Cara Operations Limited

Consolidated Financial Statements
For the 52 weeks ended December 25, 2016 and December 27, 2015

KPMG LLP
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cara Operations Limited

We have audited the accompanying consolidated financial statements of Cara Operations Limited, which comprise the consolidated balance sheets as at December 25, 2016 and December 27, 2015, the consolidated statements of earnings, comprehensive income, total equity and cash flows for the 52 weeks ended December 25, 2016 and December 27, 2015, and notes, comprising 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, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cara Operations Limited as at December 25, 2016 and December 27, 2015, and its consolidated financial performance and its consolidated cash flows for the 52 weeks ended December 25, 2016 and December 27, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 2, 2017
Toronto, Canada

Cara Operations Limited

Consolidated Statements of Earnings

For the 52 weeks ended December 25, 2016 and December 27, 2015

(in thousands of Canadian dollars, except where otherwise indicated)

		December 25, 2016		December 27, 2015
Sales (note 6)	$	**380,649**	$	247,478
Franchise revenues (note 7)		**82,625**		73,262
Development revenues		**-**		5,594
Total gross revenue	$	**463,274**	$	326,334
Cost of inventories sold		**(141,839)**		(70,505)
Selling, general and administrative expenses (note 8)		**(217,245)**		(169,147)
Development expenses		**-**		(5,560)
Impairment of assets, net of reversals (notes 15, 16 and 17)		**(1,938)**		1,104
Restructuring (note 9)		**(211)**		(368)
Operating income		**102,041**		81,858
Other expenses				
Net interest expense and other financing charges (note 10)		**(5,899)**		(15,690)
Share of loss from investment in associates and joint ventures		**(147)**		-
Earnings before income taxes		**95,995**		66,168
Income taxes (note 11)				
Current		**(6,947)**		(1,550)
Deferred		**(22,008)**		35,080
Net earnings		**67,040**		99,698
Net earnings attributable to				
Shareholders of the Company	$	**67,218**	$	99,395
Non-controlling interest		**(178)**		303
	$	**67,040**	$	99,698
Net earnings per share attributable to the Common Shareholders of the Company (note 24) (in dollars)				
Basic earnings per share	$	**1.28**	$	2.46
Diluted earnings per share	$	**1.22**	$	2.10

See accompanying notes to the consolidated financial statements.

Cara Operations Limited

Consolidated Statements of Comprehensive Income

For the 52 weeks ended December 25, 2016 and December 27, 2015

(in thousands of Canadian dollars)

	December 25, 2016	December 27, 2015
Net earnings	$ **67,040**	$ **99,698**
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gain, net of income taxes (note 21)	**1,253**	**415**
Other comprehensive income, net of income taxes	**1,253**	**415**
Total comprehensive income	$ **68,293**	$ **100,113**

See accompanying notes to the consolidated financial statements.

Cara Operations Limited
Consolidated Statements of Total Equity
For the 52 weeks ended December 25, 2016 and December 27, 2015

(in thousands of Canadian dollars, except where otherwise indicated)

	Equity Attributable to the Shareholders of the Company						
	Number of shares (in thousands) (note 23)	**Share Capital** (note 23)	**Warrant certificates**	**Contributed surplus**	**Deficit**	**Non-controlling interest**	**Total equity**
Balance at December 27, 2015	**49,163**	**$ 438,001**	**$ -**	**$ 13,622**	**$ (226,916)**	**$ -**	**$ 224,707**
Net earnings and comprehensive income	**-**	**-**	**-**	**-**	**67,218**	**-**	**67,218**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,253**	**-**	**1,253**
Dividends	**-**	**-**	**-**	**-**	**(21,101)**	**-**	**(21,101)**
Issuance of common stock (note 23)	**9,651**	**277,565**	**-**	**-**	**-**	**-**	**277,565**
Stock options exercised (note 22 and note 23)	**1,161**	**7,931**	**-**	**(7,919)**	**-**	**-**	**12**
Shares issued under dividend reinvestment plan (note 23)	**7**	**227**	**-**	**-**	**-**	**-**	**227**
Stock-based compensation (note 22)	**-**	**-**	**-**	**4,061**	**-**	**-**	**4,061**
	10,819	**285,723**	**-**	**(3,858)**	**47,370**	**-**	**329,235**
Balance at December 25, 2016	**59,982**	**$ 723,724**	**$ -**	**$ 9,764**	**$ (179,546)**	**$ -**	**$ 553,942**

	Equity Attributable to the Shareholders of the Company						
	Number of shares (in thousands)	**Share Capital**	**Warrant certificates**	**Contributed surplus**	**Deficit**	**Non-controlling interest**	**Total equity**
Balance at December 30, 2014	50,468	$ 29,285	$ 18,490	$ 7,204	$ (308,040)	$ 15,020	$ (238,041)
Net earnings and comprehensive income	-	-	-	-	99,395	303	99,698
Other comprehensive income					415	-	415
Buyout of non-controlling interests	-	-	-	-	-	(15,323)	(15,323)
Consideration paid in excess of non-controlling interest resulting from buyouts	-	-	-	-	(6,130)	-	(6,130)
Share consolidation (note 23)	(32,379)	-	-	-	-	-	-
Issuance of common stock (note 23)	31,060	408,296	(18,490)	-	-	-	389,806
Dividends	-	-	-	-	(12,556)	-	(12,556)
Shares issued under dividend reinvestment plan (note 23)	14	420	-	-	-	-	420
Stock-based compensation (note 22)	-	-	-	6,418	-	-	6,418
	(1,305)	**408,716**	**(18,490)**	**6,418**	**81,124**	**(15,020)**	**462,748**
Balance at December 27, 2015	**49,163**	**$ 438,001**	**$ -**	**$ 13,622**	**$ (226,916)**	**$ -**	**$ 224,707**

Cara Operations Limited
Consolidated Balance Sheets
As at December 25, 2016 and December 27, 2015

(in thousands of Canadian dollars)	As at December 25, 2016	As at December 27, 2015
Assets		
Current Assets		
Cash	**$ 26,764**	$ 19,409
Accounts receivable (note 28)	**83,905**	49,037
Inventories (note 12)	**27,837**	3,779
Assets held for sale (note 13)	**-**	7,274
Current taxes receivable	**146**	-
Prepaid expenses and other assets	**5,937**	2,450
Total Current Assets	**144,589**	81,949
Long-term receivables (note 14)	**41,427**	35,198
Property, plant and equipment (note 15)	**327,893**	94,513
Brands and other assets (note 16)	**594,512**	201,301
Goodwill (note 17)	**188,998**	49,540
Deferred tax asset (note 11)	**18,604**	41,300
Total Assets	**$ 1,316,023**	$ 503,801
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 99,929**	$ 74,324
Provisions (note 18)	**5,159**	5,004
Gift card liability	**56,037**	51,946
Income taxes payable	**4,768**	69
Current portion of long-term debt (note 19)	**2,443**	2,156
Total Current Liabilities	**168,336**	133,499
Long-term debt (note 19)	**410,703**	83,152
Provisions (note 18)	**11,436**	7,002
Other long-term liabilities (note 20)	**67,971**	51,044
Deferred tax liability (note 11)	**103,635**	4,397
Total Liabilities	**762,081**	279,094
Shareholders' Equity		
Share capital (note 23)	**723,724**	438,001
Contributed surplus	**9,764**	13,622
Deficit	**(179,546)**	(226,916)
Total Equity	**553,942**	224,707
Total Liabilities and Equity	**$ 1,316,023**	$ 503,801

Commitments, contingencies and guarantees (note 27)
Subsequent event (note 31)

Cara Operations Limited
Consolidated Statements of Cash Flows
For the 52 weeks ended December 25, 2016 and December 27, 2015

(in thousands of Canadian dollars)

	December 25, 2016	December 27, 2015
Cash from (used in)		
Operating Activities		
Net earnings from continuing operations	$ **67,040**	$ 99,698
Depreciation and amortization (note 8)	**32,150**	24,390
Net loss/(gain) on disposal of property, plant and equipment	**(3,794)**	(1,342)
Losses on early buyout/cancellation of equipment rental contracts	**835**	3,536
Impairment of assets, net of reversals (notes 15, 16 and 17)	**1,938**	(1,104)
Net interest expense and other financing charges (note 10)	**5,899**	15,690
Stock based compensation (note 22)	**4,061**	6,418
Income taxes paid	**(2,229)**	(5,464)
Change in restructuring provision	**(2,015)**	(6,676)
Change in deferred tax (note 11)	**22,465**	(34,796)
Change in onerous contract provision (note 18)	**2,179**	(951)
Other non-cash items	**(11,692)**	(4,785)
Net change in non-cash operating working capital (note 26)	**3,141**	(15,194)
Cash flows from operating activities	**119,978**	79,420
Investing Activities		
Business acquisitions, net of cash assumed (note 5)	**(576,659)**	(46,973)
Buyout of non-controlling interests	**-**	(14,416)
Purchase of property, plant and equipment	**(41,603)**	(21,319)
Proceeds on disposal of property, plant and equipment	**4,983**	260
Proceeds on early buyout of equipment rental contracts	**632**	2,586
Additions to other assets (note 16)	**(36)**	(147)
Change in long-term receivables	**1,890**	3,120
Cash flows used in investing activities	**(610,793)**	(76,889)
Financing Activities		
Issuance of long-term credit facility (note 19)	**434,235**	437,811
Repayment of long-term credit facility (note 19)	**(110,000)**	(603,811)
Issuance of subordinate voting common shares, net of transaction costs (note 23)	**221,524**	216,565
Change in finance leases	**(2,232)**	(2,027)
Interest paid net of interest received	**(2,838)**	(10,513)
Dividends paid on common shares (note 23)	**-**	(14,044)
Dividends paid on subordinate and multiple voting common shares (note 23)	**(20,874)**	(9,092)
Repayment of other long-term debt	**(21,645)**	-
Other	**-**	(1,819)
Cash flows from financing activities	**498,170**	13,070
Change in cash during the period	**7,355**	15,601
Cash - Beginning of period	**19,409**	3,808
Cash - End of period	$ **26,764**	$ 19,409

See accompanying notes to the consolidated financial statements.

1 Nature and description of the reporting entity

Cara Operations Limited is a Canadian Company incorporated under the Ontario Business Corporations Act and is a Canadian full service restaurant operator and franchisor.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "CARA". As part of the Company's initial public offering ("IPO") during fiscal 2015, the Company issued multiple voting shares to Fairfax Financial Holdings Limited and its affiliates (''Fairfax'') and to the Phelan family through Cara Holdings Limited and its affiliates (''Cara Holdings'', and together with Fairfax, the ''Principal Shareholders''). As at December 25, 2016, the Principal Shareholders hold 57.3% of the total issued and outstanding shares and have 97.1% of the voting control attached to all the shares.

The Company's registered office is located at 199 Four Valley Drive, Vaughan, Canada L4K 0B8. Cara Operations Limited and its controlled subsidiaries are together referred to in these consolidated financial statements as "Cara" or "the Company".

2 Basis of Presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

The consolidated financial statements were authorized for issue by the Board of Directors ("Board") on March 2, 2017.

Basis of preparation

The consolidated financial statements were prepared on a historical cost basis, except for initial recording of net assets acquired on business combinations, certain financial instruments, liabilities associated with certain stock-based compensation and defined benefit plan assets, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. The Company determines its foreign subsidiaries' functional currency by reviewing the currencies in which their respective operating activities occur. The Company translates assets and liabilities of its non-Canadian dollar functional currency subsidiaries into Canadian dollars using the rate in effect at the balance sheet date and revenues and expenses are translated at the average exchange rates during the year. Foreign currency translation gains and losses are included in Shareholders' equity as a component of Accumulated other comprehensive loss in the accompanying consolidated financial statements.

Monetary assets and liabilities denominated in a currency that is different from a reporting entity's functional currency must be first remeasured from the applicable currency to the legal entity's functional currency.

All financial information presented in Canadian dollars has been rounded to the nearest thousands of dollars except where otherwise indicated.

Fiscal year

The fiscal year of the Company ends on the last Sunday of December for the current year. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The period ended December 25, 2016 and December 27, 2015 both contained 52 weeks. The Company's next fiscal year end will be December 31, 2017 and will contain 53 weeks.

Critical accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make various judgements, estimates and assumptions in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

These judgements and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Within the context of these financial statements, a judgement is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount, and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the accounting policies that are subject to judgements and estimates.

Business combinations

Accounting for business combinations requires judgments and estimates to be made in order to determine the fair values of the consideration transferred, assets acquired and the liabilities assumed. The Company uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. Changes in estimates of fair value due to additional information related to facts and circumstances that existed at the acquisition date would impact the amount of goodwill recognized. If necessary, the Company has up to one year from the acquisition date to finalize the determinations of fair value for business combinations.

Accounting for joint ventures and associates

Joint ventures represent separately incorporated entities for which joint control exists. This requires judgement to determine if in fact joint control exists in each circumstance. Entities are considered to be under joint control when the Company has the ability to exercise significant influence but not control. Management has

assessed the nature of its joint venture agreements with the respective other joint venture parties and using judgement determined where joint control does in fact exist. While the Company will also have a franchise agreement with the joint venture restaurants, the rights included in the franchise agreement are considered to be protective in nature and, therefore, do not allow for any additional substantive control over the other party.

Accounts receivable, long-term franchise receivables and amounts due from related party joint ventures

Management reviews accounts receivables, long-term franchise receivables and amounts due from related party joint ventures at each balance sheet date, utilizing judgements to determine whether a triggering event has occurred requiring an impairment test to be completed.

If an impairment test is required, management determines the net realizable value of its accounts receivables and long-term franchise receivables by updating and reviewing expected future cash flows and discounting their cash flows at their original discount rate. The process of determining the net realizable value requires management to make estimates regarding projected future cash flows.

Depreciation and amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis. Management uses judgment in determining the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income in future periods.

Valuation of investments

For equity investments in other companies where the underlying investment shares are not traded publicly, in order to determine the value of the commons shares, estimates are required to determine the fair value of the underlying investment shares. Accordingly, those amounts are subject to measurement uncertainty and judgement.

