Cara Operations Limited

Consolidated Financial Statements
For the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016

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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 31, 2017 and December 25, 2016, the consolidated statements of earnings, comprehensive income, total equity and cash flows for the 53 weeks ended December 31, 2017 and the 52 weeks ended December 25, 2016, 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 as issued by the International Accounting Standards Board, 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 31, 2017, and its consolidated financial performance and its consolidated cash flows for the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 9, 2018
Vaughan, Canada

Cara Operations Limited
Consolidated Statements of Earnings
For the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016

(in thousands of Canadian dollars, except where otherwise indicated)		**December 31, 2017**		**December 25, 2016**
Sales (note 6)	**$**	**667,224**	$	380,649
Franchise revenues (note 7)		**108,017**		82,625
Total gross revenue	**$**	**775,241**	$	463,274
Cost of inventories sold		**(300,105)**		(141,839)
Selling, general and administrative expenses (note 8)		**(335,210)**		(217,245)
Impairment of assets (notes 14 and 15)		**(6,856)**		(1,938)
Restructuring and other (note 9)		**(4,376)**		(211)
Operating income	**$**	**128,694**	$	102,041
Net interest expense and other financing charges (note 10)		**(12,453)**		(5,899)
Share of gain (loss) from investment in joint ventures		**322**		(147)
Earnings before income taxes	**$**	**116,563**	$	95,995
Income taxes (note 11)				
Current		**(11,153)**		(6,947)
Deferred recovery (expense)		**4,398**		(22,008)
Net earnings	**$**	**109,808**	$	67,040
Net earnings attributable to				
Shareholders of the Company	**$**	**109,726**	$	67,218
Non-controlling interest		**82**		(178)
	$	**109,808**	$	67,040
Net earnings per share attributable to the Common Shareholders of the Company (note 23) (in dollars)				
Basic earnings per share	**$**	**1.84**	$	1.28
Diluted earnings per share	**$**	**1.77**	$	1.22

See accompanying notes to the consolidated financial statements.

Cara Operations Limited
Consolidated Statements of Comprehensive Income
For the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016

(in thousands of Canadian dollars)	**December 31, 2017**	December 25, 2016
Net earnings	**$ 109,808**	$ 67,040
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial (loss) gain, net of income taxes (note 20)	**(1,533)**	1,253
Other comprehensive (loss) income, net of income taxes	**(1,533)**	1,253
Total comprehensive income	**$ 108,275**	$ 68,293

See accompanying notes to the consolidated financial statements.

Cara Operations Limited
Consolidated Statements of Total Equity
For the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016

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

	Attributable to the Common Shareholders of the Company							
	Number of shares (in thousands)		**Share Capital** (note 22)		**Contributed surplus**		**Deficit**	**Total equity**
Balance at December 25, 2016	**59,982**	**$**	**723,724**	**$**	**9,764**	**$**	**(179,546) $**	**553,942**
Net earnings and comprehensive income	**-**		**-**		**-**		**109,726**	**109,726**
Other comprehensive income	**-**		**-**		**-**		**(1,533)**	**(1,533)**
Dividends	**-**		**-**		**-**		**(24,152)**	**(24,152)**
Share re-purchase (note 22)	**(1,468)**		**(33,857)**		**-**		**-**	**(33,857)**
Issuance of common stock (note 22)	**30**		**750**					**750**
Stock options exercised (note 22)	**28**		**351**		**(111)**		**-**	**240**
Stock-based compensation (note 21)	**-**		**-**		**2,304**		**-**	**2,304**
	(1,410)		**(32,756)**		**2,193**		**84,041**	**53,478**
Balance at December 31, 2017	**58,572**	**$**	**690,968**	**$**	**11,957**	**$**	**(95,505) $**	**607,420**

	Attributable to the Common Shareholders of the Company							
	Number of shares (in thousands)		**Share Capital** (note 22)		**Contributed surplus**		**Deficit**	**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)
Shares issued under dividend reinvestment plan (note 22)	7		227		-		-	227
Issuance of common stock (note 22)	9,651		277,565		-		-	277,565
Stock options exercised (note 21 and 22)	1,161		7,931		(7,919)		-	12
Stock-based compensation (note 21)	-		-		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

See accompanying notes to the consolidated financial statements.

Cara Operations Limited

Consolidated Balance Sheets

As at December 31 2017 and December 25, 2016

(in thousands of Canadian dollars)		As at December 31, 2017		As at December 25, 2016
Assets				
Current Assets				
Cash	**$**	**41,971**	$	26,764
Accounts receivable (note 27)		**60,991**		83,905
Inventories (note 12)		**26,321**		27,837
Current taxes receivable		**-**		146
Prepaid expenses and other assets		**8,573**		5,937
Total Current Assets	**$**	**137,856**	$	144,589
Long-term receivables (note 13)		**40,033**		41,427
Property, plant and equipment (note 14)		**336,210**		327,893
Brands and other assets (note 15)		**614,968**		594,512
Goodwill (note 16)		**191,111**		188,998
Deferred tax asset (note 11)		**23,361**		18,604
Total Assets	**$**	**1,343,539**	$	1,316,023
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**86,131**	$	93,077
Provisions (note 17)		**6,959**		5,159
Gift card liability		**57,495**		62,889
Income taxes payable		**4,107**		4,768
Current portion of long-term debt (note 18)		**2,916**		2,443
Total Current Liabilities	**$**	**157,608**	$	168,336
Long-term debt (note 18)		**401,700**		410,703
Provisions (note 17)		**8,171**		11,436
Other long-term liabilities (note 19)		**67,842**		67,971
Deferred tax liability (note 11)		**100,798**		103,635
Total Liabilities	**$**	**736,119**	$	762,081
Shareholders' Equity				
Common share capital (note 22)	**$**	**690,968**	$	723,724
Contributed surplus		**11,957**		9,764
Deficit		**(95,505)**		(179,546)
Total Shareholders' Equity	**$**	**607,420**	$	553,942
Total Liabilities and Equity	**$**	**1,343,539**	$	1,316,023

Commitments, contingencies and guarantees (note 26)

Subsequent events (note 30)

See accompanying notes to the consolidated financial statements.

