COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOURTH QUARTER OF THE 2014 FISCAL YEAR

112-DAY PERIOD ENDED DECEMBER 27, 2014

MARCH 11, 2015

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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 fourth quarter of the fiscal year ended December 27, 2014. 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 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. As of 2014, the Company's year-end will be the last Saturday of December, that is, December 27, 2014, for the current reporting period. <u>As a result, the Company's sales and earnings are 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.</u>

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 costs not relating to current operations and amortization." Since these concepts are not defined in IFRS, they may not be comparable with those of other companies.

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

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 over 3,000 customers, including Cara (Swiss Chalet, Harvey's, Kelsey's Neighbourhood Bar and Grill, Montana's Cookhouse and Milestone's Grill and Bar), Country Style, Mr Sub, Wild Wing, other foodservice chains and independent restaurants as well as to institutional accounts, 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, with about 500 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover about 550,000 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)
Vaughan:	196,598 square feet

Except for the Vaughan warehouse, these warehouses are HACCP-certified.

2. 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.

3. *Colabor Food Distributor (CFD)* (formerly Eastern Quebec and Maritimes Division)

CFD 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 500 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Rimouski, totalling approximately 341,000 square feet. This division's customers consist primarily of restaurants, 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 that includes frozen products, dry staples, dairy products, fresh meat, fish and seafood, fruits and vegetables, disposables and sanitation products, it offers its customers a "one-stop-shop" solution.

4. 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 is recognized as the leading distributor of this type in Quebec.

Norref operates from an HACCP-certified and federally-approved distribution centre, which allows it to sell its products nationwide, located in Montreal of about 40,000 square feet. It distributes a full range of fresh and frozen fish and seafood. Its diversified client base is comprised of supermarkets, restaurants, hotels, caterers and fish stores. It has about 210 employees and over 50% of its sales are from medium-term contracts.

5. *Lauzon Meats (Lauzon)* (Central Quebec Division)

Lauzon is a major distributor of Cargill beef brands such as Premium Signature Angus, Sterling Silver, preparing and processing high quality meat products for the provinces of Quebec and Ontario. As a well-known and established distributor in Quebec, it holds a reputation for excellent products and experienced, skilled employees providing effective and flexible service to the restaurant and hotel industries. Lauzon operates from a recently renovated 68,000 square-foot HACCP-certified and federally-approved plant, which allows it to sell its products nationwide, located in Montreal. This division has about 100 employees.

Wholesale Segment:

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

Sales of the Boucherville Distribution Centre consist of food and non-food products that it supplies to distributors that, in turn, redistribute these products to over 25,000 customers operating in the foodservice and retail 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 distributors (“direct sales”).

The Centre, which employs about 90 people, operates a 371,120 square-feet 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. Décarie has a distribution centre of about 27,000 square feet located in Montreal and about 70 employees. As a wholesaler, this division distributes a wide range of fresh and frozen meat including beef, veal, lamb, pork and poultry. It has a diversified customer base of distributors, food retailers and specialty butchers. Décarie's facilities are HACCP-certified and Décarie holds a federal permit giving it the opportunity to sell its products across Canada.

5. Main Resources and Competencies

5.1 Board of Directors

	Role	Occupation
Robert Panet-Raymond, MBA, ICD.D	Chairman of the Board	Corporate Director
Richard Lord, FCPA FCMA	Chairman, Audit Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Stéphane Gonthier	Director	President and Chief Executive Officer, 99¢ Only Stores
Alain Brisebois	Director	Senior Vice-President and Chief Commercial Officer, RONA Inc.
Robert Cloutier	Chairman, Human Resources and Corporate Governance Committee	Corporate Director
Joane Demers, FCPA, FCA	Director	Corporate Director
Gaétan Brunelle	Director	Vice-President of Dubé & Loiselle Inc.

5.2 Management

Claude Gariépy	President and Chief Executive Officer	Colabor Group Inc.
Jean-François Neault CPA, CMA, MBA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Marko Potvin	Vice-President Centralized Purchasing	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Denis Desaulniers, CHRP	Vice-President Human Resources and Communications	Colabor Group Inc.
Jack Battersby	President	Ontario Division
Paul Webb	Vice-President and General Manager	Colabor Food Distributor (Eastern Quebec and Maritimes)

6. Performance Analysis

6.1 Earnings

Fourth quarter net loss was $48.3M, compared with $2.0M for the same quarter in the previous year. In 2014, this loss can mainly be explained by $55.7M in impairment losses on goodwill and intangible assets, net of $11.6M in related taxes and also due to the fact that the 2014 quarter contains three fewer operating days than the 2013 quarter. Had this write-off not occurred, the quarter's net loss would have been approximately $4.2M. The loss per share is $1.76 per share, compared with $0.07 in 2013.

