Colabor Group Inc.

Consolidated Financial Statements
December 26, 2015 and
December 27, 2014

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Raymond Chabot
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Independent Auditor's Report

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To the Shareholders of
Groupe Colabor Inc.

We have audited the accompanying consolidated financial statements of Colabor Group Inc., which comprise the consolidated statements of financial position as at December 26, 2015 and December 27, 2014 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Colabor Group Inc. as at December 26, 2015 and December 27, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP[1]

Montréal
March 16, 2016

[1] CPA auditor, CA public accountancy permit no. A115028

Groupe Colabor Inc.
Consolidated Statements of Earnings
Years ended December 26, 2015 and December 27, 2014
(In thousands of Canadian dollars, except data per share)

	Notes	2015	2014
		$	$
Sales of goods	6	1,506,280	1,431,725
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	7	1,479,976	1,401,579
Operating earnings before costs not relating to current operations, depreciation and amortization		26,304	30,146
Costs not relating to current operations	8	4,123	5,426
Impairment loss on equity investment		1,731	2,310
Impairment loss on goodwill and intangible assets	11 and 12	33,756	55,740
Depreciation of property, plant and equipment	10	3,995	4,570
Amortization of intangible assets	11	11,456	14,695
		55,061	82,741
Operating loss		(28,757)	(52,595)
Finance costs	23	12,968	13,013
Loss before income taxes		(41,725)	(65,608)
Income taxes			
Current	13	(357)	1,166
Deferred	13	(7,604)	516
		(7,961)	1,682
Loss		(33,764)	(67,290)
Basic and diluted loss per share	24	(1.23)	(2.48)

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

Groupe Colabor Inc.
Consolidated Statements of Comprehensive Income

Years ended December 26, 2015 and December 27, 2014

(In thousands of Canadian dollars)

	2015	2014
	$	$
Loss	(33,764)	(67,290)
Other comprehensive income that will be subsequently reclassified to earnings		
Available-for-sale financial asset		
Loss for the year	(1,877)	(2,310)
Reclassification to earnings of cumulative loss	1,731	2,310
Cash flow hedges		
Loss for the year		(190)
Reclassification to earnings		268
Taxes on other comprehensive income that will be subsequently reclassified to earnings	20	(21)
	(126)	57
Other comprehensive income that will not be reclassified to earnings		
Remeasurement of pension obligation	93	(1,108)
Taxes on other comprehensive income that will not be reclassified to earnings	(25)	288
	68	(820)
Total other comprehensive income	(58)	(763)
Total comprehensive income	(33,822)	(68,053)

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

Groupe Colabor Inc.
Consolidated Statements of Changes in Equity
Years ended December 26, 2015 and December 27, 2014
(In thousands of Canadian dollars)

	Share capital	Convertible debenture conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for-sale financial asset	Cash flow hedges	Deficit	Total equity
	$	$	$	$	$	$	$	$
Balance as at December 28, 2014	**209,972**	**1,742**	**1,563**	**(381)**	**–**	**–**	**(112,074)**	**100,822**
Loss for the year							(33,764)	(33,764)
Other comprehensive income								
Loss on available-for-sale financial asset					(1,877)			(1,877)
Reclassification to earnings					1,731			1,731
Remeasurement of pension obligation							93	93
Taxes on other comprehensive income					20		(25)	(5)
Total comprehensive income	–	–	–	–	(126)	–	(33,696)	(33,822)
Stock-based compensation plan expenses			317					317
Transactions with owners	–	–	317	–	–	–	–	317
Balance as at December 26, 2015	**209,972**	**1,742**	**1,880**	**(381)**	**(126)**	**–**	**(145,770)**	**67,317**

	Share capital	Convertible debenture conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for-sale financial asset	Cash flow hedges	Deficit	Total equity
	$	$	$	$	$	$	$	$
Balance as at January 1, 2014	**208,622**	**1,742**	**1,326**	**(381)**	**–**	**(57)**	**(37,439)**	**173,813**
Loss for the year							(67,290)	(67,290)
Other comprehensive income								
Loss on available-for-sale financial asset					2,310			2,310
Reclassification to earnings of the cumulative loss on available-for-sale financial asset					(2,310)	268		(2,042)
Loss on cash flow hedges						(190)		(190)
Remeasurement of pension obligation							(1,108)	(1,108)
Taxes on other comprehensive income						(21)	288	267
Total comprehensive income	–	–	–	–	–	57	(68,110)	(68,053)
Dividends declared							(6,525)	(6,525)
Shares issued (Note 5)	1,350							1,350
Stock-based compensation plan expenses			237					237
Transactions with owners	1,350	–	237	–	–	–	(6,525)	(4,938)
Balance as at December 27, 2014	**209,972**	**1,742**	**1,563**	**(381)**	**–**	**–**	**(112,074)**	**100,822**

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

Groupe Colabor Inc.
Consolidated Statements of Cash Flows
Years ended December 26, 2015 and December 27, 2014
(In thousands of Canadian dollars)

	Notes	2015	2014
		$	$
Operating activities			
Loss before income taxes		(41,725)	(65,608)
Impairment loss on goodwill and intangible assets	11 and 12	33,756	55,740
Depreciation of property, plant and equipment	10	3,995	4,570
Amortization of intangible assets	11	11,456	14,695
Gain on disposal of property, plant and equipment		(278)	(197)
Change in provisions		(400)	(568)
Impairment of equity investment in Colabor Investments Inc.		1,731	2,310
Finance costs	23	12,968	13,013
Stock-based compensation plan expenses	22	317	237
		21,820	24,192
Income tax withholdings		290	187
Net changes in working capital	25	6,064	8,049
Cash flows from operating activities		28,174	32,428
Investing activities			
Business acquisitions, net of cash acquired	5	100	(11,984)
Change in loans receivable		38	
Purchase of property, plant and equipment	10	(1,608)	(1,504)
Disposal of property, plant and equipment		435	243
Purchase of intangible assets	11	(3,132)	(3,481)
Cash flows from investing activities		(4,167)	(16,726)
Financing activities			
Bank borrowings		(6,544)	(15,203)
Lease payments		(578)	(632)
Share issuance			(8)
Dividends paid			(6,525)
Payment of balances of purchase price		(1,000)	(11,318)
Repayment of long-term debt			(15,000)
Issuance of long-term debt, net of related expenses			42,087
Finance costs paid	23	(11,209)	(11,057)
Cash flows from financing activities		(19,331)	(17,656)
Net change in bank overdraft		4,676	(1,954)
Bank overdraft, beginning of year		(8,782)	(6,828)
Bank overdraft, end of year		(4,106)	(8,782)

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

Groupe Colabor Inc.
Consolidated Statements of Financial Position
December 26, 2015 and December 27, 2014
(In thousands of Canadian dollars)

	Notes	2015	2014
		$	$
ASSETS			
Current			
Trade and other receivables	9	104,351	124,729
Recoverable tax assets		1,568	1,500
Inventory		87,282	92,693
Prepaid expenses		2,936	3,069
Loans receivable		131	
Current assets		196,268	221,991
Non-current			
Equity investment in Colabor Investments Inc.	27	926	2,803
Loans receivable		576	
Property, plant and equipment	10	15,835	16,419
Intangible assets	11	62,844	93,675
Goodwill	12	84,130	94,569
Deferred income tax asset	13	2,089	
Non-current assets		166,400	207,466
Total assets		362,668	429,457
LIABILITIES AND EQUITY			
LIABILITIES			
Current			
Bank overdraft		4,106	8,782
Trade and other payables		93,530	110,193
Rebates payable		8,301	10,481
Balances of purchase price payable	15		869
Bank borrowings	18	1,000	6,000
Obligations under finance leases	16	497	445
Deferred revenue		515	14
Provisions	17	1,174	1,655
Current liabilities		109,123	138,439
Non-current			
Bank borrowings	18	87,038	88,076
Long-term debt	19	42,295	42,181
Convertible debentures	20	48,859	48,086
Obligations under leases	16	2,376	864
Pension obligation	22.3	1,271	1,406
Provisions	17	3,816	3,500
Deferred income tax liabilities	13	573	6,083
Non-current liabilities		186,228	190,196
Total liabilities		295,351	328,635
EQUITY			
Share capital	21	209,972	209,972
Deficit		(145,770)	(112,074)
Other components of equity		3,115	2,924
Total equity		67,317	100,822
Total liabilities and equity		362,668	429,457

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

The Board of Directors approved and authorized the publication of the consolidated financial statements on March 16, 2016

On behalf of the Board,

/s/ Richard Lord
Director

/s/ Robert Panet-Raymond
Director

1. *NATURE OF OPERATIONS*

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

The Company's year-end is the last Saturday of December. The years ended December 26, 2015 and December 27, 2014 comprised 52 weeks.