Cara Operations Limited
Consolidated Statements of Cash Flows
For the 53 weeks ended December 31, 2017 and 52 weeks ended December 25, 2016

(in thousands of Canadian dollars)	December 31, 2017	December 25, 2016
Cash from (used in)		
Operating Activities		
Net earnings	**$ 109,808**	$ 67,040
Depreciation and amortization	**51,056**	32,150
Net gain on disposal of property, plant and equipment	**(2,305)**	(3,794)
Losses on early buyout/cancellation of equipment rental contracts	**233**	835
Impairment of assets, net of reversals	**6,856**	1,938
Net interest expense and other financing charges (note 10)	**12,453**	5,899
Stock based compensation	**2,304**	4,061
Income taxes paid	**(10,762)**	(2,229)
Change in restructuring provision	**410**	(2,015)
Change in deferred tax (note 11)	**(4,956)**	22,465
Change in onerous contract provision	**(626)**	2,179
Other non-cash items	**1,050**	(11,692)
Net change in non-cash operating working capital (note 25)	**14,405**	3,141
Cash flows from operating activities	**179,926**	119,978
Investing Activities		
Business acquisitions, net of cash assumed (note 5)	**(18,815)**	(576,659)
Purchase of property, plant and equipment	**(57,471)**	(41,603)
Proceeds on disposal of property, plant and equipment	**2,465**	4,983
Proceeds on early buyout of equipment rental contracts	**676**	632
Investment in joint ventures (note 15)	**(13,831)**	-
Share of gain from investment in joint ventures	**(322)**	-
Additions to other assets	**-**	(36)
Change in long-term receivables	**(819)**	1,890
Cash flows used in investing activities	**(88,117)**	(610,793)
Financing Activities		
Issuance of long-term credit facility, net of financing costs (note 18)	**59,025**	434,235
Repayment of long-term credit facility (note 18)	**(72,000)**	(110,000)
Issuance of subordinated voting common shares (note 22)	**240**	221,524
Share re-purchase (note 22)	**(33,857)**	-
Change in finance leases (note 18)	**3,803**	(2,232)
Interest paid	**(9,661)**	(2,838)
Dividends paid subordinate and multiple voting common shares	**(24,152)**	(20,874)
Repayment of other long-term debt	**-**	(21,645)
Cash flows (used in) from financing activities	**(76,602)**	498,170
Change in cash during the year	**15,207**	7,355
Cash - Beginning of year	**26,764**	19,409
Cash - End of year	**$ 41,971**	$ 26,764

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 31, 2017, the Principal Shareholders hold 65.3% of the total issued and outstanding shares and have 97.7% 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 9, 2018.

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.

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 year ended December 31, 2017 contained 53 weeks and the year ended December 25, 2016 contained 52 weeks. The Company's next fiscal year end will be December 30, 2018 and will contain 52 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 certain joint venture restaurants, the rights included in these franchise agreements 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, its catering division, 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 initial and renewal 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.

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 fixed rental leases are recognized on a straight-line basis over the term of the related lease while variable rental agreements based on a percentage of sales are accrued based on the actual sales of the restaurant.

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 statements 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.

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.

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 revenue from fixed rental leases are recognized on a straight-line basis over the term of the related lease while variable rental agreements based on a percentage of sales are recognized in income as realized.

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 13).

Lessee

When the Company is a lessee, fixed 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 with the variable portion based on percentage of sales recognized as incurred. 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 18).

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 gift card liability 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 as a reduction in gift card expenses on the operational statements of the ad funds that the Company administers on behalf of franchisees.

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 defined benefit pension plan which is accounted for as a defined contribution plan. 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 2017

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

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 has adopted this disclosure in the consolidated financial statements, see note 18.

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 that apply to IFRS 12 "Disclosures of Interests in other Entities". There was no impact on the Company's consolidated financial statements as a result of the amendments.

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 determined that the new standard will change the presentation of advertising fund payments received from franchisees to Cara and the related contributions from Cara to the advertising funds, which are currently reported on a net basis in the consolidated financial statements. Under the new standard, advertising fund payments from franchisees and advertising fund contributions from Cara will be reported separately on a gross basis. The Company is finalizing the assessment of the presentation and does not anticipate the impact on the consolidated financial statements will result in a material change to how net income is currently recognized.

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 has developed a comprehensive work plan which includes the review of all the Company's leases and sublease arrangements and adjustments to the Company's database systems to quantity the impact of this standard. As the Company is a lessee with numerous leases and subleases to franchisees, this standard is expected to have a significant impact on assets, liabilities and the statements of earnings and comprehensive income.

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 Transactions, 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. Cash settled awards do not have any vesting or non-vesting conditions, therefore, the Company does not expect the adoption of the amendment 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 did not 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.

Long-term interest in associates and joint ventures

In October 2017, the IASB issued narrow-scope amendments to IAS 28 Investments in Associates and Joint Ventures, clarifying that long-term interests in associates and joint ventures, to which the equity method is not applied, are in the scope of both IFRS 9 Financial Instruments (including its impairment requirements) and IAS 28. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt the amendments to IAS 28 in its financial statements for the annual period beginning on December 31, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments.* The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution, reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty, and measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable). The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on December 31, 2018. The extent of the impact of adoption of the Interpretation has not yet been determined.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on December 31, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

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). 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.

Pickle Barrel

On December 1, 2017 (the "Pickle Barrel" Acquisition Date"), the Company completed the acquisition of 100% of Pickle Barrel Restaurants Inc. for $21.5 million comprised of $17.4 million in cash, the assumption of $3.4 million debt, and through the issuance of $0.8 million in Cara subordinate voting shares to the vendor. The cash portion of the transaction was settled by drawing on the Company's existing credit facility.

The assets and liabilities and results of Pickle Barrel are included in the Company's consolidated financial statements from the Pickle Barrel Acquisition Date. Pickle Barrel contributed total gross revenue of $5.6 million and net income of $0.1 million during the period ended December 31, 2017, plus $0.1 million in transaction costs.

If the acquisition had occurred on December 25, 2016, management estimates that the Company's consolidated gross revenue for the period would have been $828.7 million and the Company's consolidated net earnings would have been $109.6 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the Pickle Barrel Acquisition Date would have been the same if the acquisition had occurred on December 25, 2016.

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

		December 1, 2017
Consideration		
Cash paid to vendor	$	17,434
Payment of Pickle Barrel long-term debt		3,354
Total cash paid for shares	$	20,788
Cara subordinated voting shares issued		750
Total consideration	**$**	**21,538**
Fair Value of Net Assets Acquired		
Assets		
Cash	$	697
Accounts receivable		360
Inventories		679
Prepaid expenses and other assets		385
Total Current Assets		2,121
Property, plant and equipment		9,614
Investment in associates and joint ventures		1,275
Brands and other assets		11,433
Deferred income tax asset		362
Total Assets	$	24,805
Liabilities		
Accounts payable and accrued liabilities	$	3,461
Income taxes payable		35
Provisions		387
Total liabilities	$	3,883
Total net assets acquired	**$**	**20,922**
Goodwill		**616**
Total	**$**	**21,538**

Original Joe's

On November 28, 2016 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. 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 acquisition date. The Company has completed the fair value determination of the identifiable assets acquired and liabilities assumed in connection with the acquisition of Original Joe's, with changes from December 25, 2016 being:

	December 31, 2017	December 25, 2016
Consideration		
Cash paid to vendor	$ 93,000	$ 93,000
Contingent consideration for Non-Controlling Interest [(1)]	19,511	19,511
Total cash paid for shares	**$ 112,511**	**$ 112,511**
Fair Value of Net Assets Acquired		
Assets		
Cash	$ 2,893	$ 2,893
Accounts receivable	6,824	6,824
Due from related parties	2,443	2,443
Inventories	1,752	1,752
Prepaid expenses and other assets	1,153	1,153
Income taxes receivable	2,300	2,300
Total Current Assets	17,365	17,365
Due from related parties	10,310	10,310
Property, plant and equipment	23,812	24,963
Investment in associates and joint ventures	3,927	4,189
Brands and other assets	96,971	96,971
Total Assets	$ 152,385	$ 153,798
Liabilities		
Accounts payable and accrued liabilities	$ 10,272	$ 10,272
Income taxes payable	1,960	1,960
Long-term debt	26,745	26,745
Provisions	2,106	2,106
Other long-term liabilities	793	793
Deferred income tax liabilities	186	1,458
Total liabilities	$ 42,062	$ 43,334
Total net assets acquired	**$ 110,323**	**$ 110,464**
Goodwill	**2,188**	**2,047**
Total	**$ 112,511**	**$ 112,511**

