GROUPE BMTC

CONSOLIDATED FINANCIAL STATEMENTS

2014

Raymond Chabot Grant Thornton

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

Telephone: 514-878-2691
Fax: 514-878-2127
www.rcgt.com

To the Shareholders of
BMTC Group Inc.

We have audited the accompanying consolidated financial statements of BMTC Group Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained 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 BMTC Group Inc. as at December 31, 2014 and 2013 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
February 12, 2015

[1] CPA auditor, CA public accountancy permit no. A116996

BMTC Group Inc.
Consolidated Comprehensive Income

Years ended December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share amounts)

	Notes	2014	2013
		$	$
Revenue		**701 356**	694 743
Cost of sales		**(423 298)**	(414 404)
Gross profit		**278 058**	280 339
Other income		**631**	679
Selling expenses		**(185 992)**	(183 397)
Administrative expenses		**(36 333)**	(35 167)
Operating profit		**56 364**	62 454
Realized and unrealized change in fair value of financial assets, held at fair value	16	**6 526**	5 575
Investment income	4	**2 142**	7 483
Earnings before income tax expense		**65 032**	75 512
Income tax (recovery) expense	5	**(16 385)**	(18 258)
Net earnings		**48 647**	57 254
Other comprehensive income			
Items that will not be reclassified to earnings			
Re-measurements of defined benefit pension plans	13	**33 184**	(28 037)
Income tax (recovery) expense relating to items that will not be reclassified		**(8 927)**	7 541
Other comprehensive income, net of tax		**24 257**	(20 496)
Total comprehensive income		**72 904**	36 758
Net earnings per share	17		
Basic		**1,08**	1,24
Diluted		**1,08**	1,24

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

BMTC Group Inc.
Consolidated Changes in Equity

Years ended December 31, 2014 and 2013
(In thousands of Canadian dollars)

	Notes	Capital stock	Retained earnings	Total equity
		$	$	$
Balance as at January 1, 2014		**3 579**	**194 303**	**197 882**
Share redemption		**(27)**	**-**	**(27)**
Share redemption premium		**-**	**(4 526)**	**(4 526)**
Dividends		**-**	**(10 807)**	**(10 807)**
Transactions with owners		**(27)**	**(15 333)**	**(15 360)**
Net earnings		**-**	**48 647**	**48 647**
Other comprehensive income		**-**	**24 257**	**24 257**
Comprehensive income		**-**	**72 904**	**72 904**
Balance as at December 31, 2014	**11**	**3 552**	**251 874**	**255 426**
Balance as at January 1, 2013		3 730	194 089	197 819
Share redemption		(151)	-	(151)
Share redemption premium		-	(25 609)	(25 609)
Dividends		-	(10 935)	(10 935)
Transactions with owners		(151)	(36 544)	(36 695)
Net earnings		-	57 254	57 254
Other comprehensive income (loss)		-	(20 496)	(20 496)
Comprehensive income		-	36 758	36 758
Balance as at December 31, 2013	11	3 579	194 303	197 882

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

BMTC Group Inc.
Consolidated Cash Flows

Years ended December 31, 2014 and 2013
(In thousands of Canadian dollars)

	Notes	2014	2013
		$	$
OPERATING ACTIVITIES			
Earnings before income tax expense		**65 032**	75 512
Adjustments	6	**(4 164)**	(12 720)
Net changes in working capital	6	**12 499**	3 485
Taxes paid		**(14 661)**	(17 845)
Cash flow from operating activities		**58 706**	48 432
INVESTING ACTIVITIES			
Acquisition of other financial assets		**(59 120)**	(25 320)
Proceeds from disposal of other financial assets		**39 638**	23 568
Purchase of property, plant and equipment		**(9 665)**	(7 992)
Proceeds from disposal of property, plant and equipment		**90**	137
Interest received		**484**	417
Dividends received		**1 617**	1 624
Cash flow from investing activities		**(26 956)**	(7 566)
FINANCING ACTIVITIES			
Payments for share redemption		**(4 553)**	(25 760)
Dividends paid		**(10 807)**	(10 935)
Cash flow from financing activities		**(15 360)**	(36 695)
Net change in cash		**16 390**	4 171
Cash, beginning of year		**17 105**	12 934
Cash, end of year		**33 495**	17 105

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

BMTC Group Inc.
Consolidated Statements of Financial Position

As at December 31, 2014 and 2013
(In thousands of Canadian dollars)

	Notes	2014	2013
		$	$
ASSETS			
Current			
Cash		**33 495**	17 105
Trade and other receivables		**3 599**	4 632
Current tax assets		**165**	639
Inventory		**82 722**	75 544
Prepaid expenses		**1 171**	940
Current assets		**121 152**	98 860
Non-current			
Other financial assets	7	**124 170**	98 058
Property, plant and equipment	8	**103 989**	101 715
Defined benefit plan	13	**13 039**	-
Deferred tax assets	5	**-**	7 663
Total assets		**362 350**	306 296
LIABILITIES			
Current			
Trade and other payables	12	**103 454**	84 579
Share-based compensation liability	11	**725**	519
Current liabilities		**104 179**	85 098
Non-current			
Defined benefit plan	13	**-**	22 931
Lease incentive		**231**	385
Differed tax liabilities	5	**2 514**	-
Total liabilities		**106 924**	108 414
SHAREHOLDERS' EQUITY			
Capital stock	11	**3 552**	3 579
Retained earnings		**251 874**	194 303
Total shareholders' equity		**255 426**	197 882
Total liabilities and shareholders' equity		**362 350**	306 296

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

The consolidated financial statements for the year ended December 31, 2014 (including comparatives) were approved and authorized for publication by the Board of Directors on February 12th, 2015.

On behalf of the Board,

(s) Yves Des Groseillers
Director

(s) Marie-Berthe Des Groseillers
Director

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

BMTC Group Inc. (hereinafter "BMTC"), is a holding company under the Business Companies Act (Quebec). Its registered office and principal place of business is 8500 Place Marien, Montréal East, Quebec, H1B 5W8. Its class "A" subordinate shares are listed on the Toronto Stock Exchange. BMTC, through its subsidiaries, ATBM Group Inc. and Ameublements Tanguay Inc. (collectively designated as the "Company") manages and operates a retail network of furniture, household appliances and electronic products in Quebec.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and the liability relating to share-based payments, which are established at fair value, and post-employment benefit assets or liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, less an adjustment to reflect application of the asset limit.