Impairment of non-financial assets

Management is required to use judgement in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing fixed assets for impairment. Judgement is further required to determine appropriate groupings of CGUs, for the level at which goodwill and intangible assets are tested for impairment. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed for fixed assets and definite life intangible assets.

In determining the recoverable amount of a CGU, various estimates are employed. The Company determines the recoverable amount of fixed assets as the higher of fair value less costs to sell or its value in use. The Company determines fair value less costs to sell using estimates such as projected future sales, earnings, capital investments and discount rates for trademarks, and determines the recoverable amount of goodwill based on value in use. Projected future sales and earnings are consistent with strategic plans provided to the Company's Board. Discount rates are based on an estimate of the Company's weighted average cost of capital taking into account external industry information reflecting the risk associated with the specific cash flows.

Leases

In classifying a lease as either financial or operating, management has to make certain assumptions in estimating the present value of future lease payments and the estimated useful lives of the related assets. These assumptions include the allocation of value between land and building, and discount rates.

Income and other taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, the likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings by the tax authorities.

Employee future benefits

Accounting for the costs of defined benefit pension plans is based on using a number of assumptions including estimates of rates of compensation increase, retirement ages of plan members and mortality assumptions. The discount rate used to value the accrued pension benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. Other key assumptions for pension obligations are based on actuarial determined data and current market conditions.

Gift cards

Management is required to make certain assumptions on the likelihood of gift card redemptions based on historical redemption patterns. The impact of these assumptions results in the reduction to the costs of administering and fulfilling the liability associated with the gift card program when it can be determined that the likelihood of the gift card being redeemed is remote based on several facts including historical redemption patterns and any changes to the gift card program.

Provisions

Management reviews provisions at each balance sheet date utilizing judgements to determine the probability that an outflow of economic benefit will result from the legal or constructive obligation and an estimate of the associated obligation. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Stock-based compensation

The accounting for equity-settled stock-based compensation requires management to make an estimate of the fair value of the stock options when granted based on the enterprise value of the Company at the time of the grant as well as estimates around volatility, risk free interest rates and forfeitures of vested and unvested options.

Comparative information

Certain of the Company's prior year information was reclassified to conform with the current year's presentation.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company is exposed to or has the rights to variable returns from its involvement in the entity and has the ability to direct the activities that significantly affect the entities' returns through its power over the entity. The Company reassesses control on an ongoing basis.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net earnings and comprehensive earnings are recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Therefore, no goodwill is recognized as a result of such transactions. When the Company ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in the carrying amount recognized in net earnings. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

If the Company was to purchase the remaining non-controlling interest from outside parties, the non-controlling interest on the consolidated balance sheet would be eliminated, and any difference between the consideration paid and the carrying amount of the non-controlling interest would be recorded directly to equity.

Certain non-controlling interests are measured at fair value given the outside party has certain put rights that require the Company to purchase the remaining non-controlling interest when specific criteria or events occur.

Investments in joint ventures and associates

Investments over which the Company has joint control, and meets the definition of a joint venture under IFRS 11, *Joint Arrangements*, are accounted for using the equity method.

Investments over which the Company exercises significant influence, and which are neither subsidiaries nor joint ventures, are associates. Investments in associates are accounted for using the equity method.

The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for the proportionate share of the income or loss and any other changes in the associates' or joint ventures' net assets.

The Company's proportionate share of the associate's or joint ventures' income or loss is based on its most recent financial statements. If the Company's share of the associate's or joint venture's losses equals or exceeds its investment in the associate or joint venture, recognition of further losses is discontinued. The Company's investment in the associate or joint venture for purposes of loss recognition is comprised of the investment balance plus the unsecured portion of any related party note receivable. After the Company's interest is reduced to zero, additional losses will be provided for and a liability recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate subsequently reports income, the Company resumes recognizing its share of that income only after the Company's share of the income equals the share of losses not recognized. At each balance sheet date, the Company assesses its investments for indicators of impairment.

Revenue recognition

Gross revenues include revenue from the Company's foodservice activities. These activities consist primarily of food and beverage sales at restaurants operated by the Company, franchise revenues earned as part of the license agreements between the Company and its franchisees and food product sales related to the sale of manufactured products to grocery retailers and certain franchisees.

Corporate sales

Corporate sales are made up of the direct sale of prepared food and beverage to customers at company-owned restaurants and revenue from processing off-premise phone, web and mobile orders for franchised restaurants.

Food product sales

The Company recognizes revenue from product sales at the fair value of the consideration received or receivable and an estimate of sales incentives provided to customers. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the Company has satisfied its performance obligations under the arrangement, and has no ongoing involvement with the sold product. The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebates and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

Franchise revenues

The Company grants license agreements to independent operators ("franchisees"). As part of the license agreements, the franchisees pay franchise fees, conversion fees for established locations, royalties based on

franchisee sales, and other payments, which may include payments for equipment usage and property rents. Franchise fees and conversion fees, if applicable, are substantially collected at the time the license agreement is entered into. These franchise transactions result in multiple deliverable arrangements and as such the Company has used the residual method to determine the allocation of the consideration to each component of the arrangement. These multiple deliverable arrangements are divided into the separate components of the transactions. The consideration is then first allocated to any undelivered products and services within the arrangement based on their fair values and the remainder is allocated to the products and services that have been delivered at the time of the transaction.

Royalties, based on a percentage of sales, are recognized as revenue and are recorded when earned. Most rental agreements are based on fixed payments including the recovery of operating costs, while other rental agreements are contingent on certain sales levels. Rental revenue from all leases is recognized on a straight-line basis over the term of the related lease. The Company has established reserves, based on the net realizable value, related to the collection of franchise royalties and other franchisee related receivables.

Development revenues

The Company contracts with certain franchisees to construct restaurants on the franchisees' behalf. The Company manages the construction of the restaurant and separately contracts with construction companies and other suppliers to develop the restaurant. Franchisees reimburse the Company for costs incurred in building the restaurant. These reimbursements are classified as development revenues and related costs are classified as development expenses in the consolidated statements of earnings.

When a specific act in a service contract is much more significant than any other acts, revenue is recognized only after the significant act is performed. For the Company, the most significant event or act in these construction arrangements is when the applicable restaurant opens for business. Development revenues and related development expenses from the construction of franchised restaurants are recognized when the Company performs substantially all initial services required by the franchise agreement, which is generally on restaurant opening and when collection is reasonably assured. Amendments to contract revenue are recognized when they are probable and reliably measurable.

Finance costs

Finance costs are primarily comprised of interest expense on long-term debt including the recognition of transaction costs over the expected life of the underlying borrowing using the effective interest rate at the initial recognition of the debt. All finance costs are recognized in the consolidated statements of earnings on an accrual basis (using the effective interest method), net of amounts capitalized as part of the costs of purchasing qualifying property, plant and equipment.

Finance costs directly attributable to the acquisition, construction or development of an asset that takes a substantial period of time (greater than six months), to prepare for their intended use, are recognized as part of the cost of that asset. All other finance costs are recognized in the consolidated statements of earnings in the period in which they are incurred. The Company capitalizes finance costs at the weighted average interest rate of borrowings outstanding for the period.

Income taxes

Income tax provision comprises of current and deferred income tax. Current income tax and deferred income tax are recognized in the consolidated statements of earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes is the expected tax payable or receivable on the Company's taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings or loss, and taxable temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their income tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized or increased to the extent that it is probable that the related income tax benefit will be realized.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire and financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Financial instruments upon initial recognition are measured at fair value and classified as financial assets or financial liabilities at fair value through consolidated statements of earnings, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are included on the Company's balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at amortized cost. Transaction costs other than those related to financial instruments classified at fair value through consolidated statements of earnings which are expensed as incurred, are amortized using the effective interest rate.

Gains and losses on fair value through consolidated statement of earnings on financial assets and financial liabilities are recognized in the period in which they arise.

The following classifications have been applied:

- Cash is designated at fair value through consolidated statements of earnings;
- Accounts receivable, long-term receivables and related party receivables are classified as loans and receivables;
- Accounts payable and accrued liabilities, provisions, long-term debt and certain other liabilities have been classified as other financial liabilities.

The Company has not classified any financial assets as held-to-maturity.

Derivative financial instruments

The Company, from time to time, uses derivative financial instruments in the form of interest rate swap contracts to manage its current and anticipated exposure to fluctuations in interest rates. The Company does not enter into derivative financial instruments for trading or speculative purposes.

Derivative financial instruments not designated within an effective hedging relationship are measured at fair value with changes in fair value recorded in finance costs.

Derivative financial instruments that are designated within an effective hedging relationship are formally identified and the relationship between hedging instruments and hedged items are documented by the Company. Derivative financial instruments designated as cash flow hedges are measured at fair value with changes in fair value recorded in other comprehensive income. Effectiveness tests are performed to evaluate hedge effectiveness at inception and on a quarterly basis. If and when a derivative instrument is no longer expected to be effective, hedge accounting is discontinued, the derivative is held, sold or expired and the cumulative gain or loss previously recognized in accumulated other comprehensive income is transferred to the consolidated statements of earnings in the same period that the hedge item affects net income.

Inventories

Inventories consist of food and beverage items for use at the Company’s corporately-owned locations, and food and packaging materials used in St-Hubert’s food processing and distribution division. Inventories are stated at the lower of cost and estimated net realizable value. Costs consist of the cost to purchase and other costs incurred in bringing the inventory to its present location reduced by vendor allowances. The cost of inventories is determined using the first-in, first-out method. The cost of inventory for products being manufactured by the Company includes direct product costs, direct labour and an allocation of variable and fixed manufacturing overheads, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in net realizable value, the amount of a write-down previously recorded is reversed through cost of inventories sold.

Assets held for sale

Corporate restaurant assets held-for-sale are recorded at the lower of their net carrying amount and fair value less estimated costs to sell. The net asset amounts correspond to specific corporate restaurants that are expected to be franchised over the next fiscal year. These assets are classified as held-for-sale when their carrying amount is to be recovered principally through a sale and franchise transaction is considered highly

probable. Impairments or reversals of impairments arising from changes in fair value or carrying amount are recognized in the consolidated statements of earnings.

Property, plant and equipment

Recognition and measurement

Land other than through a finance lease is carried at cost and is not amortized.

Property, plant and equipment are stated at cost less accumulated depreciation and net accumulated impairment losses (refer to impairment of long-lived assets policy below). Cost includes expenditures directly attributable to the acquisition of the asset, including the costs of dismantling and removing the items and restoring the site on which they are located, and finance costs on qualifying assets less tenant inducements received from landlords.

Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

When significant component parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment, are determined by comparing the proceeds from disposal with the net carrying amount of property, plant and equipment, and are recognized within selling, general and administrative expenses in the consolidated statements of earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount, if any, of the replaced part is derecognized and recorded within selling, general and administrative expenses in the consolidated statements of earnings. The costs of repairs and maintenance of property, plant and equipment are recognized in the consolidated statements of earnings as incurred.

Depreciation and Amortization

Depreciation is calculated based upon the depreciable amount, which is the cost of an asset less its residual value.

Depreciation commences when assets are available for use and is recognized on a straight-line basis to amortize the cost of these assets over their estimated useful lives, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Estimated useful lives range from 2 to 12 years for equipment. Buildings are depreciated over 20 to 40 years and leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the lease, including expected renewal terms to a maximum of 15 years. Assets held under finance leases are depreciated on a straight-line basis over their estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease. Land finance leases are depreciated on a straight-line basis over the term of the respective

lease. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate on a prospective basis. Depreciation expense is recognized in selling, general and administrative expenses in the consolidated statements of earnings. Depreciation expense related to assets used to manufacture and process food are recognized in the cost of inventory and cost of inventory sold upon the sale of inventory.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill represents the excess of the purchase price of a business acquired over the fair value of the underlying net assets acquired at the date of acquisition. Goodwill is allocated at the date of the acquisition to a group of CGUs that are expected to benefit from the synergies of the business combination, but no higher than an operating segment. Goodwill is not amortized and is tested at the brand level for impairment at least annually and whenever there is an indication that the asset may be impaired. Refer to the impairment of long-lived assets policy below.

Brands and other assets

Brands and other assets including re-acquired franchise rights are recorded at their fair value at the date of acquisition. The Company assesses each intangible asset and other assets for legal, regulatory, contractual, competitive or other factors to determine if the useful life is definite. Brands are measured at cost less net accumulated impairment losses and are not amortized as they are considered to have an indefinite useful life. Indefinite life intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Re-acquired franchise rights and other assets are amortized on a straight-line basis over their estimated useful lives, averaging approximately five years and are tested for impairment whenever there is an indication that the asset may be impaired. Refer to the impairment of long-lived assets policy below.

Other Intangible Assets

The Company has certain definite life intangible assets, primarily related to customer relationships, which are measured at fair value on the date of acquisition. These assets are subsequently measured at cost less accumulated amortization and less any net accumulated impairment losses. Amortization is recognized in selling, general and administrative expenses on a straight-line basis over their estimated useful lives as follows:

Customer Relationships	20 to 33 years

Customer Relationships are tested for impairment whenever events or circumstances exist that suggest the carrying value is greater than the recoverable amount.

Leases

The Company enters into leases of property and certain restaurant assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an

asset. All other leases are classified as operating leases and the rents are straight-lined and expensed in the consolidated statements of earnings.

Lessor

Where the Company is the lessor of property leases, rental income from operating leases is recognized in the consolidated statements of earnings on a straight-line basis over the term of the relevant lease.

The Company has rental agreements with franchisees related to the use of certain restaurant assets. The accounting for these rental agreements varies depending on the term of the rental agreement and the rental payments received by the Company. If the term of the rental agreement is such that the franchisee will utilize the assets for substantially all of their useful life, or the rental payments received over the term of the rental agreement will reimburse the Company for substantially all of the fair value of the assets, it is accounted for as a finance lease. Accordingly, the corresponding property, plant and equipment are treated as disposals in the consolidated financial statements. Long-term receivables are included in the consolidated balance sheet for the future rental payments to be received, and the present value of the unearned rental income, including tenant inducements received from landlords are included in other long-term liabilities. These amounts are reduced over the course of the rental agreement as payments are received. If the criteria for this accounting treatment are not met, the lease is treated as an operating lease and rental payments are recorded in selling, general and administrative expenses, calculated on a straight line basis, and recognized by the Company in the consolidated statements of earnings (see note 14).