Consolidated Statements of Earnings

(unaudited, in thousand of dollars, except data per share)

	2014-12-27 (112 days)		2013-12-31 (115 days)		Variance	
	$		$		$	
Sales of goods	**460,052**	**100.00%**	**456,489**	**100.00%**	**3,563**	**0.78%**
Operating expenses, excludind costs not relating to current operations, depreciation and amortization	449,815	97.77%	444,728	97.42%	5,087	1.14%
Operating earnings before costs not relating to current operations, depreciation and amortization	10,237	2.23%	11,761	2.58%	(1,524)	-12.96%
Costs not relating to current operations	4,848	1.05%	3,620	0.79%	1,228	33.92%
Impairment loss on goodw ill and intangible assets	55,740	12.12%			55,740	N/A
Depreciation of property, plant and equipment	1,521	0.33%	1,651	0.36%	(130)	-7.87%
Amortization of intangible assets	4,642	1.01%	4,430	0.97%	212	4.79%
	66,751	14.51%	9,701	2.12%	57,050	588.08%
Operating earnings	(56,514)	-12.28%	2,060	0.46%	(58,574)	-2843.40%
Finance costs	3,944	0.86%	4,974	1.09%	(1,030)	-20.71%
Earnings before tax	(60,458)	-13.14%	(2,914)	-0.63%	(57,544)	1974.74%
Income taxes						
Current	1,166	0.25%		N/A	1,166	N/A
Deferred	(13,312)	-2.89%	(936)	-0.21%	(12,376)	1322.22%
	(12,146)	-2.64%	(936)	-0.21%	(11,210)	1197.65%
Earnings	(48,312)	-10.50%	(1,978)	-0.42%	(46,334)	2342.47%
Basic and diluted earnings per share	(1.76 $)		(0.07 $)			

The cumulative net loss is $67.3M compared with $6.8M on the same date in the prior year. The cumulative loss is primarily due to the $55.7M in impairment losses on goodwill and intangible assets, net of $11.6M in related taxes, by the $15.1M write-off of tax attributes and also due to the fact that the 2014 fiscal year contains four fewer operating days than the 2013 fiscal year. Had these write-offs not occurred, the cumulative net loss would have been approximately $8.2M. The cumulative net loss per share is $2.48 per share, compared with $0.26 per share in 2013.

Consolidated Statements of Earnings

(audited, in thousand of dollars, except data per share)

	2014-12-27 (361 days)		2013-12-31 (365 days)		Variance	
	$		$		$	
Sales of goods	**1,431,725**	**100.00%**	**1,439,470**	**100.00%**	**(7,745)**	**-0.54%**
Operating expenses, excludind costs not relating to current operations, depreciation and amortization	1,401,579	97.89%	1,405,444	97.64%	(3,865)	-0.28%
Operating earnings before costs not relating to current operations, depreciation and amortization	30,146	2.11%	34,026	2.36%	(3,880)	-11.40%
Costs not relating to current operations	7,736	0.54%	11,990	0.83%	(4,254)	-35.48%
Impairment loss on goodwill and intangible assets	55,740	3.89%			55,740	N/A
Depreciation of property, plant and equipment	4,570	0.32%	4,908	0.34%	(338)	-6.89%
Amortization of intangible assets	14,695	1.03%	14,250	0.99%	445	3.12%
	82,741	5.78%	31,148	2.16%	51,593	165.64%
Operating earnings	(52,595)	-3.67%	2,878	0.20%	(55,473)	-1927.48%
Finance costs	13,013	0.91%	12,286	0.85%	727	5.92%
Earnings before tax	(65,608)	-4.58%	(9,408)	-0.65%	(56,200)	597.36%
Income taxes						
Current	1,166	0.25%		0.00%	1,166	N/A
Deferred	516	0.11%	(2,579)	-0.56%	3,095	-120.01%
	1,682	0.37%	(2,579)	-0.56%	4,261	-165.22%
Earnings	(67,290)	-4.95%	(6,829)	-0.09%	(60,461)	885.36%
Basic and diluted earnings per share	(2.48 $)		(0.26 $)			

Sales

Comparable sales (unaudited, in thousands of dollars)

	Distribution Segment				Wholesale Segment				Consolidated			
	2014-12-27 (112 days)	2013-12-31 (115 days)	Variance		2014-12-27 (112 days)	2013-12-31 (115 days)	Variance		2014-12-27 (112 days)	2013-12-31 (115 days)	Variance	
	$	$	$	%	$	$	$	%	$	$	$	%
Total sales	294,254	292,475	1,779	0.6%	165,798	164,014	1,784	1.1%	460,052	456,489	3,563	0.8%
Acquisitions	(15,504)		(15,504)		9,353		9,353		(6,151)		(6,151)	
Specific items												
Adjustment for three day		(7,630)	7,630			(4,279)	4,279			(11,909)	11,909	
Comparable sales	278,750	284,845	(6,095)	-2.1%	175,151	159,735	15,416	9.7%	453,901	444,580	9,321	2.1%

Acquisitions

Adjustments related to acquisitions in the distribution segment are attributable to the acquisition of Poissonnerie Marcotte (1980) Inc. on September 10, 2014.