3. SUMMARY OF ACCOUNTING POLICIES

The accounting policies specified below have been applied consistently throughout all periods presented in the consolidated financial statements.

3.1 Changes in accounting policies

Future accounting standards

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 been adopted earlier by the Company.

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.

<u>Effective date – January 1, 2017 with earlier adoption permitted</u>

Revenues from contracts with customers

In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") jointly issued IFRS 15 "Revenue from contracts with customers", a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts", and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. The Company has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Effective date – January 1, 2018

Financial Instruments

In July 2014, the IASB issued a complete and final version of IFRS 9 “Financial Instruments”, replacing the current standard on financial instruments (IAS 39). IFRS 9 introduces a single, principle-based approach for the classification of financial assets, driven by the nature of cash flows and the business model in which an asset is held. IFRS 9 also provides guidance on an entity’s own credit risk relating to financial liabilities and has modified the hedge accounting model to align the economics of risk management with its accounting treatment. The standard results in a single expected-loss impairment model rather than an incurred losses model. The Company has not yet assessed the impact of this standard or determined whether it will adopt it earlier.

3.2 Basis of consolidation

The consolidated financial statements include the accounts of BMTC, the ultimate parent company, and those of the wholly-owned subsidiaries, ATBM Group Inc. and Ameublements Tanguay Inc. The accounting policies of the subsidiaries are consistent with those adopted by BMTC. BMTC and all of its subsidiaries have a financial yearend date of December 31.

Asset and liability balances and revenues and expenses from transactions between group companies, including unrealized gains and losses on transactions between consolidated entities, are eliminated in preparing the consolidated financial statements.

3.3 Foreign currency translation

The consolidated statement of financial position is presented in Canadian dollars, which is also the functional currency of the Company.

Foreign currency transactions are translated into the Company’s functional currency, using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates in effect at the reporting date. Other foreign currency non-monetary financial assets that are measured at fair value are translated into the functional currency using the exchange rate in effect on the date of determination of fair value. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at the reporting date are recognized in earnings.

The realized and unrealized appreciation of other financial assets designated at fair value through profit or loss recognized directly in profit or loss includes the related exchange component.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction.

BMTC Group Inc.
Notes to the Consolidated Financial Statements

December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share amounts)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.4 Segment reporting

In accordance with IFRS 8, *Operating Segments*, the Company presents and discloses information that is regularly reviewed by the President and the Board of Directors in assessing performance. The Company considers its retail activities as a single operating segment.

3.5 Revenue recognition

Revenue from merchandise sales is measured by reference to the fair value of consideration received or receivable by the Company and is presented in earnings net of estimated returns and rebates, and excluding sales taxes. Revenue is recognized when the significant risks and rewards of ownership and effective control of the goods has been transferred to the customer, i.e. upon delivery, the amount of revenue can be measured reliably, when is its probable that the economic benefits will flow to the Company, and the costs incurred or to be incurred can be measured reliably.

Revenue from extended service contracts is recognized at the time of the sale at the net amount of costs incurred by the Company with the service suppliers who will provide the services required by the Company's customers.

Investment income is recognized using the accrual basis of accounting, as follows:

– Interest is recognized based on the number of days the investment was held during the year and is calculated using the effective interest method;

– Dividends on listed share investments are recognized as of the ex dividend date.

3.6 Income taxes

The income tax expense comprises the sum of deferred tax and current tax. Income tax is recognized in earnings except to the extent it relates to items recognized in other comprehensive income or directly in 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 unpaid at the reporting date. Current tax is payable on taxable income, which differs from earnings in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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 tax is not provided on the initial recognition of goodwill, or of an asset or liability unless the related transaction is a business combination or affects tax or accounting income.

Deferred tax assets and liabilities are calculated, without discounting, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and which are

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. 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 liabilities are always provided for in full.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.7 Inventory

Inventory, which is composed almost exclusively of finished goods for retail sale, is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.8 Vendor rebates

Cash considerations received from vendors are a reduction of the price of the vendors' products and are accounted for as a reduction of cost of sales and related inventory respectively in the Company's consolidated statement of comprehensive income and consolidated statement of financial position.

Rebates are recognized when they are considered probable and can be reasonably estimated.

3.9 Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment with different useful lives are depreciated separately. Depreciation commences when an item of property, plant and equipment is available for use using the straight-line method over the following periods, in order to depreciate its cost less the residual value over its estimated useful life.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

	Periods
Land	Not depreciated
Parking lots	20 years
Buildings	2 to 50 years
Signs	5 years
Automotive equipment	7 years
Computer equipment	2 to 5 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years

The depreciation method, useful lives and residual values are reviewed annually.

3.10 Leases

Leases in which substantially all of the risks and rewards of ownership of the leased property are retained by the lessor are treated as operating leases. Payments in respect of operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.11 Lease incentive

A lease incentive received from a lessor to pay for leasehold improvements is recognized and amortized over the lease term and applied against the related rental expense with the unamortized balance being presented in non-current liabilities.

3.12 Impairment of property, plant and equipment

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 a cash-generating unit level.

Individual assets or assets combined into 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 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.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.13 Equity

Capital stock is the amount received on issuance and is presented net of the initial share issue income on redeemed shares.

Retained earnings include all current and prior period retained profits, net of share redemption premiums, dividends paid and the costs of share issues.

Dividends payable to shareholders are included in other payables when they have been declared before the reporting date.

3.14 Share-based employee remuneration

The Company has a share-based remuneration plan for certain directors and officers. According to the plan, an option holder can choose, at any time at the holder's sole discretion, to receive, from the Company, a cash payment equal to the number of shares for which the option is exercised, multiplied by the amount for which the market value of the share exceeds the exercise price, or to subscribe to a number of shares for which the option is exercised. The rights relating to the options are vested at the date of grant, and their maximum life is 10 years.

At the time of the award, these options are compound financial instruments, accordingly, the fair value is the total fair values of the debt and equity components. The Company first measures the fair value of the debt component and then the fair value of the equity component.

The Company recognizes the debt component, i.e. the stock appreciation rights, at fair value, determined using the Black-Scholes model and the fair value is measured on each reporting date. A corresponding remuneration cost is recognized in net earnings under administrative expenses.

At the time of the award, the fair value of the equity component is measured at zero. Accordingly, the fair value of the compound financial instrument is the same as the fair value of the debt component.