[(1)] Contingent consideration recorded as part of Other long-term liabilities (see note 19)

St-Hubert

On September 2, 2016, 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 $538.7 million. The transaction was accounted for as a business combination, with the Company controlling St-Hubert and consolidating 100% of their operations as at the acquisition date. The Company has completed the fair value determination of the identifiable assets acquired and liabilities assumed in connection with the acquisition of St-Hubert, with changes from December 25, 2016 being:

		December 31, 2017		December 25, 2016
Consideration				
Cash paid to vendor	$	386,826	$	388,346
Cash paid "in trust" relating to holdback		55,500		55,500
Payment of St-Hubert long-term debt		42,450		42,450
Total cash paid for shares	**$**	**484,776**	**$**	**486,296**
Cara subordinated voting shares issued	$	53,891	$	53,891
Total Consideration	**$**	**538,667**	**$**	**540,187**
Fair Value of Net Assets Acquired				
Assets				
Accounts receivable	$	22,054	$	22,054
Inventories		24,762		24,762
Prepaid expenses and other assets		4,070		4,070
Income taxes receivable		438		438
Total Current Assets		51,324		51,324
Long-term receivables		318		318
Property, plant and equipment		189,943		193,673
Brands and other assets		297,647		297,647
Total Assets	$	539,232	$	542,962
Liabilities				
Accounts payable and accrued liabilities	$	30,100	$	30,100
Provisions		501		501
Income taxes payable		600		600
Long-term debt		5,140		5,140
Other long-term liabilities		3,674		3,674
Deferred income tax liabilities		99,167		100,171
Total liabilities	$	139,182	$	140,186
Total net assets acquired	**$**	**400,050**	**$**	**402,776**
Goodwill		**138,617**		**137,411**
Total	**$**	**538,667**	**$**	**540,187**

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 year ended December 31, 2017, 5 franchise locations (December 25, 2016 - 9) were re-acquired by the Company, resulting in goodwill of $0.3 million (December 25, 2016 - $nil).

(in thousands of Canadian dollars)

	December 31, 2017	December 25, 2016
Consideration		
Cash	$ 244	$ 256
Accounts receivable	570	244
Total Consideration	$ 814	$ 500
Net assets acquired		
Inventories	$ 30	$ 12
Property, plant and equipment	69	290
Brands and other assets	390	198
Total Assets	489	500
Goodwill	325	-
Total	$ 814	$ 500

6 Sales

Sales are made up of the direct sale of prepared food and beverage to customers at company-owned restaurants and from its catering division, 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)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Sales at corporate restaurants	**$**	**406,726**	$	286,522
Food processing and distribution sales		**248,153**		84,194
Call centre service charge revenues		**12,345**		9,933
	$	**667,224**	$	380,649

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)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Royalty revenue	**$**	**93,002**	$	75,354
Franchise fees on new and renewal licenses		**1,485**		655
Income on finance leases		**3,184**		1,895
Other rental income		**9,289**		3,131
Amortization of unearned conversion fees income		**1,057**		1,590
	$	**108,017**	$	82,625

8 Selling, general and administrative expenses

Included in operating income are the following selling, general and administrative expenses.

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Corporate restaurant expenses	$	**255,636**	$	173,529
Franchise assistance and bad debt		**8,659**		8,457
Franchisor over-contribution to advertising funds		**2,153**		2,082
Depreciation of property, plant and equipment (note 14)		**40,566**		25,694
Amortization of other assets (note 15)		**7,137**		5,424
Other		**21,059**		2,059
	$	**335,210**	$	217,245

For the year ended December 31, 2017, $3.4 million (December 25, 2016 - $1.0 million) of depreciation related to property, plant and equipment has been included in cost of inventories sold as part of food processing and distribution.

Employee costs

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

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Short-term employee benefits	**$**	**233,462**	$	149,843
Post-employment benefits (note 20)		**1,400**		1,271
Long-term incentive plans (note 21)		**2,304**		3,965
	$	**237,166**	$	155,079

9 Restructuring and other

Restructuring costs consist of plans to consolidate and eliminate certain home office and brand operations positions related to Cara's acquisitions, comprised primarily of severance costs and lease settlement costs. Restructuring costs also consist of closure costs related to phasing out the Casey's concept and repositioning certain brands.

Home office and brand reorganization

In conjunction with the Original Joe's investment on November 28, 2016 and Pickle Barrel acquisition on December 1, 2017, the Company approved the restructuring of certain home office and brand operations positions to consolidate with Cara's existing infrastructure. During the year ended December 31, 2017, the Company recorded an expense of $1.5 million (December 25, 2016 - $0.2 million) comprised primarily of office closure costs, severance and other benefits.

Restaurant operations – repositioning of certain brands

The Company approved the repositioning of the Milestones brand to a more suburban concept with select urban locations. During the year ended December 31, 2017, the Company recorded an expense of $2.3 million (December 25, 2016 - $nil) comprised of approximately $2.1 million related to expected lease exit and de-branding costs and $0.2 million related to employee severance costs.

Other

Other costs include lease exit costs related to lease contracts previously entered into that do not fit the overall economic model of the brands and long-term do not fit the strategic direction of the Company. During the year ended December 31, 2017, the Company recorded an expense of $0.6 million (December 25, 2016 - $nil), related to expected lease exit costs.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at December 31, 2017:

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Net liability, beginning of period	**$**	**1,647**	$	3,662
Cost recognized				
Employee termination benefits		**1,517**		(164)
Site closing costs and other		**2,859**		375
Total		**4,376**		211
Cash payments				
Employee termination benefits		**985**		2,085
Site closing costs and other		**2,981**		141
Total		**3,966**		2,226
Net liability, end of period	**$**	**2,057**	$	1,647

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	As at December 31, 2017 Employee Termination Benefits	As at December 31, 2017 Site Closing Costs and Other	As at December 31, 2017 Total	As at December 25, 2016 Employee Termination Benefits	As at December 25, 2016 Site Closing Costs and Other	As at December 25, 2016 Total
Accounts payable and accrued liabilities	$ **1,469**	$ **-**	$ **1,469**	$ 962	$ -	$ 962
Other long-term liabilities	**65**	**-**	**65**	37	-	37
Provisions - current	**-**	**517**	**517**	-	253	253
Provisions - long-term	**-**	**6**	**6**	-	395	395
Net liability, end of year	$ **1,534**	$ **523**	$ **2,057**	$ **999**	$ **648**	$ **1,647**

10 Net interest expense and other financing charges

(in thousands of Canadian dollars)	53 weeks ended December 31, 2017	52 weeks ended December 25, 2016
Interest expense on long-term debt	$ **11,151**	$ 3,580
Interest on finance leases	**1,840**	1,625
Financing costs	**659**	309
Interest expense - other	**309**	373
Write-off of deferred financing fees	**-**	387
Interest income	**(1,506)**	(375)
	$ **12,453**	$ 5,899

11 Income taxes

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

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Current income tax expense				
Current period	**$**	**12,223**	$	7,013
Adjustments for prior years		**(1,070)**		(66)
	$	**11,153**	$	6,947
Deferred income tax (recovery) expense				
Benefit from previously unrecognized tax asset (1)	**$**	**(23,346)**	$	(527)
Origination and reversal of temporary differences		**18,489**		22,743
Adjustments for prior years		**459**		(208)
	$	**(4,398)**	$	22,008
Net income tax expense (2)	**$**	**6,755**	$	28,955

(1) During the period ended December 31, 2017, the Company recognized a deferred tax asset of $24.4 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 for which tax benefits had previously not been recognized.

