	371,379	1,018	372,397	64,833	17.5%	823	0.2%
	1,466,848	128,865	1,337,983	1,313,251	3,599	1,316,850	153,597	11.7%	21,133	1.6%

	2012-12-31 (114 days) (unaudited)			2011-12-31 (112 days) (unaudited)						
	Total sales	Sales subsequent to acquisitions	Comparable sales	Total sales	Adjustment for two days	Comparable sales	Variance Total sales		Variance Comparable sales	
	$	$	$	$	$	$	$	%	$	%
Distribution Segment	323,369		323,369	307,089	5,484	312,573	16,280	5.3%	10,796	3.5%
Eliminations	(5,564)		(5,564)	(764)	(14)	(778)	(4 800)	N/A	(4,786)	N/A
	317,805		317,805	306,325	5,470	311,795	11,480	3.7%	6,010	1.9%
Wholesale Segment	205,732	26,058	179,674	179,441	3,204	182,645	26,291	14.7%	(2,971)	-1.6%
Eliminations	(59,257)	(5,670)	(53,587)	(54,102)	(966)	(55,068)	(5,155)	9.5%	1,481	-2.7%
	146,475	20,388	126,087	125,339	2,238	127,577	21,136	16.9%	(1,490)	-1.2%
	464,280	20,388	443,892	431,664	7,708	439,372	32,616	7.6%	4,520	1.0%

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

Significant sales agreements

In the first quarter MD&A, management reported the loss of a food service procurement contract in Ontario of about $85M, annually, as of April 2013.

Since then, through Norref, it has renewed a major procurement contract with Sobeys Québec for more than $60M, annually, for an additional three-year period until 2017.

Additionally, Summit renewed a procurement contract in Ontario with MTY for about $25M for Mr Sub, a client it has been serving for many years. Summit was also awarded a new procurement contract of about $25M annually for MTY's Country Style banner. Both agreements end in 2015.

During the third quarter, the Company renewed contracts with Wild Wing and Extendicare for eight- and three-year periods respectively, which represent annual sales of about $40M.

Organic growth

For the 2012 financial year, the Company's comparable sales grew by 1.6%, mainly due to organic growth of 2.2% for the Distribution Segment's sales. Organic growth in 2011 was only 0.9% for the entire Company.

The Skor Culinary Concepts Division's sales accounted for weak organic growth of 1.0% in the fourth quarter, with sales down from the previous year. Also, for the Eastern Quebec and New Brunswick Division, some sales were below 2011 as a result of the restructuring of the computer platforms.

Profit before costs not related to operations, depreciation and amortization (which corresponds to earnings before finance costs, depreciation, amortization and income tax expense (EBITDA))

EBITDA is composed of the following:

Gross Profit

Gross profit is composed of the following items:

- Wholesale Segment:
  Boucherville: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
  Décarie: Product acquisition costs plus a percentage negotiated according to current contracts or market rates.

- Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.

- Rebates from suppliers
  A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Operating expense

The main expenses consist primarily of salaries and employee benefits, delivery costs for the Distribution Segment and occupancy costs relating to the Company's distribution centres. These expenses include a considerable portion of fixed costs which have a significant impact on operating profit.

EBITDA in the fourth quarter of 2012, of $11,977K or 2.58% of sales compared with $12,513K or 2.90% of sales in the previous quarter, is down $536K or 4.28%. This drop is the result of lower sales profit margins, low sales of the Skor Culinary Concepts Division preceding its sell-off.

Company's measures:

In its 2012 first quarter report, the Company had stated: *In the wake of the lower-than-expected results in the fourth quarter of 2011, management took immediate measures that should lead to operation and procurement cost reductions during 2012 and begin to have an impact on earnings by the second half of 2012, and primarily during the 2013 year.*

Measures taken*:*

- With the acquisition of Viandes Décarie in early January 2012, meat purchases by Colabor's operating units will be made with Viandes Décarie, rather than with the latter's competitors, as was the case before the acquisition.

- Under an administrative and operational reorganization, eight divisions will be combined under three regional departments with a mission to achieve synergies and combine the sales forces.

- Major product negotiations, other than for resale purposes, will be centralized at head office to maximize synergies, for example, on purchases of tires, fuel, etc.