At the date of settlement, the Company must remeasure the liability to its fair value. If the Company issues equity instruments on settlement rather than paying cash, the liability is transferred directly to equity, as consideration for the equity instruments issued. If, on settlement, the Company pays in cash rather than by issuing equity instruments, that payment is applied to settle the liability in full.

3.15 Post-employment benefit expenses

The Company provides post-employment benefits through defined benefit plans as well as defined contribution plans.

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

BMTC Group Inc.
Notes to the Consolidated Financial Statements

December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share amounts)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The Company accrues its obligations under employee pension plans and the related costs, net of plan assets, as the services are rendered. The Company has adopted the following accounting policies:

- The Company’s defined benefit plan obligations are measured individually, estimating the amount of future benefits earned by employees for services provided in the current and prior periods. The actuarial valuation of defined benefit obligations uses the projected unit credit method. This determination incorporates management's best estimate of future salary levels, retirement ages of employees, mortality rates and other actuarial assumptions;

- The discount rates for defined benefit obligations are determined by reference to the market yield, at year end, on high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability;

- Revaluations, which include gains and losses on benefit obligations, the yield on plan assets in excess of interest income, the effect of the limit and the impact of minimum funding requirements, are recognized in other comprehensive income and consolidated retained earnings immediately without prior reclassification to net earnings;

- The defined benefit plan amount presented in the consolidated statement of the financial position is the difference between the present value of the defined benefit plan obligations and the fair value of the plan assets at the reporting date. When there is a defined benefit plan asset, the amount of the asset recognized cannot be greater than the present value of any future economic benefit available as a future plan reimbursement or decrease in future plan contributions. The economic benefit available is calculated as the difference between the present value of the accounting value of the current service cost of the employer and the current service cost of employer on a funded basis. This value cannot, however, be negative. Any minimum funding requirements applicable to the Company’s plans are taken into account to calculate the present value of economic benefits;

- An additional liability is recognized in the amount of the minimum funding requirement for defined benefit plans when the Company does not have an unconditional right to the surplus.

3.16 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. 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.

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

BMTC Group Inc.
Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except per share amounts)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

Likely inflows of economic benefits for the Company that do not yet meet the requirements recognition criteria of an assets are considered as contingent assets.

3.17 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 and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

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.

For the purpose of subsequent measurement, the Company's financial assets are classified into the following categories upon initial recognition:

– Loans and receivables
– Financial assets at fair value through profit or loss

The following table summarizes the financial instrument classification and valuation methods.

Item	Classification	Valuation Method
Cash	Loans and receivables	Amortized cost
Trade and other receivables [(1)]	Loans and receivables	Amortized cost
Other financial assets excluding the asset-backed commercial paper (MAV)	Fair value through profit or loss	Fair value
Asset-backed commercial paper (MAV)	Loans and receivables	Amortized cost
Trade and other payables [(1)]	Other financial liabilities	Amortized cost

(1) Excluding taxes receivable and payable and employee benefits which are not financial instruments

The category determines subsequent measurement and whether any resulting income and expense is recognized in net earnings or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are tested 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.

BMTC Group Inc.
Notes to the Consolidated Financial Statements

December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share amounts)

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

All income and expenses relating to financial assets that are recognized in net earnings are presented within realized and unrealized gains on financial assets at fair value or finance income, except for any impairment of trade receivables which is presented within administrative expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less an allowance for credit losses. Discounting is omitted where the effect of discounting is immaterial.

Individually material trade and other receivables are tested for impairment when they are overdue or there is objective evidence that a particular counterparty will not fulfil its obligations. Trade and other receivables that are not considered to be individually impaired are assessed collectively for impairment based on the industry and region of the counterparties and other known credit risk characteristics. The impairment estimate is then based on the recent history of the counterparty's defaults for each group identified.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Investments presented as other financial assets, excluding the MAV, have been designated at faire value through profit or loss because they are part of a portfolio included in management reports and are measured at fair value by management. Consequently, realized and unrealized gains and losses on these assets are recognized through profit or loss. Transaction costs related to held-for-trading financial assets are expensed as incurred.

Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

3.18 Judgments, estimates and assumptions

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.

BMTC Group Inc.
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3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Inventory valuation

The Company uses a high degree of judgement when estimating the effect of certain factors on the net realizable value of inventory, such as obsolescence and damages. The quantity, age and condition of inventory is measured and evaluated regularly during the period.

Estimated returns and vendor rebates

In determining the probability and estimation of returns and vendor rebates receivable, the Company uses actual purchases during the period, the degree of attainment of sales forecasts and contractual terms and conditions.

Useful lives of property, plant and equipment

Management reviews the useful lives of property, plant and equipment at each reporting date based on the expected utility of the assets. Actual results may, however, vary due to technical obsolescence, particularly for software and IT equipment.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available, that is for banker's acceptances, discount notes and MAV. The carrying amounts of these instruments and a price sensitivity analysis of other financial instruments are presented in Note 16. In applying the valuation techniques, management makes maximum use of observable data, and uses estimates and assumptions that are, as far as possible, consistent with data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses the best information available. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Share based payment liability

To estimate the share based payment liability and expense, an appropriate valuation model must be selected and the necessary data for the valuation model must be obtained. The Company has used the Black-Scholes valuation model to estimate the volatility of its shares, their estimated useful life and the exercise period of the stock options awarded. Refer to Note 11 for details on the carrying amount and other information on the stock based payment liability.

Provisions and contingent liabilities

Judgment is required to determine whether a past event has led to a liability that should be recognized in the consolidated financial statements or presented as a contingent liability. Judgement and estimates are applied to quantify such liabilities and are based on a variety of factors, such as the nature of the claim or conflict, legal proceedings, the potential amount payable, the advice of legal counsel, prior experience and the likelihood of a loss. Refer to Note 14 for details on the carrying amount and other information on provisions and contingent liabilities.

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3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Defined benefit pension plan cost and obligations

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit liability estimate is based on standard rates of inflation, mortality and the Company’s specific anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the hypotheses, which may vary significantly in future appraisals of the Company's defined benefit obligations. Refer to Note 14 for details on defined benefit pension plans.