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

These consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS).

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

3. *SIGNIFICANT ACCOUNTING POLICIES*

3.1 General information

The consolidated financial statements have been prepared in accordance with the significant accounting policies described in this note. These accounting policies have been applied consistently throughout the two years.

3.2 Basis of measurement

These consolidated financial statements are presented at historical cost, with the exception of certain financial instruments that are measured at fair value and the pension obligation that is measured at the present value of the pension obligation less the fair value of the plan assets.

3.3 Basis of consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries.

The parent company has control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. These entities are consolidated from the date the Company acquires control until the date control ends.

The consolidated financial statements include the accounts of the Colabor Group Inc. and its subsidiaries which are all wholly-owned. All transactions and balances between the Group's companies are eliminated on consolidation, including unrealized gains and losses on transactions between the Group's companies.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.4 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

3.5 Revenue recognition

Sales of goods are the only significant source of revenue. Sales of goods in the consolidated statements of earnings represent the fair value of the consideration received or receivable from third parties on the sales of goods to customers, net of commodity taxes, returns, rebates and discounts.

The Company recognizes revenue when all of the following conditions are satisfied:

(a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods, that is on delivery of the goods;

(b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) The amount of the sales of goods can be measured reliably;

(d) It is probable that the economic benefits associated with the transaction will flow to the Company;

(e) Transaction costs incurred or to be incurred can be measured reliably.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.6 Customer rebates

Rebates to customers are recognized as a reduction of the sale price and presented as a reduction of the sales of goods in the consolidated statements of earnings.

These rebates are recognized when they are considered as probable and can be reasonably estimated.

3.7 Supplier rebates

The Company recognizes the consideration received from suppliers as a reduction of the price of suppliers' goods and reduces the purchases of goods and the related inventory in the consolidated statements of earnings and financial position. Some exceptions apply when the cash consideration received is a reimbursement of the additional sales expenses incurred by the reseller, in which case, the rebate is recognized in accordance with the substance of the agreement as a reduction in operating expenses.

These rebates are recognized when they are considered as probable and can be reasonably estimated. Receipt probability and estimates are determined on the basis of goods purchase forecasts and contractual terms. Assumptions are re-assessed each period.

3.8 Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3.9 Income taxes

The income tax expenses comprise current and deferred taxes and are recognized in the consolidated statements of earnings and comprehensive income, other than taxes relating to equity, which are deducted from equity.

Current income tax assets or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are not received or paid at the reporting date. Current income taxes are payable on taxable income, which differs from earnings in the financial statements. Calculation of current taxes is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred taxes are not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting income. Deferred taxes on temporary differences associated with investments in subsidiaries and joint ventures are not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always recognized in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred income tax assets or liabilities are recognized as revenues or expenses, except if they relate to items that have been recognized as other comprehensive income or directly in equity, in which case, the corresponding deferred tax is also recognized in other comprehensive income or in equity.

3.10 Earnings or losses per share

Basic earnings or losses per share are computed by dividing net earnings or losses attributable to the parent company's common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings or losses per share are calculated taking into account the potentially dilutive effect of common shares on earnings attributable to the parent company's common shareholders and the weighted average number of common shares outstanding. Potentially dilutive common shares are considered to have been converted into common shares at the later of the beginning of the period or the common share issuance date. Potential common shares are related to convertible debentures, the performance stock unit (PSU) plan and the stock options.

3.11 Operating segments

Segment information is presented in accordance with IFRS 8 *Operating Segments,* using information that is reviewed regularly by management to determine the performance of each segment. The same criteria are used to present operating segments and produce internal reports for management. Performance is evaluated according to segment earnings before costs not relating to current operations, depreciation, amortization, finance costs and taxes. Intersegment transactions that are in the ordinary course of operations are recognized at fair value.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The Company has two operating segments: distribution to food service enterprises (Distribution Segment) and sale to food distributors (Wholesale Segment).

The accounting policies the Company uses for segments are the same as those used in its consolidated financial statements, except that the following are not allocated to segments earnings:

– Corporate expenses (employee compensation and other unallocated amounts);
– Finance costs;
– Depreciation of property, plant and equipment and amortization of intangible assets;
– Costs not relating to current operations;
– Impairment loss on equity investments, goodwill and intangible assets;
– Tax expenses.

3.12 Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

The cost of inventories comprises costs of purchases and other costs incurred in bringing the inventory to its present location and condition, net of suppliers' rebates.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses.

3.13 Property, plant and equipment

Property, plant and equipment are recognized at the acquisition cost less accumulated depreciation and amortization and accumulated impairment losses. Acquisition cost includes costs incurred to acquire and install the related assets.

Land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis on components with homogeneous useful lives to depreciate the initial cost over their estimated useful lives, taking residual values into account. The useful lives are as follows:

Furniture, warehouse equipment and vehicles	5 to 15 years
Road vehicles and road vehicles under finance leases	7 to 10 years
Computer equipment	4 years
Leasehold improvements	Lease term, 10 to 20 years

The useful lives, depreciation method and residual values are reviewed each year, taking the nature of the asset, its expected use and technological developments into account. Assets are depreciated once they are available for use.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Depreciation is recognized in consolidated statements of earnings within "Depreciation of property, plant and equipment".

The profit or loss on the disposal of an item of property, plant and equipment is the difference in the proceeds versus the carrying amount of the asset and is recognized in results in operating expenses.

3.14 Intangible assets

3.14.1 Distribution software, customer relationships and signing bonuses

These intangible assets are recognized at acquisition cost less accumulated amortization and accumulated impairment losses.

The acquisition cost of distribution software includes costs incurred to acquire and install the related software.

All customer relationships are attributable to business combinations and satisfy the accounting criteria of intangible assets.

The signing bonuses are incurred in connection with the renewal of distribution agreements and are amortized from the date the agreement comes into effect.

These intangible assets are amortized on a straight-line basis to amortize the initial cost over their estimated useful lives, taking residual values into account. The useful lives are as follows:

Distribution software	4 and 7 years
Customer relationships	2 to 20 years
Signing bonuses	5 and 7 years

The useful lives, amortization method and residual values are reviewed each year, taking the nature of the asset, its expected use and technological developments into account. Assets are amortized once they are available for use.

Amortization is recognized in the consolidated statements of earnings within "Amortization of intangible assets".

Any impairment is recognized in the consolidated statements of earnings within "Impairment of goodwill and intangible assets".

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.14.2 Trademarks

Trademarks have indefinite useful lives considering that management does not intend to dispose of them. They are recognized using the cost model and are not amortized. They are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they are impaired.

Any impairment is recognized in the consolidated statements of earnings within "Impairment of goodwill and intangible assets".

3.15 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

3.16 Impairment testing of goodwill, property, plant and equipment and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level for the Company at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated and trademarks with an indefinite useful life are tested for impairment when an adverse event occurs and at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in the consolidated statements of earnings within "impairment of goodwill and intangible assets" for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, 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. The data used for impairment testing procedures are directly linked to the Company's latest approved budget. Discount factors are determined individually for each asset or cash-generating unit and reflect their respective risk profiles as assessed by management.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. On assets other than goodwill, an impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized.

3.17 Leased assets

Leases where the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. On initial recognition, the assets held under finance leases are recognized under property, plant and equipment at the lower of fair value or the present value of minimum lease payments. A corresponding liability is recognized as an obligation under finance leases. In subsequent periods, interest relating to the obligation is recognized under finance costs on the consolidated statements of earnings.

Other leases are operating leases and the leased assets are not recognized on the Company's consolidated statement of financial position. Payments under operating leases are recognized in earnings on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance, are recognized as an expense as they are incurred.

3.18 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. After initial recognition these are measured at amortized cost using the effective interest rate method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company includes in this category trade and other receivables and loans receivable.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Available-for-sale financial assets include the equity investment in Colabor Investments Inc.

Financial instruments in this class are measured initially at fair value plus transaction costs. Available-for-sale assets are then measured at fair value. Gains and losses are recognized in other comprehensive income and are included in the available-for-sale financial asset category in consolidated statements of changes in equity. When the asset is disposed or is impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified to earnings and the reclassification presented within "Impairment loss on equity investment" in the consolidated statements of earnings.

c) Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired could include:

– significant financial difficulty of the issuer or obligor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry sector. Objective evidence that a financial asset is impaired could include the Company's historical collection experience, an increase in the portfolio recovery period and any domestic or local change in economic conditions in correlation with debtors' failure to pay.

Financial liabilities

The Company's financial liabilities include the bank overdraft, trade and other payables excluding sales taxes to remit and compensation payable, rebates payable, balances of purchase price payable, bank borrowings, convertible debentures and long-term debt.