Follow-up of announced measures

The Company undertook the following changes since making this statement:

<u>During the second quarter:</u>

- All of Colabor's operating units purchase their meat products from Viandes Décarie, which has led to inter-division sales of over $20M in 2012;

- The administrative and operational reorganization of the eight divisions under three regional divisions has been initiated:

  - In the Ontario Division, this reorganization started with the transfer of the Skor Food Distribution activities to the Summit Business Unit, on June 16, 2012, at the end of the second quarter;

  - In the Eastern Quebec and New Brunswick Division, the Company started to harmonize the computer systems into a single platform for the Bertrand, RTD and Edfrex Business Units in order to maximize their operations and combine them into a single unit;

- A Purchasing Manager started on July 16, 2012 and will handle all common service purchases in the operating units.

During the third quarter:

- In the Ontario Division, the transfer of Skor Food Distribution's activities to the Summit Business Unit was completed;

- In the Eastern Quebec and New Brunswick Division, the Company continued to harmonize the computer systems into a single platform for the Bertrand, RTD and Edfrex Business Units in order to maximize their operations and combine them into a single unit.

During the fourth quarter:

- The Company completed the harmonization of its computer systems serving the Bertrand, RTD and Edfrex Business Units. The Edfrex and RTD's administrative operations have been centralized at the Quebec head office since November 20, 2012.

  - The Company closed its Cambridge distribution centre on December 14, 2012. Customers serviced through this distribution centre will now be serviced through the Vaughan distribution centre;

  - The Company also sold the Skor Culinary Concepts Division on December 24, 2012.This division prepared over 400 fresh and frozen products in production facilities located in Mississauga, Ontario. Its clients primarily consisted of vending machine operators, mobile canteen owners, schools, health care establishment and government institutions. The Company believes that this division's activities are no longer consistent with its mission and business vision.

- The Company decided to withdraw from the majority of its tobacco product sales activities. These products had a very low profit margin and were very high-risk. The Company has assessed that sales will drop by about $60M, annually, due to this decision.

Impact of these decisions on the Company's future earnings

Following the above-described reorganizations, the Company believes that its operating costs for the 2013 fiscal year will decrease by about $3.5M. However, the loss of a procurement contract of about $85M in Ontario as of April 2013 will result in cancelling the reduced operating costs as described above, with respect to the EBITDA.

The Company will also be reviewing other distribution network operations and could make further decisions concerning this restructuring in 2013.

Costs not related to current operations

Note 8 to the financial statements provides a summary of costs not related to current operations. This financial statement item in the statement of earnings includes aspects that are not recurrent with the Company's current operations, but that nevertheless incurred costs during the fiscal year.

These costs include:

- Internal restructuring of operations $5,684,000

  The internal restructuring, which is described in greater detail in the preceding section, resulted in non-recurrent costs related primarily to:
  - Closure of the Cambridge warehouse;
  - Severance pay for employees whose jobs are terminated;
  - The new computer system integration costs;
  - Impairment of computer equipment that will no longer be needed.

- Direct costs related to realized or unrealized business acquisitions $160,000

  IFRS require that costs related to realized or unrealized business acquisitions be expensed. Generally, these costs include, among others, legal, due diligence and solicitation fees related to these transactions.

- Write-off of a client relationship following the loss of a major contract $1,181,000

  On April 1, 2012, Colabor was advised that a food services procurement contract in Ontario would not be renewed as of April 2013. The contract represents annual sales of about $85M. While this does not have any impact on the 2012 fiscal year, the Company considered this decrease in sales during its administrative and operational reorganization in Ontario. Colabor wrote off the net carrying amount of this client relationship.

- Loss on the disposal of a wholly-owned subsidiary $519,000

  On December 24, 2012, the Company disposed of Skor Culinary Concept Inc,, a wholly-owned subsidiary, for a cash consideration received of $85,000. The loss on the disposal of this subsidiary represents the difference between the net assets disposed of and the consideration received.