4. ADDITIONAL INFORMATION ON RESULTS

	2014	2013
	$	$
Employee benefits expense		
Salaries	**113 977**	113 397
Defined benefit pension plan expense (Note 13)	**7 825**	6 565
Defined contribution pension plan expense (Note 13)	**1 127**	1 131
Share-based payment expense (recovery) (Note 11)	**206**	(272)
Total employee benefits expense	**123 135**	120 821
Other elements of revenues and expenses		
Depreciation of property, plant and equipment	**7 276**	5 869
(Gains) or losses on disposals of items of property, plant and equipment	**25**	(19)
(Gains) or losses on disposals of financial assets	**63**	(154)
Investment income		
On financial assets at fair value through profit or loss		
Interest	-	3
Dividends	**1 617**	1 624
On financial assets classified as loans and receivables		
Interest	**484**	414
Impairment reversal	**41**	5 442
	2 142	7 483

BMTC Group Inc.
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December 31, 2014 and 2013
(In thousands of Canadian dollars, except per share amounts)

5. INCOME TAXES

The income tax expense is detailed as follows:

	2014	2013
	$	$
Total current tax liability for the period	**15 884**	16 475
Total deferred tax liability [1]	**501**	1 783
	16 385	18 258

The Company's effective income tax rate differs from the combined statutory income tax rate. This difference arises from the following items:

	2014	2013
	$	$
Income tax expense based on combined tax rate (federal and provincial) of 26.9% for 2014 and 2013	**17 494**	20 313
Non-taxable dividends	**(348)**	(371)
Non-taxable capital (gains) losses	**(883)**	(1 482)
Non-deductible expenses	**128**	134
Other	**(6)**	(336)
	16 385	18 258

The income tax recovery (expense) related to other comprehensive income details as follows:

	2014	2013
	$	$
Current tax recovery	**749**	1 409
Deferred tax recovery (expense)[1]	**(9 676)**	6 132
	(8 927)	7 541

[1] In 2014 and 2013, the deferred tax liability includes only the impact of changes in temporary differences.

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5. INCOME TAXES (CONTINUED)

The tax effects of significant components of temporary differences that give rise to the Company's deferred tax assets are as follows:

	Balance as at January 1, 2014	Recognized in net earnings	Recognized in other comprehensive income	Balance as at December 31, 2014
	$	**$**	**$**	**$**
Recognized amounts				
Net unrealized gain (loss) on other financial assets	**(1 371)**	**(694)**	**-**	**(2 065)**
Liability defined benefit plans	**6 295**	**(17)**	**(9 676)**	**(3 398)**
Liability relating to share-based Payments	**140**	**56**	**-**	**196**
Intangible assets	**2 599**	**154**	**-**	**2 753**
	7 663	**(501)**	**(9 676)**	**(2 514)**

	Balance as at January 1, 2013	Recognized in net earnings	Recognized in other comprehensive income	Balance as at December 31, 2013
	$	$	$	$
Recognized amounts				
Net unrealized gain (loss) on other financial assets	15	(1 386)	-	(1 371)
Liability defined benefit plans	129	34	6 132	6 295
Loss carried forward	54	(54)	-	-
Liability relating to share-based Payments	213	(73)	-	140
Tangible assets	2 903	(304)	-	2 599
	3 314	(1 783)	6 132	7 663

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6. CASH FLOW ADJUSTMENTS AND CHANGES IN NET WORKING CAPITAL

Adjustments are detailed as follows:	**2014**	2013
	$	$
Depreciation of property, plant and equipment	**7 276**	5 869
Excess of contributions over defined benefit plan expense	**(2 786)**	(5 240)
Investment income	**(2 142)**	(7 483)
Unrealized appreciation of financial assets at fair value	**(6 589)**	(5 421)
Amortization of lease incentive	**(154)**	(154)
(Gains) losses on disposal of property, plant and equipment	**25**	(19)
Difference between share-based payments and cash consideration paid	**206**	(272)
	(4 164)	(12 720)

The net change in working capital is detailed as follows:

	2014	2013
	$	$
Trade and other receivables	**1 033**	1 059
Inventory	**(7 178)**	1 742
Prepaid expenses	**(231)**	-
Trade and other payables	**18 875**	684
	12 499	3 485

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7. OTHER FINANCIAL ASSETS

	2014	
	Fair value	**Cost**
	$	**$**
At fair value through profit or loss		
Banker's acceptances and discounted notes, 1.25%, maturing 2015	**18 770**	**18 770**
Government and corporate bonds	**51 693**	**49 983**
Preferred shares	**7 892**	**7 847**
Shares of Canadian companies	**24 413**	**14 902**
Shares of U.S. companies	**16 002**	**10 686**
Total at fair value through profit or loss	**118 770**	**102 188**

	2014	
	Amortized cost	**Cost**
	$	**$**
At amortized cost		
Asset-backed commercial paper (MAV)	**5 400**	**5 874**
Total other financial assets	**124 170**	**108 062**

	2013	
	Fair value	Cost
	$	$
At fair value through profit or loss		
Banker's acceptances and discounted notes, 1.15%, maturing 2014	10 730	10 730
Government and corporate bonds	38 847	37 569
Preferred shares	12 650	12 017
Shares of Canadian companies	18 973	12 372
Shares of U.S. companies	11 458	8 503
Total at fair value through profit or loss	92 658	81 191

	2013	
	Amortized cost	**Cost**
	$	**$**
At amortized cost		
Asset-backed commercial paper (MAV) [(a)]	5 400	5 915
Total other financial assets	98 058	87 106

(a) During the fiscal year of 2013, the Company re-analyzed the MAV market and concluded that it was now a more liquid market and has accordingly revised the amortized cost of its MAV.