(2) Net income tax expense for the periods ended December 31, 2017 and December 25, 2016 relates to income taxes from continuing operations.

The statutory income tax rate for the period ended December 31, 2017 was 26.66% (December 25, 2016 – 26.79%).

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

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Net earnings	**$**	**109,808**	$	67,040
Income taxes		**6,755**		28,955
Income before income taxes		**116,563**		95,995
Statutory income tax rate		**26.66%**		26.79%
Expected income tax expense based on above rates		**31,076**		25,720
Increase (decrease) resulting from:				
Benefit from previously unrecognized tax asset (including unrecognized income tax benefit utilized in the current year)		**(23,812)**		(558)
Part VI.1 taxes on preferred share dividends		**-**		-
Adjustments for prior years		**(380)**		(87)
Income taxes on non-deductible amounts		**1,003**		2,967
Income taxed at different rates		**(1,389)**		166
Losses not recognized		**-**		796
Other		**257**		(49)
Expense for income taxes	**$**	**6,755**	$	28,955

The effective income tax expense for the year ended December 31, 2017 decreased from the prior period as a result of the current 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 31, 2017	As at December 25, 2016
Opening balance	**$ (85,031)**	$ 36,903
Deferred income tax recovery/(expense)	**4,398**	(22,008)
Transaction costs associated with the Subscription Receipts	**-**	2,160
Pickle Barrel acquisition	**362**	-
St-Hubert acquisition	**1,004**	(100,171)
Original Joe's acquisition	**1,272**	(1,458)
Income taxes recognized in other comprehensive income	**558**	(457)
	$ (77,437)	$ (85,031)

During the period ended December 31, 2017, a deferred tax asset of $0.4 million was recognized in relation to the Pickle Barrel 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 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 31, 2017, a deferred tax asset of $1.0 million was recognized in relation to the St-Hubert acquisition (see note 5), due to the taxable temporary differences arising from changes to 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 31, 2017, a deferred tax asset of $1.3 million was recognized in relation to the Original Joe's acquisition (see note 5), due to the taxable temporary differences arising from changes to the purchase price equation.

Deferred tax assets and liabilities are attributable to the following:

(in thousands of Canadian dollars)	As at December 31, 2017	As at December 25, 2016
Deferred tax assets:		
Other long-term liabilities	**$ 20,230**	$ 19,379
Income tax losses [1]	**19,314**	9,143
Accounts payable and accrued liabilities	**7,188**	8,574
Other assets	**2,329**	964
	$ 49,061	$ 38,060
Deferred tax liabilities:		
Brands and other intangibles	**$ (107,268)**	$ (103,936)
Property, plant and equipment	**(14,441)**	(13,637)
Long-term receivables	**(3,972)**	(5,084)
Accounts receivable	**(817)**	(434)
	$ (126,498)	$ (123,091)
Classified in the Consolidated Financial Statements as:		
Deferred tax asset	**$ 23,361**	$ 18,604
Deferred tax liability	**(100,798)**	(103,635)
	$ (77,437)	$ (85,031)

[1] The income tax losses of $72.0 million expire in the years 2026 to 2037.

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 31, 2017	As at December 25, 2016
Income tax losses	**$ 13,812**	$ 11,979
Deductible temporary differences	**7,109**	2,034
	$ 20,921	$ 14,013

The Canadian income tax losses of $5.8 million (December 25, 2016 - $6.0 million) expire in the years 2030 to 2036. The US income tax losses of $8.0 million (December 25, 2016 - $6.0 million) expire in the years 2033 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 31, 2017	As at December 25, 2016
Raw materials	**$ 6,198**	$ 7,390
Work in progress	**716**	708
Finished goods	**12,840**	13,407
Food and beverage supplies	**6,567**	6,332
	$ 26,321	$ 27,837

13 Long-term receivables

(in thousands of Canadian dollars)		As at December 31, 2017		As at December 25, 2016
Franchise receivable	**$**	**24,366**	$	28,812
Due from related parties (note 28)		**14,571**		10,727
Promissory notes		**1,096**		1,888
	$	**40,033**	$	41,427

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 $24.4 million (December 25, 2016 - $28.8 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 year ended December 31, 2017, the Company recorded $nil (December 25, 2016 - $nil) of impairment losses on long-term franchise receivables.

Long-term receivable maturities

Long-term receivables have maturity dates ranging from 2018 to 2034 and bear an average effective interest rate of 8% - 10%.

14 Property, plant and equipment

	As at December 31, 2017						
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Construction-in-progress	Total
Cost							
Balance, beginning of year	$ 38,546	$119,223	$ 199,244	$ 128,436	$ 36,027	$ 5,796	$ 527,272
Additions	-	36	2,834	6,560	6,412	41,815	57,657
Additions from business acquisitions (note 5)	-	-	2,099	7,584	-	-	9,683
Adjustment to purchase price (note 5)	-	(3,730)	-	(1,151)	-	-	(4,881)
Disposals and adjustments	270	139	(11,109)	(18,252)	-		(28,952)
Transfer to/(from) construction-in-progress	-	133	20,949	20,073	-	(41,155)	-
Balance, end of year	$ 38,816	$115,801	$ 214,017	$ 143,250	$ 42,439	$ 6,456	$ 560,779
Accumulated depreciation and impairment losses							
Balance, beginning of year	$ -	$ 3,946	$ 117,741	$ 61,564	$ 16,128	$ -	$ 199,379
Depreciation expense	-	3,922	25,846	11,500	2,651	-	43,919
Impairment losses	-	-	780	6,129	-	-	6,909
Reversal of impairment losses	-	-	(323)	-	-	-	(323)
Disposals and adjustments	-	96	(9,590)	(15,821)	-	-	(25,315)
Balance, end of year	$ -	$ 7,964	$ 134,454	$ 63,372	$ 18,779	$ -	$ 224,569
Carrying amount as at:							
December 31, 2017	$ 38,816	$107,837	$ 79,563	$ 79,878	$ 23,660	$ 6,456	$ 336,210

	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

Impairment losses

For the year ended December 31, 2017, the Company recorded $6.9 million (December 25, 2016 – $1.6 million) of impairment losses on property, plant and equipment in respect of 14 cash generating units ("CGUs") (December 25, 2016 – 16 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 50% (December 25, 2016 – 75%) of impaired CGUs had carrying values greater than their FVLCS. The remaining 50% (December 25, 2016 – 25%) of impaired CGUs had carrying values greater than their VIU.

