COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOURTH QUARTER OF THE 2013 FISCAL YEAR

115-DAY PERIOD ENDED DECEMBER 31, 2013

MARCH 12, 2014

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1. Scope of MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor"), formerly Colabor Income Fund (the "Fund"), discusses the comprehensive income, financial situation and cash flows for the fourth quarter of the fiscal year ending December 31, 2013. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com.

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

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

2. Forward-looking Statements

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

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

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

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

August 25, 2009, further to the approval of the unitholders of the Fund, which was obtained at a special meeting held on August 19, 2009.

Additional information

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

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

4. Corporate Profile

Activities

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

Distribution Segment

This Segment includes the following operating activities:

1. Summit Foodservice (Summit) (Ontario Division)

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

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

This division, with about 600 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover about 550,000 square feet, allocated as follows:

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

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

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

3. Colabor Eastern Quebec and Maritimes Division

Colabor Eastern Quebec and Maritimes Division is a major distributor to foodservice and retail customers in the Québec City, Saguenay, eastern Quebec and northern New Brunswick regions and part of the North Shore and the Lower North Shore regions. It employs approximately 500 employees, distributes over 12,000 products from its two strategically located warehouses in Lévis, and Rimouski, totalling approximately 341,000 square feet. This division's customers consist primarily of restaurants, foodservice operators, specialty food stores, institutional accounts such as healthcare institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry goods, dairy products, fresh meat, fish and seafood, fruits and vegetables, disposables and sanitation products. It therefore offers its customers a "one-stop-shop" solution.

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

Norref is a fresh fish and seafood products importer and distributor in the province of Quebec and is recognized as the leading distributor of this type in Quebec.

Norref operates from a 40,000 square-feet warehouse in Montréal, and distributes a full range of fresh and frozen fish and seafood. Its diversified client base is comprised of supermarkets, restaurants, hotels, caterers and fish stores. It has about 210 employees and 50% of its sales are from medium-term contracts.

5. Lauzon Meats (Central Quebec Division)

Lauzon is a major distributor of Cargill beef brands such as Angus Pride, Sterling Silver, preparing and processing high quality meat products throughout the provinces of Quebec and Ontario. As a well-known and established distributor in Quebec, it holds a reputation for excellent products and experienced, skilled employees providing effective and flexible service to the restaurant and hotel industries. Lauzon operates from a recently renovated 68,000 square-foot HACCP-certified and federally-approved plant located in Montréal.

Wholesale Segment:

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

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

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

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

(a) From a profit on warehouse sales:
Through a mark-up of the cost price of its private brand-name products and by making purchases from manufacturers and suppliers before a price increase and subsequently selling such products at the manufacturer's new price.

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

The Centre, which employs about 100 people, operates a 371,120 square-feet distribution centre in Boucherville that could be expanded to 650,000 square feet.

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

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

5. Main Resources and Competencies:

5.1 Board of Directors

	Role	Occupation
Jacques Landreville	Chairman	Corporate Director
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Richard Lord, FCMA	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Stéphane Gonthier	Director	President and Chief Executive Officer, 99¢ Only Stores
Gilles C. Lachance	Director	Corporate Director
Paul Webb	Director	Executive Vice-President and General Manager, J.B. Cadrin, a division of Beaudry & Cadrin Inc.

5.2 Management

Claude Gariépy	President and Chief Executive Officer	Colabor Group Inc.
Jean-François Neault CPA, CMA, MBA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Marko Potvin	Vice-President Centralized Purchasing	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Denis Desaulniers, CRHA	Vice-President Human Resources and Communications	Colabor Group Inc.
Jack Battersby	President	Ontario Division
Geneviève Brouillette, CPA, CA	Vice-President and General Manager	Boucherville, Décarie, Norref & Lauzon Divisions
Claude Saillant	Vice-President and General Manager	Eastern Quebec and Maritimes Division

6. Performance Analysis

6.1 Earnings

Earnings, and their comparison with the comparable period of 2012, should be read in conjunction with the *Current Economic Situation* section presented further on in this MD&A and the following facts:

- The Company's sales and profit margins in some of its divisions continue to be impacted by the economic situation prevailing in eastern Canada and particularly in Quebec.
- As part of its continuing action plan, the Company incurred expenses not related to current operations due to the consolidation of its warehouse spaces in eastern Quebec, and reorganization expenses.
- On March 4, 2013, the Company concluded the acquisition of the assets of T. Lauzon. Lauzon's financial results are included in the Company's income from March 4, 2013 but not for the comparative 2012 quarter.
- The Company's sales have been negatively affected by two specific situations: the loss of a major contract and the discontinuation of a large portion of its tobacco product sales.