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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Parking lots and buildings	Signs	Leasehold improvements	Automotive equipment	Computer equipment	Furniture and equipment	Total
	$	$	$	$	$	$	$	$
Gross carrying amount								
Balance, as at January 1, 2014	**39 363**	**107 616**	**267**	**7 488**	**5 003**	**5 876**	**4 038**	**169 651**
Additions	**2 639**	**3 601**	**35**	**1 797**	**278**	**663**	**652**	**9 665**
Disposals	**-**	**(381)**	**-**	**(150)**	**(602)**	**(194)**	**-**	**(1 327)**
Balance, as at December 31, 2014	**42 002**	**110 836**	**302**	**9 135**	**4 679**	**6 345**	**4 690**	**177 989**
Depreciation and impairment								
Balance as at January 1, 2014	**-**	**51 825**	**70**	**5 589**	**2 688**	**5 200**	**2 564**	**67 936**
Disposals	**-**	**(381)**	**-**	**(150)**	**(495)**	**(186)**	**-**	**(1 212)**
Depreciation	**-**	**4 302**	**57**	**1 554**	**442**	**392**	**529**	**7 276**
Balance as at December 31, 2014	**-**	**55 746**	**127**	**6 993**	**2 635**	**5 406**	**3 093**	**74 000**
Carrying amount as at December 31, 2014	**42 002**	**55 090**	**175**	**2 142**	**2 044**	**939**	**1 597**	**103 989**

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Parking lots and buildings	Signs	Leasehold improvements	Automotive equipment	Computer equipment	Furniture and equipment	Total
	$	$		$	$	$	$	$
Gross carrying amount								
Balance, as at January 1, 2013	39 363	102 554	217	5 609	5 147	5 561	3 705	162 156
Additions	-	5 109	50	1 974	201	315	343	7 992
Disposals	-	(47)	-	(95)	(345)	-	(10)	(497)
Balance, as at December 31, 2013	39 363	107 616	267	7 488	5 003	5 876	4 038	169 651
Depreciation and impairment								
Balance as at January 1, 2013	-	47 799	22	5 048	2 491	4 898	2 188	62 446
Disposals	-	(47)	-	(95)	(235)	-	(2)	(379)
Depreciation	-	4 073	48	636	432	302	378	5 869
Balance as at December 31, 2013	-	51 825	70	5 589	2 688	5 200	2 564	67 936
Carrying amount as at December 31, 2013	39 363	55 791	197	1 899	2 315	676	1 474	101 715

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9. LEASES

The Company is committed under long-term operating leases principally for stores and warehouses representing commitments of $45,437, including $6,541 due to a Company controlled by directors. Future minimum lease under non-cancellable operating leases are allocated as follows:

	Minimum lease payments			
	0 - 1 year	1 - 5 years	More than 5 years	Total
	$	$	$	$
December 31st, 2014	**6 969**	**19 273**	**19 195**	**45 437**
December 31st, 2013	5 534	15 580	11 063	32 177

10. LINE OF CREDIT

The Company has an unsecured line of credit in the amount of $20,000, bearing interest at the prime rate, renewable on June 30th, 2015. This line of credit has no restrictive clauses that need to be complied with.

11. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

First preferred shares, issuable in series, non-cumulative dividend of 5% per share, redeemable for their paid-up capital value

Second preferred shares, issuable in series, non-cumulative dividend of 5% per share, redeemable or retractable for their paid-up capital value

Class "A" subordinate shares, voting and participating

Class "B" shares, participating, multiple voting rights, conferring 20 votes per share, convertible at the option of the holder into class "A" subordinate shares

	2014	2013
	$	$
Issued and fully paid		
43,212,904 class "A" subordinate shares (43,456,720 as at December 31, 2013)	**3 502**	3 527
1,748,796 class "B" shares (1,811,280 as at December 31, 2013)	**50**	52
	3 552	3 579

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11. CAPITAL STOCK (CONTINUED)

			2014
	Class A	**Class B**	**Total**
Issued and fully paid			
Beginning of period	**43 456 720**	**1 811 280**	**45 268 000**
Share redemption	**(306 300)**	**-**	**(306 300)**
Share conversion	**62 484**	**(62 484)**	**-**
Issued and fully paid, end of period	**43 212 904**	**1 748 796**	**44 961 700**
Shares authorized for the share option plan	**5 710 864**	**-**	**5 710 864**
Total shares authorized as at December 31	**48 923 768**	**1 748 796**	**50 672 564**

			2013
	Class A	Class B	Total
Issued and fully paid			
Beginning of period	45 178 720	1 961 280	47 140 000
Share redemption	(1 872 000)	-	(1 872 000)
Share conversion	150 000	(150 000)	-
Issued and fully paid, end of period	43 456 720	1 811 280	45 268 000
Shares authorized for the share option plan	5 710 864	-	5 710 864
Total shares authorized as at December 31	49 167 584	1 811 280	50 978 864

During the year ended December 31, 2014, the Company redeemed 306,300 class "A" subordinate shares for a total cash consideration of $4,553. The redemption premium of $4,526 for the class "A" subordinate shares was recognized in retained earnings. Additionally, 62,484 class "B" shares were converted into 62,484 class "A" subordinate shares.

During the year ended December 31, 2013, the Company redeemed 1,872,000 class "A" subordinate shares for a total cash consideration of $ 25,760. The redemption premium of $25,609 for the class "A" subordinate shares was recognized in retained earnings. Additionally, 150,000 class "B" shares were converted into 150,000 class "A" subordinate shares.

None of the parent's shares were held by any of the Company's subsidiaries.

Share option plan

The Company has a share option plan for certain directors and officers, which provides for the purchase under certain circumstances of up to a maximum number of 10,729,106 class "A" subordinated shares. As at December 31, 2014, a total of 5,710,864 class "A" subordinated shares (5,710,864 as at December 31, 2014) remain authorized for issuance under the Company's share-based remuneration plan.

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11. CAPITAL STOCK (CONTINUED)

Because the option rights vest at the date of grant, the liability component of the options is initially measured at the fair value of the options awarded.

To calculate its subsequent liability, management uses the Black-Scholes model at the year-end date, which, as at December 31, 2014, resulted in a increase in the liability and related compensation expense of $206 (a decrease in the liability and the related compensation expense of $272 as at December 31, 2013).

The weighted average fair value of outstanding options granted and principal assumptions used in applying the Black-Scholes model were as follows.

	2014	2013
Weighted average of key assumptions		
Share price	**16,01 $**	13,40 $
Exercise price	**17,85 $**	17,85 $
Risk free interest rate	**1,40%**	2,10%
Dividend rate	**0,14 $**	0,17 $
Volatility factor	**26,00%**	27,00%
Expected life (in months)	**65**	77
Number of options (number)	**251 850**	251 850
Option unit value	**2,88 $**	2,06 $

The total value of outstanding options granted as at December 31st, 2014 was of $725 ($519 in 2013).

The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires the use of subjective assumptions, including expected stock-price volatility. Historical data for the past ten years has been considered in setting the assumptions.

During the year ended December 31, 2014, no options were granted or exercised.