For the year ended December 31, 2017, the Company recorded $0.3 million (December 25, 2016 – $0.1 million) of impairment reversals on property, plant and equipment in respect of 1 CGU (December 25, 2016 – 1 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 3%. The estimate of the VIU of the relevant CGUs was determined using an after-tax discount rate of 8.2% to 12.5% at December 31, 2017 (December 25, 2016 – 7.9% to 10.9%).

15 Brands and other assets

(in thousands of Canadian dollars)	Brands	Other assets	Investment in joint ventures (note 28)	Total
	As at December 31, 2017			
Cost				
Balance, beginning of year	$ 514,639	$ 89,585	$ 4,042	$ 608,266
Additions	-	448	13,831	14,279
Additions from business acquisitions (note 5)	11,433	390	1,275	13,098
Adjustment to purchase price (note 5)	-	-	(262)	(262)
Adjustments	-	(201)	-	(201)
Share of gain from investment in joint ventures and associates	-	-	789	789
Balance, end of year	$ 526,072	$ 90,222	$ 19,675	$ 635,969
Accumulated amortization				
Balance, beginning of year	$ -	$ 13,754	$ -	$ 13,754
Adjustments	-	(160)	-	(160)
Impairment losses	-	270	-	270
Amortization	-	7,137	-	7,137
Balance, end of year	$ -	$ 21,001	$ -	$ 21,001
Carrying amount, end of period	$ 526,072	$ 69,221	$ 19,675	$ 614,968

(in thousands of Canadian dollars)	Brands	Other assets	Investment in joint ventures (note 28)	Total
	As at December 25, 2016			
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
Share of loss from investment in joint ventures and associates	-	-	(147)	(147)
Balance, end of period	$ 514,639	$ 89,991	$ 4,042	$ 608,672
Accumulated amortization				
Balance, beginning of period	$ -	$ 8,330	$ -	$ 8,330
Amortization	-	5,424	-	5,424
Impairment losses	-	406	-	406
Balance, end of period	$ -	$ 14,160	$ -	$ 14,160
Carrying amount, end of period	$ 514,639	$ 75,831	$ 4,042	$ 594,512

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 year ended December 31, 2017 and December 25, 2016. During the year ended December 31, 2017, the Company recorded $nil (December 25, 2016 - $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 8.2% to 12.5% (December 25, 2016 - 7.9% to 10.9%), 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 year ended December 31, 2017, the Company recorded $0.3 million (December 25, 2016 - $0.4 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.

16 Goodwill

(in thousands of Canadian dollars)		As at December 31, 2017		As at December 25, 2016
Cost				
Balance, beginnning of year	$	**188,998**	$	49,540
Additions (note 5)		**941**		139,458
Additions resulting from change in preliminary purchase equation (note 5)		**1,347**		-
Disposals		**(175)**		-
Balance, end of year	$	**191,111**	$	**188,998**

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 years ended December 31, 2017 and December 25, 2016, the Company performed annual impairment testing of goodwill, in accordance with the Company's accounting policy.

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 8.2% to 12.5% (December 25, 2016 - of 7.9% to 10.9%), 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.

17 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 31, 2017
(in thousands of Canadian dollars)	Asset retirement obligations	Lease obligations for closed restaurants	Franchise onerous contracts	Other	Total
Balance, begining of year	$ 6,150	$ 2,715	$ 4,690	$ 3,040	$ 16,595
Additions	530	-	904	-	1,434
Additions from business acquisitions (note 5)	387	-	-	-	387
Accretion	308	-	-	-	308
Payments	(5)	(3,331)	(1,104)	(135)	(4,575)
Adjustments	(1,376)	2,772	(426)	11	981
Balance, end of year	$ 5,994	$ 2,156	$ 4,064	$ 2,916	$ 15,130

					As at December 25, 2016
(in thousands of Canadian dollars)	Asset retirement obligations	Lease obligations for closed restaurants	Franchise onerous contracts	Other	Total
Balance, beginning of year	$ 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 year	$ 6,150	$ 2,715	$ 4,690	$ 3,040	$ 16,595

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	As at December 31, 2017	As at December 25, 2016
Provisions - current	$ 6,959	$ 5,159
Provisions - long-term	8,171	11,436
	15,130	$ 16,595

18 Long-term debt

(in thousands of Canadian dollars)		**As at December 31, 2017**		**As at December 25, 2016**
Term credit facility - revolving	**$**	**229,025**	$	242,000
Term credit facility - non-revolving		**150,000**		150,000
Finance leases		**27,496**		23,693
		406,521		415,693
Less: Financing costs		**1,905**		2,547
	$	**404,616**	$	413,146

Recorded in the consolidated balance sheets as follows:

Current portion of long-term debt	**$**	**2,916**	$	2,443
Long-term portion of long-term debt		**401,700**		410,703
	$	**404,616**	$	413,146

The movement in long-term debt from December 25, 2016 to December 31, 2017 is as follows:

(in thousands of Canadian dollars)		**Term Credit facility**		**Finance leases**		**Total**
Balance at December 25, 2016	$	392,000	$	23,693	$	415,693
Less Financing costs		(2,547)		-		(2,547)
		389,453		**23,693**		**413,146**
Changes from financing cash flows						
Issuance of borrowings		59,025		-		59,025
Repayment of borrowings		(72,000)		-		(72,000)
Payment of finance lease liabilities		-		(4,448)		(4,448)
Balance due to changes from financing cash flows as at December 31, 2017	$	376,478	$	19,245	$	395,723
Non-cash movements						
New finance leases		-		6,411		6,411
Adjustment to capitalized borrowing costs		(17)		-		(17)
Interest expense		659		1,840		2,499
Balance at December 31, 2017	**$**	**377,120**	**$**	**27,496**	**$**	**404,616**

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.

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.

As at December 31, 2017, $379.0 million (December 25, 2016 - $392.0 million) was drawn under the amended and extended credit facilities with an effective interest rate of 3.05% representing bankers acceptance rate of 0.98% plus 1.75% borrowing spread, standby fees and the amortization of deferred financing fees of 0.32%.

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 31, 2017, the standby fee rate was 0.35%.

As at December 31, 2017, the Company was in compliance with all covenants and 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 6.8% (December 25, 2016 – 7.0%).

Debt repayments

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

(in thousands of Canadian dollars)	2018	2019	2020	2021	2022	Thereafter
Revolving credit facility	-	-	-	229,025	-	-
Non-revolving term credit facility	-	150,000	-	-	-	-
Finance leases	2,916	3,084	2,957	2,958	2,814	12,767
Total [1]	2,916	153,084	2,957	231,983	2,814	12,767

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

19 Other long-term liabilities

(in thousands of Canadian dollars)		As at December 31, 2017		As at December 25, 2016
Accrued pension and other benefit plans (note 20)	$	**23,653**	$	22,435
Non-controlling interest liability (note 5)		**19,511**		19,511
Deferred income		**10,860**		12,080
Deferred rental income		**9,375**		11,690
Accrued rent expense		**5,100**		4,451
Restructuring		**65**		999
Long-term incentive plans (note 21)		**720**		315
Other liabilities		**2,324**		3,951
	$	**71,608**	$	75,432

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		As at December 31, 2017		As at December 25, 2016
Accounts payable and accrued liabilities	$	**3,766**	$	7,461
Other long-term liabilities		**67,842**		67,971
	$	**71,608**	$	75,432

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 $9.4 million (December 25, 2016 – $11.7 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 31, 2017, the Company had deferred $5.6 million (December 25, 2016 - $6.6 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 31, 2017, the Company had deferred $3.5 million (December 25, 2016 - $4.2 million) related to gains realized on sale-leaseback transactions.