Adjustments in the wholesale segment are due to the fact that certain divisions sold products to this entity which were not eliminated in the past.

Three-day adjustment

Considering that the periods being compared do not contain the same number of days as the current periods, adjustments are needed.

Segment sales of goods (unaudited, in thousands of dollars)

	2014-12-27 (112 days)	2013-12-31 (115 days)	Variance	
	$	$	$	%
Sales before elimination				
Distribution Segment	302,800	300,447	2,353	0.8%
Wholesale Segment	229,287	217,763	11,524	5.3%
	532,087	518,210	13,877	2.7%
Inter-Segment Sales				
Distribution Segment	8,546	7,972	574	7.2%
Wholesale Segment	63,489	53,749	9,740	18.1%
	72,035	61,721	10,314	16.7%
Consolidated sales				
Distribution Segment	294,254	292,475	1,779	0.6%
Wholesale Segment	165,798	164,014	1,784	1.1%
	460,052	456,489	3,563	0.8%

Fourth quarter sales totalled $460.1M, compared with $456.5M for the same quarter in 2013, up $3.6M or 0.8%, despite a fewer number of days in 2014 compared to 2013, representing a $11.9M loss in sales, which was more than offset by the sales related to the acquisition of Marcottte.

The sales growth is due to both the wholesale segment and the distribution segment. Fourth quarter sales in 2014 are not comparable with those in 2013 due to the acquisition of Poissonnerie Marcotte (1980) Inc. and a fewer number of days in 2014 compared to 2013.

The 9.7% growth in comparable sales in the wholesale segment is solely attributable to the segment’s meat product sales, explained by the combined effect of meat price inflation and market share gains, which largely offset negative growth in sales to affiliated distributors, which were affected by the loss of clients, mainly in the institutional sector.

The distribution segment experienced a 2.1% decline in comparable sales in the fourth quarter of 2014, as a result of declining sales in Ontario, due to the combined effect of the voluntary ceasing of certain tobacco sales and loss of certain clients.

Sales

Comparable sales (unaudited, in thousands of dollars)

	Distribution Segment				Wholesale Segment				Consolidated			
	2014-12-27 (361 days)	2013-12-31 (365 days)	Variance		2014-12-27 (361 days)	2013-12-31 (365 days)	Variance		2014-12-27 (361 days)	2013-12-31 (365 days)	Variance	
	$	$	$	%	$	$	$	%	$	$	$	%
Total sales	935,136	956,969	(21,833)	-2.3%	496,589	482,501	14,088	2.9%	1,431,725	1,439,470	(7,745)	-0.5%
Acquisitions	(20,507)		(20,507)		1,725		1,725		(18,782)		(18,782)	
Specific items		(20,775)	20,775							(20,775)	20,775	
Adjustment for four day		(10,220)	10,220			(5,361)	5,361			(15,581)	15,581	
Comparable sales	914,629	925,974	(11,345)	-1.2%	498,314	477,140	21,174	4.4%	1,412,943	1,403,114	9,829	0.7%

Acquisitions

Adjustments related to acquisitions in the distribution segment are due to the acquisition of Poissonnerie Marcotte (1980) Inc. on September 10, 2014 and the acquisition of T. Lauzon Ltd. on March 4, 2013.

Adjustments in the wholesale segment are partly related to the acquisition of T. Lauzon Ltd. on March 4, 2013 and also to the fact that certain divisions sold products to these entities which were not eliminated in the past.

Specific items

Specific items include the loss of a major distribution contract in Ontario on April 1, 2013 and Colabor's decision to significantly decrease its tobacco product distribution activities as of the beginning of 2013.

Four-day adjustment

Considering that the periods being compared do not contain the same number of days as the current periods, adjustments are needed.