The following tables summarize information about the Company's outstanding stock options and changes that have occurred during the years ended December 31, 2014 and 2013:

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**251 850**	**17,85**	262 800	17,85
Cancelled	**-**		10 950	
Outstanding and exercisable, end of period	**251 850**	**17,85**	251 850	17,85

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11. CAPITAL STOCK (CONTINUED)

					2014
Exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
			$		$
17,85	**251 850**	**65 months**	**17,85**	**251 850**	**17,85**

					2013
Exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
			$		$
$17,85	251 850	77 months	17,85	251 850	17,85

12. TRADE AND OTHER PAYABLE

The following table analyzes trade and other payables recognized in the statement of financial position:

	2014	2013
	$	$
Trade accounts payable	**32 329**	19 572
Accrued expenses	**15 271**	15 892
Employee benefits	**13 154**	12 919
Customer deposits	**42 700**	36 196
	103 454	84 579

13. POST-EMPLOYMENT BENEFITS

Description of Benefit Plans

The Company has two funded pension plans which provide most of its employees retirement benefits. The supplemental pension plan (SPP) contains a defined benefit component and a defined contribution component, while the additional supplemental pension plan (APP) is a defined benefit plan. The benefits under the defined benefit component of the SPP are based on the indexed average career salary whereas the APP is based on final average salary.

There are no other benefit plans available to employees.

Since SPP is registered with the Régie des rentes du Québec, the governance of the pension plan is within the Pension Committee (the "Committee"). The Committee may delegate some of its functions and / or use of experts, as needed, such as actuaries, custodians and trustees. SPP is also registered with the Canada Revenue Agency.

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13. POST-EMPLOYMENT BENEFITS (CONTINUED)

The investment of the pension fund of the defined benefit component of the SPP and the selection and monitoring of investment performance has been delegated to the Company under the leadership of the Investment Committee, which is a sub-committee of the Board of Directors of the Company. The Company has a responsibility to establish and review the investment policy of the pension plan, where applicable, and monitor on a regular basis the performance of investment managers. The responsibilities of the Company with respect to the defined contribution component is limited to the selection of investment options offered and monitoring the performance of investment managers as investment decisions falls within the responsibility of the participants. The Company uses experienced professionals to assist it in performing its functions and reports its observations / actions to the Committee.

The APP is only registered with the Canada Revenue Agency. Governance of the APP is entirely the responsibility of the Company. A refundable tax account is made to the Canada Revenue Agency for a portion of the assets of the plan. The other portion is invested and responsibilities of the Company are similar to those outlined above for SPP.

Defined Benefit Pension Plan

The most recent actuarial valuations of the pension plans for funding purposes were performed as at December 31, 2013 (SPP) and as at December 1, 2013 (APP). The next valuations will be as of December 31, 2014 and December 1, 2015.

Benefit Obligation for Defined Benefit Pension Plan

Accrued Benefit Obligations :	**2014**	2013
	$	$
Balance, beginning of year	**152 608**	155 098
Current service costs	**5 370**	6 504
Plan member contributions	**1 450**	1 509
Interest revenue	**7 779**	6 490
Benefits paid	**(4 534)**	(5 723)
Cost of past services	**1 280**	-
Actuarial (gains) / losses		
(Gains) / losses due to changes in demographic assumptions	**(324)**	11 728
(Gains) / losses due to changes in financial assumptions	**26 976**	(25 517)
Experience (gains) / losses	**889**	2 519
Balance, end of year	**191 494**	152 608

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13. POST-EMPLOYMENT BENEFITS (CONTINUED)

Breakdown of Accrued Benefit Obligation:	**2014**	2013
	$	$
Active participants	**148 187**	124 321
Retired participants	**34 726**	21 718
Participants with deferred benefits	**7 016**	5 506
Voluntary contributions	**193**	262
Payables	**1 372**	801
Total	**191 494**	152 608

Plan Assets for Defined Benefit Pension Plan

Fair Value of Plan Assets:	**2014**	2013
	$	$
Balance, beginning of year	**182 542**	157 213
Interest revenue	**9 221**	6 521
Return on plan assets, excluding amounts in interest revenue	**5 619**	11 217
Employer contributions	**10 611**	11 805
Plan member contributions	**1 450**	1 509
Voluntary contributions	**(4 534)**	(5 723)
Balance, end of year	**204 909**	182 542

Composition of Plan Assets

Asset Category		**2014**		2013
		$		$
Equity instruments				
- Canadian shares	**36%**	**75 096**	36%	65 682
- Foreign shares	**19%**	**38 382**	18%	33 328
Fixed income instruments	**35%**	**72 392**	21%	37 295
Other*	**4%**	**7 751**	18%	33 580
Cash	**6%**	**11 288**	7%	12 657
Total	**100%**	**204 909**	100%	182 542

* "Other" includes short-term investments and cash.

All assets were listed on an active market, with the exception of the refundable tax account with the CRA.

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13. POST-EMPLOYMENT benefits (CONTINUED)

Unrecognized Balance Due to Asset Ceiling

	2014	2013
	$	$
Balance, beginning of year	**29 934**	2 249
Revaluation – Impact of asset ceiling	**(31 039)**	27 593
Interest on assets ceiling	**1 481**	92
Balance, end of year	**376**	29 934

Reconciliation of Defined Benefit Plan Liability Recognized in the Consolidated Statement of Financial Position

	2014	2013
	$	$
Fair value of plan assets	**204 909**	182 542
Benefit obligations	**191 494**	152 608
Plan surplus	**13 415**	29 934
Unrecognized asset due to asset ceiling	**(376)**	(29 934)
Additional obligation following the application of IFRIC 14	**-**	(22 931)
Asset (liability) recognized in the statement of financial position	**13 039**	(22 931)

Pension Expense Recorded in Net Earnings:

	2014	2013
	$	$
Current service costs	**5 370**	6 504
Net interest expense	**1 175**	61
Cost of past	**1 280**	-
Pension expense recorded in net earnings	**7 825**	6 565

Pension Expense Recorded in Other Comprehensive Income:

	2014	2013
	$	$
Actuarial (gains) / losses		
(Gains) / losses due to changes in demographic assumptions	**(324)**	11 728
(Gains) / losses due to changes in financial assumptions	**26 976**	(25 517)
Experience (gains) / losses	**889**	2 519
Return on plan assets		
(excluding amounts included in interest revenue)	**(5 619)**	(11 217)
Unrecognized asset due to asset ceiling	**(31 039)**	27 593
Additional obligation following the application of IFRIC 14	**(24 067)**	22 931
Pension expense recorded in other comprehensive income	**(33 184)**	28 037