- Special retirement allowances to certain management members $750,000

- Adjustment to the acquisition cost of Les Pêcheries Norref Québec Inc. $(1,655,000)

  Following the acquisition of Les Pêcheries Norref Québec Inc. on February 28, 2011, the Company submitted a number of claims to an arbitration process. On July 12, 2012, the arbitrator reached a decision in the Company's favour and the vendors were required to repay a certain amount. The Company recognized gains of $1,655,000 net of its costs in its third quarter.

  Grand total $6,639,000

While these costs were recognized in the statement of earnings, net disbursements related to these costs were distributed as follows:

Net disbursements in 2012: $1,023K
Net disbursements in 2013: $2,650K
No disbursement: $2,966K

Depreciation of property, plant and equipment and amortization of intangible assets

Respective increases of $571,000 and $588,000 in the above items compared to the previous year are mainly due to the additional depreciation and amortization resulting from the acquisitions of RTD, Norref, Edfrex, Skor and Décarie.

Finance costs

The increase in finance costs of $383,000 in the fourth quarter and $1,466,000 during the year is attributable to the previously mentioned acquisitions.

Deferred tax expense

The tax expense is $1,119,000 less than the previous year, mainly due to lower revenues and the fact that the gain realized following an arbitration ruling in the acquisition of Norref is not taxable.

The Company converted from an Income Fund structure to a Corporation through an arrangement agreement with ConjuChem Biotechnologies Inc. ("ConjuChem") in August 2009. As part of the transaction, the Company acquired approximately $39M in deferred tax assets in exchange for a $5M disbursement. The Company has tax losses equivalent to $17M in cash which it can use in the coming years.

In January 2012, the Company met with representatives from the Canada Revenue Agency ("CRA") and received a draft notice of reassessment contesting the tax consequences of its conversion ("Conversion") from an income trust structure to a corporation in August 2009. The CRA maintains that the transaction falls under the general anti-avoidance rule of the *Income Tax*

Act (Canada) (the "Income Tax Act"). Colabor is certain of the validity of its position with respect to the filing of its tax returns and the expected tax consequences of its Conversion and will ardently defend this position with respect to the administrative and legal aspects if it receives a definitive notice of reassessment from the CRA in the future.

If Colabor were to receive a definitive notice of reassessment, to initiate the appeal process, it would have to pay 50% of the amount of this reassessment. The amount would be about $8,800,000 for 2009, 2010 and 2011 and about $1,300,000 for 2012, once the tax return is filed with the CRA and subject to a subsequent reassessment. The Company would also have to pay 50% of the tax payable according to the CRA for all future tax years if the CRA were to issue a reassessment and the Company were to object. If the CRA does not agree with the objection filed by the Company, the Company would be able to file its case with the courts. The Company anticipates that legal proceedings with various courts could last for several years. If the CRA eventually wins in court, the Company will be obliged to pay the remaining balances of approximately $10,100,000 and reverse the deferred tax asset of about $17,000,000 in earnings. Also, interest would be added to all tax amounts payable and be calculated between the date the tax expense was theoretically due and the payment date.

Earnings per share

In reviewing Colabor's financial statements, investors should consider that the statement of earnings includes significant depreciation and amortization expenses for property, plant and equipment and intangible assets resulting from Colabor's acquisitions in recent years, deferred tax expenses (described above) and a non-cash portion of the implicit interest on debentures included in finance costs. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare the dividend per share to the basic and diluted earnings per share, this one is lower. *For a more in-depth analysis of Colabor, investors should also analyze basic cash flows per share, which are indicated below.*

The following table indicates the cash flow per share and dividend ratio calculation for 2012 compared to 2011. The table also shows the calculation for the past 365 days. The latter calculation makes it possible for investors to analyze whether the Company's cash flows from current operations are sufficient and capable of supporting the dividend payment.