Lessee

When the Company is a lessee, rent payable under an operating lease is recognized on a straight-line basis taking into consideration any rent holidays and/or rent escalations over the term of the relevant lease. Incentives related to leasehold improvements provided by landlords are recorded in property, plant and equipment and are amortized over a period consistent with the associated leasehold improvements, being the shorter of the estimated useful lives of the assets or the term of the lease, including expected renewal terms to a maximum of 15 years.

Assets held under finance leases are recognized as assets of the Company at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the consolidated balance sheets as a finance lease obligation included as part of long-term debt. Lease payments are apportioned between finance costs and a reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs, as well as depreciation expense on the underlying leased asset, are recorded in the consolidated statements of earnings (see note 19).

Sale-leaseback transactions

In prior years the Company sold certain land and building and entered into leaseback arrangements. The leases were assessed as financing or operating in nature as applicable, and were accounted for accordingly. The gains realized on the disposal of the land and building related to sale-leaseback transactions, were transacted at fair value and were operating in nature, and, therefore, were recognized within operating income in the consolidated statements of earnings. Gains realized on transactions where the sales price is above the fair value of the underlying assets were deferred and are being amortized over the useful life of the asset against rent

expense recorded in selling, general and administrative expenses. In the event the fair value of the asset at the time of the sale-leaseback transaction is less than its carrying value, the loss would be recognized within selling, general and administrative expenses in the consolidated statements of earnings.

Impairment of long-lived assets

For the purpose of reviewing definite life non-financial assets for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The Company has determined that its CGUs comprise of individual restaurants. For Customer Relationships, the Company has determined that its CGUs comprise of type of customer, being sales to franchise customers and retail grocery chains. For indefinite life intangible brand assets, the Company allocates the brand assets to the group of CGU's, being banners that are considered to generate independent cash inflows from other assets. Goodwill is assessed for impairment based on the group of CGUs expected to benefit from the synergies of the business combination, and the lowest level at which management monitors the goodwill and cannot be at a higher level than an operating segment.

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets, including property, plant and equipment, goodwill, brands and other assets for any indication of impairment or a reversal of previously recorded impairment other than for goodwill as impairment for goodwill is not permitted to be reversed. In addition, goodwill and indefinite life brands are tested for impairment at least annually. If any such indication of impairment exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized if the net carrying amount of the CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of earnings in the period in which they occur. When impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying value of the underlying assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in consolidated statements of earnings in the period which they occur.

Any potential brand impairment is identified by comparing the recoverable amount of the groups of CGUs that includes the indefinite life asset to its carrying amount. If the recoverable amount, calculated as the higher of the fair value less costs to sell and the value in use, is less than its carrying value, an impairment loss is recognized in the consolidated statements of earnings in the period in which they occur.

Any potential goodwill impairment is identified by comparing the recoverable amount of the CGU grouping to which the goodwill is allocated to its carrying value. If the recoverable amount, calculated as the higher of the fair value less costs to sell and the value in use, is less than its carrying amount, an impairment loss is recognized in the consolidated statements of earnings in the period in which it occurs. Impairment losses on goodwill are not subsequently reversed if conditions change.

Gift cards

The Company's various branded restaurants, in addition to third party companies, sell gift cards to be redeemed at the Company's corporate and franchised restaurants for food and beverages only. Proceeds received from the sale of gift cards are treated as unearned revenue in current liabilities until redeemed by the gift cardholder as a method of payment for food and beverage purchases.

Based on historical redemption patterns, the Company estimates the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount in its consolidated statements of earnings.

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the unearned revenue related to gift cards will be redeemed in the next 12 months and, therefore, the entire accrual balance is considered to be a current liability.

Provisions

Provisions are recognized when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. Provisions are reviewed on a regular basis and adjusted to reflect management's best estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Employee future benefits

The cost of the Company's defined benefit pension plans are accrued as earned by the employees, based on actuarial valuations. The cost of defined benefit pension plans are determined using the projected unit credit benefit method pro-rated on service and management's best estimate, rates of compensation increase and retirement ages of plan members. Assets are recorded at fair value. The discount rate used to value the accrued benefit plan obligations are based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. An interest amount on plan assets is calculated by applying a prescribed discount rate used to value the accrued benefit obligations. Past service costs from plan amendments are recognized in operating income in the year that they arise.

For the plans that resulted in a net defined benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the plan if it is realizable during the life of the plan, or on settlement of the plan liabilities.

At each balance sheet date, plan assets are measured at fair value and defined benefit plan obligations are measured using assumptions which approximate their values at the reporting date, with the resulting actuarial gains and losses from both of these measurements, net of taxes, are recognized in other comprehensive income.

Multi-employer plan

The Company participates in a multi-employer pension plan which is accounted for as a defined benefit contribution plans. The Company does not administer this plan as the administration and investment of the assets are controlled by the plan's board of trustees consisting of union and employer representatives. The Company's responsibility to make contributions to the plan is established pursuant to collective bargaining agreements. The contributions made by the Company to the multi-employer plan are expensed when due.

Defined Contribution Plans

The Company's obligations for contributions to the employee defined contribution pension plan are recognized in the consolidated statement of earnings in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible asset. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Long-term incentive plans

The Company has equity-settled stock-based compensation plans for some of its employees.

The fair value of the option is expensed over the vesting period and is recognized in selling, general and administrative expenses, with a corresponding increase in contributed surplus over the period, at the end of which, the employees become unconditionally entitled to shares. Fair value of the option is measured based on the enterprise value of the Company at the time of the grant using a Black-Scholes model. The amount expensed is adjusted for changes to estimated forfeitures if subsequent information indicates that actual forfeitures differ significantly from the original estimate.

Upon exercise of the share options, the amount expensed to contributed surplus throughout the vesting period is moved to share capital, along with the consideration received for the options.

Accounting standards implemented in 2016

Joint Arrangements

In May 2014, the IASB issued amendments to IFRS 11, "Joint Arrangements" ("IFRS 11") entitled "Accounting for Acquisitions of Interests in Joint Operations" (Amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business beginning on December 28, 2015. There was no impact on the Company's consolidated financial statements as a result of the amendments to IFRS 11.

Other standards

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process (Annual Improvements to IFRS (2012-2014) cycle). Amendments were made to clarify items including changes in method for disposal under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"; 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed financial statements under IFRS 7 "Financial Instruments: Disclosures"; Discount rate in a regional market sharing the same currency under IAS 19 "Employee Benefits"; Disclosure of information 'elsewhere in the interim financial report' under IAS 34 "Interim Financial Reporting". The Company adopted these

amendments on December 28, 2015. There was no impact on the Company's consolidated financial statements as a result of the amendments.

In December 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" as part of its major initiative to improve presentation and disclosure in financial reports. The Company adopted these amendments on December 28, 2015. There was no impact on the Company's consolidated financial statements as a result of the amendments to IAS 1.

4 Future accounting standards

Revenue

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 will replace IAS 11, "Construction Contracts", IAS 18 "Revenue", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfer of Assets from Customers", and SIC 31, "Revenue – Barter Transactions Involving Advertising Services". On April 12, 2016, the IASB issued "Clarifications to IFRS 15, Revenue from Contracts with Customers", which is effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches for recognizing revenue. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. The new standard is effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning with the initial period of adoption and restatements to the comparative periods are not required. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Company has begun preliminary assessments to determine the impact of adoption on the consolidated financial statements, the extent of the impact has not yet been determined.

Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)), "Financial Instruments" ("IFRS 9 (2014)") which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only

permitted if information is available without the use of hindsight. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The Company has begun preliminary assessments to determine the impact of adoption on the consolidated financial statements, the extent of the impact has not yet been determined.

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 31, 2018. The Company is in the preliminary assessment stages on the impact of this standard, however, as the Company is a lessee with numerous leases, this standard is expected to have a significant impact on assets, liabilities and the statements of earnings.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on December 26, 2016. The extent of the impact of adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

Disclosure Initiative

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Company will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on December 26, 2016. The extent of the impact of adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or

after January 1, 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments is not expected to have a material impact on the consolidated financial statements.

Foreign Currency Transactions

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Company intends to adopt the amendments of IFRIC 22 for annual periods beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

Transfer of assets between an investor and its associate or joint venture

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (JV). Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company does not intend to adopt these amendments in its financial statements for the annual period beginning December 26, 2016, as the effective date for these amendments has been deferred indefinitely.

Other Standards

On December 8, 2016 the IASB issued narrow-scope amendments to two standards as part of its annual improvements process (Annual Improvements to IFRS Standards (2014-2016) cycle). Amendments were made to clarify items including interests that are classified as held for sale, held for distribution or discontinued operations apply to IFRS 12 "Disclosures of Interests in other Entities" which the Company will adopt in its financial statements for the annual period beginning on December 26, 2016. Further, there was clarification that the election to measure an associate or joint venture at fair value under IAS 28 "Investments in Associates and Joint Ventures" for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis which the Company intends to adopt in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

5 Acquisitions and Buyouts

The Company has accounted for all acquisitions using the acquisition method, with the results of the businesses acquired included in the consolidated financial statements from the date of acquisition. Only one acquisition had a non-controlling interest which has been accounted for using the anticipated acquisition method.

Original Joe's

On November 28, 2016 (the "Original Joe's Acquisition Date"), the Company completed the investment in the majority ownership of Original Joe's Franchise Group Inc. ("Original Joe's") for cash consideration of $93.0 million plus an earn-out liability if certain targets are met over a period of time. As part of the transaction, the Company settled Original Joe's long-term debt of $21.7 million. Original Joe's operates and franchises 99 full-service restaurants in Canada and the United States across three brands - Original Joe's Restaurant & Bar, State & Main Kitchen Bar and Elephant & Castle Pub and Restaurant. The transaction was settled by drawing on the Company's existing credit facility. The transaction was accounted for as a business combination, with the Company controlling 89.2% of Original Joe's and consolidating their operations as at the Original Joe's Acquisition Date.

The assets and liabilities and results of operations of Original Joe's are included in the Company's consolidated financial statements from the Original Joe's Acquisition Date. Original Joe's contributed total gross revenue of $8.6 million and net loss of $1.8 million during the period ended December 25, 2016, including $1.0 million in transaction costs.

Together with St-Hubert (described below), if both acquisitions had occurred on December 28, 2015, management estimates that the Company's consolidated gross revenue for the period would have been $758.0 million and the Company's consolidated net income would have been $75.2 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the Original Joe's Acquisition Date and St-Hubert Acquisition Date would have been the same if the acquisition had occurred on December 28, 2015.

The preliminary determination of the identifiable assets acquired and liabilities assumed at fair value, in connection with the acquisition of Original Joe's, is summarized in the table below:

Consideration		
Cash paid to vendor	$	93,000
Contingent consideration for Non-Controlling Interest [1]		19,511
Total cash paid for shares	**$**	**112,511**
Fair Value of Net Assets Acquired		
Assets		
Cash	$	2,893
Accounts receivable		6,824
Due from related parties		2,443
Inventories		1,752
Prepaid expenses and other assets		1,153
Income taxes receivable		2,300
Total Current Assets		17,365
Due from related parties		10,310
Property, plant and equipment		24,963
Investment in associates and joint ventures		4,189
Brands and other assets		96,971
Total Assets	$	153,798
Liabilities		
Accounts payable and accrued liabilities	$	10,272
Income taxes payable		1,960
Long-term debt		26,745
Provisions		2,106
Other long-term liabilities		793
Deferred income tax liabilities		1,458
Total liabilities	$	43,334
Total net assets acquired	**$**	**110,464**
Goodwill		**2,047**
Total	**$**	**112,511**

[1] Contingent consideration recorded as part of Other long-term liabilities (see note 20)

St-Hubert

On September 2, 2016 (the "St-Hubert Acquisition Date"), the Company completed the acquisition of 100% of Groupe St-Hubert Inc. ("St-Hubert"), Québec's leading full-service restaurant operator as well as fully integrated food manufacturer for consideration of $540.2 million. The transaction was settled through the issuance of $53.9 million in Cara Subordinate Voting Shares to the vendor and certain management shareholders, approximately $230.0 million in gross proceeds from the offering of subscription receipts, on a private placement basis, and through upsizing the Company's credit facility with Scotiabank and a syndicate of lenders. The transaction was accounted for as a business combination, with the Company controlling St-Hubert and consolidating 100% of their operations as at the St-Hubert Acquisition Date. The assets and liabilities and results of operations of St-Hubert are included in the Company's consolidated financial statements from the St-Hubert Acquisition Date. St-Hubert contributed total gross revenue of $105.2 million and net income of $3.9 million which includes a $2.9 million expense related to the fair value increase adjustment in to inventory recognized on the St-Hubert Acquisition Date that has been sold during the year and transaction costs of $1.9 million.

The preliminary determination of the identifiable assets acquired and liabilities assumed at fair value, in connection with the acquisition of St-Hubert is summarized in the table below:

Consideration		
Cash paid to vendor	$	388,346
Cash paid "in trust" relating to holdback		55,500
Payment of St-Hubert long-term debt		42,450
Total cash paid for shares	**$**	**486,296**
Cara subordinated voting shares issued	$	53,891
Total Consideration	**$**	**540,187**
Fair Value of Net Assets Acquired		
Assets		
Accounts receivable	$	22,054
Inventories		24,762
Prepaid expenses and other assets		4,070
Income taxes receivable		438
Total Current Assets		51,324
Long-term receivables		318
Property, plant and equipment		193,673
Brands and other assets		297,647
Total Assets	$	542,962
Liabilities		
Accounts payable and accrued liabilities	$	30,100
Provisions		501
Income taxes payable		600
Long-term debt		5,140
Other long-term liabilities		3,674
Deferred income tax liabilities		100,171
Total liabilities	$	140,186
Total net assets acquired	**$**	**402,776**
Goodwill		**137,411**
Total	**$**	**540,187**

New York Fries

On October 31, 2015, the Company completed the acquisition of 100% interest in the assets used in the New York Fries business from 122164 Canada Ltd. for a purchase price of $40.6 million. There are no further changes to the fair value of the assets and liabilities acquired in connection with the acquisition of New York Fries disclosed in the December 27, 2015 financial statements.