Consolidated Statements of Earnings

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

	2013-12-31 (115 days)		2012-12-31 (114 days)		Variance	
	$		$		$	
Sales of goods	**456,489**	**100.00%**	**464,280**	**100.00%**	**(7,791)**	**-1.68%**
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	444,728	97.42%	452,303	97.42%	(7,575)	-1.67%
Operating earnings before costs not relating to current operations, depreciation and amortization	11,761	2.58%	11,977	2.58%	(216)	-1.80%
Costs not relating to current operations	3,620	0.79%	5,284	1.14%	(1,664)	-31.49%
Depreciation of property, plant and equipment	1,651	0.36%	1,751	0.38%	(100)	-5.71%
Amortization of intangible assets	4,430	0.97%	4,226	0.91%	204	4.83%
	9,701	2.12%	11,261	2.43%	(1,560)	-13.85%
Operating earnings	2,060	0.46%	716	0.15%	1,344	187.71%
Finance costs	4,974	1.09%	3,999	0.86%	975	24.38%
Earnings before tax	(2,914)	-0.63%	(3,283)	-0.71%	369	S/O
Income taxes						
Current						
Deferred	(936)	-0.21%	(842)	-0.18%	(94)	S/O
	(936)	-0.21%	(842)	-0.18%	(94)	S/O
Earnings	(1,978)	-0.42%	(2,441)	-0.53%	463	S/O
Basic and diluted earnings per share	$(0.07)		$(0.11)			

Consolidated Statements of Earnings

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

	2013-12-31 (365 days)		2012-12-31 (366 days)		Variance	
	$		$		$	
Sales of goods	**1,439,470**	**100.00%**	**1,466,848**	**100.00%**	**(27,378)**	**-1.87%**
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	1,405,444	97.64%	1,427,742	97.33%	(22,298)	-1.56%
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	34,026	2.36%	39,106	2.67%	(5,080)	-12.99%
Costs not relating to current operations	11,990	0.83%	6,639	0.45%	5,351	80.60%
Depreciation of property, plant and equipment	4,908	0.34%	4,634	0.32%	274	5.91%
Amortization of intangible assets	14,250	0.99%	14,150	0.96%	100	0.71%
	31,148	2.16%	25,423	1.73%	5,725	22.52%
Operating earnings	2,878	0.20%	13,683	0.94%	(10,805)	-78.97%
Finance costs	12,286	0.85%	10,566	0.72%	1,720	16.28%
Earnings before tax	(9,408)	-0.65%	3,117	0.22%	(12,525)	-401.83%
Income taxes						
Current						
Deferred	(2,579)	-0.18%	344	0.02%	(2,923)	-849.71%
	(2,579)	-0.18%	344	0.02%	(2,923)	-849.71%
Earnings	(6,829)	-0.47%	2,773	0.20%	(9,602)	-346.27%
Basic and diluted earnings per share	$(0.26)		$0.12			

Sales

Sales consist of:

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

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

Inter-segment and inter-division sales are eliminated.