20 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 31, 2017		As at December 25, 2016
Present value of obligations	$	**(56,759)**	$	(54,754)
Fair value of plan assets		**33,106**		32,319
Deficit in the plans	$	**(23,653)**	$	(22,435)

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Experience gains (losses) on plan assets	$	**488**	$	(32)
Actuarial (losses) gains on obligation		**(2,579)**		1,742
Income tax recovery (note 11)		**558**		(457)
	$	**(1,533)**	$	1,253

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 31, 2017	Dec 25, 2016	Dec 31, 2017	Dec 25, 2016	Dec 31, 2017	Dec 25, 2016
Changes in the fair value of plan assets						
Fair value, beginning of period	**$ 32,319**	$ 10,461	**$ -**	$ -	**$ 32,319**	$ 10,461
Additions from business acquisitions	**-**	22,159	-	-	**-**	22,159
Interest income	**1,275**	773	**-**	-	**1,275**	773
Return on plan assets (excluding interest income)	**488**	(32)	**-**	-	**488**	(32)
Employer contributions	**698**	296	**1,575**	1,586	**2,273**	1,882
Employee contributions	**117**	66	-	-	**117**	66
Administrative expenses	**(25)**	(36)	-	-	**(25)**	(36)
Benefits paid	**(1,766)**	(1,368)	**(1,575)**	(1,586)	**(3,341)**	(2,954)
Fair value, end of period	**$ 33,106**	$ 32,319	**$ -**	$ -	**$ 33,106**	$ 32,319
Changes in the present value of obligations						
Balance, beginning of period	**$ (37,939)**	$ (14,291)	**$ (16,815)**	$ (17,618)	**$ (54,754)**	$ (31,909)
Additions from business acquisitions	**-**	(25,467)	**-**	-	**-**	(25,467)
Current service cost	**(556)**	(368)	-	-	**(556)**	(368)
Employee contributions	**(117)**	(66)	**-**	-	**(117)**	(66)
Interest cost	**(1,407)**	(984)	**(687)**	(656)	**(2,094)**	(1,640)
Benefits paid	**1,766**	1,368	**1,575**	1,586	**3,341**	2,954
Actuarial gains (losses) in financial assumptions	**168**	1,869	**(2,747)**	(127)	**(2,579)**	1,742
Balance, end of period	**$ (38,085)**	$ (37,939)	**$ (18,674)**	$ (16,815)	**$ (56,759)**	$ (54,754)

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	
	53 wks Dec 31, 2017	**52 wks Dec 25, 2016**	**53 wks Dec 31, 2017**	**52 wks Dec 25, 2016**	**53 wks Dec 31, 2017**	**52 wks Dec 25, 2016**
Current service cost	**$ 556**	$ 368	**$ -**	$ -	**$ 556**	$ 368
Interest on obligations	**1,407**	984	**687**	656	**2,094**	1,640
Interest income on plan assets	**(1,275)**	(773)	**-**	-	**(1,275)**	(773)
Administrative expenses	**25**	36	**-**	-	**25**	36
Net benefit plan expense	**$ 713**	$ 615	**$ 687**	$ 656	**$ 1,400**	$ 1,271

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 31, 2017	**Dec 25, 2016**	**Dec 31, 2017**	**Dec 25, 2016**	**Dec 31, 2017**	**Dec 25, 2016**
Cumulative amount, beginning of period	**$ (24)**	$ (1,861)	**$ (5,133)**	$ (5,006)	**$ (5,157)**	$ (6,867)
Return on plan assets (excluding interest income)	**488**	(32)	**-**	-	**488**	(32)
Actuarial gains (losses) in financial assumptions	**168**	1,869	**(2,747)**	(127)	**(2,579)**	1,742
Total net actuarial gains (losses) recognized in other comprehensive income (loss)	**656**	1,837	**(2,747)**	(127)	**(2,091)**	1,710
Cumulative amount, end of period	**$ 632**	$ (24)	**$ (7,880)**	$ (5,133)	**$ (7,248)**	$ (5,157)

The actual total return on plan assets was $1.8 million for the period ended December 31, 2017 (December 25, 2016 - $0.7 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 2017 and the next required funding valuation will be prepared in 2020 as of December 31, 2019. During 2018, the Company expects to contribute approximately $1.3 million (2017 - $1.2 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 31, 2017	**December 25, 2016**	**December 31, 2017**	**December 25, 2016**
Defined benefit plan obligations				
Discount rate	**3.35-3.60**	3.80-4.10	**3.35**	3.80
Rate of compensation increase	**2.0-3.0**	2.0-3.0	**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	**3.80-4.10**	3.55-3.90	**3.80**	3.90
Rate of compensation increase	**2.0-3.0**	2.0-3.0	**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 2017 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	3.35%	3.80%	3.35%	3.80%
Impact of : 1% increase	$ (4,784)	$ (326)	$ (1,465)	$ 110
1% decrease	$ 5,984	$ 318	$ 1,688	$ (133)

21 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 8.8 million shares, a guideline the Company has set on the number of stock option grants. As at December 31, 2017, approximately 4.1 million stock options were granted and outstanding.

Stock options outstanding as at December 31, 2017 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 53 weeks ended December 31, 2017							
	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 25, 2016	-	-	2,429,355	$ 8.61	1,374,397	$ 14.70	3,803,752	$ 10.81
Granted	-	-	20,000	$ 24.64	493,255	$ 24.65	513,255	$ 24.65
Exercised	-	-	-	$ -	(28,052)	$ 8.51	(28,052)	$ 8.51
Forfeited	-	-	-	$ -	(159,529)	$ 21.74	(159,529)	$ 21.74
Outstanding options, end of period	-	-	2,449,355	$ 8.74	1,680,071	$ 17.06	4,129,426	$ 12.12
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 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

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.

During the year ended December 31, 2017 no options were exercised (December 25, 2016 - 86,021 options). No stock options were granted under the Director Plan for the years ended December 31, 2017 and December 25, 2016.

For the year ended December 31, 2017, the Company recognized stock-based compensation costs of $nil (December 25, 2016 - $0.1 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 year ended December 31, 2017, the Company recognized an expense of $0.4 million (December 25, 2016- $0.1 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $0.7 million as at December 31, 2017 (December 25, 2016 - $0.3 million).

CEO stock option plan

Under the CEO Stock Option Plan ("CEO Plan"), the Company's CEO was granted the right to purchase Subordinate Voting Shares of the Company. The options vest pro-rata each year and expire after eight years. The settlement of the option can only be into the common share equity of the Company.

During the year ended December 31, 2017, 20,000 stock options at an exercise price of $24.64 (December 25, 2016 – nil) were granted under the CEO Plan.