(in thousands of Canadian dollars)		October 31, 2015
Consideration		
Cash paid to 122164 Canada Ltd.	$	36,619
Cash paid "in trust" relating to holdback		4,000
Total Consideration	**$**	**40,619**
Net Assets Acquired		
Assets		
Cash	$	21
Accounts receivable		165
Inventories		68
Prepaid expenses and other assets		215
Total Current Assets		469
Property, plant and equipment		780
Brands and other assets		40,083
Total Assets	$	41,332
Liabilities		
Provisions	$	128
Deferred income tax liabilities		2,695
Total liabilities	$	2,823
Total net assets acquired	**$**	**38,509**
Goodwill		**2,110**
Total	**$**	**40,619**

Re-acquired franchise locations

In the normal course of business, the Company may acquire or re-acquire franchise restaurants and convert them into corporate restaurants. During the period ended December 25, 2016, 9 franchise locations (December 27, 2015 - 9) were re-acquired by the Company, resulting in goodwill of $nil (December 27, 2015 - $4.5 million).

(in thousands of Canadian dollars)

	For the 52 weeks ended	
	December 25, 2016	**December 27, 2015**
Consideration		
Cash	**$ 256**	$ 6,375
Accounts receivable	**244**	218
Extinguishment of net finance leases	**-**	1,341
Total Consideration	**$ 500**	$ 7,934
Net assets acquired		
Inventories	**$ 12**	$ -
Property, plant and equipment	**290**	464
Brands and other assets	**198**	2,991
Total Assets	**500**	3,455
Goodwill	**-**	4,479
Total	**$ 500**	$ 7,934

6 Sales

Sales are made up of the direct sale of prepared food and beverage to customers at company-owned restaurants, sales of St-Hubert branded and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants and revenue from processing off-premise phone, web and mobile orders for franchised locations.

(in thousands of Canadian dollars)		For the 52 weeks ended December 25, 2016		December 27, 2015
Sales at corporate restaurants	**$**	**286,522**	$	237,808
Food processing and distribution		**84,194**		-
Call centre service charge revenues		**9,933**		9,670
	$	**380,649**	$	247,478

7 Franchise revenues

The Company grants license agreements to independent operators ("franchisees"). As part of the license agreements, the franchisees pay franchise fees, conversion fees for established locations, and other payments, which may include payments for royalties, equipment and rents.

(in thousands of Canadian dollars)		For the 52 weeks ended December 25, 2016		December 27, 2015
Royalty revenue	**$**	**75,354**	$	68,274
Franchise fees on new and renewal licenses		**655**		555
Income on finance leases		**1,895**		2,144
Other rental income		**3,131**		508
Amortization of unearned conversion fees income		**1,590**		1,781
	$	**82,625**	$	73,262

8 Selling, general and administrative expenses

Deducted from operating income are the following selling, general and administrative expenses.

(in thousands of Canadian dollars)	For the 52 weeks ended December 25, 2016	December 27, 2015
Corporate restaurant expenses	$ **173,529**	$ 142,333
Franchise assistance and bad debt	**8,457**	7,918
Franchisor over-contribution to advertising funds	**2,082**	2,711
Depreciation of property, plant and equipment (note 15)	**26,726**	19,379
Amortization of other assets (note 16)	**5,424**	5,011
Other	**1,027**	(8,205)
	$ **217,245**	$ 169,147

Employee costs

Included in selling, general and administrative expenses are the following employee costs:

(in thousands of Canadian dollars)	For the 52 weeks ended December 25, 2016	December 27, 2015
Short-term employee benefits	**$ 149,843**	$ 127,120
Post-employment benefits (note 21)	**1,271**	846
Long-term incentive plans (note 22)	**3,965**	6,418
	$ 155,079	$ 134,384

9 Restructuring

Home office and brand reorganization

In conjunction with The Landing Group buyout on June 26, 2015, the Company approved the restructuring of certain home office and brand operations positions to consolidate the Landing Group with Cara's existing infrastructure. The total costs were estimated to be approximately $0.5 million comprised primarily of severance and other benefits and were recognized during the period ended December 27, 2015.

Restaurant operations – Casey's restructuring

During the period ended December 30, 2014, the Company approved a single Roadhouse brand strategy which will phase out the Casey's concept over time. Certain locations will convert to a Kelsey's or Prime Pub restaurant. Locations that are not expected to convert to a Cara restaurant will either close or operate as independent restaurants. The total restructuring costs under this plan were estimated to be approximately $1.6 million; comprised of approximately $1.3 million related to the committed renovation costs, $0.2 million of de-branding costs for locations expected to close, and $0.1 million for employee severance costs.

During the period ended December 25, 2016, the Company recognized $0.2 million representing changes in estimates in severance and benefit costs from previously recorded amounts under various plans (December 27, 2015 – recognized $0.4 million).

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at December 25, 2016:

	For the 52 weeks ended	
(in thousands of Canadian dollars)	**December 25, 2016**	**December 27, 2015**
Net liability, beginning of period	**$ 3,662**	$ 10,338
Cost recognized		
Employee termination benefits	**(164)**	256
Site closing costs and other	**375**	112
Total	**211**	368
Cash payments		
Employee termination benefits	**2,085**	6,766
Site closing costs and other	**141**	278
Total	**2,226**	7,044
Net liability, end of period	**$ 1,647**	$ 3,662

Recorded in the consolidated balance sheets as follows:

	As at December 25, 2016			As at December 27, 2015		
(in thousands of Canadian dollars)	**Employee Termination Benefits**	**Site Closing Costs and Other**	**Total**	**Employee Termination Benefits**	**Site Closing Costs and Other**	**Total**
Accounts payable and accrued liabilities	**$ 962**	**$ -**	**$ 962**	$ 3,078	$ -	$ 3,078
Other long-term liabilities	**37**	**-**	**37**	170	-	170
Provisions - current	**-**	**253**	**253**	-	132	132
Provisions - long-term	**-**	**395**	**395**	-	282	282
Net liability, end of period	**$ 999**	**$ 648**	**$ 1,647**	**$ 3,248**	**$ 414**	**$ 3,662**

10 Net interest expense and other financing charges

(in thousands of Canadian dollars)	For the 52 weeks ended December 25, 2016	 December 27, 2015
Interest expense on long-term debt	**$ 3,580**	$ 4,771
Interest expense on preferred shares	**-**	3,130
Interest on finance leases	**1,625**	1,776
Financing costs	**309**	491
Interest expense - other	**373**	994
Accretion expense	**-**	1,034
Interest expense related to derivative	**-**	192
Loss on derivative	**-**	1,623
Write-off of deferred financing fees	**387**	1,800
Interest income	**(375)**	(121)
	$ 5,899	$ 15,690

11 Income taxes

The Company's income tax expense (recovery) is comprised of the following:

(in thousands of Canadian dollars)	For the 52 weeks ended December 25, 2016	 December 27, 2015
Current income tax expense		
Current period	**$ 7,013**	$ 319
Adjustments for prior years	**(66)**	(21)
Part VI.1 taxes on preferred share dividends [(1)]	**-**	1,252
	$ 6,947	$ 1,550
Deferred income tax expense (recovery)		
Benefit from previously unrecognized tax asset [(2)]	**$ (527)**	$ (37,547)
Origination and reversal of temporary differences	**22,743**	2,482
Adjustments for prior years	**(208)**	(15)
	$ 22,008	$ (35,080)
Net income tax expense (recovery) [(3)]	**$ 28,955**	$ (33,530)

[(1)] In the prior periods, the Company issued preferred shares as part of a financing transaction with Fairfax and the acquisition of Prime Restaurants from Fairfax and former employees of Prime. According to Canadian income tax legislation, any dividends paid in respect of these preferred shares are subject to a special tax (Part VI.1 taxes) at a rate of 40%. These taxes are eligible for an income tax deduction equal to 3.5 times the amount of the Part VI.1 taxes paid. The impact of this deduction has been reflected in the current portion of the

income tax provision. These taxes on dividend payments are not expected to be incurred in future periods as the preferred shares were converted into Multiple Voting Common Shares on April 10, 2015.

(2) During the period ended December 27, 2015, the Company recognized a deferred tax asset of $37.5 million resulting in a credit to the income statement of the same amount. The deferred tax asset was recognized in respect of its income tax losses and other deductible temporary differences for which tax benefits had previously not been recognized. Management determined it was appropriate to record a deferred tax asset based on the Company's recent financial performance, financial projections and the likelihood that future taxable profits would be available against which the asset can be utilized.

(3) Net income tax expense (recovery) for the periods ended December 25, 2016 and December 27, 2015 relates to income taxes from continuing operations.

The statutory income tax rate for the period ended December 25, 2016 was 26.79% (December 27, 2015 – 26.61%). The increase from the prior period is a result of the acquisitions of St-Hubert and Original Joe's.

Net income tax expense (recovery) is reconciled from net earnings as follows:

(in thousands of Canadian dollars)	For the 52 weeks ended December 25, 2016	For the 52 weeks ended December 27, 2015
Net earnings	**$ 67,040**	$ 99,698
Income taxes	**28,955**	(33,530)
Income before income taxes	**95,995**	66,168
Statutory income tax rate	**26.79%**	26.61%
Expected income tax expense based on above rates	**25,720**	17,607
Increase (decrease) resulting from:		
Benefit from previously unrecognized tax asset (including unrecognized income tax benefit utilized in the current year)	**(558)**	(53,707)
Part VI.1 taxes on preferred share dividends	**-**	1,252
Adjustments for prior years	**(87)**	(36)
Income taxes on non-deductible amounts	**2,967**	1,382
Income taxed at different rates	**166**	-
Losses not recognized	**796**	-
Other	**(49)**	(28)
Expense (recovery) for income taxes	**$ 28,955**	$ (33,530)

The effective income tax expense for the period ended December 25, 2016 increased from the prior period as a result of the prior period recognition of a deferred tax asset for which the tax benefit had not previously been recognized.

Recognized deferred tax assets and liabilities

(in thousands of Canadian dollars)	**As at December 25, 2016**	As at December 27, 2015
Opening balance	**$ 36,903**	$ 671
Deferred income tax (expense)/recovery	**(22,008)**	35,080
Transaction costs associated with the IPO	**-**	4,131
New York Fries acquisition	**-**	(2,695)
Landing Group acquisition	**-**	(160)
Transaction costs associated with the Subscription Receipts	**2,160**	-
St-Hubert acquisition	**(100,171)**	-
Original Joe's acquisition	**(1,458)**	-
Income taxes recognized in other comprehensive income	**(457)**	(124)
	$ (85,031)	$ 36,903

During the period ended December 25, 2016, a deferred tax asset of $2.2 million was recognized in relation to the transaction costs associated with the Subscription Receipts. These costs and the associated tax benefit were recognized directly through share capital.

During the period ended December 25, 2016, a deferred tax liability of $100.2 million was recognized in relation to the St-Hubert acquisition (see note 5), largely due to the taxable temporary differences arising from the purchase price equation.

During the period ended December 25, 2016, a deferred tax liability of $1.5 million was recognized in relation to the Original Joe’s acquisition (see note 5), largely due to the taxable temporary differences arising from the purchase price equation.

During the period ended December 27, 2015, a deferred tax asset of $4.1 million was recognized in relation to the transaction costs associated with the IPO. These costs and the associated tax benefit were recognized directly through share capital.

During the period ended December 27, 2015, a deferred tax liability of $2.7 million was recognized in relation to the New York Fries acquisition (see note 5), largely due to the taxable temporary differences arising from the purchase price equation.

Deferred tax assets and liabilities are attributable to the following:

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Deferred tax assets:				
Other long-term liabilities	**$**	**19,379**	$	20,409
Income tax losses [(1)]		**9,143**		25,441
Accounts payable and accrued liabilities		**8,574**		9,897
Other assets		**965**		3,022
Property, plant and equipment		**-**		10,725
	$	**38,061**	$	69,494
Deferred tax liabilities:				
Brands and other intangibles	**$**	**(103,936)**	$	(23,745)
Property, plant and equipment		**(13,637)**		-
Long-term receivables		**(5,084)**		(7,951)
Accounts receivable		**(434)**		(895)
	$	**(123,091)**	$	(32,591)
Classified in the Consolidated Financial Statements as:				
Deferred tax asset	**$**	**18,604**	$	41,300
Deferred tax liability		**(103,635)**		(4,397)
	$	**(85,031)**	$	36,903

[(1)] The income tax losses of $34.4 million expire in the years 2033 to 2035.

Unrecognized deferred tax liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Reversing these temporary differences would not result in any significant tax implications.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized on the consolidated balance sheets in respect of the following items:

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Income tax losses	$	11,979	$	16,026
Deductible temporary differences		2,034		-
Income tax credits		-		-
	$	14,013	$	16,026

The Canadian income tax losses of $6.0 million (December 27, 2015 - $4.5 million) expire in the years 2029 to 2036. The US income tax losses of $6.0 million (December 27, 2015 - $11.5 million) expire in the years 2032 to 2035. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

12 Inventories

Inventories consist of food and packaging materials used in St-Hubert's food processing and distribution division and food and beverage items for use at the Company's corporately-owned locations. Inventories are stated at the lower of cost and estimated net realizable value of corporate restaurant inventory. Costs consist of the cost to purchase, direct labour, an allocation of variable and fixed manufacturing overheads, and other costs incurred in bringing the inventory to its present location reduced by vendor allowances. The cost of inventories is determined using the first-in, first-out method.

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Raw materials	$	7,390	$	-
Work in progress		708		-
Finished goods		13,407		-
Food and beverage supplies		6,332		3,779
	$	27,837	$	3,779

13 Assets held for sale

Assets held for sale relate to restaurants that have been corporately developed with the intent to sell these locations to a franchisee within the next 12 months.

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Assets held for sale		**-**	$	7,274

During the year ended December 25, 2016, 2 restaurants were sold to franchisees for a total purchase price of $2.0 million and 4 restaurants were reclassified to property, plant and equipment (December 27, 2015 - 3 restaurants were sold to franchisees for a total purchase price of $2.4 million; nil reclassified to property, plant and equipment).