Segment sales of goods (unaudited, in thousands of dollars)

	2014-12-27 (361 days)	2013-12-31 (365 days)	Variance	
	$	$	$	%
Sales before elimination				
Distribution Segment	964,143	979,182	(15,039)	-1.5%
Wholesale Segment	677,286	653,127	24,159	3.7%
	1,641,429	1,632,309	9,120	0.6%
Inter-Segment Sales				
Distribution Segment	29,007	22,213	6,794	30.6%
Wholesale Segment	180,697	170,626	10,071	5.9%
	209,704	192,839	16,865	8.7%
Consolidated sales				
Distribution Segment	935,136	956,969	(21,833)	-2.3%
Wholesale Segment	496,589	482,501	14,088	2.9%
	1,431,725	1,439,470	(7,745)	-0.5%

Year-to-date sales were $1,431.7M compared to $1,439.5M for 2013, down $7.7M or 0.5%. The drop can be explained, on the one hand, by a fewer number of days in 2014 compared to 2013, representing a $15.6M loss in sales and, on the other hand, by lower first quarter sales because of the combined effect of the loss of a major client in Ontario in April 2013, the discontinuation of a major portion of tobacco product sales and lower demand in the first quarter of 2014, primarily due to an unusually harsh winter and difficult economic environment, partially offset by the Lauzon acquisition and the organic growth achieved since the second quarter of 2014 and the acquisition of Marcotte in the fourth quarter of 2014.

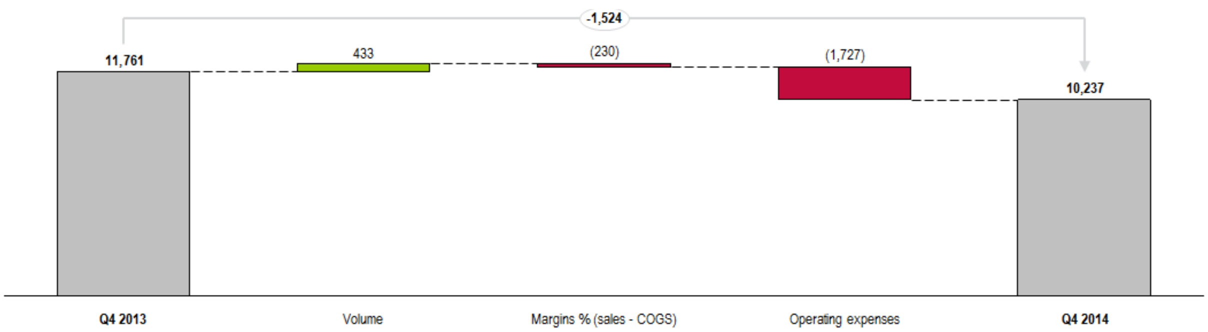
Comparable sales in the wholesale segment are up 4.4% due to strong meat product sales, enhanced by meat price inflation and a market share gains, which amply offset slower sales of other product classes to affiliated distributors. The loss of specific contracts by affiliated distributors explains this decline.

Comparable sales in the distribution segment are down by 1.2% primarily because of negative sales growth in Ontario, as mentioned.

Earnings before costs not relating to current operations and amortization (EBITDA)

Analysis of variances in earnings before costs not relating to current operations and quarterly amortization

(unaudited, in thousands of dollars)



In the fourth quarter of 2014, EBITDA is $10.2M or 2.23% of sales, compared with $11.8M or 2.58% in the same period in 2013.

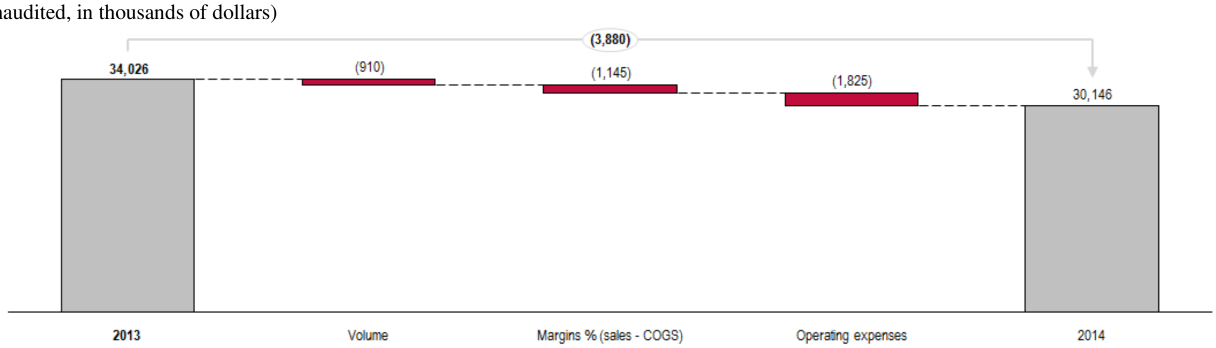
The increase in sales is primarily due to the acquisition of Poissonnerie Marcotte (1980) Inc. on September 10, 2014, which largely offset the fact that the 2014 quarter contains three fewer days than the 2013 quarter.