Financial liabilities in this class are measured initially at fair value less transaction costs. After initial recognition they are measured at amortized cost using the effective interest rate method. They are presented in current liabilities when payable within 12 months of the closing date, otherwise, they are presented as non-current.

Interest expense is included in "Finance costs" in the consolidated statements of earnings.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Convertible debentures

The convertible debentures are separated into their debt and equity components. The value of the debt component of the debentures is determined, at the time of issuance, by discounting the future interest obligations and the principal payment due at maturity, using a discount rate which represents the estimated borrowing rate available to the Company for similar debentures having no conversion rights. The remaining portion of the gross proceeds of the debentures issued is presented as an option to convert debentures in equity net of the tax implications, and the attributed amount is not subsequently reviewed. The attributed amount remains over the term of the related convertible debentures. Convertible debentures issue costs are applied against the two components on a pro rata basis of the allocated proceeds of issue.

The debt component presented in the consolidated statements of financial position increases over the term of the debenture to the full face value of the outstanding debentures at maturity. The difference, that is, the accretion on convertible debentures, is presented as implicit interest expense with the result that adjusted interest expense reflects the effective yield of the debt component of the debentures. Upon conversion of the debentures into common shares by the holders, both of the above-mentioned components are transferred to share capital. If a conversion option is not exercised at the expiry of the convertible debentures, the equity component of the convertible debentures is transferred to contributed surplus.

Derivative financial instruments, including hedge accounting

The embedded derivatives are separated from the host contract and recognized separately if the economic characteristics, host contract risks and embedded derivative are not closely related.

The derivative financial instruments used for hedge accounting are initially recognized at fair value and are subsequently measured at fair value as well in the consolidated statements of financial position.

If a hedge is effective, the changes in fair value of the derivatives designated as hedges in a cash flow hedging relationship are recognized in other comprehensive income and are included in the "Cash flow hedges" reserve under equity. Any ineffective portion of the hedge is immediately recognized in earnings.

Any profit recognized in other comprehensive income is removed from equity and reclassified in earnings if the hedged item affects earnings and is presented as a reclassification in other comprehensive income. However, if a non-financial asset or liability is recognized as a result of a hedging transaction, profit or loss previously recognized in other comprehensive income is included in the initial measurement of the hedged item.

If it is no longer expected that a transaction will take place or if the hedging instrument becomes ineffective, the related profit or loss recognized with other comprehensive income is immediately reclassified in earnings.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.19 Provisions, contingent liabilities and contingent assets

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amounts can be reliably estimated. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in earnings as a finance cost.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

In 2013, the Company recognized provisions for onerous contracts (see Note 17).

3.20 Pension obligation and other employee benefits

The Company provides post-employment benefits through defined contribution plans and a defined benefit plan.

Contributions to the defined contribution plans are recognized as an expense in the period that relevant employee services are received.

The liability recognized in the consolidated statements of financial position for the defined benefit plan is the present value of the defined benefit obligation at the closing date less the fair value of plan assets.

The remeasurement of the pension obligation, which includes actuarial variances relating to the obligations and the return on plan assets in excess of interest income, is recognized in consolidated other comprehensive income and immediately in the deficit without subsequent reclassification to earnings.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.21 Equity

Share capital represents the amount received on issued shares, or as partial payment of acquisitions, less issue costs, net of any underlying income tax benefit of these issue costs.

Debenture conversion options represent the equity component of convertible debentures.

Contributed surplus includes compensation cost for the Company's stock-based compensation plans and the convertible debenture conversion option that expires without being converted.

Shares held under the stock-based compensation plans are shares held for the Company's various stock-based compensation plans.

The available-for-sale financial asset is the cumulative net change in the unrealized fair value of the equity investment in Colabor Investments Inc.

The cash flow hedges are the cumulative net change in the effective portion of the unrealized fair value of a cash flow hedge relating to hedging transactions.

The deficit includes retained earnings for the current and past years.

Unpaid dividends are included in liabilities in the period the payment is approved by the Board of Directors.

All transactions with owners of the parent company are recorded separately within equity.

3.22 Stock-based compensation

Stock option plan

The Company has an equity-settled stock option plan for certain of its officers and employees. This plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of stock options are measured at their fair values unless they cannot be reasonably determined. If the Company is not able to reliably estimate the fair values of goods or services received, the values are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

Stock-based compensation is ultimately recognized as an expense in the consolidated statements of earnings with a corresponding credit to contributed surplus.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options that ultimately vest are different from that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are credited to share capital and the corresponding stock-based compensation that was previously included in contributed surplus.

Performance stock unit plan

The Company has a performance stock unit (PSU) plan for certain officers and employees. The PSUs vest after a maximum three-year period, on the basis of performance targets. The compensation cost is measured on the award date at the fair value of the shares and recognized over the related service period with a corresponding increase in contributed surplus. The Company recognizes the plan expense based on the expected attainment of performance targets. The impact of any change in the number of PSUs to be acquired is recognized in the period the estimate is revised.

Under the PSU plan, shares purchased on the open market on behalf of plan members are recognized at cost as a reduction of equity. If the fair market value of the shares on the award date is greater than the acquisition price paid by the Company, the difference is recognized as contributed surplus. If the fair market value of the shares on the award date is less than the acquisition price paid by the Company, the difference is applied against retained earnings.

Directors' share unit plan

Members of the Company's Board of Directors may elect to receive some or all of their annual fees in the form of Directors' share units (DSUs). The accrued DSU compensation liability is measured at each closing date on the basis of the number of outstanding share units and the market price of the Company's common shares. Changes in the liability are recognized as a compensation expense and the liability is included in trade and other payables.

Employee stock ownership plan

The Company has an employee stock ownership plan. Under the terms of this plan, the Company pays contributions calculated on the basis of percentages provided in the plan, in consideration of employee contributions. These contributions are recognized when employees agree to pay their share.

3. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

3.23 Standards, amendments and current interpretations that are not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

IFRS 15 *Revenues from Contracts with Customers*

In May 2014, the IASB published IFRS 15 which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

IFRS 16 *Leases*

In January 2016, the IASB published IFRS 16 which will replace IAS 17 *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position. An exemption is permitted for short-term leases and for leases of low-value assets. Additionally, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods changes the accounting for sale and leaseback arrangements largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

4. *SIGNIFICANT ESTIMATES AND JUDGEMENTS*

When preparing the consolidated financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

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 asset

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 assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and computer hardware.

4. *SIGNIFICANT ESTIMATES AND JUDGEMENTS (Continued)*

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 loss. If a positive forecast of taxable income indicates the probable use of deferred tax assets, especially when it can be utilized without a time limit, those deferred tax assets are 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 statements 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 consolidated 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 obligation 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.

5. *BUSINESS COMBINATIONS*

5.1 Remeasurement of acquisition in 2014

Acquisition of La Poissonnerie Marcotte (1980) Inc. assets

During the first quarter of 2015, the Company remeasured and finalized the allocation of the purchase price of La Poissonnerie Marcotte (1980) Inc. (hereafter ("Marcotte"), acquired on September 10, 2014. The preliminary allocation of the purchase price as at December 27, 2014 was changed as follows:

	Change in balances
	$
Working capital	(226)
Property, plant and equipment	(250)
Goodwill	376
Change in acquisition cost and fair value of the consideration received	(100)
Net cash flows on acquisition and fair value of portion received in cash	(100)

5.2 Acquisition in 2014

Acquisition of La Poissonnerie Marcotte (1980) Inc. assets

On September 10, 2014, the Company acquired a majority of the assets of La Poissonnerie Marcotte (1980) Inc. (“Marcotte”), a leading distributor of food and non-food products based in Trois-Rivières, Quebec. The results of operations are included in the consolidated statement of earnings since the acquisition date. The acquisition of Marcotte reflects one of the Company's objectives to increase its distribution clientele and create synergies.

The preliminary purchase price allocation is determined as follows:

	Value recognized on the acquisition date
	$
Trade and other receivables	4,647
Inventory	3,392
Prepaid expenses	133
Property, plant and equipment	1,024
Intangible assets	6,390
Goodwill	2,520
Trade and other payables	(3,517)
Deferred tax liabilities	(427)
Acquisition cost and fair value of cash consideration transferred	14,162
Portion paid through a share issue	(1,358)
Portion paid in balances of purchase price	(820)
Net cash flows on acquisition and fair value of portion transferred to cash	11,984

5. *BUSINESS COMBINATIONS (Continued)*

Business acquisition-related costs amounting to $387,000 are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

Marcotte has contributed a total of $6,151,000 to the Company's sale of goods. The operating loss before depreciation and amortization for the period between the acquisition date and the end of the year was not disclosed due to the management system transition. Management estimates that, if the acquisition had occurred on January 1, 2014, additional sales of goods would have been $25,000,000 but cannot estimate the additional operating earnings because of the lack of detail in the management systems in place at the time of acquisition.