Sales (unaudited, in thousands of dollars)

	2013-12-31 (115 days)			2012-12-31 (114 days)								
	Total sales	Sales subsequent to acquisitions	Comparable sales	Total sales	Specific items	Adjustment for one day	Sales of a disposed division	Comparable sales	Variance total sales		Variance comparable sales	
	$	$	$	$	$		$	$	$	%	$	%
Distribution Segment	292 475	12 137	280 338	317 805	(33 627)	2 556	(2 497)	284 237	(25 330)	-8,0%	(3 899)	-1,4%
Wholesale Segment	164 014	20 837	143 177	146 475	0	990	0	147 465	17 539	12,0%	(4 288)	-2,9%
	456 489	32 974	423 515	464 280	(33 627)	3 546	(2 497)	431 702	(7 791)	-1,7%	(8 187)	-1,9%

	2013-12-31 (365 days)			2012-12-31 (366 days)								
	Total sales	Sales subsequent to acquisitions	Comparable sales	Total sales	Specific items	Adjustment for one day	Sales of a disposed division	Comparable sales	Variance total sales		Variance comparable sales	
	$	$	$	$	$	$	$	$	$	%	$	%
Distribution Segment	956 969	33 101	923 868	1 030 636	(91 660)	(2 556)	(9 051)	927 369	(73 667)	-7,1%	(3 501)	-0,4%
Wholesale Segment	482 501	53 745	428 756	436 212	0	(990)	0	435 222	46 289	10,6%	(6 466)	-1,5%
	1 439 470	86 846	1 352 624	1 466 848	(91 660)	(3 546)	(9 051)	1 362 591	(27 378)	-1,9%	(9 967)	-0,7%

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

Sales from acquisitions

Sales from acquisitions in the Distribution Segment are due to the acquisition of T. Lauzon Ltd., now renamed Lauzon Meats, a division of Colabor.

Sales in the Wholesale Segment are attributed to the fact that Viandes Décarie took over a large portion of the clientele of G. Lauzon following the closure of its operations as a result of hiring its sales force and purchasing its inventories.

Specific items

Specific items include the loss of a major Ontario-based distribution contract on April 1, 2013 as well as Colabor's decision to considerably reduce its non-profitable tobacco product distribution activities since the beginning of 2013.

Sales adjustment

Considering that the comparable periods do not have the same number of days as the current periods, adjustments were required. .

Decrease in sales

To be comparable, sales have been decreased from sales of the Skor Culinary Concepts Division which was sold during the last quarter of the 2012 fiscal year.

Operating earnings before costs not relating to operations, depreciation and amortization (which correspond to earnings before finance costs, depreciation, amortization and income tax expense (EBITDA))

EBITDA is composed of the following:

Gross Profit

Gross profit is composed of the following items:

- Wholesale Segment:
  Boucherville: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
  Décarie: Product acquisition costs plus a percentage negotiated according to current contracts or market rates.
- Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.
- Rebates from suppliers
  A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Operating expenses

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

EBITDA in the fourth quarter of 2013 is $11,761K or 2.58% of sales compared with $11,977K or 2.58% of sales in the previous-year’s quarter. The $216K or 1.8% decline in Q4 is mainly due to the loss of an important client and losses generated by the recent acquisition, largely compensated by improving gross margin and reducing operating expenses.

Measures announced and taken by the Company in 2013

The Company’s 2012 fourth quarter MD&A extensively described its 2012 measures and initiatives taken to reduce costs. These measures significantly decreased costs in 2013. However, the loss of a procurement contract of about $85M annually in Ontario as of April 2013 has offset this increase with respect to EBITDA.

Continuation of the action plan in 2013 to reduce operating costs

The Company is continuing to apply its action plan in 2013. Here are some actions it has taken:

Integration of acquisitions:

- Permanent closure of the Edmundston, New Brunswick distribution centre;
- Transfer of a large portion of G. Lauzon's customer base within the Viandes Décarie division;
- Transfer of meat-product purchasing from the Ontario Division and Eastern Quebec and New Brunswick to Lauzon.

Cost reductions:

- Repurposing of the Chicoutimi warehouse to optimize delivery logistics in that region;
- Review of operations of the Eastern Quebec and Maritimes Division, including equipment upgrades and warehouse logistics optimization.

Revenue:

- Launch of initiatives to stimulate organic growth and higher-margin sales;
- Completion of federal HACCP certification for the Norref distribution centre. Colabor expects to receive accreditation in the coming weeks which will open up more sales in Ontario;
- Review of supplier agreements and costs of goods;
- Accelerated growth of private brands

In the fourth quarter of 2012 MD&A, in relation to the measures taken in 2012, the Company assessed that its operating costs for the 2013 fiscal year would decrease by about $3.5M, and this goal has been achieved.