During the year ended December 31, 2017, no options were exercised (December 25, 2016 - 1,075,269 options were exercised at an exercise price of $0.01).

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	Expected Time to Expiration from Option Grant Date	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
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
January 4, 2017	20,000	24.64	5.5 years	26.00%	1.11%	$ 5.85
Total	**2,449,355**					

The expected annual volatility 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 year ended December 31, 2017, the Company recognized stock-based compensation costs of $0.1 million (December 25, 2016 - $1.6 million) related to the CEO Plan with a corresponding increase to contributed surplus.

Employee stock option plan

Under the Employee Stock Option Plan ("Employee Plan"), the Company granted options in accordance with certain terms of the CFO employment agreement to purchase Subordinate Voting Shares of the Company which vested on the third anniversary of the grant date (October 31, 2016). Vested options can be exercised upon the earlier of an initial public offering of the Company and the fifth anniversary of the grant date (October 31, 2018).

Under the Employee Plan, the Company also granted options to various members of the Company's management team to purchase Subordinate Voting Shares of the Company. These options vest over a three year period and may not be exercised until January 1, 2019. The options expire after eight years.

Under this plan, the CFO now has 298,377 options at an average exercise price of $10.39 and the Company's management team now has 1,381,694 at an average exercise price of $18.49.

During the year ended December 31, 2017, the Company granted an additional 493,255 stock options, at a weighted average exercise price of $24.65 (December 25, 2016 - 85,111 stock options were granted with a weighted average exercise price of $29.70) per Subordinate Voting Share under its existing stock option plans, which only allows for settlement in shares.

During the year ended December 31, 2017, 28,052 stock options with an exercise price of $8.51 were exercised (December 25, 2016 – nil).

During the year ended December 31, 2017, 159,529 stock options with a weighted average exercise price of $21.74 were forfeited (December 25, 2016 - 62,317 stock options with an exercise price of $21.45).

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	Expected 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
January 4, 2017	489,502	24.64	5.5 years	26.00%	1.11%	$ 5.85
February 27, 2017	2,075	25.51	5.5 years	26.00%	1.12%	$ 5.48
May 1, 2017	1,678	25.90	5.5 years	26.00%	1.02%	$ 5.06
Less options exercised	(28,052)					
Less forfeitures	(344,728)					
Total	**1,680,071**					

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 year ended December 31, 2017, the Company recognized stock-based compensation costs of $2.3 million (December 25, 2016 - $2.4 million) related to the Employee Plan with a corresponding increase to contributed surplus.

22 Share capital

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, and together with the Subordinate Voting Shares (the ''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 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).

On June 16, 2017, the Company announced its notice of intention to make a normal course issuer bid ("NCIB") for its Subordinate Voting Shares. The Company may purchase up to 2,009,376 Subordinate Voting Shares during the period from June 21, 2017 to June 20, 2018. Purchases of the Subordinate Voting Shares are made at market prices and any Subordinate Voting Shares purchased through the NCIB will be cancelled. As at December 31, 2017, the Company purchased and cancelled 1,468,006 Subordinate Voting Shares for $33.9 million.

During the year ended December 31, 2017, the Company paid $24.2 million (December 25, 2016 - $21.1 million) of dividends on Subordinate Voting Shares and Multiple Voting Shares.

As at December 31, 2017, there were 34,396,284 Multiple Voting Shares and 24,176,606 Subordinate Voting Shares issued and outstanding.

See note 30 "Subsequent Events" for changes to share capital subsequent to year end.

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)		
	Multiple voting common shares	Subordinate voting common shares	Total Common Shares	Multiple voting common shares	Subordinate voting common shares	Total Share Capital
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	-	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**
Shares issued under stock option plan (note 20)	-	28	28	-	351	351
Share re-purchase	-	(1,468)	(1,468)	-	(33,857)	(33,857)
Shares issued as part of Pickle Barrel transaction	-	30	30	-	750	750
Balance at December 31, 2017	**34,396**	**24,176**	**58,572**	**192,548**	**498,420**	**690,968**

23 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. 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.

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

	53 weeks ended December 31, 2017			52 weeks ended December 25, 2016		
	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	**$ 109,726**	**59,569**	**$ 1.84**	$ 67,218	52,360	$ 1.28
Diluted	**$ 109,726**	**62,099**	**$ 1.77**	**$** 67,218	55,135	**$** 1.22

The weighted average number of shares used in the calculation of basic and diluted earnings per share ("EPS"):

	December 31, 2017	**December 25, 2016**
Common shares	**59,569,272**	52,360,491
Effect of stock options issued [1]	**2,529,806**	2,774,933
	62,099,078	55,135,424

[1] 580,744 shares have been excluded from December 31, 2017 because they are anti-dilutive (December 25, 2016 - 358,264 shares)

24 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 31, 2017**		**As at December 25, 2016**
Current portion of long-term debt (note 18)		**2,916**		2,443
Long-term debt (note 18)		**401,700**		410,703
Letters of credit (note 26)		**635**		651
Total		**405,251**		413,797
Shareholders' equity attributable to shareholders of the Company		**607,420**		553,942
Total capital under management	**$**	**1,012,671**	$	967,739

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 31, 2017 and December 25, 2016, the Company was in compliance with all covenants.

25 Cash flows

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

(in thousands of Canadian dollars)		53 weeks December 31, 2017		52 weeks December 25, 2016
Accounts receivable	**$**	**22,445**	$	(4,031)
Inventories		**2,225**		2,468
Assets held for sale		**-**		7,274
Income taxes payable		**(550)**		4,731
Prepaid expenses and other assets		**(2,251)**		1,736
Accounts payable and accrued liabilities		**(10,698)**		(12,993)
Gift card liability		**(5,394)**		4,091
Income taxes paid		**10,762**		2,229
Change in interest payable		**(2,134)**		(2,364)
Net change in non-cash operating working capital	**$**	**14,405**	$	3,141

26 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 $0.6 million (December 25, 2016 - $0.7 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						
2018	$	119,113	$	82,955	$	36,158
2019		108,285		76,051		32,234
2020		98,729		68,527		30,202
2021		87,169		59,294		27,875
2022		71,627		48,610		23,017
Thereafter		224,714		138,124		86,590
	$	709,637	$	473,561	$	236,076

[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 7.3 years (December 25, 2016 – 7.1 years).

(in thousands of Canadian dollars)		Finance lease payments
Payments due by period ending		
2018	$	4,779
2019		4,738
2020		4,389
2021		4,174
2022		3,816
Thereafter		16,588
	$	38,484

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.

27 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 31, 2017 and December 25, 2016:

(in thousands of Canadian dollars)

	As at December 31, 2017				As at December 25, 2016			
	Current	> 30 days past due	> 60 days past due	Total	Current	> 30 days past due	> 60 days past due	Total
Accounts receivable	**$ 49,933**	**$ 7,355**	**$ 15,567**	**$ 72,855**	$ 75,781	$ 7,584	$ 9,844	$ 93,209
Less: allowance for doubtful accounts	**570**	**379**	**10,915**	**$ 11,864**	822	612	7,870	$ 9,304
Accounts receivable, net	**$ 49,363**	**$ 6,976**	**$ 4,652**	**$ 60,991**	$ 74,959	$ 6,972	$ 1,974	$ 83,905

There are no significant impaired receivables that have not been provided for in the allowance. As at December 31, 2017, the Company believes that the $11.9 million (December 25, 2016 - $9.3 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 31, 2017.