Trade and other receivables

The contractual amount of trade and other receivables amounted to $4,647,000 at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

Goodwill

Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is expected to be deductible for tax purposes.

Issuance of shares

To finance the acquisition of Marcotte, the Company issued 391,645 common shares for an evaluated total of $1,358,000. The $8,000 in share issue costs was recognized as a decrease in the shares issued.

6. *SEGMENT REPORTING*

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

6. *SEGMENT REPORTING (Continued)*

Segment information can be analyzed as follows:

			2015
	Distribution Segment	Wholesale Segment	Total
		$	$
Segment sales of goods	1,038,768	706,772	1,745,540
Segment operating expenses			
Cost of goods sold	903,198	670,926	1,574,124
Employee remuneration	77,924	10,502	88,426
Other expenses	45,723	5,589	51,312
	1,026,845	687,017	1,713,862
Segment earnings	11,923	19,755	31,678

			2014
	Distribution Segment	Wholesale Segment	Total
	$	$	$
Segment sales of goods	964,143	677,286	1,641,429
Segment operating expenses			
Cost of goods sold	835,106	639,915	1,475,021
Employee remuneration	73,470	10,363	83,833
Other expenses	40,293	5,662	45,955
	948,869	655,940	1,604,809
Segment earnings	15,274	21,346	36,620

The totals presented for the Company's operating segments reconcile to key financial figures as presented in its consolidated financial statements as follows:

	2015	2014
	$	$
Sales of goods		
Total segment earnings	1,745,540	1,641,429
Elimination of intersegment earnings	(239,260)	(209,704)
Company sales of goods	1,506,280	1,431,725

6. *SEGMENT REPORTING (Continued)*

	2015	2014
	$	$
Earnings		
Total segment earnings	31,678	36,620
Employee remuneration not allocated	(5,636)	(5,138)
Other expenses not allocated	262	(1,336)
Costs not relating to current operations	(4,123)	(5,426)
Impairment loss on equity investment	(1,731)	(2,310)
Impairment loss on goodwill and intangible assets	(33,756)	(55,740)
Depreciation of property, plant and equipment	(3,995)	(4,570)
Amortization of intangible assets	(11,456)	(14,695)
Company operating earnings	(28,757)	(52,595)
Finance costs	(12,968)	(13,013)
Company loss before taxes	(41,725)	(65,608)

7. *OPERATING EXPENSES, EXCLUDING COSTS NOT RELATING TO CURRENT OPERATIONS, DEPRECIATION AND AMORTIZATION*

	2015	2014
	$	$
Purchases of goods	1,329,489	1,274,375
Changes in inventory	5,375	(9,058)
Employee benefits expense (Note 22.1)	94,062	88,971
Other expenses	51,050	47,291
	1,479,976	1,401,579

8. *COSTS NOT RELATING TO CURRENT OPERATIONS*

	2015	2014
	$	$
Costs of internal restructuring of operations		
Disbursed costs	2,174	2,089
Provisions for onerous contracts (Note 17)	1,138	858
Direct costs relating to realized, unrealized and potential business acquisitions	780	494
Litigation settlement (a)		1,648
Other	31	337
	4,123	5,426

(a) On July 3, 2014, the Company finalized an agreement to settle litigation under which it was the subject of a motion for partial cancellation of an arbitration award in June 2009 and an appeal of a 2013 Superior court ruling. The Company has reached agreement with the counterparty to definitively conclude all outstanding cases. Under this settlement, the Company recognized a $1,175,000 charge to earnings in the third quarter.

Additionally, the Company reached an agreement with the Canada Revenue Agency ("CRA") relating to the CRA's objection to the tax consequences of the conversion of its income trust structure into a business corporation in August 2009. Legal fees were incurred in this respect.

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	$	$
Trade accounts	85,298	103,399
Supplier rebates receivable	15,971	17,682
Other	3,082	3,648
	104,351	124,729

10. *PROPERTY, PLANT AND EQUIPMENT*

	Land	Furniture, warehouse equipment and vehicles	Road vehicles	Computer equipment	Leasehold improvements	Road vehicles under capital leases	Total
	$	$	$	$	$	$	$
Gross carrying amount							
Balance as at December 28, 2014	63	15,361	3,433	5,129	10,687	1,800	36,473
Acquisitions		686	19	271	668	2,142	3,786
Business combinations (Note 5)			(250)				(250)
Transfers		129	566	32		(566)	161
Disposals		(174)	(412)				(586)
Balance as at December 26, 2015	63	16,002	3,356	5,432	11,355	3,376	39,584
Depreciation							
Balance as at December 28, 2014		9,570	1,089	3,972	5,214	209	20,054
Depreciation		1,430	558	487	1,246	274	3,995
Transfers		129	87			(87)	129
Disposals		(174)	(255)				(429)
Balance as at December 26, 2015	–	10,955	1,479	4,459	6,460	396	23,749
Net carrying amount as at December 26, 2015	63	5,047	1,877	973	4,895	2,980	15,835

	Land	Furniture, warehouse equipment and vehicles	Road vehicles	Computer equipment	Leasehold improvements	Road vehicles under capital leases	Total
	$	$	$	$	$	$	$
Gross carrying amount							
Balance as at January 1, 2014	63	14,738	5,979	4,695	10,270		35,745
Acquisitions		700	90	416	417	1,800	3,423
Business combinations		188	763	73			1,024
Transfers				(55)			(55)
Disposals		(265)	(3,399)				(3,664)
Balance as at December 27, 2014	63	15,361	3,433	5,129	10,687	1,800	36,473
Depreciation							
Balance as at January 1, 2014		8,222	3,585	3,285	4,038		19,130
Depreciation		1,593	877	715	1,176	209	4,570
Transfers				(28)			(28)
Disposals		(245)	(3,373)				(3,618)
Balance as at December 27, 2014	–	9,570	1,089	3,972	5,214	209	20,054
Net carrying amount as at December 27, 2014	63	5,791	2,344	1,157	5,473	1,591	16,419

11. *INTANGIBLE ASSETS*

	Distribution software	Signing bonuses	Trademarks	Customer relations	Total
	$	$	$	$	$
Gross carrying amount					
Balance as at December 28, 2014	8,414	2,108	20,310	127,607	158,439
Acquisitions	916	2,682			3,598
Transfers	(32)				(32)
Impairment loss (Note 12)			(11,768)	(32,519)	(44,287)
Balance as at December 26, 2015	9,298	4,790	8,542	95,088	117,718
Amortization					
Balance as at December 28, 2014	5,393			59,371	64,764
Amortization	1,255	520		9,681	11,456
Impairment loss				(21,346)	(21,346)
Balance as at December 26, 2015	6,648	520	–	47,706	54,874
Net carrying amount as at December 26, 2015	2,650	4,270	8,542	47,382	62,844
Gross carrying amount					
Balance as at January 1, 2014	6,909		29,697	176,114	212,720
Acquisitions	1,457	2,108			3,565
Business combinations (Note 5)				6,390	6,390
Transfers	55				55
Impairment loss (Note 12)			(9,387)	(54,897)	(64,284)
Disposals	(7)				(7)
Balance as at December 27, 2014	8,414	2,108	20,310	127,607	158,439
Amortization					
Balance as at January 1, 2014	4,350			77,258	81,608
Amortization	1,022			13,673	14,695
Transfers	28				28
Impairment loss				(31,560)	(31,560)
Disposals	(7)				(7)
Balance as at December 27, 2014	5,393	–	–	59,371	64,764
Net carrying amount as at December 27, 2014	3,021	2,108	20,310	68,236	93,675

12. *GOODWILL*

	2015	2014
	$	$
Goodwill		
Balance, beginning of year	94,569	115,065
Business combinations (Note 5)	376	2,520
Impairment loss	(10,815)	(23,016)
Balance, end of year	84,130	94,569

Impairment testing of goodwill and trademarks

For the purpose of annual impairment testing, goodwill and the trademarks have been attached to the following cash-generating units (CGU), that is the units that are expected to benefit from the synergies of the business combinations.