14 Long-term receivables

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Franchise receivable	**$**	**28,812**	$	33,896
Due from related parties (note 29)		**10,727**		-
Promissory notes		**1,888**		1,289
Franchise licence notes		**-**		13
	$	**41,427**	$	35,198

Franchise receivable

In prior years, the Company converted certain corporate restaurants to franchise and sold the restaurants to independent operators (“franchisees”). As part of these conversion agreements certain franchisees entered into rental agreements to rent certain restaurant assets from the Company. Franchise receivables of $28.8 million (December 27, 2015 - $33.9 million) relates primarily to the long-term obligation of the franchisees to pay the Company over the term of the rental agreement which is equal to the term of the license agreement or the term to the expected buyout date assuming that the franchisee is more likely than not to acquire the rented assets from the Company.

Long-term franchise receivables are reviewed for impairment when a triggering event has occurred. An impairment loss is recorded when the carrying amount of the long-term franchise receivable exceeds its estimated net realizable value. For the period ended December 25, 2016, the Company recorded $nil (December 27, 2015 - $nil) of impairment losses on long-term franchise receivables.

Long-term receivable maturities

Long-term receivables have maturity dates ranging from 2017 to 2034 and bear an average effective interest rate of 8% - 10%.

15 Property, plant and equipment

	As at December 25, 2016						
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Construction-in-progress	Total
Cost							
Balance, beginning of period	$ 2,291	$ 3,073	$ 144,352	$ 99,274	$ 30,888	$ 3,576	$ 283,454
Additions	-	22	5,020	1,002	-	38,624	44,668
Additions from business acquisitions (note 5)	36,205	115,338	34,183	20,485	5,139	7,576	218,926
Disposals and adjustments	50	263	(7,253)	(12,974)	-	138	(19,776)
Transfer to/(from) construction-in-progress	-	527	22,942	20,649	-	(44,118)	-
Balance, end of period	$ 38,546	$119,223	$ 199,244	$ 128,436	$ 36,027	$ 5,796	$ 527,272
Accumulated depreciation and impairment losses							
Balance, beginning of period	$ -	$ 2,448	$ 109,918	$ 62,696	$ 13,879	$ -	$ 188,941
Depreciation expense	-	1,275	15,334	7,868	2,249	-	26,726
Impairment losses	-	-	219	1,418	-	-	1,637
Reversal of impairment losses	-	-	-	(105)	-	-	(105)
Disposals and adjustments	-	223	(7,730)	(10,313)	-	-	(17,820)
Balance, end of period	$ -	$ 3,946	$ 117,741	$ 61,564	$ 16,128	$ -	$ 199,379
Carrying amount as at:							
December 25, 2016	$ 38,546	$115,277	$ 81,503	$ 66,872	$ 19,899	$ 5,796	$ 327,893

	As at December 27, 2015						
(in thousands of Canadian dollars)	**Land**	**Buildings**	**Equipment**	**Leasehold improvements**	**Assets under finance lease**	**Construction-in-progress**	**Total**
Cost							
Balance, beginning of period	$ 2,291	$ 3,058	$ 137,797	$ 97,416	$ 29,601	$ 183	$ 270,346
Additions	-	27	3,816	1,667	384	19,300	25,194
Additions from business acquisitions	-	-	1,244	-	-	-	1,244
Disposals and adjustments	-	(12)	(7,962)	(6,259)	903	-	(13,330)
Transfer to/(from) construction-in-progress	-	-	9,457	6,450	-	(15,907)	-
Balance, end of period	$ 2,291	$ 3,073	$ 144,352	$ 99,274	$ 30,888	$ 3,576	$ 283,454
Accumulated depreciation and impairment losses							
Balance, beginning of period	$ -	$ 2,355	$ 105,193	$ 64,608	$ 11,593	$ -	$ 183,749
Depreciation expense	-	105	12,137	5,018	2,119	-	19,379
Impairment losses	-	-	114	316	-		430
Reversal of impairment losses	-	-	(161)	(2,034)	-	-	(2,195)
Disposals and adjustments	-	(12)	(7,365)	(5,212)	167	-	(12,422)
Balance, end of period	$ -	$ 2,448	$ 109,918	$ 62,696	$ 13,879	$ -	$ 188,941
Carrying amount as at:							
December 27, 2015	$ 2,291	$ 625	$ 34,434	$ 36,578	$ 17,009	$ 3,576	$ 94,513

Impairment losses

For the period ended December 25, 2016, the Company recorded $1.6 million (December 27, 2015 – $0.4 million) of impairment losses on property, plant and equipment in respect of 16 cash generating units ("CGUs") (December 27, 2015 – 6 CGUs). An impairment loss is recorded when the carrying amount of the restaurant location exceeds its recoverable amount. The recoverable amount is based on the greater of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). Approximately 75% (December 27, 2015 – 75%) of impaired CGUs had carrying values greater than their FVLCS. The remaining 25% (December 27, 2015 – 25%) of impaired CGUs had carrying values greater than their VIU.

For the period ended December 25, 2016, the Company recorded $0.1 million (December 27, 2015 – $2.2 million) of impairment reversals on property, plant and equipment in respect of 1 CGU (December 27, 2015 – 18 CGUs) given that the condition that originally caused the impairment no longer exists. The impairment reversals are recorded where the recoverable amount of the restaurant exceeds its carrying value that was previously impaired and does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. The recoverable amount was based on its VIU.

When determining the VIU of a restaurant location, the Company employs a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU or the remaining lease term of the location. Sales forecasts for cash flows are based on actual operating results, operating budgets and long-term growth rates that were

consistent with strategic plans presented to the Company's Board and ranged between 0% and 2%. The estimate of the VIU of the relevant CGUs was determined using an after-tax discount rate of 7.9% to 10.9% at December 25, 2016 (December 27, 2015 – 7.3% to 10.3%).

16 Brands and other assets

	As at December 25, 2016			
(in thousands of Canadian dollars)	**Brands**	**Other assets**	**Investment in joint ventures and associates** (note 29)	**Total**
Cost				
Balance, beginning of period	**$ 179,288**	**$ 30,343**	**$ -**	**$ 209,631**
Additions	**-**	**183**	**-**	**183**
Additions from business acquisitions (note 5)	**335,351**	**59,465**	**4,189**	**399,005**
Impairment losses	**-**	**(406)**	**-**	**(406)**
Balance, end of period	**$ 514,639**	**$ 89,585**	**$ 4,189**	**$ 608,413**
Accumulated amortization				
Balance, beginning of period	**$ -**	**$ 8,330**	**$ -**	**$ 8,330**
Amortization	**-**	**5,424**	**-**	**5,424**
Share of loss from investment in joint ventures and associates	**-**	**-**	**147**	**147**
Balance, end of period	**$ -**	**$ 13,754**	**$ 147**	**$ 13,901**
Carrying amount, end of period	**$ 514,639**	**$ 75,831**	**$ 4,042**	**$ 594,512**

(in thousands of Canadian dollars)	As at December 27, 2015 Brands	Other assets	Investment in joint ventures and associates (note 29)	Total
Cost				
Balance, beginning of period	$ 140,894	$ 28,099	$ -	$ 168,993
Additions	-	147	-	147
Additions from business acquistions (note 5)	38,565	4,511	-	43,076
Impairment losses	-	(561)	-	(561)
Transfer from Brands to Other assets	(171)	171	-	-
Disposals	-	(2,024)	-	(2,024)
Balance, end of period	$ 179,288	$ 30,343	$ -	$ 209,631
Accumulated amortization				
Balance, beginning of period	$ -	$ 5,343	$ -	$ 5,343
Amortization	-	5,011	-	5,011
Disposals	-	(2,024)	-	(2,024)
Balance, end of period	$ -	$ 8,330	$ -	$ 8,330
Carrying amount, end of period	$ 179,288	$ 22,013	$ -	$ 201,301

Impairment testing of brands and other assets

For the purpose of impairment testing, brands are allocated to the group of CGUs which represent the lowest level within the group at which the brands are monitored for internal management purposes.

The Company performed impairment testing of brands, with an indefinite life in accordance with the Company's accounting policy for the periods ending December 25, 2016 and December 27, 2015. During the period ended December 25, 2016, the Company recorded $nil (December 27, 2015 - $nil) of impairment losses on indefinite life intangible assets.

The Company determines FVLCS of its brands using the "Relief from Royalty Method", a discounted cash flow model. The process of determining the FVLCS requires management to make estimates and assumptions of a long-term nature including, but not limited to, projected future sales, terminal growth rates, royalty rates and discount rates. Projected future sales are consistent with the most recent strategic plans presented to the Company's Board. For the purposes of the impairment test, the Company has reflected a terminal value growth of 3% after the fifth year in its present value calculations.

The Company has used an after-tax discount rate in the range of 7.9% to 10.9% (December 27, 2015 - 7.3% to 10.3%), which is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the group of CGUs to which brands with an indefinite life is allocated. Cash flow projections are discounted over a five-year period plus a terminal value.

Definite life intangible assets tested for impairment are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. During the period ended December 25, 2016, the Company recorded $0.4 million (December 27, 2015 - $0.6 million) of impairment losses in respect of three cash generating units.

An impairment loss and any subsequent reversals, if any, are recognized in the consolidated statements of earnings.

17 Goodwill

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Cost				
Balance, beginnning of period	$	**49,540**	$	43,051
Additions [1] (note 5)		**139,458**		6,589
Impairment		**-**		(100)
Balance, end of period	$	**188,998**	$	49,540

[1] Goodwill acquired in the year has not been allocated as it has not yet been determined how the benefit of goodwill will impact reporting units.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the group of CGUs, being brands that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

During the periods ending December 25, 2016 and December 27, 2015, the Company performed annual impairment testing of goodwill, in accordance with the Company's accounting policy. During the period ended December 25, 2016, the Company recorded an impairment of $nil (December 27, 2015 - $0.1 million in respect of the Casey's brand).

The Company uses the VIU method for determining the recoverable amount of the group of CGUs to which goodwill is allocated. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data). Key assumptions include the Company's weighted average cost of capital, restaurant sales growth, gross margin rates, changes in other operating expenses and capital investment. The Company has projected cash flows based on the most recent strategic plans presented to the Company's Board. For the purposes of the impairment test, the Company has reflected a terminal value growth of 3% after the fifth year in its present value calculations.

The Company has used an after-tax discount rate in the range of 7.9% to 10.9% (December 27, 2015 - 7.3% to 10.3%), which is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the group of CGUs to which goodwill is allocated. Cash flow projections are discounted over a five-year period plus a terminal value.

18 Provisions

Provisions are recognized when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

					As at December 25, 2016
(in thousands of Canadian dollars)	**Asset retirement obligations**	**Lease obligations for closed restaurants**	**Franchise onerous contracts**	**Other**	**Total**
Balance, end of period	**$ 5,374**	**$ 2,491**	**$ 2,511**	**$ 1,630**	**$ 12,006**
Additions	**199**	**349**	**2,732**	**-**	**3,280**
Additions from business acquisitions (note 5)	**1,107**	**-**	**-**	**1,500**	**2,607**
Accretion	**290**	**-**	**-**	**-**	**290**
Payments	**(52)**	**(1,229)**	**(517)**	**(60)**	**(1,858)**
Adjustments	**(768)**	**1,104**	**(36)**	**(30)**	**270**
Balance, end of period	**$ 6,150**	**$ 2,715**	**$ 4,690**	**$ 3,040**	**$ 16,595**

					As at December 27, 2015
(in thousands of Canadian dollars)	**Asset retirement obligations**	**Lease obligations for closed restaurants**	**Franchise onerous contracts**	**Other**	**Total**
Balance, beginnning of period	$ 5,200	$ 2,498	$ 3,462	$ 3,374	$ 14,534
Additions	380	-	204	498	1,082
Additions from business acquisitions (note 5)	128	-	-	-	128
Accretion	325	-	-	-	325
Payments	(141)	(1,327)	(736)	(272)	(2,476)
Adjustments	(518)	1,320	(419)	(1,970)	(1,587)
Balance, end of period	$ 5,374	$ 2,491	$ 2,511	$ 1,630	$ 12,006

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Provisions - current	$	**5,159**	$	5,004
Provisions - long-term		**11,436**		7,002
		16,595	$	12,006

19 Long-term debt

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Term credit facility - revolving	**$**	**242,000**	$	65,000
Term credit facility - non-revolving		**150,000**		-
Finance leases		**23,693**		20,785
		415,693		85,785
Less: Financing costs		**2,547**		477
	$	**413,146**	$	85,308

Recorded in the consolidated balance sheets as follows:

Current portion of long-term debt	**$**	**2,443**	$	2,156
Long-term portion of long-term debt		**410,703**		83,152
	$	**413,146**	$	85,308

Term credit facility

On September 2, 2016, the Company amended and extended the terms of its existing term credit facility. The fourth amended and restated term credit facility is comprised of a revolving credit facility in the amount of $400.0 million with an accordion feature of up to $50.0 million maturing on September 2, 2021 and a non-revolving term credit facility in the amount of $150.0 million maturing on September 2, 2019. A maximum amount of $26.3 million per year may be repayable on the term credit facility if certain covenant levels are exceeded by the Company.

As at December 27, 2015, the term credit facility was comprised of a revolving credit facility in the amount of up to $150.0 million and an accordion feature up to $50.0 million maturing on June 30, 2019.

The interest rate applied on amounts drawn by the Company under its total credit facilities is the effective bankers acceptance rate or prime rate plus a spread based on the Company’s total funded net debt to Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) ratio, as defined in the agreement, measured using EBITDA for the four most recently completed fiscal quarters.

In conjunction with the amended and extended term credit facilities, the Company wrote off unamortized deferred financing fees of $0.4 million (December 27, 2015 - $1.8 million) related to the previous credit facility.

As at December 25, 2016, $392.0 million was drawn under the amended and extended credit facilities with an effective interest rate of 2.65% representing bankers acceptance rate of 0.75% plus 1.5%, standby fee and the amortization of deferred financing fees of 0.4%.