The decrease in profit margins as a % of sales is partly due to the negative effect of new contracts signed with a lower margin, the increase in sales costs related to initiatives implemented to stimulate organic growth, offset by a better meat product sale margin in the wholesale segment and an increase in supplier revenues.

The increase in operating costs is also primarily due to the acquisition of Marcotte.

Analysis of variances in the earnings before costs not relating to current operations and annual amortization

(unaudited, in thousands of dollars)



EBITDA for the year is $30.1M or 2.11% of sales, compared with $34.0M or 2.36% in 2013. The declining EBITDA is due in part to the fact that the 2014 year contains four fewer operating days than 2013, which caused a negative effect of $0.5M on EBITDA. On a cumulative basis, lower profitability is also caused by the combined effect of lower sales of non-perishables in the wholesale segment, the loss of a major client in Ontario and an increase in operating costs in the CFD Division, partially offset by lower warehousing and delivery costs and the acquisition of Poissonnerie Marcotte (1980) Inc. in the fourth quarter of 2014.

Costs not relating to current operations

Note 8 to the financial statements provides a summary of costs not relating to current operations. This item in earnings includes aspects that are not recurring with the Company's current operations.

These costs include:

Severance pay and restructuring costs	$2,089,000
When presenting its earnings for the first quarter of 2014, the Company prepared an action plan aiming to increase revenues, reduce operating costs and improve capital management. Certain initiatives identified by management will include costs not relating to operations which could spread out over a period of 18 months and provide benefits spreading out over a period of 36 months. During the third and fourth quarters of 2014, the Company incurred restructuring costs related, in large part, to severance pay aiming to further integrate its operations in eastern Quebec.	
Adjustment of accounting provisions for the leases of two inoperative warehouses	$858,000
Direct costs related to business acquisitions	$494,000
As described in Note 5 to the financial statements, these costs include, among others, legal and professional costs relating to the acquisition of a majority of the assets of Marcotte Alimentation.	
Litigation costs	$1,648,000
During the third quarter, a settlement was reached relating to the acquisition of Bertrand, in connection with a $7,600,000 lawsuit presented in the Notes as a contingent liability as at December 31, 2013, generating approximate expenses of $1.2M which were not recognized previously. As described in Note 13 to the financial statements, the agreement entered into with the Canada Revenue Agency (CRA) relating to the CRA's objection to the tax impact of the conversion of Colabor's income trust structure into a business corporation in August 2009 also incurred some legal and professional fees.	
Reclassification in earnings of the cumulative loss on the equity investment in Colabor Investments Inc.	$2,310,000
Other costs	$337,000
Total	$7,736,000

Impairment losses on goodwill and intangible assets

During the fourth quarter, a $55.7M impairment loss was recognized following year-end goodwill and trademark impairment testing by the Company. The Company concluded that the recoverable amount, based on the value in use, of certain CGUs was below their carrying amount. Therefore, an impairment loss was recorded and is detailed as follows:

- Impairment loss on goodwill, trademarks and client relationships of $14,771,000, $9,387,000 and $23,337,000, respectively, for the Summit Division. This write-off was caused by the Division's decrease in profitability and the perspective of major contract renewals under more competitive terms.
- Impairment loss on goodwill of $8,245,000 for the Boucherville Division. This write-off was caused by the decline in volume and the long-term renewal of agreements with more competitive prices.

Depreciation and amortization of property, plant and equipment

The $6.2M depreciation and amortization expense for property, plant and equipment and intangible assets for the fourth quarter is stable compared with 2013.

The 2014 cumulative depreciation and amortization expense for property, plant and equipment and intangible assets is stable at $19.3M compared with the same period in 2013.

Financial expenses

Financial expenses of $3.9M in the fourth quarter of 2014 are lower compared with $5.0M in the corresponding quarter in 2013. This is primarily due to more favourable new financing interest rates and the reduced use of credit facilities during the fourth quarter of 2014 compared to the fourth quarter of 2013.

Cumulative financial expenses for 2014 amounted to $13.0M, up $0.7M from $12.3M in 2013. This increase can be explained primarily by the combined effect of higher weighted interest rates between long-term debt and the bank loan, the increase in the amortization expenses of the new credit agreement and the write-off of deferred transaction costs following repayment of the long-term debt and the conclusion of an interest rate swap, partially offset by a decrease in the average total debt.

Deferred tax charge

Fourth quarter tax revenue of $12.1M is due to the quarterly loss adjusted for non-tax deductible expenses.