	2015		2014	
	Goodwill	Trademarks	Goodwill	Trademarks
	$	$	$	$
Boucherville Division	63,676	6,700	63,676	7,200
CFD Division			10,149	11,268
Norref Division	20,454	1,842	20,454	1,842
Décarie Division			290	
	84,130	8,542	94,569	20,310

Goodwill and the trademarks are tested for impairment at each year-end. The recoverable amount of the CGUs is determined using their value-in-use. To measure value in use, the Company established cash flow projections for the first five years on the basis of budgets and the strategic plan approved by the Board of Directors. Cash flow projections beyond the period covered by the budgets and the strategic plan were determined using a steady growth rate for subsequent years; this growth rate does not exceed the long-term average growth rate for the Company's segments. These projections have been prepared using both historical data and future trends which the Company expects.

Management's retained assumptions in performing the impairment tests were based on the growth rates in the sales of the various divisions, as shown below:

	2015		2014	
	Average for first 5 years	Following years	Average for first 5 years	Following years
Growth rate				
Boucherville Division	(0.2 %)	0.7 %	0.3 %	0,0 %
Summit Division			4.7 %	2.0 %
CFD Division	1.5 %	2.0 %	5.1 %	2.0 %
Norref Division	4.3 %	2.0 %	6.9 %	2.0 %
Décarie Division	(1.8 %)	2.0 %	3.3 %	2.0 %

12. *GOODWILL (Continued)*

The Company's valuation model also takes into account of changes in working capital and the necessary investments in property, plant and equipment to maintain the assets in each of the CGU groups.

Pre-tax rates of 13.3% to 15.0% (13.3% to 15.2% as at December 27, 2014) were used to discount expected cash flows. These rates reflect the current market assessment of the time value of money and the risks specific to the asset.

The Company regularly reviews the allocation of net assets and corporate assets between CGUs based on changes in its strategic plan. Based on this review, the net assets of the Marcotte Division were added to the net assets of the CFD Division in light of the transfer of the Trois-Rivières activities to Quebec City during the year.

The Company has concluded that the recoverable amount, based on value-in-use, of certain CGUs was less than the carrying amount. Accordingly, it recognized an impairment loss during 2015 and 2014, detailed as follows.

2015

– Impairment loss on goodwill, trademark and customer relations of $10,525,000, $11,268,000 and $11,173,000 respectively for the CFD Division;

  The trademark behind the notority of the brand "Bertrand" in the Quebec region is no longer used. The Division is now operating under the name "Colabor Food Distributor".

  In light of declining sales in the restaurant sector realized in Quebec in 2015, the competition, the appearance of customer groups and the high turnover of key employees resulted in an impairment loss on goodwill and customer relations.

– Impairment loss on a trademark that is hardly ever used of $500,000 for the Boucherville Division.

– Impairment loss on goodwill of $290,000 for the Décarie Division from the anticipated declining sales due to inflation in the price of meat.

2014

– Impairment loss on goodwill, trademark and customer relations of $14,771,000, $9,387,000 and $23,337,000 respectively for the Summit Division;

– Impairment loss on goodwill of $8,245,000 for the Boucherville Division.

The recoverable value of he impaired CGUs is detailed as follows:

	2015	2014
	$	$
CFD	30,418	
Boucherville	112,167	108,999
Summit		39,356
Décarie	18,908	

12. *GOODWILL (Continued)*

Based on a sensitivity analysis, no reasonably possible change in the assumptions would have caused a CGU's carrying amount to exceed its recoverable amount.

13. *DEFERRED INCOME TAX ASSETS AND LIABILITIES*

Deferred income tax assets and liabilities relating to the deductible and taxable temporary differences and the unused tax losses have been recognized in the consolidated statements of financial position.

The changes in deferred income tax assets and liabilities, without giving effect to offsetting balances for the same taxing authorities, are as follows:

					2015
	Balance, beginning of year	Business combinations and share issue	Earnings	Other comprehensive income	Balance, end of year
	$	$	$	$	$
Deferred non-capital losses	2,567		518		3,085
Property, plant and equipment	(598)		(674)		(1,272)
Intangible assets	(9,059)		7,399		(1,660)
Equity investment in Colabor Investments Inc.	213		251		464
Goodwill	(1,899)		421		(1,478)
Share and debenture issue expenses	129		39		168
Provisions	1,378		(44)		1,334
Other	1,186		(306)	(5)	875
Deferred income tax assets (liabilities)	(6,083)		7,604	(5)	1,516

13. *DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)*

					2014
	Balance, beginning of year	Business combinations and share issue	Earnings	Other comprehensive income	Balance, end of year
	$	$	$	$	$
Deferred non-capital losses	17,213		(14,646)		2,567
Property, plant and equipment	134		(732)		(598)
Intangible assets	(20,213)		11,154		(9,059)
Equity investment in Colabor Investments Inc.	(95)		308		213
Goodwill	(3,322)	(427)	1,850		(1,899)
Share and debenture issue expenses	(277)		406		129
Provisions	1,461		(83)		1,378
Other	(308)		1,227	267	1,186
Deferred income tax assets (liabilities)	(5,407)	(427)	(516)	267	(6,083)

The difference between the effective income tax rate and the combined federal and provincial income tax rate in Canada is attributable to the following:

	2015	2014
	$	$
Loss before income taxes	(41,725)	(65,608)
Combined federal and provincial income tax rate	26.74 %	26.74 %
Expected tax expense	(11,157)	(17,544)
Income tax rate adjustment		(31)
Non-taxable items	(59)	(77)
Non-tax deductible items	3,284	3,755
Adjustment of tax attributes	(217)	70
Loss of tax attributes		15,149
Non-deductible portion of the loss on investment	231	308
Other	(43)	52
Tax expenses	(7,961)	1,682

As at December 26, 2015, the Company has capital losses amounting to $2,375,000 for which no deferred tax asset has been recognized.

In 2013, the Company received a draft notice of reassessment from the Canada Revenue Agency (CRA) contesting the tax consequences of its conversion from an income trust structure to a corporation in August 2009 (hereafter the "Conversion").

13. *DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)*

On October 2, 2014, the Company reached an agreement with the CRA relating to the CRA's objection to the tax consequences of the conversion of Colabor's 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 of the Company's deferred tax assets was recognized in the consolidated statement of earnings for the year ended December 27, 2014. This expense takes account of a similar agreement to be reached with Revenu Québec.

On July 22, 2015, the Company concluded a similar agreement with the Agence du revenu du Québec.

14. *OPERATING LEASES AND COMMITMENTS*

The Company has entered into various leases expiring through to December 2025, which call for minimum lease payments of $73,404,000. The Company's obligation under one of these leases is secured by a $1,014,000 letter of guarantee. Minimum lease payments under the Company's operating leases are as follows:

	2015	2014
	$	$
Less than 1 year	14,986	15,657
1 to 5 years	42,750	46,656
Over 5 years	15,668	9,938
	73,404	72,251

Operating lease payments recognized in expenses during the year total $16,453,000 ($16,132,000 in 2014). These are the minimum lease payments. No sub-leasing or conditional lease payments have been made or received. No sub-leasing income is expected since all of the assets under lease are for the Company's exclusive use.

The Company's operating leases do not include any contingent rent clauses, nor are there any purchase options, escalation clauses or restrictions, such as those concerning dividends, additional debt and further leasing.

15. *BALANCES OF PURCHASE PRICE PAYABLE*

Balances of purchase price relating to business acquisitions are detailed as follows:

	2015	2014
	$	$
Non-interest bearing		869
		869
Instalments due within one year		869
Instalments due in more than one year	–	–

16. *OBLIGATIONS UNDER LEASES*

	2015	2014
	$	$
Obligations under finance leases for road vehicles, 1.7% to 6.9% expiring between 2015 and 2022	2,873	1,309
	2,873	1,309
Instalments due within one year	497	445
Instalments due in more than one year	2,376	864

Minimum lease payments over the coming years under the finance leases and the balance of the obligations are as follows:

Years ending	
December 31, 2016	603
December 30, 2017	630
December 29, 2018	630
December 28, 2019	422
December 26, 2020	353
Subsequent years	611
Total minimum lease payments under finance leases	3,249
Interest expense included in minimum payments	(376)
Balance of obligations	2,873

17. *PROVISIONS*

	2015	2014
	$	$
Balance, beginning of year	5,155	5,476
Revision of assumptions	1,138	858
Accretion expense	235	247
Provisions used during the year	(1,538)	(1,426)
Balance, end of year	4,990	5,155
Current	1,174	1,655
Non-current	3,816	3,500

Following an internal restructuring of operations in 2013, the Company recognized provisions for onerous contracts using average weighted discounting rates of 2.23 % and 3.28 % in respect of non-cancellable operating leases for the distribution centres whose operations were discontinued. The provisions were estimated on the basis of contractual obligations at the time they were taken and sub-leasing income assumptions using market data. The remaining term of the leases in question ranges from 6 to 8 years.

18. *BANK BORROWINGS*

18.1 Credit facility

On January 31, 2014, the Company finalized two agreements to refinance its credit facilities and long-term debt.