After-tax cash flows per share

(in thousands of dollars, except per share amounts)	2012-12-31 (366 days)	2011-12-31 (365 days)	2012-12-31 (114 days) (unaudited)	2011-12-31 (112 days) (unaudited)
	$	$	$	$
Cash flows from operating activities before income tax recovery (withholding) and net change in working capital	34,735	34,856	8,672	10,805
Costs not related to current operations	6,639	3,618	5,284	1,823
Finance costs paid	(9,977)	(8,511)	(3,410)	(3,027)
Non-cash portion of effective interest on long-term debt and debenture included in finance costs	690	917	214	285
Acquisition of property, plant and equipment	(3,158)	(3,700)	(982)	(1,301)
Acquisition of intangible assets	(509)	(918)	(46)	(564)
	28,420	26,262	9,732	8,021
Weighted average number of shares outstanding	23,079,252	22,928,311	23,088,315	22,779,172
After-tax cash flows per share	**$1.23**	**$1.15**	**$0.42**	**$0.35**
Current period portion of annual dividend declared	$0.72	$1.08	$0.22	$0.33
After-tax dividend payout ratio	**58%**	**94%**	**52%**	**94%**

The annual dividend declared for the corresponding periods in 2011 was based on a $1.08 per share dividend, which was reduced to $0.72 in 2012.

The previous table indicates an improvement, despite an economic slowdown, of after-tax cash flows and the after-tax dividend payout ratio. This results primarily from the Company's decision to reduce the annual dividend from $1.08 to $0.72 per share.

Earnings per share

(in thousands of dollars, except per share amounts)	2012-12-31 (366 days)	2011-12-31 (365 days)	2012-12-31 (114 days) (unaudited)	2011-12-31 (112 days) (unaudited)
	$	$	$	$
Earnings used for consolidated basic and diluted earnings per share	3,209	6,828	(2,005)	2,002
Weighted average number of shares outstanding to calculate basic and diluted earnings per share	23,079,252	22,928,311	23,088,315	22,779,172
Basic and diluted earnings per share	$0.14	$0.30	$(0.09)	$0.09
Earnings per share (excluding costs not related to current operations and related taxes)	$0.32	$0.34	$0.11	$0.12

6.2 Other Comprehensive Income, Net of Taxes

Other comprehensive income
(in thousands of dollars)

	2012-12-31 (366 days)	2011-12-31 (365 days)	2012-12-31 (114 days) (unaudited)	2011-12-31 (112 days) (unaudited)
	$	$	$	$
Other comprehensive income				
Available-for-sale financial asset – loss for the period	(2,478)	(952)	(1,358)	(952)
Cash flow hedges – gain (loss) for the period	551	(618)	(88)	(618)
Taxes on other comprehensive income	177	285	197	285
Total other comprehensive income	(1,750)	(1,285)	(1,249)	(1,285)

The Company must measure the equity investment in Colabor Investments Inc. at fair value. Colabor Investments Inc.'s main asset is an equity investment of 5,087,349 shares of Colabor Group Inc., representing a 22% interest as at December 31, 2012. Colabor Group Inc. holds 18% of Colabor Investment Inc. This fair value measurement indicates a pre-tax decrease of $2,478,000 in the value of this investment compared with December 31, 2011, primarily as a result of a decrease in the market value of Colabor Group Inc.'s shares following the announced dividend reduction.

The other item relates to a derivative financial instrument. On November 8, 2011, the Company entered into two interest swap agreements to convert a portion of the variable rate bank loan into a fixed rate loan. There is a $551,000 increase in the pre-tax value of this financial item since December 31, 2011.

6.3 Financial Position

Consolidated Statements of Financial Position
(in thousands of dollars)

	2012-12-31	2011-12-31
	$	$
ASSETS		
Current		
Trade and other receivables	113,495	108,164
Recoverable tax assets	2,800	2,421
Inventory	85,167	76,632
Prepaid expenses	3,143	2,596
Current assets	204,605	189,813
Non-current		
Equity investment in Colabor Investments Inc.	9,932	12,410
Property, plant and equipment	15,930	17,319
Intangible assets	142,358	154,845
Goodwill	115,065	114,775
Non-current assets	283,285	299,349
Total assets	487,890	489,162
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	5,994	10,151
Trade and other payables	134,670	105,575
Dividends payable	4,161	6,220
Rebates payable	11,738	11,783
Balances of purchase price payable	10,735	12,560
Deferred revenue	477	344
Current liabilities	167,775	146,633
Non-current		
Bank borrowings	88,008	96,167
Derivative financial instrument	67	618
Balances of purchase price payable	404	250
Long-term debt	14,665	14,598
Convertible debentures	46,703	46,080
Pension obligation	342	448
Deferred income tax liabilities	8,926	8,354
Non-current liabilities	159,115	166,515
Total liabilities	326,890	313,148
EQUITY		
Capital stock	179,652	179,652
Retained earnings (deficit)	(20,096)	(6,661)
Other components of equity	1,444	3,023
Total equity	161,000	176,014
Total liabilities and equity	487,890	489,162

The main changes in the December 31, 2012 balance sheet, compared to the December 31, 2011 balance sheet, relate to the acquisition of assets and assumption of liabilities of Décarie, acquired on January 1, 2012, as described in Note 3 to the financial statements.