As at December 27, 2015, $65.0 million was drawn under the amended and extended term credit facility with an effective interest rate of 4.2%. The Company's effective interest rate as at December 27, 2015 was approximately 2.5% representing bankers acceptance rate of 1.0% plus 1.25% and the amortization of deferred financing fees of 0.25%.

The Company is required to pay a standby fee of between 0.25% to 0.60% per annum, on the unused portion of the credit facility, for the term of its credit facilities. The standby fee rate is based on the Company's total funded net debt to EBITDA ratio. As of December 25, 2016, the standby fee rate was 0.25%.

As at December 25, 2016, the Company has not exceeded any covenant levels requiring early repayments.

Finance leases

Included in finance leases are obligations that bear interest at an average rate of 7.0% (December 27, 2015 – 7.3%).

Debt repayments

The five-year schedule of repayment of long-term debt is as follows:

(in thousands of Canadian dollars)	2017	2018	2019	2020	2021	Thereafter
Revolving credit facility	-	-	-	-	242,000	-
Non-revolving term credit facility	-	-	150,000	-	-	-
Finance leases	2,443	2,429	2,567	2,409	2,363	11,482
Total [1]	2,443	2,429	152,567	2,409	244,363	11,482

[1] The total does not reflect any interest payments.

20 Other long-term liabilities

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Accrued pension and other benefit plans (note 21)		**22,435**		21,448
Non-controlling interest liability (note 5)	**$**	**19,511**	$	-
Deferred income		**12,080**		13,808
Deferred rental income		**11,690**		14,344
Accrued rent expense		**4,451**		3,898
Restructuring		**999**		3,248
Long-term incentive plans (note 22)		**315**		166
Other liabilities		**3,951**		1,805
	$	**75,432**	$	58,717

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		As at December 25, 2016		As at December 27, 2015
Accounts payable and accrued liabilities	$	**7,461**	$	7,673
Other long-term liabilities		**67,971**		51,044
	$	**75,432**	$	58,717

Deferred rental income

In prior years, the Company converted certain corporate restaurants to franchise and sold the restaurants to independent operators ("franchisees"). As part of these conversion agreements, certain franchisees entered into rental agreements to rent certain restaurant assets from the Company. The $11.7 million (December 27, 2015 – $14.3 million) represents the unearned revenue associated with the rental agreements calculated as the present value of the minimum lease payments using an interest rate implicit in the rental agreement.

Deferred income

Unearned franchise and conversion fee income

At December 25, 2016, the Company had deferred $6.6 million (December 27, 2015 - $7.5 million) of initial franchise fees and conversion fees received from franchisees that will be recognized over the remaining term of the respective franchise agreements.

Sale-leaseback transactions

At December 25, 2016, the Company had deferred $4.2 million (December 27, 2015 - $5.1 million) related to gains realized on sale-leaseback transactions.

21 Employee future benefits

The Company sponsors a number of pension plans, including a registered funded defined benefit pension plan, a multi-employer pension plan, a defined contribution plan and other supplemental unfunded unsecured arrangements providing pension benefits in excess of statutory limits. The defined benefit plans are non-contributory and these benefits are, in general, based on career average earnings subject to limits.

Cara's Pension Committee (the "Committee") oversees the Company's pension plans. The Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans such as administration of the plans, pension investment and compliance with legal and regulatory requirements.

Information on the Company's defined benefit pension plans, in aggregate, is summarized as follows:

(in thousands of Canadian dollars)		**As at December 25, 2016**		**As at December 27, 2015**
Present value of obligations	**$**	**(54,754)**	$	(31,909)
Fair value of plan assets		**32,319**		10,461
Deficit in the plans (note 20)	**$**	**(22,435)**	$	(21,448)

(in thousands of Canadian dollars)		**For the 52 weeks ended December 25, 2016**		**December 27, 2015**
Experience (losses) gains on plan assets	**$**	**(32)**	$	381
Actuarial gains on obligation		**1,742**		158
Income tax recovery (note 11)		**(457)**		(124)
	$	**1,253**	$	415

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligation:

(in thousands of Canadian dollars)	Defined benefit pension plan		Supplemental Executive Retirement Plans (Unfunded)		Total	
	Dec 25, 2016	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**
Changes in the fair value of plan assets						
Fair value, beginning of period	**$ 10,461**	$ 10,393	**$ -**	$ -	**$ 10,461**	$ 10,393
Additions from business acquisitions	**22,159**	-	-	-	**22,159**	-
Interest income	**773**	387	**-**	-	**773**	387
Return on plan assets (excluding interest income)	**(32)**	381	**-**	-	**(32)**	381
Employer contributions	**296**	-	**1,586**	1,594	**1,882**	1,594
Employee contributions	**66**	-	**-**	-	**66**	-
Administrative expenses	**(36)**	(1)	**-**	-	**(36)**	(1)
Benefits paid	**(1,368)**	(699)	**(1,586)**	(1,594)	**(2,954)**	(2,293)
Fair value, end of period	**$ 32,319**	$ 10,461	**$ -**	$ -	**$ 32,319**	$ 10,461
Changes in the present value of obligations						
Balance, beginning of period	**$ (14,291)**	$ (14,532)	**$ (17,618)**	$ (18,596)	**$ (31,909)**	$ (33,128)
Additions from business acquisitions	**(25,467)**	-	**-**	-	**(25,467)**	-
Current service cost	**(368)**	-	**-**	-	**(368)**	-
Employee contributions	**(66)**	-	**-**	-	**(66)**	-
Interest cost	**(984)**	(547)	**(656)**	(685)	**(1,640)**	(1,232)
Benefits paid	**1,368**	699	**1,586**	1,594	**2,954**	2,293
Actuarial gains (losses) in financial assumptions	**1,869**	89	**(127)**	69	**1,742**	158
Balance, end of period	**$ (37,939)**	$ (14,291)	**$ (16,815)**	$ (17,618)	**$ (54,754)**	$ (31,909)

The net expense recognized in selling, general and administrative expenses on the consolidated statements of earnings (note 8) for the Company's defined benefit pension plans was as follows:

(in thousands of Canadian dollars)	Defined benefit pension plan		Supplemental Executive Retirement Plans (Unfunded)		Total	
	For the 52 weeks ended					
	Dec 25, 2016	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**
Current service cost	**$ 368**	$ -	**$ -**	$ -	**$ 368**	$ -
Past service cost	**-**	-	**-**	-	**-**	-
Interest on obligations	**984**	547	**656**	685	**1,640**	1,232
Interest income on plan assets	**(773)**	(387)	**-**	-	**(773)**	(387)
Administrative expenses	**36**	1	**-**	-	**36**	1
Net benefit plan expense	**$ 615**	$ 161	**$ 656**	$ 685	**$ 1,271**	$ 846

The cumulative actuarial losses before tax recognized in other comprehensive income for the Company's defined benefit pension plans are as follows:

(in thousands of Canadian dollars)	Defined benefit pension plan		Supplemental Executive Retirement Plans (Unfunded)		Total	
	Dec 25, 2016	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**	**Dec 25, 2016**	**Dec 27, 2015**
Cumulative amount, beginning of period	**$ (1,861)**	$ (2,331)	**$ (5,006)**	$ (5,075)	**$ (6,867)**	$ (7,406)
Return on plan assets (excluding interest income)	**(32)**	381	**-**	-	**(32)**	381
Actuarial gains (losses) in financial assumptions	**1,869**	89	**(127)**	69	**1,742**	158
Total net actuarial gains (losses) recognized in other comprehensive income (loss)	**1,837**	470	**(127)**	69	**1,710**	539
Cumulative amount, end of period	**$ (24)**	$ (1,861)	**$ (5,133)**	$ (5,006)	**$ (5,157)**	$ (6,867)

The actual total return on plan assets was $0.7 million for the period ended December 25, 2016 (December 27, 2015 - $0.8 million).

The accrued benefit plan obligations and the fair value of the benefit plan assets were determined using a December 31 measurement date for accounting purposes.

The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. The most recent actuarial valuation for funding purposes was completed in 2014 and the next required funding valuation will be prepared in 2017 as of December 31, 2016. During 2017, the Company expects to contribute approximately $1.2 million (2016 - $0.8 million) to its registered funded defined benefit plan, defined contribution plans and multi-employer plans. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

The benefit plan assets are held in trust and at December 31st was invested 100% in a balanced fund.

The Company's defined benefit pension plans are exposed to actuarial risks, such as longevity risk, investment rate risk and market risk.

The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan expense, as at the measurement date of December 31st, were as follows:

	Defined benefit pension plan		Unfunded defined benefit pension plans	
	December 25, 2016	**December 27, 2015**	**December 25, 2016**	**December 27, 2015**
		%		%
Defined benefit plan obligations				
Discount rate	**3.80-4.10**	3.90	**3.80**	3.90
Rate of compensation increase	**2.0-3.0**	2.0	**2.0**	2.0
Mortality table	**CPM2014BPubl - SAF 0.8**	CPM2014BPubl - SAF 0.8	**CPM2014BPubl - SAF 0.8**	CPM2014BPubl - SAF 0.8
Net defined benefit plan expense				
Discount rate	**3.55-3.90**	3.85	**3.90**	3.85
Rate of compensation increase	**2.0-3.0**	2.0	**2.0**	2.0
Mortality table	**CPM2014BPubl - SAF 0.8**	CPM2014BPubl - SAF 0.8	**CPM2014BPubl - SAF 0.8**	CPM2014BPubl - SAF 0.8

The following table outlines the key actuarial assumption for 2016 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and net defined benefit plan expense.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined benefit pension plan		Unfunded defined benefit pension plans	
(in thousands of Canadian dollars)	Defined Benefit Plan Obligations	Net Defined Benefit Plan Expense	Defined Benefit Plan Obligations	Net Defined Benefit Plan Expense
Discount rate	3.80%	3.90%	3.80%	3.90%
Impact of : 1% increase	$ (4,684)	$ (193)	$ (1,203)	$ 105
1% decrease	$ 5,844	$ 179	$ 1,357	$ (126)

22 Long-term incentive plans

Under the various stock option plans, Cara may grant options to buy up to 15% of its total Subordinate and Multiple Voting Shares outstanding, a total of 9.0 million shares, a guideline the Company has set on the number of stock option grants. As at December 25, 2016, approximately 3.8 million stock options were granted and outstanding.

Stock options outstanding as at December 25, 2016 have a term of up to eight years from the initial grant date. Each stock option is exercisable into one Subordinate Voting Share at the price specified in the terms of the option agreement. There were no accelerated vesting features upon the initial public offering under any of the plans described below.

The following table summarizes the options granted:

	For the 52 weeks ended December 25, 2016							
	Director stock option plan		CEO stock option plan		Employee stock option plan		Total	
	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share
Outstanding options, December 27, 2015	86,021	0.01	3,504,624	5.97	1,351,603	14.06	4,942,248	$ 8.08
Granted	-	-	-	-	85,111	29.70	85,111	$ 29.70
Exercised	(86,021)	0.01	(1,075,269)	0.01	-	-	(1,161,290)	$ 0.01
Forfeited	-	-	-	-	(62,317)	21.45	(62,317)	$ 21.45
Outstanding options, end of period	-	-	2,429,355	8.61	1,374,397	14.70	3,803,752	$ 10.81
Options exercisable, end of period	-	-	2,419,355	8.51	241,935	8.51	2,661,290	$ 8.51

	For the 52 weeks ended December 27, 2015								
	Director stock option plan		CEO stock option plan		Employee stock option plan		Total		
	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)		Weighted average exercise price/share
Outstanding options, December 30, 2014	86,021	0.01	3,494,624	5.89	1,166,379	8.51	4,747,024	$	6.43
Granted	-	-	10,000	32.37	308,106	32.86	318,106	$	32.84
Forfeited	-	-	-	-	(122,882)	8.51	(122,882)	$	8.51
Outstanding options, end of period	86,021	0.01	3,504,624	5.97	1,351,603	14.06	4,942,248	$	8.08
Options exercisable, end of period	53,763	0.01	1,747,312	5.92	-	-	1,801,075	$	5.75

Director stock option plan

The Director Stock Option Plan ("Director Plan") is for non-employee board members. Options granted under this plan entitle Directors to purchase non-voting shares of the Company after the end of each service period, following the date of the grant. The options vest pro-rata each year based on service years completed and expire after eight years. The settlement of the option can only be into the common share equity of the Company.

On April 10, 2015, all stock options granted prior to the IPO were consolidated at a ratio of 2.79 to 1 to entitle holders of the options to purchase Subordinate Voting Shares of the Company. Under this plan, the Directors now have 86,021 options at an exercise price of $0.01.

During the period ended December 25, 2016 all 86,021 options were exercised (2015 – nil). No stock options were granted under the Director Plan for the periods ended December 25, 2016 and December 27, 2015.

The Company has accounted for these grants as if they will be equity settled using the grant date fair value in accordance with IFRS 2. The fair value of options granted was determined by applying the Black-Scholes option pricing model using the following assumptions:

Option Grant Date	Number of Options		Exercise Price	Time to Expiration from Option Grant Date	Stock Price Volatility	Risk-Free Interest Rate		Grant Date Fair Value of Option
October 31, 2013	21,505	$	0.01	3 years	35.00%	1.12%	$	6.70
October 31, 2013	21,505	$	0.01	3 years	35.00%	1.12%	$	6.70
October 31, 2013	21,505	$	0.01	3 years	35.00%	1.12%	$	6.70
November 1, 2014	10,753	$	0.01	3 years	27.00%	1.06%	$	12.69
November 1, 2014	10,753	$	0.01	3 years	27.00%	1.06%	$	12.69
Total	**86,021**							

The stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 15-20%. The expected annual volatility at October 31, 2013 and November 1, 2014 is based on industry benchmarks against a common pool of comparable industry stocks, using average 5-year volatility trends as of the grant date, which is the time period expected to be outstanding. The Risk-Free

Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

For the period ended December 25, 2016, the Company recognized stock-based compensation costs of $0.1 million (December 27, 2015 - $0.3 million) related to the Director Plan Options with a corresponding increase to contributed surplus.