First, a banking syndicate granted to the Company a maximum credit facility of $140,000,000 for a three-year term. By mutual agreement, the credit facility may be increased by an additional $30,000,000. It matures in January 2017 and is secured by a first-ranking hypothec on the Company's present and future assets. Amounts borrowed from the credit facility come in various forms and the interest rate varies based on the type of loan. As at December 26, 2015, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 3.00% and 3.70% (December 27, 2014: 3.30% and 3.75%).

The Company was also granted term credit facilities of a total amount of $18,000,000 to be used for specific purposes and repayable over 24 months starting on the date they are used, as applicable. The Company used $12,000,000 of this credit facility. During the year, $6,000,000 was repaid ($5,000,000 in 2014). It is secured by a first-ranking hypothec on the amount of the Company's present and future assets and is payable in monthly capital instalments of $500,000. As at December 26, 2015, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between (4.0% and 4.70% (December 27, 2014: 4.30% and 4.75%).

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

Under certain circumstances, the Company is required to respect a ratio. As at December 26, 2015, this ratio has been respected.

As at December 26, 2015 and December 27, 2014, letters of guarantee amounting to $1,014,000 were used for a commitment.

18.2 Average bank loan

Based on the nature of its commercial agreements, the Company is subject to significant fluctuations in its daily bank loan. The average daily bank loan was a measure used in the past to comply with certain ratios and covenants. For the years ended December 26, 2015 and December 27, 2014 the average bank loan was $99,556,000 and $93,039,000 respectively.

19. *LONG-TERM DEBT*

In connection with its bank refinancing in 2014, the Company entered into a loan agreement for a total capital amount of $42,500,000. The loan agreement was signed with the banking syndicate made up of several creditors. A $12,500,000 portion is secured by a second-ranking hypothec on the Company's present and future assets. One of the lenders has an option to become a secured creditor at any time upon written notice. Under the terms of the agreement, the average rate of the long-term debt was increased from 9.1% to 9.8% in January 2015 for the remaining term of the agreement.

19. *LONG-TERM DEBT (Continued)*

	2015	
	Par value	Carrying amount
Debt, 9.8%, maturing on February 1, 2018, issued on January 31, 2014	$	$
Balance, beginning of year	42,500	42,181
Non-cash portion of effective interest on long-term debt		114
Balance, end of year	42,500	42,295

	2014	
	Par value	Carrying amount
Debt, 9.1%, maturing on February 1, 2018, issued on January 31, 2014	$	$
Initial disbursement on January 31, 2014 (net of transaction costs)	42,500	42,087
Non-cash portion of effective interest on long-term debt		94
Balance, end of year	42,500	42,181

	2014	
	Par value	Carrying amount
Unsecured debt, 6.5%, maturing on December 28, 2011	$	$
Balance, beginning of year	15,000	14,737
Non-cash portion of effective interest on long-term debt		5
Write-off of deferred transaction costs following debt repayment		258
Balance repaid	(15,000)	(15,000)
Balance, end of year	–	–

The effective rate of the long-term debt is 7.13%. This debt was repaid in full during the year ended December 27, 2014.

20. *DEBENTURES*

5.7% convertible debentures, maturing on April 30, 2017, issued on April 27, 2010

The debentures maturing on April 30, 2017 bear interest at the rate of 5.7% and are payable semi-annually. The effective interest rate is 7.54%. The debentures are convertible at the holder's option into shares at a conversion rate of 59.347 shares per $1,000 of debenture capital, that is a conversion price of $16.85 per share. Under certain circumstances, the Company could have redeemed some or all of the debentures in advance after April 30, 2015. There were no advance redemptions during the year ended December 26, 2015.

20. *DEBENTURES (Continued)*

	2015		
		Carrying amount	
	Par value	Debentures	Conversion option
	$	$	$
5.7% convertible debentures, maturing on April 30, 2017, issued on April 27, 2010			
Balance, beginning of year	50,000	48,086	1,742
Non-cash portion of effective interest on debentures		773	
Balance, end of year	50,000	48,859	1,742

	2014		
		Carrying amount	
	Par value	Debentures	Conversion option
	$	$	$
5.7% convertible debentures, maturing on April 30, 2017, issued on April 27, 2010			
Balance, beginning of year	50,000	47,373	1,742
Non-cash portion of effective interest on debentures		713	
Balance, end of year	50,000	48,086	1,742

21. *SHARE CAPITAL*

Authorized

Unlimited number of participating, voting common shares without par value.

Unlimited number of preferred shares issuable in series, whose designation, rights, restrictions and conditions related to each series shall be established at issue time.

Issued and fully paid common shares

	2015		2014	
	Number	$	Number	$
Outstanding, beginning of year	27,480,966	209,972	27,089,321	208,622
Issued in connection with an acquisition (see Note 5)			391,645	1,350
Outstanding, end of year	27,480,966	209,972	27,480,966	209,972

There were no outstanding preferred shares during the periods covered.

22. *EMPLOYEE REMUNERATION*

22.1. Employee benefits expense

	2015	2014
	$	$
Salaries	73,248	69,261
Fringe benefits costs	15,680	14,944
Expenses for stock-based compensation plans	317	237
Pensions – defined benefit plans	313	251
Pensions – defined contribution plans	1,245	1,164
Pensions – government defined contribution plans	3,259	3,114
	94,062	88,971

22.2. Stock-based compensation

Stock option plan

The Company adopted a stock option plan (hereafter the "Option Plan") authorizing its Board of Directors to issue stock options entitling its directors, officers and employees to acquire common shares of the Group (hereafter the "Shares"). The Company's Board of Directors implemented this plan in 2010.

The maximum number of Shares of the Company that can be issued pursuant to options awarded under the Option Plan is equivalent to 10% of the number of the Company's outstanding Shares at the time of the award, and the total number of Shares of the Company reserved to award options to a single person cannot be greater than 5% of the Shares of the Company. Since the Option Plan does not provide for a set maximum number of Shares of the Company that can be issued thereunder, it will have to be re-approved by the shareholders of the Group every three years from the date of the Annual Meeting of the Group.

The price for which the Shares of the Company may be subscribed pursuant to any option granted under the Option Plan of the Company is the market price. For the purposes of the Option Plan, "market price" means the volume weighted average trading price for the Shares of the Company during five trading days on the TSX prior to the applicable date of grant.

Unless the Board of Directors of the Company determines otherwise on the date of grant, any option granted will be vested and become exercisable by the eligible participant who has been granted an option (hereafter an "Optionee") in four equal tranches on the first, second, third and fourth anniversary of date of grant. The Optionee may then exercise any vested option at any time no later than the tenth anniversary of the date of grant or such earlier date fixed by the Board of Directors (hereafter the "Expiry Date") and all unexercised options shall expire and terminate and be of no further force or effect whatsoever following such Expiry Date.

If approved by the Board of Directors of the Company, in lieu of paying the applicable exercise price, an Optionee may elect to acquire the number of Shares of the Company determined by subtracting the applicable exercise price from the market price of the Shares of the Company on the date of exercise, multiplying the difference by the number of Shares of the Company in respect of which the option was otherwise being exercised and then dividing that product by such market price.

22. *EMPLOYEE REMUNERATION (Continued)*

The weighted average fair value of the options granted in 2015 of $0.40 per option has been estimated at the award date using a binomial option pricing model using the following weighted average assumptions for options granted during the period:

Risk-free interest rate	0.92%
Expected volatility of shares	50%
Expected annual dividend	$0,00
Expected term	5.5 years
Share price at date of grant	$1.06
Exercise price at date of grant	$1.04

The underlying expected volatility was determined by reference to historical data of the Shares over a period of time since 2011.

The weighted average fair value of the options granted in 2014 of $0.78 per option has been estimated at the award date using a binomial option pricing model using the following weighted average assumptions for options granted during the period:

Risk-free interest rate	1.61 %
Expected volatility of shares	33%
Expected annual dividend	$0.24
Expected term	5.5 years
Share price at date of grant	$4.12
Exercise price at date of grant	$3.70

The underlying expected volatility was determined by reference to historical data of the Shares over a period of time since 2009.