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.

28 Related parties

Shareholders

As at December 31, 2017, the Principal Shareholders hold 65.3% of the total issued and outstanding shares and have 97.7% of the voting control attached to all the shares. Cara Holdings holds 24.7% of the total issued and outstanding shares, representing 41.0% voting control. Fairfax holds 40.5% of the total issued and outstanding shares, representing 56.7% voting control. See note 30 "Subsequent Events" for changes to share capital subsequent to year end.

During the year ended December 31, 2017, the Company paid a dividend of $0.40676 per share (December 25, 2016 - $0.40676) of Subordinate and Multiple Voting Shares of which Fairfax received $9.5 million (December 25, 2016 - $8.1 million) and Cara Holdings received $5.9 million (December 25, 2016 - $5.9 million).

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, 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.

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 years ended December 31, 2017 and December 25, 2016.

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

Subsequent to year end, 3,400,000 million subordinate voting shares were issued at the exchange amount to Fairfax as part of the merger with The Keg on February 22, 2018. As at March 9, 2018, Fairfax owns 7,224,180 subordinate voting shares and 19,903,378 multiple voting shares, representing 43.5% of the total issued and outstanding shares and 56.9% voting control.

The Company has elected not to account for the merger as a business combination under IFRS 3 Business Combinations, as the transaction represents a combination of entities under common control of Fairfax. Accordingly, the combination will be recorded on a book value basis.

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. As at December 31, 2017, no payments were outstanding.

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 $12.2 million (December 25, 2016 - $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, 2018. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $2.2 million (December 25, 2016 - $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 determines the fair value of these loans based on expected cash flows from the restaurant at a discount rate of 15%. For the 53 weeks ended December 31, 2017, the Company charged interest in the amount of $0.8 million (December 25, 2016 - $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 31, 2017 the accounts receivable balance included $0.4 million (December 25, 2016 - $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 in accordance with the franchise agreement.

The Company's investment in joint ventures and associates are increased by the proportionate share of income earned. For the 53 weeks ended December 31, 2017, a $0.4 million increase (52 weeks ended December 25, 2016 - $0.1 million decrease) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in associates and joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

On June 1, 2017, the Company completed the investment in a joint venture in New & Old Kings and Priests Restaurants Inc. ("Burger's Priest") for cash consideration of $14.7 million. Burger's Priest owns and operates 14 fast casual restaurants in Ontario and Alberta. The Company has a 79.4% ownership interest in the joint venture with the remaining 20.6% owned by a third party who has an earn-out agreement that can grow their ownership interest to 50% if certain earnings targets are met. The transaction is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 53 weeks ended December 31, 2017, a $0.4 million increase to the investment balance was recorded in relation to the Company's proportionate share of income for the period and included in share of income from investment in associates and joint ventures on the statement of earnings.

Investment in restaurant joint venture

The Company has an investment in a joint venture to build two new restaurants with a third party. As at December 31, 2017, the Company has invested $4.6 million, recorded in long-term receivables. The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. The Company and the third party each have a 50% ownership interest in the joint venture. The transaction is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 53 weeks ended December 31, 2017, a $0.5 million decrease to the long term receivable balance was recorded in relation to the Company's proportionate share of loss for the period and included in share of loss from investment in associates and joint ventures on the statement of earnings.

Investment in Rose Reisman Catering joint venture

In connection with the acquisition of Pickle Barrel on December 1, 2017, the Company has a 50% ownership interest in Rose Reisman Catering. The investment is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 53 weeks ended December 31, 2017, there was no change to the investment balance in relation to the Company's proportionate share of income for the period.

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:

(in thousands of Canadian dollars)		53 weeks ended December 31, 2017		52 weeks ended December 25, 2016
Short-term employee benefits	$	**4,437**	$	4,973
Long-term incentive plans		**1,478**		2,557
Termination benefits		**-**		577
Total compensation	$	**5,915**	$	8,107

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 20. In 2017, the Company's contributions to these plans were $2.3 million (December 25, 2016 - $1.9 million). Contributions made by the Company to its post-employment benefit plans are disclosed in note 20. 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.

29 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, the proportionate results from 54 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and the 1909 Taverne Moderne joint venture, and catering sales 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.

(in thousands of Canadian dollars)		53 weeks December 31, 2017		52 weeks December 25, 2016
Gross revenue				
Sales	**$**	**439,100**	$	288,443
Proportionate share of equity accounted joint venture sales		**(32,374)**		(1,921)
Sales at corporate restaurants		**406,726**		286,522
Franchise revenues		**93,090**		75,172
Proportionate share of equity accounted joint venture royalty revenue		**(88)**		182
Royalty revenue		**93,002**		75,354
Food processing and distribution		**248,153**		84,194
Central		**24,920**		15,614
Non-allocated revenue		**2,440**		1,772
	$	**775,241**	$	463,274
Operating income				
Corporate	**$**	**27,740**	$	13,664
Franchise		**84,431**		67,244
Food processing and distribution		**4,763**		3,806
Central		**23,015**		24,251
Proportionate share equity accounted joint venture results included in corporate and franchise segment		**(1,101)**		(134)
Non-allocated costs		**(10,154)**		(6,790)
	$	**128,694**	$	102,041
Depreciation and amortization				
Corporate	**$**	**14,763**	$	16,214
Franchise		**-**		-
Food processing and distribution		**10,571**		1,906
Central		**25,722**		14,030
	$	**51,056**	$	32,150
Capital expenditures				
Corporate	**$**	**40,229**	$	31,907
Franchise		**-**		-
Food processing and distribution		**3,521**		1,284
Central		**13,907**		11,477
		57,657	$	44,668

30 Subsequent Events

On January 23, 2018 the Company announced that it had signed an agreement to merge with Keg Restaurants Ltd. for approximately $200.0 million comprised of $105.0 million in cash and 3,801,123 Cara subordinate voting shares at the exchange amount. In addition, Cara may be required to pay up to an additional $30.0 million of cash consideration upon the achievement of certain financial milestones within the first three fiscal years following closing.

The merger was completed on February 22, 2018. The cash portion of the purchase price was settled by drawing on its existing credit facility and the issuance of 3,801,123 subordinate voting shares. Of the subordinate voting shares issued, 3,400,000 were issued to Fairfax, a related party, as partial consideration which will result in Fairfax beneficially owning 7,224,180 subordinate voting shares following closing, and 19,903,378 multiple voting shares of Cara, representing 43.5% of the total issued and outstanding shares and 56.9% voting control.

The Company has elected not to account for the merger as a business combination under IFRS 3 Business Combinations, as the transaction represents a combination of entities under common control of Fairfax. Accordingly, the combination will be recorded on a book value basis.

On March 9, 2018, the Company's Board of Directors declared a dividend of $0.1068 per share of subordinate and multiple voting common stock. Payment of the dividend will be made on April 16, 2018 to shareholders of record at the close of business on March 31, 2018.