The non-employee board members receive Deferred Share Units ("DSU") as compensation for their participation on the board. These DSUs are settled for cash when members cease to participate on the board of directors. For the period ended December 25, 2016, the Company recognized an expense of $0.1 million (December 27, 2015 - $0.2 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $0.3 million as at December 25, 2016 (December 27, 2015 - $0.2 million).

CEO stock option plan

Under the CEO Stock Option Plan ("CEO Plan"), the Company's CEO was granted the right to purchase 3,000,000 non-voting shares of the Company at an exercise price per share of $0.01 and 6,750,000 non-voting shares of the Company at an exercise price per share of $3.05. Under this plan, 4,875,000 options vested on the second anniversary of the grant date (October 31, 2015) and 4,875,000 options vested on the third anniversary of the grant date (October 31, 2016).

On April 10, 2015, all stock options granted prior to the IPO were consolidated at a ratio of 2.79 to 1 to entitle holders of the options to purchase Subordinate Voting Shares of the Company. Under this plan, on April 10, 2015, the CEO had 1,075,269 options at an exercise price of $0.01 and 2,419,355 options at an exercise price of $8.51 for a total of 3,494,624 options at a weighted average exercise price of $5.89.

During the period ended December 25, 2016, 1,075,269 options were exercised at an exercise price of $0.01 (December 27, 2015 – nil). No stock options were granted under the CEO Plan during the period ended December 25, 2016 (December 27, 2015 – 10,000 options at an exercise price of $32.37, vest over a three year period and expire after eight years).

The Company has accounted for these grants as if they will be equity settled using the grant date fair value in accordance with IFRS 2. The fair value of options granted in 2015 and 2013 was determined by applying the Black-Scholes option pricing model using the following assumptions:

Option Grant Date	Number of Options	Exercise Price	Time to Expiration from Option Grant Date	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
October 31, 2013	1,075,269	0.01	5 years	35.00%	1.42%	$ 6.70
October 31, 2013	2,419,355	8.51	5 years	35.00%	1.42%	$ 1.68
December 4, 2015	10,000	32.37	5.5 years	26.00%	0.92%	$ 6.80
Total	**3,504,624**					

The expected annual volatility at October 31, 2013 is based on industry benchmarks against a common pool of

comparable industry stocks, using average 3-year volatility trends as of the grant date. For options granted prior to the IPO, stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 20%. The Risk-Free Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

For the period ended December 25, 2016, the Company recognized stock-based compensation costs of $1.6 million (December 27, 2015 - $4.2 million) related to the CEO Plan with a corresponding increase to contributed surplus.

Employee stock option plan

The employee stock option plan consists of options granted to the CFO and to various members of the Company's management team.

On October 31, 2013, the Company granted options in accordance with certain terms of the CFO employment agreement to purchase 675,000 non-voting shares of the Company at an exercise price per share of $3.05. Under the Employee Stock Option Plan ("Employee Plan"), these 675,000 options vested on the third anniversary of the grant date (October 31, 2016). Vested CFO options can be exercised upon the earlier of an initial public offering of the Company and the fifth anniversary of the grant date. On April 10, 2015, all stock options granted prior to the IPO were consolidated at a ratio of 2.79 to 1 to entitle holders of the options to purchase Subordinate Voting Shares of the Company. Under this plan, the CFO now has 268,377 options at an average exercise price of $8.51.

Options granted to the various members of the Company's management team vest over a three year period and may not be exercised until January 1, 2019. The options expire after eight years.

During the period ended December 25, 2016, the Company granted an additional 85,111 stock options, at a weighted average exercise price of $29.70 (December 27, 2015 - 308,106 stock options were granted with a weighted average exercise price of $32.86) per Subordinate Voting Share under its existing stock option plans, which only allows for settlement in shares.

During the period ended December 25, 2016, 62,317 stock options with a weighted average exercise price of $21.45 were forfeited (December 27, 2015 - 122,882 stock options with an exercise price of $8.51).

The Company has accounted for these grants as if they will be equity settled using the grant date fair value in accordance with IFRS 2. The fair value of options granted under the Employee Plan was determined by applying the Black-Scholes option pricing model using the following assumptions:

Option Grant Date	Number of Options	Exercise Price	Time to Expiration from Option Grant Date	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
October 31, 2013	241,935	8.51	5 years	35.00%	1.42%	$ 1.68
January 1, 2014	217,103	8.51	6.5 years	35.00%	1.99%	$ 1.97
September 8, 2014	215,054	8.51	6.5 years	35.00%	2.02%	$ 5.60
December 4, 2014	492,287	8.51	6.5 years	35.00%	1.90%	$ 9.99
July 6, 2015	40,000	34.10	5.5 years	26.00%	0.76%	$ 7.18
October 1, 2015	20,282	32.87	5.5 years	26.00%	0.81%	$ 7.47
October 14, 2015	15,000	33.91	5.5 years	26.00%	0.77%	$ 7.08
October 31, 2015	16,699	34.51	5.5 years	26.00%	0.88%	$ 8.13
November 11, 2015	5,000	34.90	5.5 years	26.00%	1.00%	$ 7.79
December 4, 2015	215,625	32.37	5.5 years	26.00%	0.92%	$ 6.80
February 1, 2016	8,134	25.35	5.5 years	26.00%	0.67%	$ 4.68
April 4, 2016	3,276	29.37	5.5 years	26.00%	0.70%	$ 6.21
May 1, 2016	1,641	32.52	5.5 years	26.00%	0.87%	$ 7.00
August 15, 2016	1,644	30.19	5.5 years	26.00%	0.58%	$ 5.29
August 22, 2016	1,628	30.22	5.5 years	26.00%	0.64%	$ 6.29
August 29, 2016	46,478	30.02	5.5 years	26.00%	0.68%	$ 6.29
September 2, 2016	12,636	30.14	5.5 years	26.00%	0.69%	$ 6.36
September 6, 2016	1,443	30.15	5.5 years	26.00%	0.66%	$ 6.39
September 12, 2016	1,365	30.09	5.5 years	26.00%	0.71%	$ 6.28
September 26, 2016	1,196	29.69	5.5 years	26.00%	0.58%	$ 5.47
October 3, 2016	577	27.58	5.5 years	26.00%	0.62%	$ 5.30
November 7, 2016	593	26.03	5.5 years	26.00%	0.71%	$ 5.33
Less forfeitures	(185,199)					
Total	**1,374,397**					

The expected annual volatility is based on industry benchmarks against a common pool of comparable industry stocks, using average 5-year volatility trends as of the grant date. For options granted prior to the IPO, Stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 15-20%. The Risk-Free Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

For the period ended December 25, 2016, the Company recognized stock-based compensation costs of $2.4 million (December 27, 2015 - $1.9 million) related to the Employee Plan with a corresponding increase to contributed surplus.

23 Share capital

Prior to the IPO in fiscal 2015, the Company's authorized share capital consisted of an unlimited number of common shares and an unlimited number of non-voting common shares.

Immediately prior to the closing of the IPO, all of the outstanding Subordinated Debentures, Class A and Class B Preferred Shares were surrendered and converted into voting common shares in conjunction with a cashless warrant exercise. All outstanding voting common shares held immediately prior to closing of the IPO under either Fairfax's beneficial ownership or Cara Holding's ownership were converted at a ratio of 2.79 to 1 into Multiple Voting Shares (''Multiple Voting Shares"). All other outstanding common shares held by all other shareholders were converted into Subordinate Voting Shares ("Subordinate Voting Shares") at a ratio of 2.79 to 1.

Upon the completion of the IPO, the Company's authorized share capital consists of an unlimited number of two classes of issued and outstanding shares: Subordinate Voting Shares and Multiple Voting Shares. The Multiple Voting Shares are held by the Principal Shareholders, either directly or indirectly. Multiple Voting Shares may only be issued to the Principal Shareholders. The Subordinate Voting Shares and the Multiple Voting Shares are substantially identical with the exception of the voting, pre-emptive and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote and each Multiple Voting Share is entitled to 25 votes on all matters. The Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Subordinate Voting Shares benefit from ''coattail'' provisions that give them certain rights in the event of a take-over bid for the Multiple Voting Shares.

Holders of Multiple Voting Shares and Subordinate Voting Shares will be entitled to receive dividends out of the assets of the Company legally available for the payment of dividends at such times and in such amount and form as the Board may determine. The Company will pay dividends thereon on a pari passu basis, if, as and when declared by the Board.

On April 10, 2015 the Company converted certain common voting shares previously held by shareholders into 1,537,871 Subordinate Voting Shares and issued 10,005,000 Subordinate Voting Shares for a total of 11,542,871. As part of the IPO, the Principal Shareholders received 37,396,284 Multiple Voting Shares.

On June 26, 2015 the Company issued an additional 209,526 Subordinate Voting Shares as part of the Landing buyout.

On December 2, 2015, 3,000,000 Multiple Voting Shares held by Cara Holdings were converted to Subordinate Voting Shares and were sold to public shareholders in a secondary offering.

On April 15, 2016, the Company announced that it had completed an offering of 7,863,280 subscription receipts (the "Subscription Receipts"), on a private placement basis at a price of $29.25 per Subscription Receipt. On September 2, 2016, in conjunction with the closing of the St-Hubert transaction (see note 5), each outstanding subscription receipt was exchanged for one Subordinate Voting Share resulting in the issuance of 7,863,280 Subordinate Voting Shares for gross proceeds of $230.0 million. The Company also issued an additional 1,788,034 Subordinate Voting Shares to the St-Hubert vendors at a price of $30.14, or approximately $53.9 million, as part of the St-Hubert transaction (see note 5).

For the period ended December 25, 2016, the Company paid dividends on Subordinate Voting Shares and Multiple Voting Shares totaling $21.1 million (December 27, 2015 - $9.5 million) of which $20.9 million (December 27, 2015 - $9.1 million) was cash settled and $0.2 million (December 27, 2015 - $0.4 million) was settled through the issuance of 7,359 Subordinate Voting Shares (December 27, 2015 – 13,911 Subordinate Voting Shares) through the Company's DRIP. On May 5, 2016, the Company's Board of Directors suspended the DRIP.

During the period ended December 27, 2015, the Company declared $3.0 million in dividends on common shares to Cara Holdings and paid $14.0 million to Cara Holdings. These common shares were subsequently exchanged to Multiple Voting common shares as part of the IPO on April 10, 2015.

As at December 25, 2016, there were 34,396,284 Multiple Voting Shares and 25,586,270 Subordinate Voting Shares issued and outstanding.

The following table provides a summary of changes to the Company's share capital:

	Number of Common Shares (in thousands)				**Share Capital** (in thousands of dollars)			
	Common shares (prior to IPO)	**Multiple voting common shares**	**Subordinate voting common shares**	**Total Common Shares**	**Common shares (prior to the IPO)**	**Multiple voting common shares**	**Subordinate voting common shares**	**Total Share Capital**
Balance at December 30, 2014	50,468	-	-	50,468	$ 29,285	$ -	$ -	$ 29,285
Share consolidation	(32,379)	-	-	(32,379)	-	-	-	-
Share conversion	(18,089)	17,493	596	-	(29,285)	28,321	964	-
Shares issued as part of IPO	-	19,903	10,947	30,850	-	181,022	220,150	401,172
Shares issued as part of Landing buyout			210	210			7,124	7,124
Share conversion	-	(3,000)	3,000	-	-	(16,795)	16,795	-
Shares issued under dividend reinvestment plan	-	-	14	**14**	-	-	420	420
Balance at December 27, 2015	**-**	**34,396**	**14,767**	**49,163**	**$ -**	**$ 192,548**	**$ 245,453**	**$ 438,001**
Subscription reciepts, net of costs, exchanged for shares	-	-	7,863	7,863	-	-	223,674	223,674
Shares issued as part of St-Hubert transaction	-	-	1,788	1,788	-	-	53,891	53,891
Shares issued under dividend reinvestment plan	-	-	7	7	-	-	227	227
Shares issued under stock option plan (note 22)	-	-	1,161	1,161	-	-	7,931	7,931
Balance at December 25, 2016	**-**	**34,396**	**25,586**	**59,982**	**$ -**	**$ 192,548**	**$ 531,176**	**$ 723,724**

24 Earnings per share

Basic earnings per share amounts are calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of shares issued during the period after giving effect, on a retrospective basis, to the 2.79 to 1 share consolidation for shares outstanding as at April 10, 2015, that occurred as part of the IPO on April 10, 2015.

Diluted earnings per share amounts are calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of shares issued during the period adjusted for the effects of potentially dilutive warrants and stock options after giving effect, on a retrospective basis, to a 2.79 to 1 share consolidation for shares outstanding as at April 10, 2015, that occurred as part of the IPO on April 10, 2015.

The following table sets forth the calculation of basic and diluted earnings per share ("EPS") attributable to Common Shareholders:

		December 25, 2016					December 27, 2015			
		Net earnings attributable to shareholders of the Company	**Weighted average number of shares**		**EPS**		Net earnings attributable to shareholders of the Company	Weighted average number of shares		EPS
Basic	**$**	**67,218**	**52,360**	**$**	**1.28**	$	99,395	40,403	$	2.46
Diluted	**$**	**67,218**	**55,135**	**$**	**1.22**	**$**	99,395	47,345	**$**	2.10

The weighted average number of shares used in the calculation of basic and diluted earnings per share, after giving effect on a retrospective basis to the share consolidation for shares outstanding as at April 10, 2015, is summarized below:

	December 25, 2016	**December 27, 2015**
Share capital	**52,360,491**	40,402,706
Effect of warrants issued	**-**	4,103,241
Effect of stock options issued [(1)]	**2,774,933**	2,838,582
	55,135,424	47,344,529

[(1)] 358,264 shares have been excluded from December 25, 2016 because they are ant-dilutive

25 Capital management

Capital is defined as total long-term debt and shareholders' equity. The objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern while maintaining adequate financial flexibility to invest in new business opportunities that will provide attractive returns to shareholders. The primary activities engaged by the Company to generate attractive returns include the construction and related leasehold improvements of new and existing restaurants, the development of new business concepts, the acquisition of restaurant concepts complementary to the Company's existing portfolio of restaurant brands, the investment in information technology to increase scale and support the expansion of the Company's multi-branded restaurant network, the investment in maintenance of capital equipment used in the Company's food processing and distribution business and investment in technologies and research and development to improve food manufacturing.