A summary of the Company's stock option plan and the changes occurred during the years is presented in the following table:

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number		Number	
Outstanding at the beginning	939,400	5.72 $	584,000	8.53 $
Awarded	955,000	1.04 $	500,000	3.70 $
Expired	(50,000)	3.70 $	(144,600)	10.10 $
Outstanding at the end	1,844,400	3.35 $	939,400	5.72 $
Exercisable options	398,225	7.05 $	188,750	8.94 $

22. *EMPLOYEE REMUNERATION (Continued)*

The following table presents the information related to the outstanding stock options as at December 26, 2015:

Exercise price	Maturing date	Number of outstanding options	Number of exercisable options
$12.10	April 30, 2017	61,500	61,500
$7.59	May 2, 2019	131,100	98,325
$7.75	March 23, 2020	206,800	103,400
$4.43	July 29, 2020	40,000	20,000
$3.70	May 8, 2021	450,000	115,000
$1.04	June 2, 2022	955,000	
		1,844,400	398,225

Performance stock unit plan

Under the terms of the Company's performance stock unit (PSU) plan, introduced on April 28, 2010, common shares may be granted to certain employees of the Company. A trustee appointed to administer the PSU plan purchases common shares on the market as necessary and holds them until such time as ownership is vested to each participant. The common shares vest after a maximum three-year period, on the basis of incentive targets. On the vesting date, PSU plan participants will receive dividends on all common shares held on their account between the grant date and the applicable vesting date. Unvested common shares will be forfeited if the participant resigns for a reason other than his retirement or is terminated for just cause prior to the applicable vesting date. In such an event, these common shares will be sold and the proceeds returned to the Company. Dividends on these common shares will also be remitted to the Company.

On March 23, 2013 and May 1, 2014, the Company granted 77,800 and 73,200 common shares respectively under the terms of the PSU plan. The PSUs vest after a maximum three-year period, on the basis of target increases in pre-tax earnings per common share. The number of PSUs acquired by participants is determined by multiplying the number of PSUs granted by a maximum factor of 1.5.

As at December 26, 2015, 119,600 common shares may be acquired by plan participants at the share bid price.

Directors' share unit plan

Since April 28, 2010, the Company has a directors' share unit (DSU) plan for its external directors. Under the terms of this plan, the directors may elect to receive 50%, 75% or 100% of their fees receivable as directors in the form of DSUs. When a director opts for this plan, the Company credits to the director's account the number of units corresponding to the deferred compensation, divided by the average closing market price of the common shares during the five days immediately preceding the last day of each of the Company's quarters. DSUs granted under the DSU plan are redeemable and their value is payable only when the DSU holder has ceased to be a director of the Company.

22. *EMPLOYEE REMUNERATION (Continued)*

No DSUs have been granted under this plan.

The compensation cost expensed pursuant to these plans is detailed as follows:

	2015	2014
	$	$
Expenses – stock option plan	317	237

22.3 Pension obligation and employee future benefits

As at December 26, 2015, the Company has a defined benefit pension plan and contributes to group defined contribution plans.

The defined benefit pension plan is offered to 80 employees only and not available to new employees. Under the terms of this plan, a certain percentage of salary is converted into pension components each year. Pension benefits under this plan are paid when the beneficiary reaches retirement age.

Information about the defined benefit pension plan is as follows:

	2015	2014
	$	$
Accrued benefit obligation		
Balance, beginning of year	8,671	6,826
Current service costs	252	224
Finance costs	360	351
Employee contributions	70	72
Benefits paid	(123)	(143)
Actuarial gains or losses		
Change in financial assumptions	(74)	1,341
Balance, end of year	9,156	8,671

	2015	2014
	$	$
Plan assets		
Fair value, beginning of year	7,265	6,306
Interest income	300	325
Actual return in excess of interest income	19	233
Employer contributions	355	473
Employee contributions	70	72
Administrative expenses	(1)	(1)
Benefits paid	(123)	(143)
Fair value, end of year	7,885	7,265
Funded status – Deficit and pension obligation	(1,271)	(1,406)

22. *EMPLOYEE REMUNERATION (Continued)*

The plan assets are composed of the following for each of the 2015 and 2014 years:

				2015
	Listed	Unlisted	Total	%
Cash and cash equivalents				
Corporate	7		7	
Cash resources	616		616	
	623		623	8%
Equity instruments				
Financial	1,139		1,139	
Discretionary consumer	505		505	
Industrial	488		488	
Energy	485		485	
Information technology	465		465	
Health care	377		377	
Consumer goods	349		349	
Telecommunications	218		218	
Equipment	227		227	
Public utilities	93		93	
Other	124		124	
	4,470		4,470	57%
Debt instruments				
Government	1,335		1,335	
Corporate bonds	1,106		1,106	
	2,441		2,441	31%
Real estate				
Office		118	118	
Retail sales		105	105	
Multiple-unit industrial rental building		92	92	
Single tenant industrial rental building		49	49	
Other		(13)	(13)	
		351	351	4%
Total assets	7,534	351	7,885	100%

22. *EMPLOYEE REMUNERATION (Continued)*

				2014
	Listed	Unlisted	Total	%
Cash and cash equivalents				
Corporate	14		14	
Cash resources	448		448	
	462		462	6%
Equity instruments				
Financial	1,150		1,150	
Discretionary consumer	433		433	
Industrial	471		471	
Energy	616		616	
Information technology	366		366	
Health care	345		345	
Consumer goods	260		260	
Telecommunications	159		159	
Equipment	280		280	
Public utilities	79		79	
Other	126		126	
	4,285		4,285	59%
Debt instruments				
Government	1,249		1,249	
Corporate bonds	950		950	
	2,199		2,199	30%
Real estate				
Office		114	114	
Retail sales		77	77	
Multiple-unit industrial rental building		96	96	
Single tenant industrial rental building		50	50	
Other		(18)	(18)	
		319	319	4%
Total assets	6,946	319	7,265	100%

The net pension expense of the defined benefit pension plan is as follows:

	2015	2014
	$	$
Current service costs	252	224
Net interest	60	26
Administrative expenses	1	1
Amount recognized in earnings	313	251

22. *EMPLOYEE REMUNERATION (Continued)*

The remeasurement of the pension obligation is as follows:

	2015	2014
Actuarial variance	$	$
Change in financial assumptions	74	(1,341)
Actual return in excess of interest income	19	233
Amount recognized in other comprehensive income	93	(1,108)

The significant actuarial assumptions used by the Company are as follows:

	2015	2014
	%	%
Accrued benefit obligation		
Discount rate	4.05	4.05
Rate of compensation increase	2.75	3.20

The mortality rate assumption is based on mortality tables published in Canada, that is the CPM2014 mortality table for the private sector.

Based on historical data, the Company expects contributions in the range of $360,000 to be paid for year 2015.

23. *FINANCE COSTS AND FINANCE COSTS PAID*

	2015	2014
	$	$
Interest on bank borrowings	4,154	4,865
Interest on long-term debt	4,271	3,979
Effective interest on debentures	3,615	3,531
Accretion expense on onerous contracts provision	235	247
Accretion expense on balance of purchase price	131	49
Other	562	342
Finance charges	12,968	13,013
Non-cash portion of effective interest on long-term debt and debentures included in finance costs and write-off of deferred transaction costs on long-term debt	(887)	(1,070)
Credit facility renewal costs or change in credit facilities		35
Amortization of prepaid finance costs included in finance costs	(506)	(625)
Accretion expense on onerous contracts provision	(235)	(247)
Accretion expense on balance of purchase price	(131)	(49)
Finance costs paid	11,209	11,057

24. *DATA PER SHARE*

Loss per share

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

	2015	2014
	$	$
Loss	(33,764)	(67,290)
Weighted average number of outstanding shares used to calculate basic and diluted earnings per share	27,453,960	27,183,564
Basic and diluted loss per share	(1.23 $)	(2.48 $)

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the PSU plans were not included in the calculation of diluted net loss per share because they had an antidilutive effect.

Dividends

During the 2014 year, the Company declared dividends of $0.06 per share on March 13, 2014, May 1, 2014, July 17, 2014 and October 21, 2014, for a total amount of $6,525,000 in 2014. No dividends were declared for the 2015 year.

25. *NET CHANGE IN WORKING CAPITAL*

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

	2015	2014
	$	$
Trade and other receivables	19,289	(4,880)
Inventory	5,375	(9,058)
Prepaid expenses	110	(474)
Trade and other payables	(16,989)	20,970
Rebates payable	(2,180)	1,818
Deferred revenue	501	(105)
Pension obligation	(42)	(222)
	6,064	8,049

26. *ECONOMIC DEPENDENCE*

One customer in the Distribution Segment accounts for 16% of the Company's sales in 2015 (15% in 2014).

27. *RELATED PARTY TRANSACTIONS*

The Company's related party transactions include transactions with Colabor Investments Inc. and with the Company's key management and directors. Unless otherwise indicated, none of the transactions comprise special characteristics or terms and conditions and no guarantee has been provided or received. The balances are generally paid in cash.