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13. POST-EMPLOYMENT BENEFITS (CONTINUED)

Principal Assumptions Used to Evaluate the Benefit Obligation for the Defined Benefit Pension Plan as at December 31 are as follows:

	2014	2013
Obligations of Defined Benefit Pension		
Discounted rate	**4,10%**	4,95%
Escalation rate on credited annuity payments	**2,50%**	2,50%

The assumptions regarding future mortality has been established using the CPM mortality tables, private sector, generationally projected using the B1D scale, as published by the Canadian Institute of Actuaries. This translates into an average life expectancy in years for a pensioner retiring at the age of 65 years:

	2014	2013
Retirement at the end of the current year		
- Male	**21**	22
- Female	**24**	24

	2014	2013
Retirement in 20 years after the end of the current year		
- Male	**23**	23
- Female	**25**	25

Other demographic assumptions used include the age of retirement and rates of retirement. Concerning the retirement age, the age at which participants must receive an unreduced pension was used for the two pensions. For the retirement rate, a variable rate table depending inversely on the age of the participant was used. As the pension benefit, in the case of retirement, is equal to the value of service costs of the member, in each of the pensions, the effect of this assumption is minimal.

The sensitivity, of the benefit obligations for the defined benefit plan established as at December 31, 2014, to changes in significant assumptions is shown below:

			2014
	Change in Assumption	**Increase in the Assumption**	**Decrease in the Assumption**
Discount rate	0.50%	Decrease of 9.2%	Increase of 10.5%
Escalation rate on credited annuity payments	0.50%	Increase of 4.7%	Decrease of 4.3%

	Increase in the Assumption by One Year	**Decrease in the Assumption by One Year**
Life expectancy	Increase of 2.8%	Decrease of 2.4%

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13. POST-EMPLOYMENT BENEFITS (CONTINUED)

			2013
	Change in Assumption	**Increase in the Assumption**	**Decrease in the Assumption**
Discount rate	0.50%	Decrease of 8.9%	Increase of 10.2%
Escalation rate on credited annuity payments	0.50%	Increase of 4.8%	Decrease of 4.4%
		Increase in the Assumption by One Year	**Decrease in the Assumption by One Year**
Life expectancy		Increase of 2.3%	Decrease of 2.3%

Sensitivity analyses were determined on the basis of reasonable modifications to existing assumptions that would occur at the end of the period. Each sensitivity analysis disclosed is based on the modification of the single assumption, while all other assumptions remain unchanged. In reality, there is expected to be certain interrelationships between assumptions. The analysis above does not take into account the interrelationships between assumptions. The method of projected credit units has been used in the sensitivity analysis for changes in significant actuarial assumptions used in the calculation of the benefit obligation recognized in the statement of financial position.

The defined benefit plan entails certain risks for the Corporation. The most significant risks are described below:

Asset volatility	Plan liabilities are calculated using a discount rate based on yields of corporate bonds, if the asset underperforms compared to yield a deficit is created. Plan assets include a significant proportion of equity instruments, which is assumed to obtain a higher return than corporate bonds in the long term, but cause some risk and volatility in short-term performance. Nevertheless, given that the plan liabilities are rather long term, the Corporation believes that a certain level of investment in equity instruments is an appropriate element of the strategy of the Corporation to manage the long-term plan. Plan assets are invested in a diversified mix to minimize the risk of volatility.
Change in yield of corporate bonds	Because the discount rate assumption is based on the performance of corporate bonds, a decrease of this performance may cause an increase in the benefit obligation. However, this increase would be partially offset by an increase in the value of corporate bonds held by the Plan.
Life expectancy	The majority of corporate bonds held by the Plan are to mirror the life expectancy of the participant, so any increase in life expectancy will cause an increase in plan liabilities. The latest mortality tables are used to minimize this risk.

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13. POST-EMPLOYMENT BENEFITS (CONTINUED)

Based on the most recent actuarial valuation of the SPP as of December 31, 2013, shows that the plan has a surplus of $25.3 million under the capitalization approach and $3.3 million surplus using a solvency approach. The Company is no longer required to make contributions as of this date. The cost of the current service of the Company is equivalent to 320% of employee contributions. The Company pays the minimum required to ensure the plans are fully funded on a minimum funding basis.

The employer contribution is estimated to be $3,500,000 for the 2015 fiscal year for all plans. This could, however, vary according to the results of actuarial valuations being carried out in 2015.

The following is a maturity analysis of the undiscounted pension benefits:

	2014	2013
Less than one year	**3,517**	1,910
Between 1 and 2 years	**5,019**	2,102
Between 2 and 5 years	**13,486**	7,761
More than five years	**375,477**	310,353
Total	**397,499**	322,126

Defined contributions (DC) pension plan and other plans

The total cost of the defined contributions portion of the plan was $1,127 in 2014 ($1,131 in 2013).

14. PROVISIONS AND CONTINGENT LIABILITIES

The Company is party to claims and lawsuits in the normal course of business. Management believes that the resolution of these claims and lawsuits will not have a materially adverse effect on the Company's financial position.

15. RELATED PARTIES

Other related party transactions

The following transactions have been concluded with a Company controlled by directors. Unless otherwise indicated, no transaction has special terms or characteristics and no guarantees have been given or received.

	2014	2013
	$	$
Rent	**878**	743
Management fees	**1 128**	1 095

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15. RELATED PARTIES (CONTINUED)

The services of certain senior officers and staff of a subsidiary are provided through a management company controlled by these officers. The management agreement provides for management of the subsidiary's activities, in particular, personnel management, purchasing supervision and ensuring sales growth. The agreement is renewed for an additional 12-month period on maturity each year unless either of the parties provides a notice to the contrary.

Compensation of the key officers and directors includes the following expenses:

	2014	2013
	$	$
Short-term benefits	**2 006**	1 921
Share-based payments	**386**	386
Option-based benefits	**206**	(272)
Management fees	**1 128**	1 095
	3 726	3 130

During the 12-month period ended December 31, 2014, no options were granted or exercised.