The Company's main sources of capital are cash flows generated from operations, a revolving line of credit, long-term debt and the issue of share capital. These sources are used to fund the Company's debt service requirements, capital expenditures, working capital needs, and dividend distributions to shareholders.

The Company monitors its anticipated capital expenditures to ensure that acceptable returns will be generated from the invested funds and will increase or decrease the program accordingly. Capital expenditures may also be adjusted in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position:

(in thousands of Canadian dollars)		**As at December 25, 2016**		**As at December 27, 2015**
Current portion of long-term debt (note 19)		**2,443**		2,156
Long-term debt (note 19)		**410,703**		83,152
Letters of credit (note 27)		**651**		863
Total		**413,797**		86,171
Shareholders' equity attributable to shareholders of the Company		**553,942**		224,707
Total capital under management	**$**	**967,739**	$	310,878

The Company's term credit facility contains common restrictive and financial covenants, including maintenance of certain leverage ratios and a fixed charge coverage ratio, which are calculated quarterly on a rolling four-quarter basis. As at December 25, 2016 and December 27, 2015, the Company was in compliance with all covenants.

26 Cash flows

The changes in non-cash working capital components, net of the effects of acquisitions and discontinued operations, are as follows:

		For the 52 weeks ended		
(in thousands of Canadian dollars)		**December 25, 2016**		**December 27, 2015**
Accounts receivable	**$**	**(4,031)**	$	(17,322)
Inventories		**2,468**		(6,762)
Assets held for sale		**7,274**		-
Income taxes payable		**4,731**		(3,922)
Prepaid expenses and other assets		**1,736**		321
Accounts payable and accrued liabilities		**(12,647)**		11,050
Provisions		**(346)**		(2,476)
Gift card liability		**4,091**		2,485
Income taxes paid		**2,229**		5,464
Change in interest payable		**(2,364)**		(4,032)
Net change in non-cash operating working capital	**$**	**3,141**	$	(15,194)

27 Commitments, contingencies and guarantees

The Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business including, but not limited to, labour and employment, regulatory, franchisee related and environmental claims. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, commodity and capital taxes and as a result of these audits may receive assessments and reassessments.

Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to these consolidated financial statements.

The Company has outstanding letters of credit amounting to $0.7 million (December 27, 2015 - $0.9 million) primarily for various utility companies that provide services to corporate owned or franchised locations and support for certain franchisees' external financing used to fund their initial franchise fees and conversion fees, if applicable, payable to the Company. The probability of the letters of credit being drawn as a result of default by a franchisee is low.

Obligations under operating leases

The Company has an obligation for certain leases primarily related to franchisees. In the event of default by franchisees, the Company retains ultimate responsibility to the landlord for payment of amounts under these lease agreements. The future minimum lease payments of continuing operations related to these operating leases, in addition to operating leases for corporate operating locations, are set out below. Included in the gross amount are the minimum obligations under real estate leases (excluding those based on sales) that are subleased to franchisees in the normal course of business. The Company has a number of options available to it to mitigate this liability and historically has not incurred any significant incremental liabilities pertaining to such leases.

(in thousands of Canadian dollars)	Gross operating lease payments[1]	Expected sub-lease income	Net operating lease payments
Payments due by period ending			
2017	$ 105,552	$ 75,935	$ 29,617
2018	95,968	69,229	26,739
2019	83,996	60,066	23,930
2020	75,036	52,796	22,240
2021	65,066	44,125	20,941
Thereafter	221,598	139,324	82,274
	$ 647,216	$ 441,475	$ 205,741

[1]Minimum lease payments exclusive of taxes, insurance and other occupancy charges.

Obligations under financing leases

The Company has financing lease obligations for land and buildings. The leases have an average remaining term of approximately 7.1 years (December 27, 2015 – 6.4 years).

(in thousands of Canadian dollars)		**Finance lease payments**
Payments due by period ending		
2017	$	4,346
2018		4,059
2019		3,633
2020		2,997
2021		2,512
Thereafter		8,987
	$	26,534

Indemnification provisions

In addition to the above guarantees, the Company has also provided and the Company receives customary indemnifications in the normal course of business and in connection with business dispositions and acquisitions. These indemnifications include items relating to taxation, litigation or claims that may be suffered by a counterparty as a consequence of the transaction. Until such times as events take place and/or claims are made under these provisions, it is not possible to reasonably determine the amount of liability under these arrangements. Historically, the Company has not made significant payments relating to these types of indemnifications.

28 Financial instruments and risk management

Market risk

Market risk is the loss that may arise from changes in factors such as interest rate, commodity prices and the impact these factors may have on other counterparties.

Interest rate risk

The Company is exposed to interest rate risk from the issuance of variable rate long-term debt. To manage the exposure, the Company closely monitors market conditions for potential changes in interest rates and may enter into interest rate derivatives from time to time.

Commodity price risk

The Company is exposed to increases in the prices of commodities in operating its corporate restaurants and food manufacturing and distribution division. To manage this exposure, the Company uses purchase arrangements for a portion of its needs for certain consumer products that may be commodities based.

Liquidity and capital availability risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

Should the Company's financial performance and condition deteriorate, the Company's ability to obtain funding from external sources may be restricted. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its long-term debt as it matures. The Company mitigates these risks by maintaining appropriate availability under the credit facilities and varying maturity dates of long-term obligations and by actively monitoring market conditions.

Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, primarily franchisees, joint ventures, and retail customers of the Company's food manufacturing operations. The Company performs ongoing credit evaluations of new and existing customers', primarily franchisees, financial condition and reviews the collectability of its trade and long-term accounts receivable in order to mitigate any possible credit losses.

The following is an aging of the Company's accounts receivable, net of the allowance, as at December 25, 2016 and December 27, 2015:

(in thousands of Canadian dollars)

	As at December 25, 2016				As at December 27, 2015			
	Current	**> 30 days past due**	**> 60 days past due**	**Total**	**Current**	**> 30 days past due**	**> 60 days past due**	**Total**
Accounts receivable	**$ 75,781**	**$ 7,584**	**$ 9,844**	**$ 93,209**	$ 46,726	$ 2,443	$ 7,061	$ 56,230
Less: allowance for doubtful accounts	**822**	**612**	**7,870**	**$ 9,304**	711	308	6,174	$ 7,193
Accounts receivable, net	**$ 74,959**	**$ 6,972**	**$ 1,974**	**$ 83,905**	$ 46,015	$ 2,135	$ 887	$ 49,037

There are no significant impaired receivables that have not been provided for in the allowance. As at December 25, 2016, the Company believes that the $9.3 million (December 27, 2015 - $7.2 million) allowance sufficiently covers any credit risk related to the receivable balances past due. The remaining amounts past due were not classified as impaired as the past due status was reasonably expected to remedied.

Fair value of financial instruments

The fair value of derivative financial instruments is the estimated amount that the Company would receive or pay to terminate the instrument at the reporting date. The fair values have been determined by reference to prices provided by counterparties. The fair values of all derivative financial instruments are recorded in other long-term liabilities on the consolidated balance sheets.

The different levels used to determine fair values have been defined as follows:

- Level 1 - inputs use quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Company has the ability to access.

- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities.

- Level 3 - inputs are unobservable inputs for the financial asset or financial liability and include situations where there is little, if any, market activity for the financial asset or financial liability.

The following describes the fair value determinations of financial instruments:

Long-term debt

Fair value (Level 2) is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount of the debt associated with the Company's current financing would approximate its fair value as at December 25, 2016.

Other financial instruments

Other financial instruments of the Company consist of cash, accounts receivable, franchise receivables, due from related parties, and accounts payable and accrued liabilities. The carrying amount for these financial instruments approximates fair value due to the short term maturity of these instruments and/or the use of at market interest rates.

29 Related parties

Shareholders

Prior to the IPO, Cara Holdings held 96.7% of the voting common shares. As part of the IPO, these voting common shares were exchanged into Multiple Voting Shares. After the IPO and the subsequent disposition of a portion of their ownership, Cara Holdings holds 24.2% of the total issued and outstanding shares, representing 40.9% voting control.

On April 10, 2015, as part of the IPO, subsidiaries of Fairfax exchanged non-voting preferred shares in conjunction with a cashless warrant exercise into Multiple Voting Shares of the Company. As a result of the conversion and subsequent purchases of Subordinate Voting Shares, Fairfax holds 39.1% of the total issued and outstanding shares, representing 56.6% voting control.

Fairfax and Cara Holdings together hold 63.3% of the total issued and outstanding shares and have 97.5% of the voting control attached to all the shares.

On March 30, 2016, the Company entered into an Equity Commitment Agreement with Fairfax, where Fairfax provided a commitment that Fairfax would either exercise its pre-emptive right in full to purchase its pro-rata share of any Subordinate Voting Shares the Company offers to the public provided that the offering price does not exceed $30.00 per share or, alternatively, would purchase $200.0 million of Subordinate Voting Shares at a price of $26.20. Fairfax also maintained its pre-emptive right to purchase its pro rata share of any Subordinate Voting Shares the Company offers to the public at a price above $30.00. In consideration for Fairfax's commitment, the Company paid Fairfax a fee of $4.0 million.

On April 15, 2016, as part of the Offering, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately $102.0 million of the total $230.0 million gross proceeds. On September 2, 2016, in conjunction with the closing of the St-Hubert transaction (see note 5), each outstanding subscription receipt was exchanged for one Subordinate Voting Share. As at December 25, 2016, the pro-rata share of dividends equivalents paid on the subscription receipts was $0.7 million.

During the period ended December 25, 2016, the Company declared a dividend of $0.40676 per share of Subordinate and Multiple Voting Shares of which Fairfax and Cara Holdings received $8.1 million and $5.9 million, respectively.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Cara's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for the period ended December 25, 2016 and December 27, 2015.

The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Insurance Provider

Some of Cara's insurance policies are held by a company that is a subsidiary of Fairfax. The transaction is on market terms and conditions.

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. The due from related party balance of $12.8 million consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2017. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $2.4 million. The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. Management fair values these loans based on expected cash flows from the restaurant at a discount rate of 15%. For the period ended December 25, 2016, the Company charged interest in the amount of $0.1 million on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. At December 25, 2016 the accounts receivable balance included $0.5 million due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company's investment in the joint ventures and associates are reduced by losses incurred. For the period ended December 25, 2016, $0.1 million reduction to the investment balance was recorded in relation to the Company's proportionate share of losses for the period and included in share of (profit) loss of associates and joint ventures on the statement of earnings.

All entities above are related by virtue of being under joint control with, or significant influence by, the Company.

Transactions with key management personnel

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary. Key management personnel may also participate in the Company's stock-based compensation plans and the Company's defined contribution savings plan.

Remuneration of key management personnel of the Company is comprised of the following expenses:

	For the 52 weeks ended	
(in thousands of Canadian dollars)	**December 25, 2016**	**December 27, 2015**
Short-term employee benefits	**$ 4,973**	$ 4,114
Long-term incentive plans	**2,557**	6,126
Termination benefits	**577**	635
Total compensation	**$ 8,107**	$ 10,875

There were no additional related party transactions between the Company and its key management personnel, or their related parties, including other entities over which they have control.

Post-employment benefit plans

The Company supports a number of defined benefit plans and a defined contribution plan as described in note 21. In 2016, the Company's contributions to these plans were $0.8 million (December 27, 2015 - $0.7 million). Contributions made by the Company to its post-employment benefit plans are disclosed in note 21. The Company does not receive any reimbursement of expenses incurred by the Company to provide services to these plans.

Significant subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

30 Segmented information

Cara divides its operations into the following four business segments: corporate restaurants, franchise restaurants, food processing and distribution and central operations.

The Corporate restaurant segment includes the operations of the company-owned restaurants which generate revenues from the direct sale of prepared food and beverages to consumers.

Franchised restaurants represent the operations of its franchised restaurant network operating under the Company's several brand names from which the Company earns royalties calculated at an agreed upon percentage of franchise restaurant sales. Cara provides financial assistance to certain franchisees and the franchise royalty income reported is net of any assistance being provided.

Food processing and distribution represent sales of St-Hubert branded and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants.

Central operations includes sales from call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants; and income generated from the lease of buildings and certain equipment to franchisees as well as the collection of new franchise and franchise renewal fees. Central operations also include corporate (non-restaurant) expenses which include head office people and non-people overhead expenses, finance and IT support, occupancy costs, and general and administrative support services offset by vendor purchase allowances. The Company has determined that the allocation of corporate (non-restaurant) revenues and expenses which include finance and IT support, occupancy costs, and general and administrative support services would not reflect how the Company manages the business and has not allocated these revenues and expenses to a specific segment.

The CEO and CFO are the chief operating decision makers and they regularly review the operations and performance by segment. The CEO and CFO reviews operating income as a key measure of performance for each segment and to make decisions about the allocation of resources. The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	For the 52 weeks ended	
(in thousands of Canadian dollars)	December 25, 2016	December 27, 2015
Gross revenue		
Corporate	$ **286,522**	$ 237,808
Franchise	**75,354**	68,274
Food processing and distribution	**84,194**	-
Central	**15,614**	12,877
Non-allocated revenue	**1,590**	7,375
	$ **463,274**	$ 326,334
Operating income		
Corporate	$ **13,664**	$ 9,478
Franchise	**67,244**	60,356
Food processing and distribution	**3,806**	-
Central	**24,251**	17,959
Non-allocated costs	**(6,924)**	(5,935)
	$ **102,041**	$ 81,858
Depreciation and amortization		
Corporate	$ **16,214**	$ 15,502
Franchise	**-**	-
Food processing and distribution	**1,906**	-
Central	**14,030**	8,888
	$ **32,150**	$ 24,390
Capital expenditures		
Corporate	$ **31,907**	$ 13,858
Franchise	**-**	-
Food processing and distribution	**1,284**	-
Central	**11,477**	11,336
	$ **44,668**	$ 25,194

31 Subsequent Event

On March 2, 2017, the Company's Board of Directors declared a dividend of $0.10169 per share of subordinate and multiple voting common stock. Payment of the dividend will be made on April 15, 2017 to shareholders of record at the close of business on March 31, 2017.