27.1 Transactions with Colabor Investments Inc., an entity with significant influence over the Company (a)

	2015	2014
	$	$
Consolidated statements of earnings		
Rebates (b)	3,295	13,157
Consolidated statements of financial position		
Equity investment in Colabor Investments Inc.	926	2,803
Rebates payable	3,544	10,159

(a) Colabor Investments Inc. holds 5,087,439 common shares of the Group.

(b) Rebates equal 3% of sales to preferred customers and shareholders of Colabor Investments Inc., in accordance with various contracts governing the relationships between the Company and Colabor Investments Inc. since the Company's initial public offering in 2005, and are deducted from the cost of goods sold. The agreements with Colabor Investments Inc. ended on April 15, 2015.

27.2 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and the Executive Committee. Key management personnel remuneration includes the following expenses:

	2015	2014
	$	$
Short-term employee benefits		
Salaries, including bonuses and special allocations	2,162	3,038
Directors' fees	405	362
Fringe benefit costs	170	176
Total short-term employee benefits	2,737	3,576
Defined contribution pension plans	107	112
Share-based payments	211	237
Total remuneration	3,055	3,925

28. *FAIR VALUE OF FINANCIAL INSTRUMENTS*

28.1 Classes of financial assets and liabilities

The carrying amount and fair value of the financial instruments in the consolidated statements of financial position relate to the following classes of assets and liabilities:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Current				
Trade and other receivables	104,351	104,351	124,729	124,729
Loans receivable	131	131		
	104,482	104,482	124,729	124,729
Non-current				
Loans receivable	576	576		
Available-for-sale financial asset				
Non-current				
Equity investment in Colabor Investments Inc.	926	926	2,803	2,803

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial liabilities				
Financial liabilities at amortized cost				
Current				
Bank overdraft	4,106	4,106	8,782	8,782
Trade and other payables	85,549	85,549	101,832	101,832
Rebates payable	8,301	8,301	10,481	10,481
Bank borrowings	1,000	1,000	6,000	6,000
Balances of purchase price payable			869	869
Obligations under leases	497	497	445	445
	99,453	99,453	128,409	128,409
Non-current				
Bank borrowings	87,038	87,038	88,076	88,076
Obligations under leases	2,376	2,376	864	864
Long-term debt	42,295	41,912	42,181	41,482
Convertible debentures	48,859	47,230	48,086	45,834
	180,568	178,556	179,207	176,256

28. *FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)*

The fair value of trade and other receivables, the current portion of loans receivable, the bank overdraft, trade and other payables (excluding sales taxes to remit and compensation payable), rebates payable and the current portion of bank borrowings and balances of purchase price payable is comparable to the carrying amount given the short period to maturity, i.e. the time value of money is not significant.

The fair value of the equity investment in Colabor Investments Inc. was primarily determined using the bid price on the closing date for the underlying asset.

The fair value of the non-current portion of loans receivable is equivalent to the carrying amount since these are primarily loans that were granted during the year.

The fair value of the non-current portion of bank borrowings is equivalent to the carrying amount. The fair value was established by discounting the future cash flows using rates that the Company could currently obtain for financial liabilities with similar terms and conditions and maturities (classified in level 2 of the fair value hierarchy).

The fair value of the current and non-current portion of obligations under finance leases is comparable to the carrying amount since they were entered into in 2015 and 2014.

The fair value of long-term debt and the liability component of the convertible debentures was determined by discounting future cash flows at 10.5% (10.0% as at December 27, 2014), the rate which the Company could currently obtain for non-convertible debentures with similar terms and conditions and maturities (classified in level 2 of the fair value hierarchy).

28.2 Financial instruments measured at fair value

Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments measured at fair value consist of the equity investment in Colabor Investments Inc. (Level 2). There were no transfers between Level 1 and Level 2 during the years.

29. *CAPITAL MANAGEMENT*

The Company's objective when managing its capital is to safeguard its assets and its ability to continue as a going concern, while maximizing its growth and providing a return to shareholders. As was the case in 2014, the Company's capital is composed of the bank overdraft, bank borrowings, the long-term debt, debentures and shareholders' equity. In addition to its conservative approach to safeguarding the balance sheet, the Company achieves this objective through the prudent management of internally-generated capital, by optimizing the use of capital at a lower cost and using capital to finance growth initiatives.

The Company intends to maintain a flexible capital structure that is consistent with the above objectives and in order to make adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may acquire shares for cancellation in connection with a normal course issuer bid, issue new shares, raise capital through debt instruments (secured, unsecured, convertible or other) or refinance current debt through various instruments with different characteristics.

30. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS*

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

The Company's main financial risk exposure and its financial risk management policies are detailed as follows:

Interest rate risk

The bank borrowings bear interest at variable rates and the Company is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest at variable rates. The Company manages its interest rate risk exposure through an appropriate mix of fixed-rate and variable-rate financial liabilities.

The sensitivity analysis includes items bearing interest at variable rates and indicates that a reasonably possible 1% fluctuation in the bank prime rate based on current market conditions would have a $987,000 impact on earnings and equity in 2015 ($826,000 in 2014).

Credit risk

The carrying amount on the consolidated statements of financial position of trade and other accounts receivable and loans receivable represents the maximum amount exposed to credit risk.

30. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)*

The Company's credit risk is primarily attributable to its trade accounts receivable and loans receivable. The credit risk related to trade accounts receivable is generally diversified. The Company requires a guarantee and letter of credit from some of its customers. Additionally, certain more risky customers are insured. As at December 26, 2015, the Company has guarantees for 7% of its trade accounts receivable (18% as at December 27, 2014). The Company's policy is to have each customer undergo a credit check.

The credit risk related to loans receivable is not diversified. The Company has a movable hypothec on the assets held by the borrower for some of its loans.

The Company examined its trade accounts receivable to detect any indications of impairment. It was determined that some trade accounts receivable were impaired and, accordingly, an allowance was recognized. Customers whose accounts are impaired are experiencing financial difficulties.
The aging of trade accounts receivable was as follows:

	2015	2014
	$	$
Current	83,145	97,567
Overdue from 1 to 60 days	2,153	5,420
Overdue more than 60 days		412
	85,298	103,399

The changes in the allowance for doubtful accounts recorded for trade accounts receivable are as follows:

	2015	2014
	$	$
Balance, beginning of year	2,246	1,652
Change attributable to business acquisitions	37	93
	2,283	1,745
Expenses for the year	1,904	1,343
Write-off of receivables	(2,213)	(842)
Balance, end of year	1,974	2,246

The Company's management considers that the credit quality of all financial assets described above that are not impaired or overdue is good.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and sources of financing in the form of authorized bank loans. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations. In light of the cash sources available to the Company, management believes that the liquidity risk is low.

30. *FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS (Continued)*

Undiscounted cash flows (including capital and interest) related to the Company's liabilities expire as follows:

	2015		
	Maturing in less than 12 months	Maturing in 1 to 5 years	Maturing in more than 5 years
	$	$	$
Bank overdraft	4,106		
Trade and other payables	85,549		
Rebates payable	8,301		
Bank borrowings	3,617	89,650	
Obligations under leases	603	2,646	
Long-term debt	4,180	44,938	
Convertible debentures	2,858	50,937	
	109,214	188,171	–

	2014		
	Maturing in less than 12 months	Maturing in 1 to 5 years	Maturing in more than 5 years
	$	$	$
Bank overdraft	8,782		
Trade and other payables	101,832		
Rebates payable	10,481		
Balances of purchase price payable	1,000		
Bank borrowings	8,831	87,460	
Obligations under leases	445	864	
Long-term debt	3,863	48,632	
Convertible debentures	2,850	53,795	
	138,084	190,751	–

31. *SUBSEQUENT EVENTS*

Rationalization plan

On January 26, 2016, the Company announced a plan to rationalize and optimize its operations. The plan, approved by the Board of Directors, is intended to further improve Colabor's operating efficiency and profitability despite difficult business conditions in the foodservice distribution industry, and to complete the integration of its acquisitions of recent years. This plan follows up the Board of Director's decision, announced on March 12, 2015, to suspend the declaration of a dividend in order to deploy more financial resources to its operations, while applying excess funds to debt repayment.

31. *SUBSEQUENT EVENTS (Continued)*

The plan encompasses most of Colabor's divisions and consists mainly of centralizing and consolidating certain operations at the head office of the Company or of its divisions. It will entail the elimination of approximately 120 jobs, or 8% of the Company's headcount. In addition to a reduction of current personnel, some vacant positions will be eliminated. Essentially reflecting these layoffs, Colabor will record a charge not related to current operations of approximately $3.0 million, before taxes, in its results for the first quarter of fiscal 2016.

Long-term debt

On March 16, 2016, a lender exercised its option to become a secured creditor by a second ranking hypothec on the Company's present and future assets. The long-term debt is now fully guaranteed. No other terms were amended.