16. FINANCIAL INSTRUMENTS

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	2014	2013
	$	$
Financial assets		
Financial assets at fair value through profit or loss (note 7)	**118 770**	92 658
Loans and receivables		
Cash	**33 495**	17 105
Trade and other receivables	**3 599**	4 632
Asset-backed commercial paper (MAV)	**5 400**	5 400
	42 494	27 137
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding employee benefits)	**90 300**	71 660

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16. FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents financial assets and liabilities measured at fair value in the statement of financial position and the financial instruments evaluated at amortized cost for which the fair value is presented in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

– 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 (i.e. as prices) or indirectly (i.e. derived from prices);

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

			2014
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial Assets at Fair Value			
Banker's acceptances and discounted notes		**18 770**	
Government and corporate bonds	**51 693**		
Preferred shares	**7 892**		
Shares of Canadian companies	**24 413**		
Shares of U.S. companies	**16 002**		
Financial Assets at Amortized Cost			
Asset-backed commercial paper (MAV)		**5 400**	

			2013
	Level 1	Level 2	Level 3
	$	$	$
Financial Assets at Fair Value			
Banker's acceptances and discounted notes		10 730	
Government and corporate bonds	38 847		
Preferred shares	12 650		
Shares of Canadian companies	18 973		
Shares of U.S. companies	11 458		
Financial Assets at Amortized Cost			
Asset-backed commercial paper (MAV)		5 400	

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16. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The existence of published price quotations in an active market is the best evidence of fair value. The fair value of shares and bonds is established based on the most recent closing date market price, based on the bid price at year end. If a security is not actively traded, the fair value is determined by a valuation technique using observable market date to the extent possible.

The fair value of the banker's acceptances and discounted notes was determined using discounted cash flows based on effective interest rates that the Company could obtain at the year-end date for similar instruments. These instruments bear interest at rates that compare to market rates at year-end.

The fair value of the MAV was estimated based on the values of the most recent transactions of the assets held by the Company.

	2014	2013
	$	$
Gains (losses) on assets held at the close of the reporting period	**6 589**	5 421
Gains (losses) on assets not held at the close of the reporting period	**(63)**	154
Realized and unrealized change in fair value of financial assets, held at fair value	**6 526**	5 575

Financial instrument risks

The Company's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the availability of the Company’s short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Market risk

Market risk encompasses many types of risk. The variation of the types of risk, such as interest rate risk and other factors impacting all similar publicly traded financial instruments has an impact on the fair value of the financial assets classified at fair value through profit or loss. To minimize market risk, the Company ensures that the type of investments and individual investments in its investment portfolio are diversified. Additionally, a significant portion of its investments are in financial instrument with short maturity dates, in particular banker’s acceptances and discount notes.

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16. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk sensitivity

The following table illustrates the sensitivity of income and equity in regards to changes in the market price all other things being equal. It assumes a +/- 5% change of the market price for the periods ended December 31, 2014 and 2013.

	2014	2013
	$	$
Variation		
Income for the year and equity	**4 538**	3 584

Exchange risk and foreign currency sensitivity

The Company is exposed to exchange risk, because a part of its purchases of inventory is made in currencies other than Canadian dollars. The Company also owns U.S. dollar equity investments in U.S. companies.

The Company does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Canadian dollars at the closing rate:

	2014	2013
	$	$
Shares of U.S. companies	**16 002**	11 458
Trade and other payables in U.S. dollars	**(3 140)**	(2 225)
Total exposure	**12 862**	9 233

The following table illustrates the sensitivity of income and equity in regards to the Company's financial assets and financial liabilities and the U.S. dollar/Canadian dollar exchange rate all other things being equal. It assumes a +/- 5% change of the Canadian dollar exchange rate for the periods ended December 31, 2014 and 2013.

	2014	2013
	$	$
Variation		
Income for the year and equity	**470**	337

(In thousands of Canadian dollars, except per share amounts)

16. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation towards the Company. The Company is exposed to this risk as a result of various financial instruments, for example, its deposits, investments in bonds, etc. The Company’s maximum credit risk exposure is limited to the carrying amount of certain financial assets recognized on the reporting date, as summarized in the following table:

	2014	2013
	$	$
Financial asset categories – carrying amounts		
Cash	**33 495**	17 105
Trade and other receivables	**3 599**	4 632
Other financial assets		
Banker’s acceptances and discount notes	**18 770**	10 730
Government and corporate bonds	**51 693**	38 847
Asset-backed commercial papers (MAV)	**5 400**	5 400
	112 957	76 714

The Company’s management considers that the credit quality of the above financial assets that are not impaired or in default at the reporting date is good. No significant unimpaired trade and other receivables are in default at the reporting date.

Credit risk in respect of cash, banker’s acceptances and discount notes, amounts receivable on credit and debit cards is considered negligible because the counterparties are reputable bank with quality external credit ratings.

Bond investments are generally government bonds, thereby significantly reducing credit risk. As at December 31, 2014 no financial assets are impaired.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations. The Company manages its liquidities by monitoring forecasted cash receipts and disbursements in the course of daily activities.Net cash requirements are compared with available cash, investments and credit facility to ascertain if they are sufficient for the period in question. The Company also considers expected cash resources from sales and its financial assets in managing the liquidity risk. The contractual maturities of suppliers and other creditors are less than six months after the end of the year.

Capital management

The Company's capital management objectives are to safeguard its assets, while maximizing the Company's growth and providing an adequate return to its shareholders. In addition to a conservative approach with respect to safeguarding the financial position, the Company achieves its objective through sound management of internally-generated capital and using capital when necessary to finance its growth initiatives.

The Company's capital consists of its equity.

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17. EARNINGS PER SHARE AND DIVIDENDS

Both the basic and diluted earnings per share have been calculated using the income attributable to shareholders of the parent Company as the numerator.

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

	2014	2013
	$	$
Net income	**48 647**	57 254
Number of shares		
Weighted average number of shares used to calculate basic net earnings per share	**45 122 039**	46 096 073
Dilutive effect of stock options	**-**	-
Weighted average number of shares used to calculate diluted net earnings per share	**45 122 039**	46 096 073
Net earnings per share		
Basic	**1,08**	1,24
Diluted	**1,08**	1,24

The 251,850 options (251,850 in 2013) were not considered in order to calculate the EPS as at December 31st, 2014 since they are anti-dilutive.

During 2014, BMTC Group Inc. paid dividends of $10,807 ($10,935 in 2013) or $0.24 ($0.24 in 2013) per share dividend to its shareholders.

18. SUBSEQUENT EVENTS

No significant adjusting or non-adjusting events have occurred between the reporting date and the date of authorization.