Costs not relating to current operations

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

These costs include:

Accounting provision for two retired warehouse leases	$7,094,000
Severance pay and restructuring costs	$1,020,000
Direct costs related to acquisitions	$247,000
Dividends received from Colabor Investments Inc.	($2,342,000)
At the end of 2012, Colabor Investments sold a major asset and realized a major gain which was paid to its shareholders as dividends. The Colabor Group holds 18% of Colabor Investments' shares.	
Impairment of the equity investment in Colabor Investments Inc.	$5,971,000
Considering that the investment in Colabor Investments is measured at fair value and that Colabor Investments has paid the gain realized on the sale of one of its assets as dividends, the Company recognized an impairment loss equivalent to the dividends received as this represents a permanent loss in value on this investment. In addition, due to the decline in value of the shares of Colabor Group held in Colabor Investments, an additional loss in value as been taken.	
Total	$11,990,000

Amendments to accounting policies and other change

Amendments to IAS 19 Employee Benefits

The amendments published in 2011 include a number of specific changes to the standard, the most significant of which are related to defined benefit plans. These changes eliminate the corridor approach and require recognition of gains and losses arising in defined benefit plans in the period in which they occur and simplify the recognition of changes in the plan assets and liabilities.

The changes to IAS 19 are effective for annual periods beginning on or after January 1, 2013 and apply retrospectively. IAS 19 was also amended in November 2013 to clarify the recognition of benefits that will be paid by employees or third parties to a defined benefit plan and that do not depend on the number of years of service. The amendments are effective for annual periods beginning on or after July 1, 2014 and earlier adoption is permitted. The Company has early adopted this amendment.

The major impacts of the application of the standard amended in 2011 and 2013 is a $2,057,000 increase in the pension obligation, a $514,000 decrease in deferred tax liabilities as at December 31, 2012 and a $1,543,000 and $742,000 decrease in equity as at December 31, 2012 and January 1, 2012.

Other change

As a result of a Superior Court decision regarding an acquisition in 2008 and the revision of the acquisition contract, the Company should have recognized interest on balances of purchase price payable. For the years ended December 31, 2013 and 2012 respectively, this change led to an increase in finance costs of $746,000 and $589,000 and a decrease in the deferred tax expense of $194,000 and $153,000 and earnings of $552,000 and $436,000. Additionally, for the years ended December 31, 2013 and 2012, this change led to a decrease in net earnings per share of $0.02 and $0.02 respectively. Furthermore, as at December 31, 2012 and 2011 respectively, this change led to an increase in accrued liabilities of $2,757,000 and $2,168,000, a decrease in deferred tax liabilities of $717,000 and $564,000 and an increase in the deficit of $2,040,000 and $1,604,000.

Recovery of deferred taxes

Deferred taxes recovery for the fourth quarter and current year results from the loss. The Company continues to use the method it has used since its conversion to a corporation in 2009.

With respect to the litigation with the Canada Revenue Agency concerning the use of the anti-avoidance law to refuse tax losses acquired during its conversion from an income trust to a corporation, the Company has sent its arguments to the Anti-avoidance Committee and is awaiting its decision.

Earnings per share

In reviewing Colabor's financial statements, investors should consider that the statement of earnings includes significant depreciation and amortization expenses for property, plant and equipment and intangible assets resulting from Colabor's acquisitions in recent years, deferred tax expenses (described above) and a non-cash portion of the implicit interest on debentures included in finance costs. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation.

The following table indicates the cash flow per share and dividend ratio calculation for 2013 compared with the same periods of 2012. It is mainly this latter calculation that makes it possible for investors to analyze whether the Company’s cash flows from current operations are sufficient and capable of supporting the dividend payment, since it is calculated on the basis of a complete period of activities, which eliminates seasonal variations. The first quarter is a perfect example.