At December 31, 2012, 23,115,321 shares were issued and outstanding.

6.4 Cash Flows

Credit Facilities

The Company has entered into a five-year agreement with a banking syndicate for operating credit facilities for an authorized amount of $150M secured by a first-ranking hypothec on the Company's assets. An additional amount of $100M could also be available based on the Company's needs.

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

In light of the recent acquisitions and to give the Company some latitude to achieve its operating synergies, the banking syndicate has accepted that the DEBT/EBITDA ratio to be met will be 3.25:1.00 through the third quarter of 2013 and 3.00:1.00 thereafter. The Company is also required to maintain a total DEBT/EBITDA ratio of 4 4.50:1.00.

As at December 31, 2012, the DEBT/EBITDA ratio was 2.56:1.00, the interest coverage ratio was 3.97:1.00 and the DEBT/EBITDA ratio was 3.97:1:00.

Dividends

Dividends of $4,161K were paid on April 15, 2012, July 15, 2012, October 15, 2012 and January 15, 2013 based on a quarterly dividend of $0.18 per share.

Consolidated Statements of Cash Flows

(in thousands of dollars)	2012-12-31 (366 days)	2011-12-31 (365 days)	2012-12-31 (114 days) (unaudited)	2011-12-31 (112 days) (unaudited)
	$	$	$	$
Operating activities				
Earnings before income taxes	3,706	8,444	(2,694)	1,509
Depreciation of property, plant and equipment	4,634	4,063	1,751	1,367
Amortization of intangible assets	14,150	13,562	4,226	4,787
Write-off of property, plant and equipment following internal restructuring of operations	397		144	
Loss on the disposal of a wholly-owned subsidiary	519		519	
Write-off of a client relationship following the loss of a client	1,181		1,181	
Finance costs	9,977	8,511	3,410	3,027
Stock-based compensation plan expenses	171	417	135	115
Purchase of shares by the Company for stock-based compensation plans		(141)		
	34,735	34,856	8,672	10,805
Income tax recovery (withholdings)	(379)	856	406	26
Net change in working capital	16,358	11,553	32,372	13,288
Cash flows from operating activities	50,714	47,265	41,450	24,119
Investing activities				
Business acquisitions, net of cash acquired	(6,069)	(79,069)		(128)
Disposal of a wholly-owned subsidiary	85		85	
Purchase of property, plant and equipment	(3,158)	(3,700)	(982)	(1,301)
Purchase of intangible assets	(509)	(918)	(46)	(564)
Cash flows from operating activities	(9,651)	(83,687)	(943)	(1,993)
Financing activities				
Bank loan	(8,140)	72,454	(30,022)	(17,316)
Advance received on dividends to be declared from Colabor Investments Inc.	1,722		1,722	
Normal course issuer bid		(3,194)		(204)
New long-term debt		14,598		14,598
Repayment of long-term debt		(307)		
Repurchase of convertible debentures		(10,028)		(10,028)
Dividends paid	(18,703)	(24,790)	(4,161)	(6,141)
Payment of balances of purchase price	(2,479)	(3,564)	(1,142)	(1,551)
Finance costs paid	(9,306)	(8,189)	(3,165)	(2,715)
Cash flows from financing activities	(36,906)	36,980	(36,768)	(23,357)
Net change in bank overdraft	4,157	558	3,739	(1,231)
Bank overdraft, beginning of period	(10,151)	(10,709)	(9,733)	(8,920)
Bank overdraft, end of period	(5,994)	(10,151)	(5,994)	(10,151)