The $1.7M tax expense for 2014 is due, on the one hand, to the cumulative loss in 2014 and on the other, to a $15.1M non-cash expense related to the write-off of certain deferred tax assets after reaching an agreement with the CRA, adjusted to take account of non-tax deductible expenses.

As described in Note 13 to the financial statements, on October 2, 2014 the Company announced that it had reached an agreement with the CRA regarding the CRA's objection to the tax consequences of the conversion of its income trust structure into a business corporation in August 2009. The agreement will not give rise to any cash outlay by the Company for taxation years 2009 to 2013. However, a $15,149,000 non-cash expense related to the write-off of certain deferred tax assets was recognized in the consolidated statement of earnings for the year ended December 27, 2014. This expense takes into account of a similar agreement to be reached with Revenu Quebec.

Earnings per share

The net loss per share in the fourth quarter of 2014 is $1.76 per share, compared with $0.07 in the fourth quarter of 2013, a $1.69 increase in loss per share. The 2014 cumulative net loss per share is $2.48 per share, compared with a 2013 cumulative loss of $0.26 per share, a $2.22 increase in loss per share.

6.2 Financial Position

Consolidated Statements of Financial Position
(In thousands of dollars)

	2014-12-27	2013-12-31
ASSETS	**$**	**$**
Current		
Trade and other receivables	124,729	114,803
Recoverable tax assets	1,500	2,853
Inventory	92,693	80,243
Prepaid expenses	3,069	1,996
Current assets	221,991	199,895
Non-current		
Equity investment in Colabor Investments Inc.	2,803	5,113
Property, plant and equipment	16,419	16,615
Intangible assets	93,675	131,112
Goodwill	94,569	115,065
Non-current assets	207,466	267,905
Total assets	429,457	467,800
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	8,782	6,828
Trade and other payables	110,193	84,684
Rebates payable	10,481	8,663
Balances of purchase price payable	869	11,496
Bank borrowings	6,000	
Obligations under finance leases	445	
Deferred revenue	14	41
Provisions	1,655	1,111
Current liabilities	138,439	112,823
Non-current		
Bank borrowings	88,076	108,684
Derivative financial instrument		78
Long-term debt	42,181	14,737
Convertible debentures	48,086	47,373
Obligations under finance leases	864	
Pension obligation	1,406	520
Provisions	3,500	4,365
Deferred income tax liabilities	6,083	5,407
Non-current liabilities	190,196	181,164
Total liabilities	328,635	293,987
EQUITY		
Share capital	209,972	208,622
Deficit	(112,074)	(37,439)
Other components of equity	2,924	2,630
Total equity	100,822	173,813
Total liabilities and equity	429,457	467,800

The main changes in the December 27, 2014 statement of financial position compared to the December 31, 2013 statement of financial position are related to the refinancing of credit facilities and long-term debt as described in Note 17 and Note 18 to the financial statements, the payment of balances of purchase price, the acquisition of certain assets of Poissonnerie Marcotte (1980) Inc. and the impairment loss on goodwill and intangible assets recorded in the fourth quarter of 2014.

Credit Facilities

On January 31, 2014, the Company entered into two agreements to refinance its current credit facilities. These agreements will provide the Company with greater financial flexibility and operational leeway in accordance with its business model.

First, a bank syndicate overseen by BMO Bank of Montreal has granted Colabor a maximum credit facility of $140M for a three-year period. This credit facility includes an “accordion” feature to increase the authorized amount by $30M, subject to certain conditions. The Company was also granted term credit facilities for a maximum amount of $18M, to be used for special purposes and repayable over a 24-month period from the time they are used, should this occur.

Second, the Company reached a loan agreement for a total principal amount of $42.5M.

These two agreements were used in part to repay a $15M loan taken out by the Company in December 2011.

To secure each of these credit facilities, the Company, its subsidiaries and related entities have agreed to hypothecs on the universality of their property in favour of each of these lender groups.

Under certain circumstances, the Company is required to satisfy a fixed charge coverage ratio. As at December 27, 2014, the Company was in compliance with this ratio.

Average indebtedness

In reviewing the statement of cash flows, investors should consider that it is more relevant to assess fluctuations in indebtedness using the average daily indebtedness for the period, rather than the balance at period-end which is subject to greater volatility.

Also, considering management’s focus on reducing debt, this method is more suited to assessing progress made in this regard.

For the fourth quarter, average daily indebtedness was $94M, compared with average indebtedness of $91M in the third quarter. The variance is due primarily to cash flows generated internally during the quarter before changes in working capital.

Average indebtedness for the fourth quarter of 2014 compared with the same period in 2013 was $94M compared to $102M, a $7M decrease. The variance is due to a decrease in working capital, the generation of free cash flows from dividend payments, and the change in the Company’s debt structure made at the beginning of the year which further increased long-term debt.