After-tax cash flows per share

(unaudited, in thousands of dollars, except data per share)	2013-12-31 (115 days)	2012-12-31 (114 days)	2013-12-31 (365 days)	2012-12-31 (366 days)
	$	$	$	$
Cash flows from operating activities before income tax recovery (withholdings) and net change in working capital	10,667	8,672	31,331	34,735
Costs not relating to current operations impacting cash flows	(9)	3,584	1,267	4,939
Change in provisions	1,618		1,618	
Finance costs paid	(4,831)	(3,754)	(11,513)	(9,895)
Acquisition of property, plant and equipment	(615)	(982)	(4,782)	(3,158)
Acquisition of intangible assets	(401)	(46)	(538)	(509)
	6,429	7,474	17,383	26,112
Weighted average number of shares outstanding	27,062,315	23,088,315	26,387,279	23,079,252
After-tax cash flows per share	**$0.24**	**$0.32**	**$0.66**	**$1.13**
Current period portion of annual dividend declared	$0.08	$0.22	$0.36	$0.72
After-tax dividend payout ratio	**33%**	**69%**	**55%**	**64%**

6.2 Financial Position

Consolidated Statements of Financial Position
(in thousands of dollars)

	2013-12-31	2012-12-31
ASSETS	**$**	**$**
Current		
Trade and other receivables	114,803	113,495
Recoverable tax assets	2,853	2,800
Inventory	80,243	85,167
Prepaid expenses	1,996	3,143
Current assets	199,895	204,605
Non-current		
Equity investment in Colabor Investments Inc.	5,113	9,932
Property, plant and equipment	16,615	15,930
Intangible assets	131,112	142,358
Goodwill	115,065	115,065
Non-current assets	267,905	283,285
Total assets	467,800	487,890
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	6,828	5,994
Trade and other payables	84,684	137,427
Dividends payable		4,161
Rebates payable	8,663	11,738
Balances of purchase price payable	11,496	10,735
Deferred revenue	41	477
Provisions	1,111	
Current liabilities	112,823	170,532
Non-current		
Bank borrowings	108,684	88,008
Derivative financial instrument	78	67
Balances of purchase price payable		404
Long-term debt	14,737	14,665
Convertible debentures	47,373	46,703
Pension obligation	520	2,399
Provisions	4,365	
Deferred income tax liabilities	5,407	7,695
Non-current liabilities	181,164	159,941
Total liabilities	293,987	330,473
EQUITY		
Share capital	208,622	179,652
Deficit	(37,439)	(23,679)
Other components of equity	2,630	1,444
Total equity	173,813	157,417
Total liabilities and equity	467,800	487,890

The main changes in the December 31, 2013 balance sheet, compared to the December 31, 2012 balance sheet, relate to the acquisition of assets and assumption of liabilities of Lauzon, acquired on March 4, 2013 and the issuance of shares, as described in Note 5 to the financial statements.

As at December 31, 2013, 27,089,321 common shares were issued and outstanding.