7. Summary of Past Quarters

('000)	2012-12-31	2012-08-09	2012-06-16	2012-03-24	2011-12-31	2011-09-10	2011-06-18	2011-03-26
	(114 days)	(84 days)	(84 days)	(84 days)	(112 days)	(84 days)	(84 days)	(85 days)
	$	$	$	$	$	$	$	$
Sales	465,465	350,341	354,294	297,933	431,664	324,760	317,411	239,416
EBITDA	11,977	11,022	10,651	5,456	12,513	10,554	10,227	4,904
Earnings	(2,005)	3,047	2,903	(736)	2,002	3,099	1,675	52
Basic net earnings per share	(0.09) $	$ 0.13	$0.13	$ (0.03)	$0.09	$0.14	$0.07	$0.00

8. Related Party Transactions

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

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

Subsequent to the conversion to a corporation and the conversion of debentures, Investments now holds an undiluted 22.0% and a diluted 18.6% interest in Colabor Group Inc., which enables it to exercise significant influence over GCL.

However, following the acquisition of Bertrand, RTD and Edfrex, Colabor Group Inc. now holds 18.12% of Colabor Investments Inc., which has a 5,087,349 equity investment in Colabor Group Inc.

Related party transactions include the following:

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

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

- The Company leased the building in which its head office and the Boucherville distribution centre are located from Investments. On October 17, 2012, Investments disposed of the building;

- The Company paid fees to a subsidiary of Investments for computer services until December 31, 2011.

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

(**Related party transactions** (in thousands of dollars)	2012-12-31 (366 days)	2011-12-31 (365 days)	2012-12-31 (114 days)	2011-12-31 (112 days)
	$	$	$	$
Sales of goods to customers controlled by directors		5,537		1,407
Rebates	14,153	14,019	4,764	4,688
Rent	1,611	2,028	203	624
Computer services		939		570

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about $1,289,000 in bank letters of guarantee, of which the main one of $1,014,000 supports one year of leasing the Boucherville distribution centre.

10. Contractual Obligations

('000)		**Payments required per period**			
Contractual obligations	**Total**	**Less than one year**	**From one to three years**	**Four to five years**	**Five years and more**
Bank borrowings	$88,008	-$	- $	$88,008	- $
Balances of purchase price payable	$11,138	$10,734	$404		
Long-term debt (nominal value)	$15,000			$15,000	
Convertible debentures (nominal value)	$50,000			$50,000	
Operating leases	$91,205	$15,193	$27,444	$19,084	$29,484
Total	$255,351	$25,927	$27,848	$172,092	$29,484

11. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. The economic situation of these regions is still weak. These come from increases of sales tax, other taxes and tariffs and household debt. All these elements limit consumer spending.

Furthermore, the difficult economic situation which is continuing in the United States and in a number of countries in the European Community could also contribute to rattling the Canadian economic environment.

Colabor has prepared its business plan, described below, and believes that the current situation could offer more business opportunities that it is prepared to analyse for their potential to provide added value for the shareholders.

Development Strategies

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

Consolidation of food distribution services

Food distribution services are still very fragmented in Eastern Canada, a situation that provides Colabor with opportunities to significantly increase its market share in regions where it is already present by undertaking highly synergetic acquisitions.

The Company could also acquire other affiliated-wholesalers' networks in Quebec and in the Atlantic Provinces. These acquisitions would make it possible to increase the density of its distribution network in Eastern Canada, thereby increasing operating profitability.

Affiliated-wholesalers network in Quebec and the Atlantic Provinces

Despite the economic slowdown, the loyal, entrepreneurial, customer-service-driven independent affiliated-wholesalers continue to perform well in their respective regions.

Related sectors

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

In the future, the Company could add a fruit and vegetables, packaged goods, natural and organic products and ethnic products distribution network, as was the case in 2011 with the acquisition of Pêcheries Norref and more recently with the acquisition of the assets of Viandes Décarie.

Geographic expansion

At this time, the Company is not present in Western Canada. Since this region was experiencing the fastest economic growth in the country in recent years, there is no doubt that expansion into this region could be beneficial.

Outlook

Despite the economic downturn, in light of the Company’s small market share in certain major regions in Canada, such as Toronto and Montréal, these acquisition opportunities would make it possible for the Company to significantly increase its sales, purchasing power and ability to generate cost savings in order to increase its net income.

12. Risks and Uncertainties

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

Industry-related risks that could impact profitability and that are not fully under management's control:

- *Dependence on affiliated-wholesalers*

  Sales generated by affiliated-wholesalers account for a significant portion (about 25%) of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.
  This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses. However, there is no assurance that Colabor LP would be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Colabor Investments Inc. to encourage the affiliated-wholesalers to increase their purchases from Colabor.

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

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

- *Customer choices*

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

- *Dependence on Cara and other chains*

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

- *Integration of acquired companies*

  While some acquisitions are managed autonomously, others required significant rationalization measures. Difficulties encountered with such integrations could have an impact on the Company's results.

- *Product recall*

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

- *Intensification of the competition in an economically challenging situation*

  To retain their market share, competitors have the tendency to lower their profit margins.

Return on investment

The return on an investment in Colabor Group Inc. is not comparable to the return on an investment in a fixed-income security. The return is based on many assumptions. Although the Company intends to pay quarterly dividends, such dividends may be reduced or suspended. The dividends paid will depend on numerous factors, in particular, the inherent industry risks described above and other risks described in the Company's Annual Information Form. Additionally, the market value of the shares could decline significantly if the Company is unable to respect its dividend payment objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the Cash Flows section.

Climate change

Colabor has very little climate change risk exposure.

13. Significant Accounting Measurements

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

- *Allowance for excess or obsolete inventory*

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

- *Accounting for rebates from suppliers*

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

- *Goodwill and intangible assets*

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

  Intangible assets include customer relationships and trademarks among others. Customer relationships are amortized on the straight-line basis over their estimated useful lives of 20 years for relationships with affiliated-wholesalers, 15 years for customer relationships with Cara and 2 to 10 years for relationships with other customers. Trademarks are not amortized.

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

Colabor’s disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that all relevant information is gathered and presented to Company senior management, ensuring the appropriate disclosure of this information. Internal control over financial reporting (ICFR) is a process designed to provide reasonable assurance with respect to the completeness and reliability of financial information in accordance with IFRS.

The President and CEO and the Vice-President and COO are in charge of implementing and maintaining the CD&P and ICFR in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers’ Annual and Interim Filings. They are assisted in this responsibility by the Disclosure Committee, whose members include Colabor senior management and Audit Committee members.

As at December 31, 2012, the President and CEO and Vice-President and COO mandated the assessment, under their supervision, of the efficiency of DC&P, in accordance with Regulation 52-109 and concluded that, on the basis of this assessment, that they were efficient and properly designed at that time.

Similarly, on December 31, 2012, the President and CEO and Vice-President and COO mandated the assessment, under their supervision, of the efficiency of ICFR, in accordance with Regulation 52-109 and concluded that, on the basis of this assessment, that it was efficient and properly designed at that time.

The DC&P assessment was performed according to the control framework developed by the Treadway Commission's Committee of Sponsoring Organizations (COSO). The ICFR efficiency and design assessment was performed using the COSO control framework for entity level and financial controls and the Control Objectives for Information and Related Technology (COBIT) with respect to IT general controls.

Considering the inherent limits of any control system, management's assessment of controls can only provide reasonable, and not absolute, assurance that any internal control problems that may lead to material inaccuracies were identified.

Changes made to internal control with respect to financial reporting

During the period ended December 31, 2012, no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting.

15. Subsequent Events

On March 4, 2013, the Company issued 3,974,000 common shares for an amount of $30,003,750 in cash. The Caisse de Dépôt et de Placement du Québec acquired 1,987,000 shares during the transaction, while other major financial institutions acquired the difference.

On the same day, the Company acquired substantially all of T. Lauzon Ltd.'s assets (hereafter "Lauzon") and certain inventory of an entity related to Lauzon. T. Lauzon is a major distributor of Cargill beef brands such as Angus Pride and Sterling Silver and processes high-quality protein products in its 68,000-square foot plant in Montréal, which was recently renovated upon federal approval. It carries out activities mainly in the Distribution Segment in Quebec and Ontario.

The amount of the transaction is approximately $13,000,000 and is subject to certain adjustments after the reporting period. The acquisition of Lauzon is part of Colabor's objectives to increase its product range.