Share capital

As at December 27, 2014, there were 27,480,966 issued and outstanding common shares compared to 27,089,321 issued and outstanding common shares as at December 31, 2013. The variation is due to the issuance of shares in connection with the acquisition of Poissonnerie Marcotte (1980) Inc.

Dividends

In accordance with its dividend policy, on October 21, 2014, the Company's Board of Directors declared a quarterly dividend of $0.06 per common share which was paid on November 17, 2014 to shareholders of record as at October 31, 2014.

6.3 Cash Flows

Consolidated cash flows (unaudited, in thousands of dollars)	2014-12-27 (112 days)	2013-12-31 (115 days)	2014-12-27 (361 days)	2013-12-31 (365 days)
	$	$	$	$
Operating activities				
Loss before income taxes	(60,458)	(2,914)	(65,608)	(9,408)
Impairment loss on goodwill and intangible assets	55,740		55,740	
Depreciation of property, plant and equipment	1,521	1,651	4,570	4,908
Amortization of intangible assets	4,642	4,430	14,695	14,250
Gain on disposal of property, plant and equipment	(88)		(197)	
Change in provisions	324	(1,222)	(568)	5,476
Dividends from Colabor Investments Inc.				(2,342)
Impairment of equity investment in Colabor Investments Inc.	2,310	3,629	2,310	5,971
Finance costs	3,944	4,974	13,013	12,286
Stock-based compensation plan expenses	98	119	237	190
	8,033	10,667	24,192	31,331
Income tax withholdings	1,924	(158)	187	(53)
Net change in working capital	(345)	(14,280)	8,049	(40,708)
Cash flows from operating activities	9,612	(3,771)	32,428	(9,430)
Investing activities				
Business acquisitions, net of cash acquired	(11,984)		(11,984)	(10,000)
Dividends received from Colabor Investments Inc.				2,342
Purchase of property, plant and equipment	(460)	(615)	(1,504)	(4,782)
Disposal of property, plant and equipment	89	9	243	9
Purchase of intangible assets	(1,165)	(401)	(3,481)	(538)
Cash flows from investing activities	(13,520)	(1,007)	(16,726)	(12,969)
Financing activities				
Bank borrowings	8,598	12,635	(15,203)	20,645
Finance lease payments	(250)		(632)	
Share issuance	(8)	(12)	(8)	28,615
Dividends paid	(1,649)	(1,625)	(6,525)	(12,287)
Advance received on dividends to be declared by Colabor Investments Inc.				(1,722)
Balances of purchase price		(820)	(11,318)	(2,173)
Repayment of long-term debt			(15,000)	
Issuance of long-term debt, net of related expenses			42,087	
Finance costs paid	(3,417)	(4,831)	(11,057)	(11,513)
Cash flows from financing activities	3,274	5,347	(17,656)	21,565
Net change in bank overdraft	(634)	569	(1,954)	(834)
Bank overdraft, beginning of period	(8,148)	(7,397)	(6,828)	(5,994)
Bank overdraft, end of period	(8,782)	(6,828)	(8,782)	(6,828)

Operating activities

Cash flows from operating activities in the fourth quarter are a positive amount of $9.6M, compared with a negative amount of $3.8M for the same period in 2013. The $13.4M variance is primarily due to changes in working capital and more specifically, a significant negative change in trade and other payables. Trade and other payables were at an unusually high level as at December 31, 2012, whereas the 2014 quarterly sequential change is consistent with the Company's business volume.

In 2014, cash flows from operating activities are a positive amount of $32.4M, compared with a negative amount of $9.4M for the same period in 2013. The $41.8M variance is essentially due to changes in working capital and more specifically, a significant negative change in trade and other payables. Trade and other payables were at an unusually high level as at December 31, 2012. The decline in accounts payable did not recur in 2014 and is at a normal level for the Company’s business volume.

Investing activities

Cash flows used for investing activities in the fourth quarter amounted to $13.5M, compared with $1.0M for the same period in 2013. During the fourth quarter, the Company acquired Marcotte which primarily explains the variance with respect to the same period in 2013.

Cash flows used for investing activities for the 2014 year amounted to $16.7M, compared with $13.0M for the same period in 2013. The $3.7M variance is essentially attributable to major acquisitions made in 2014. In addition to the acquisition of Poissonnerie Marcotte (1980) Inc. in 2014, there were several acquisitions of intangible assets including the signing of long-term procurement agreements and the implementation of delivery route optimization software.

Financing activities

Cash flows from financing activities in the fourth quarter are a positive amount of $3.3M, compared with $5.3M for the same period in 2013. For the most part, changes in bank borrowings explain the variance, and are partly offset by lower finance costs paid.