6.3 Cash Flows

Consolidated Cash Flows (unaudited, in thousands of dollars)	2013-12-31 (115 days)	2012-12-31 (114 days)	2013-12-31 (365 days)	2012-12-31 (366 days)
	$	$	$	$
Operating activities				
Earnings before income taxes	(2,914)	(3,283)	(9,408)	3,117
Write-off of property, plant and equipment following an internal restructuring of operations		(253)		
Cost of internal restructuring		397		397
Depreciation of property, plant and equipment	1,651	1,751	4,908	4,634
Amortization of intangible assets	4,430	4,226	14,250	14,150
Change in provisions	(1,222)		5,476	
Dividends from Colabor Investments Inc.			(2,342)	
Depreciation of the equity investment in Colabor Investments Inc.	3,629		5,971	
Loss on the disposal of a wholly-owned subsidiary		519		519
Write-off of a client relationship following the loss of a client		1,181		1,181
Finance costs	4,974	3,999	12,286	10,566
Stock-based compensation plan expenses	119	135	190	171
	10,667	8,672	31,331	34,735
Income tax recovery (withholdings)	(158)	406	(53)	(379)
Net changes in working capital	(14,280)	32,961	(40,708)	16,947
Cash flows from operating activities	(3,771)	42,039	(9,430)	51,303
Investing activities				
Business acquisitions, net of cash acquired			(10,000)	(6,069)
Dividends received from Colabor Investments Inc.			2,342	
Disposal of a wholly-owned subsidiary		85		85
Purchase of property, plant and equipment	(615)	(982)	(4,782)	(3,158)
Disposal of property, plant and equipment	9		9	
Purchase of intangible assets	(401)	(46)	(538)	(509)
Cash flows from investing activities	(1,007)	(943)	(12,969)	(9,651)
Financing activities				
Bank borrowings	12,635	(30,022)	20,645	(8,140)
Issuance of common shares	(12)		28,615	
Dividends paid	(1,625)	(4,161)	(12,287)	(18,703)
Refund of advance received on dividends to be declared by Colabor Investments Inc.		1,722	(1,722)	1,722
Payment of balance of purchase price	(820)	(1,142)	(2,173)	(2,479)
Finance costs paid	(4,831)	(3,754)	(11,513)	(9,895)
Cash flows from financing activities	5,347	(37,357)	21,565	(37,495)
Net change in bank overdraft	569	3,739	(834)	4,157
Bank overdraft, beginning of period	(7,397)	(9,733)	(5,994)	(10,151)
Bank overdraft, end of period	(6,828)	(5,994)	(6,828)	(5,994)

Credit Facilities

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

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

Second, the Company reached a loan agreement for a total principal amount of $42.5M, $15M of which will be used to repay the loan concluded by the Company in December 2011. The balance will be used for working capital purposes.

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

Average indebtedness

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

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

For the fourth quarter, average daily indebtedness was $102M compared to $111M in Q3. The variance is due primarily to cash flows generated internally during the quarter before variance in working capital.

Average indebtedness for Q4-2013 vs. Q4-2012 is, respectively, $102M compared to $130M; a $28M decrease. The variance is mainly due to equity issued net of acquisitions, a decrease in working capital and the generation of free cash flows from dividend payments.

Dividends

Dividends of $4,161K and $4,876K were paid on January 15, 2013 and April 15, 2013 based on a quarterly dividend of $0.18 per share while a $1,625K dividend was paid on August 15, 2013 and November 15, 2013 respectively on the basis of a $0.06 per share quarterly dividend.

On June 17, 2013, the Company announced its decision to change its dividend policy in order to declare its dividends at the same time as the publication of its quarterly or annual financial results.

Accordingly, on March 12, 2014, the Company’s Board of Directors declared a quarterly dividend of $0.06 per common share payable on April 15, 2014 to shareholders of record as at March 31, 2014.

7. Summary of Past Quarters

('000)	2013-12-31 (115 days)	2013-09-07 (84 days)	2013-06-15 (84 days)	2013-03-23 (82 days)	2012-12-31 (114 days)	2012-08-09 (84 days)	2012-06-16 (84 days)	2012-03-24 (84 days)
	$	$	$	$	$	$	$	$
Sales	456,489	343,584	345,817	293,580	464,280	350,341	354,294	297,933
EBITDA	11,761	10,228	9,728	2,309	11,977	11,022	10,651	5,456
Earnings	(1,978)	(3,883)	2,390	(3,358)	(2,005)	3,047	2,903	(736)
Basic net earnings per share	$(0.07)	$(0.14)	$0.09	$(0.14)	$(0.09)	$0.13	$0.13	$(0.03)

8. Related Party Transactions

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

Subsequent to the conversion to a corporation, the conversion of debentures and subsequent issuance of shares, Investments now holds an undiluted 18.8% in Colabor Group Inc.

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

Related party transactions include the following:

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

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

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

Related party transactions

(unaudited, in thousands of dollars)	2013-12-31 (115 days)	2012-12-31 (114 days)	2013-12-31 (365 days)	2012-12-31 (366 days)
	$	$	$	$
Rebates	4,489	4,764	13,609	14,153
Rent		207		1,611

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about $1,039,000 in bank letters of guarantee, of which the main one of $1,014,000 supports the leasing of one of the Company's distribution centres.

10. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. The economic situation in these regions has slowed down, particularly in Quebec, which is primarily due to fairly anaemic consumption, curbed by tax and tariff increases, household debt and of job losses in Quebec. All of these aspects hinder discretionary household consumer spending.

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

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase, when circumstances permits, its entry into the food services market in Canada.

Consolidation of food distribution services

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

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

Related sectors

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

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

Geographic expansion

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

Outlook

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

11. Risks and Uncertainties

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

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

- *Dependence on affiliated-wholesalers*

  Sales generated by affiliated-wholesalers account for a significant portion (about 25%) of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor's earnings.

  This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses. However, there is no assurance that Colabor LP would be able to finance the exercise of such right of first refusal. Moreover, incentives are built into the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Colabor Investments Inc. to encourage the affiliated-wholesalers to increase their purchases from Colabor.

  As of today, Colabor has already signed, before the expiration of the actual contract in place, three of the affiliated-wholesalers, two of which are the most important wholesalers in the Colabor pool. In the longer term, these renewals represent approximately 33% of sales to the affiliated-wholesalers.

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

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

- *Customer choices*

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

- *Client indebtedness*

  A challenging economic situation could limit client credit for purchases and discretionary products, which could lead to a decrease in sales in the food services distribution sector.

- *Dependence on Cara and other chains*

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

- *Product recall*

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

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

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

Return on investment

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

Climate change

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

12. Significant Accounting Estimates

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

Allowance for excess or obsolete inventory

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

- *Accounting for rebates from suppliers*

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

- *Goodwill and intangible assets*

  Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in the recoverable amount, it is tested for impairment. This impairment test consists of a comparison of the recoverable amount of the cash-generating units ("CGU") with their carrying amounts. If the carrying amount of the CGUs exceeds their recoverable amounts, an impairment loss is recognized and is first applied on the Goodwill. The recoverable amount of a CGU is the higher of the fair value less costs to sell and value-in-use.

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

13. Contingent Liabilities

Colabor and each of its subsidiaries or corporate entities are not or were not party to material legal proceedings, and their property is not and was not the subject of material legal proceedings, during the year ended December 31, 2013. Colabor is not aware of any material legal proceedings outstanding, threatened or pending as of the date hereof by or against Colabor or its subsidiaries. However, in the context of an past acquisition, the Corporation is party to two proceedings, the first being a motion with the Superior Court of Quebec seeking the partial cancellation of an arbitration award rendered in June 2009 regarding the determination of the purchase price and claiming an additional amount of 5.7M$ and the second being an appeal with the Court of Appeal of Quebec on certain matters from a decision rendered by the Superior Court of Quebec in

December 2013 regarding the determination of interest and ancillary matters payable on the balance of the purchase price for an amount of approximately 1.9M$. The Corporation is of the view that these proceedings are not well founded and, consequently, no provision were provided for in the books in that respect.

Colabor or its subsidiaries are not and were not subject to, during the year ended December 31, 2013: (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities legislation or by a Canadian securities regulatory authority; (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; and (c) settlement agreements entered into with a court relating to Canadian securities legislation or with a Canadian securities regulatory authority.

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

As indicated in the December 31, 2013 MD&A, available on SEDAR at www.sedar.com, management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that its financial statements are prepared in accordance with IFRS. The President and CEO and the Vice-President and CFO assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design and operation of ICFR and DC&P as at December 31, 2013 and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient.

With respect to the acquisition of Lauzon (March 4, 2013), the Company has taken advantage of the provision NI 52-109 3.3(1)(b) to exclude the assessment of the design of DC&P for a maximum of 365 days.

Except with respect to this acquisition, the President and CEO and the Vice-President and CFO have concluded that no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting for the quarter ended on December 31, 2013.

Here is the financial information related to this acquisition for the quarter ended December 31, 2013.

Sales:	$14.0M
Operating earnings before depreciation and amortization:	$(1.2)M
Current assets:	$8.5M
Non-current assets:	$1.1M
Current liabilities:	$2.3M
Non-current liabilities:	$0.1M