Cash flows from financing activities for the 2014 year are a negative amount of $17.7M, compared with a positive amount of $21.6M for the same period in 2013. The major portion of this variance is attributable to four events: the $28.6M share issue in the first quarter of 2013, the new $42.5M subordinated debt which was offset by repayment of $15M of the old subordinated debt in January 2014, the paid dividend decrease and the change in bank borrowings.

7. Summary of Past Quarters

('000)	2014-12-27 (112 days)	2014-09-06 (84 days)	2014-06-14 (84 days)	2014-03-22 (81 days)	2013-12-31 (115 days)	2013-09-07 (84 days)	2013-06-15 (84 days)	2013-03-23 (82 days)
	$	$	$	$	$	$	$	$
Sales	460,052	345,158	347,148	279,367	456,489	343,584	345,817	293,580
EBITDA	10,237	10,165	9,542	202	11,761	10,228	9,728	2,309
Earnings	(48,312)	(15,042)	1,630	(5,566)	(1,978)	(3,883)	2,390	(3,358)
Basic net earning per share	(1.76 $)	(0.56 $)	0.06 $	(0.21 $)	(0.07 $)	(0.14 $)	0.09 $	(0.14 $)

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 conversion to a corporation, the conversion of debentures and subsequent issuance of shares, Investments now holds an undiluted 18.5% in Colabor Group Inc.

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

Related party transactions include 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.

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

Related party transactions (unaudited, in thousands of dollars)	2014-12-27 (112 days)	2013-12-31 (115 days)	2014-12-27 (361 days)	2013-12-31 (365 days)
	$	$	$	$
Rebates	4,401	4,503	13,157	13,609

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about $1,014,000 in bank letters of guarantee supporting the leasing of one of the Company's distribution centres.

10. 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 in these regions has slowed down, particularly in Quebec, which is primarily due to fairly anaemic consumption, curbed by tax and tariff increases, household debt and a stagnating job situation in Quebec. All of these aspects hinder discretionary household consumer spending.

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 shareholders.

Development Strategies

Company management is firmly convinced that there are major channels which could be used to increase, when circumstances permits, its entry into 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 distributors in Quebec and Ontario. These acquisitions would make it possible to increase the density of its distribution network in Eastern Canada, thereby increasing operating profitability.

Outlook

Despite the economic downturn, in light of the Company's small market share in certain major metropolitan areas 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.

11. 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 distributors*

  Sales generated by affiliated distributors account for a significant portion (about 20%) of the Company's sales. The loss of a significant number of these distributors could have a negative impact on Colabor's earnings.

  To date, Colabor has signed several agreements with affiliated distributors prior to the expiration of the previous contracts, including the most significant distributors. Extending these agreements on a long-term basis as procurement agreements represents about 80% of sales to affiliated distributors and other negotiations are ongoing.

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

  In accordance with general industry practice, affiliated distributors 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 distributors. In addition, even if customers should decide to continue their relationship with the affiliated distributors, 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 distributors, 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.

- *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 signing of a ten-year distribution agreement ending in 2017.

- *Market price sensitivity of some commodities*

  Colabor may be faced with sudden inflationary changes in the commodity price index of some commodities such as beef, pork, fuel and others. In the short term, these fluctuations could create pressure on margins.

- *Product recall*

  Colabor could have to deal with product recalls due to sanitation issues encountered by certain manufacturers or its own divisions. 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.

Climate change

Colabor has very little world climate change risk exposure. However, the daily temperature affects the Company's quarterly economic performance.

12. Significant Accounting Estimates

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated events and current economic conditions.

Impairment of trade and other receivables

The amount recognized as impairment of trade and other receivables is based on management's assessment of the risks associated with each trade and other receivable with reference to losses incurred in prior periods, collection experience and the impact of the current and expected economic conditions.

Supplier rebates

Supplier rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates are satisfied.

Impairment of available-for-sale financial assets

Management assesses whether there are any indications of impairment of the available-for-sale financial asset at each reporting date. When management determines that the asset is impaired, the cumulative loss recognized in other comprehensive income is reclassified to earnings.

Inventory valuation

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the Company's assets. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and hardware.

Impairment of trademarks and goodwill

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax losses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as an adjustment in the measurement period. Any other change would be recognized in the statement of earnings in the subsequent period.

Pension obligation

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligations is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future appraisals of the Company's defined benefit obligations.

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

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that its financial statements are prepared in accordance with IFRS. The President and CEO and the Vice-President and CFO assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design and operation of ICFR and DC&P as at December 27, 2014, and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient.