

Cara Operations Limited

Condensed Consolidated Interim Financial Statements (unaudited)
For the 13 and 26 weeks ended June 26, 2016 and June 28, 2015

Cara Operations Limited

Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

For the 13 and 26 weeks ended June 26, 2016 and June 28, 2015

(unaudited)

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

	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Sales (note 6)	\$ 70,596	\$ 62,786	\$ 136,175	\$ 118,570
Franchise revenues (note 7)	18,377	18,070	37,012	36,266
Development revenues	-	81	-	1,767
Total gross revenue from continuing operations	\$ 88,973	\$ 80,937	\$ 173,187	\$ 156,603
Cost of inventories sold	(20,096)	(17,956)	(38,935)	(33,977)
Selling, general and administrative expenses (note 8)	(43,525)	(41,576)	(88,274)	(82,123)
Development expenses	-	(76)	-	(1,721)
Restructuring (note 9)	331	(436)	465	(231)
Operating income	25,683	20,893	\$ 46,443	\$ 38,551
Finance costs				
Net interest expense and other financing charges (note 10)	(796)	(1,989)	(1,435)	(10,300)
Loss on derivative	-	(23)	-	(1,623)
Write-off of deferred financing fees	-	(1,800)	-	(1,800)
Earnings from continuing operations before income taxes	24,887	17,081	\$ 45,008	\$ 24,828
Income taxes (note 11)				
Current	(281)	(507)	(346)	(1,612)
Deferred	(6,532)	(625)	(12,257)	(1,039)
Net earnings from continuing operations	18,074	15,949	\$ 32,405	\$ 22,177
Discontinued operations - net of income taxes	(2)	(3)	(4)	(6)
Net earnings and comprehensive income	\$ 18,072	\$ 15,946	\$ 32,401	\$ 22,171
Net earnings attributable to				
Shareholders of the Company	\$ 18,092	\$ 15,518	\$ 32,588	\$ 21,821
Non-controlling interest	(20)	428	(187)	350
	\$ 18,072	\$ 15,946	\$ 32,401	\$ 22,171
Net earnings per share attributable to the Common Shareholders of the Company (note 22) (in dollars)				
Basic earnings per share	\$ 0.37	\$ 0.34	\$ 0.66	\$ 0.69
Diluted earnings per share	\$ 0.34	\$ 0.31	\$ 0.61	\$ 0.51
Basic earnings per share from continuing operations	\$ 0.37	\$ 0.34	\$ 0.66	\$ 0.69
Diluted earnings per share from continuing operations	\$ 0.34	\$ 0.31	\$ 0.61	\$ 0.51

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Cara Operations Limited

Condensed Consolidated Interim Statements of Total Equity

For the 26 weeks ended June 26, 2016 and June 28, 2015

(unaudited)

(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 21)	Warrant certificates	Contributed surplus	Deficit	Non-controlling interest	Total equity
Balance at December 27, 2015	49,163	\$ 438,001	\$ -	\$ 13,622	\$ (226,916)	\$ -	\$ 224,707
Net earnings and comprehensive income	-	-	-	-	32,588	-	32,588
Dividends	-	-	-	-	(10,001)	-	(10,001)
Shares issued under dividend reinvestment plan	7	227	-	-	-	-	227
Stock-based compensation (note 20)	-	-	-	2,222	-	-	2,222
	7	227	-	2,222	22,587	-	25,036
Balance at June 26, 2016	49,170	\$ 438,228	\$ -	\$ 15,844	\$ (204,329)	\$ -	\$ 249,743

	Attributable to the Common Shareholders of the Company						
	Number of shares (in thousands)	Share Capital (note 21)	Warrant certificates	Contributed surplus	Deficit	Non-controlling interest	Total equity
Balance at December 30, 2014	50,468	\$ 29,285	\$ 18,490	\$ 7,204	\$ (308,040)	\$ 15,020	\$ (238,041)
Net earnings and comprehensive income	-	-	-	-	21,821	350	22,171
Dividends	-	-	-	-	(3,044)	-	(3,044)
Consideration paid in excess of noncontrolling interest resulting from buyouts	-	-	-	-	(5,909)	-	(5,909)
Share consolidation	(32,379)	-	-	-	-	-	-
Issuance of common stock	31,060	404,157	(18,490)	-	-	-	385,667
Buyout of non-controlling interest	-	-	-	-	-	(15,749)	(15,749)
Stock-based compensation (note 20)	-	-	-	3,152	-	-	3,152
	(1,319)	404,157	(18,490)	3,152	12,868	(15,399)	386,288
Balance at June 28, 2015	49,149	\$ 433,442	\$ -	\$ 10,356	\$ (295,172)	\$ (379)	\$ 148,247

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Cara Operations Limited

Condensed Consolidated Interim Balance Sheets

As at June 26, 2016, December 27, 2015 and June 28, 2015

(in thousands of Canadian dollars)

	As at June 26, 2016	As at December 27, 2015	As at June 28, 2015
	(unaudited)		(unaudited)
Assets			
Current Assets			
Cash	\$ 4,113	\$ 19,409	\$ 2,632
Restricted cash (note 21)	228,889	-	-
Accounts receivable (note 25)	33,978	49,037	25,118
Inventories	3,731	3,779	4,878
Assets held for sale (note 12)	5,166	7,274	-
Prepaid expenses and other assets	6,053	2,450	1,776
Total Current Assets	\$ 281,930	\$ 81,949	\$ 34,404
Long-term receivables (note 13)	33,501	35,198	45,505
Property, plant and equipment (note 14)	103,725	94,513	83,374
Brands and other assets (note 15)	199,121	201,301	162,277
Goodwill (note 16)	49,540	49,540	45,981
Deferred tax asset (note 11)	29,513	41,300	-
Total Assets	\$ 697,330	\$ 503,801	\$ 371,541
Liabilities			
Current Liabilities			
Bank indebtedness	\$ -	\$ -	\$ 2,224
Accounts payable and accrued liabilities	58,184	74,180	61,287
Other liabilities (note 21)	232,514	-	-
Provisions (note 17)	4,610	5,004	5,104
Gift card liability	25,495	51,946	24,535
Income taxes payable	114	69	594
Current portion of long-term debt (note 18)	2,194	2,156	2,730
Discontinued operations	123	144	164
Total Current Liabilities	\$ 323,234	\$ 133,499	\$ 96,638
Long-term debt (note 18)	64,061	83,152	61,240
Provisions (note 17)	6,693	7,002	7,432
Other long-term liabilities (note 19)	49,157	51,044	57,616
Deferred tax liability (note 11)	4,442	4,397	368
Total Liabilities	\$ 447,587	\$ 279,094	\$ 223,294
Shareholders' Equity			
Share capital	\$ 438,228	\$ 438,001	\$ 433,442
Contributed surplus	15,844	13,622	10,356
Deficit	(204,329)	(226,916)	(295,172)
Total Shareholders' Equity	\$ 249,743	\$ 224,707	\$ 148,626
Non-controlling interest	-	-	(379)
Total Equity	\$ 249,743	\$ 224,707	\$ 148,247
Total Liabilities and Equity	\$ 697,330	\$ 503,801	\$ 371,541

Commitments, contingencies and guarantees (note 24)

Subsequent event (note 28)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Cara Operations Limited
Condensed Consolidated Statements of Cash Flows
For the 26 weeks ended June 26, 2016 and June 28, 2015
(unaudited)

(in thousands of Canadian dollars)

	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Cash from (used in)				
Operating Activities				
Net earnings from continuing operations	\$ 18,074	\$ 15,949	\$ 32,405	\$ 22,177
Depreciation and amortization	6,214	5,832	12,327	11,672
Net (gain) loss on disposal of property, plant and equipment	(216)	327	(1,097)	(309)
(Gain) loss on early buyout/cancellation of equipment rental contracts	(45)	34	(45)	1,169
Net interest expense and other financing charges (note 10)	796	1,989	1,435	10,300
Write-off of deferred financing fees	-	1,800	-	1,800
Stock based compensation	1,084	1,497	2,222	3,152
Loss on derivative	-	23	-	1,623
Income taxes paid	25	-	(301)	(5,008)
Change in restructuring provision	(955)	(1,159)	(2,129)	(3,510)
Change in deferred tax (note 11)	6,107	625	11,832	1,039
Change in onerous contract provision	(126)	(216)	(255)	(245)
Other non-cash items	(3,277)	(2,289)	(3,462)	(5,563)
Net change in non-cash operating working capital (note 23)	1,718	(102)	(23,843)	(25,456)
Cash flows from operating activities of continuing operations	29,399	24,310	29,089	12,841
Cash flows used in operating activities of discontinued operations	(14)	(13)	(25)	(26)
Cash flows from operating activities	29,385	24,297	29,064	12,815
Investing Activities				
Business acquisitions, net of cash assumed (note 5)	(10)	-	(234)	(3,312)
Buyout of non-controlling interests	-	(11,861)	-	(12,200)
Purchase of property, plant and equipment	(12,430)	(4,288)	(16,069)	(6,456)
Proceeds on disposal of property, plant and equipment	-	190	-	200
Proceeds on early buyout of equipment rental contracts	100	83	100	452
Additions to other assets	-	(68)	-	(85)
Change in long-term receivables	882	986	1,565	4,019
Cash flows used in investing activities	(11,458)	(14,958)	(14,638)	(17,382)
Financing Activities				
Change in bank indebtedness	-	(3,064)	-	2,224
Issuance of long-term credit facility	-	317,811	6,000	361,811
Repayment of long-term credit facility	(6,000)	(527,811)	(24,000)	(551,811)
Issuance of subordinate common voting shares, net of transaction costs	-	216,557	-	216,557
Change in finance leases	(559)	(558)	(1,120)	(919)
Interest paid	(131)	(7,144)	(453)	(10,259)
Dividends paid on common shares	-	(3,044)	-	(14,044)
Dividends paid on subordinate and multiple voting common shares	(9,774)	-	(9,774)	-
Net proceeds on subscription receipts offering (note 21)	(228,889)	-	(228,889)	-
Liabilities from subscription receipts due upon closing of St-Hubert transaction (note 21)	228,514	-	228,514	-
Other	-	(168)	-	(168)
Cash flows (used in) from financing activities	(16,839)	(7,421)	(29,722)	3,391
Change in cash during the period	1,088	1,918	(15,296)	(1,176)
Cash - Beginning of period	3,025	714	19,409	3,808
Cash - End of period	\$ 4,113	\$ 2,632	\$ 4,113	\$ 2,632

See accompanying notes to the unaudited condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements
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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 "CAO". 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 the Phelan family through Cara Holdings Limited and its affiliates ("Cara Holdings", and together with Fairfax, the "Principal Shareholders"). As at June 26, 2016, the Principal Shareholders hold 70.0% of the total issued and outstanding shares and have 98.3% of the voting control attached to all the shares.

On April 15, 2016, Fairfax purchased 3,487,180 Subscription Receipts through a private equity placement to be settled as part of the St-Hubert transaction. See notes 21 and 26.

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 unaudited condensed consolidated interim financial statements as "Cara" or "the Company".

2 Basis of Presentation

Statement of compliance

The unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2015 audited annual consolidated financial statements and accompanying notes.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors ("Board") on August 4, 2016.

Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands of dollars except where otherwise indicated.

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Seasonality of interim operations

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. Sales are subject to seasonal fluctuations due to consumer spending patterns. The Company may also experience quarterly variations in its operating results as its revenues may be subject to fluctuations resulting from a number of factors such as economic conditions, the effect of severe weather and the number of new locations opened or closures of existing franchise or company-owned restaurants. Occupancy related expenses, certain operating expenses, depreciation and amortization, and interest expense remain relatively steady throughout the year.

Critical accounting judgements and estimates

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the Company's accounting policies that affect the reported amounts and disclosures made in the condensed consolidated interim financial statements and accompanying notes. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies, except those adopted using the judgements from the first quarter of 2016, and the key sources of estimation of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the year ended December 27, 2015.

Comparative information

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

3 Significant accounting policies

Accounting standards implemented in 2016

Business Combinations

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

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Other standards

In September 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process (Annual Improvements to IFRS (2012-2014) cycle). Amendments were made to clarify items including changes in method for disposal under IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”; ‘Continuing involvement’ for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 “Financial Instruments: Disclosures”; Discount rate in a regional market sharing the same currency under IAS 19 “Employee Benefits”; Disclosure of information ‘elsewhere in the interim financial report’ under IAS 34 “Interim Financial Reporting”. There was no impact on the Company’s condensed consolidated interim financial statements as a result of the amendments.

In December 2014, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” as part of its major initiative to improve presentation and disclosure in financial reports. There was no impact on the Company’s condensed consolidated interim financial statements as a result of the amendments to IAS 1.

4 Future accounting standards

Revenue

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

Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)), “Financial Instruments” (“IFRS 9 (2014)”) which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns

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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. For the Company, the extent of the impact of adoption of the standard 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 extent of the impact of adoption of the standard has not yet been determined.

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

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

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 intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on December 26, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

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

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

5 Acquisitions

The Company has accounted for all acquisitions using the acquisition method, with the results of the businesses acquired included in the condensed consolidated interim financial statements from the date of acquisition.

New York Fries

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

St-Hubert

On March 31, 2016, the Company announced that it entered into a definitive agreement to acquire 100% of Groupe St-Hubert Inc. ("St-Hubert"), Québec's leading full-service restaurant operator as well as fully integrated food manufacturer for \$537.0 million. As of St-Hubert's financial year ended September 30, 2015, it had 117 restaurants consisting of 11 corporately-owned restaurants and 106 franchised restaurants. The transaction will be funded by a combination of approximately \$230.0 million through its private placement (announced on April 15, 2016, see note 21), \$50.0 million vendor take-back to be settled in Cara subordinate voting common shares and an increased lending commitment from Cara's syndicate increased from \$150.0 million up to \$550.0 million. Subject to customary conditions, including the receipt of relevant regulatory approvals, the transaction is targeted to close in the third quarter of 2016.

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 13 weeks ended June 26, 2016, 1 franchised location (June 28, 2015 – nil franchised locations) was re-acquired by the Company. During the 26 weeks ended June 26, 2016, 4 franchised locations (June 28, 2015 – 3 franchised locations) were re-acquired by the Company. The determination of the identifiable net assets acquired at fair value, in connection with the re-acquired franchised locations, are summarized in the table below.

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(unaudited)

(in thousands of Canadian dollars)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Consideration				
Cash	\$ 10	\$ -	\$ 234	\$ 3,312
Accounts receivable	-	69	182	127
Extinguishment of net finance leases	-	24	-	460
Total Consideration	\$ 10	\$ 93	\$ 416	\$ 3,899
Net assets acquired				
Inventories	\$ -	\$ -	\$ 12	\$ -
Property, plant and equipment	10	14	235	176
Brands and other assets	-	79	169	793
Total Assets	10	93	416	969
Goodwill	-	-	-	2,930
Total	\$ 10	\$ 93	\$ 416	\$ 3,899

6 Sales

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

(in thousands of Canadian dollars)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Sales at corporate restuarants	\$ 68,432	\$ 60,592	\$ 131,637	\$ 113,738
Call centre service charge revenues	2,164	2,194	4,538	4,832
	\$ 70,596	\$ 62,786	\$ 136,175	\$ 118,570

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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)	<u>For the 13 weeks ended</u>		<u>For the 26 weeks ended</u>	
	<u>June 26, 2016</u>	<u>June 28, 2015</u>	<u>June 26, 2016</u>	<u>June 28, 2015</u>
Royalty revenue	\$ 17,291	\$ 16,802	\$ 34,868	\$ 33,565
Franchise fees on new and renewal licenses	90	112	130	379
Income on finance leases	490	619	1,002	1,141
Other rental income	109	115	217	284
Amortization of unearned conversion fees income	397	422	795	897
	<u>\$ 18,377</u>	<u>\$ 18,070</u>	<u>\$ 37,012</u>	<u>\$ 36,266</u>

8 Selling, general and administrative expenses

(in thousands of Canadian dollars)	<u>For the 13 weeks ended</u>		<u>For the 26 weeks ended</u>	
	<u>June 26, 2016</u>	<u>June 28, 2015</u>	<u>June 26, 2016</u>	<u>June 28, 2015</u>
Corporate restaurant expenses	\$ 39,426	\$ 34,938	\$ 78,701	\$ 68,489
Franchise assistance and bad debt	1,913	2,062	3,774	3,909
Franchisor over-contribution to advertising funds	708	1,072	1,383	2,116
Depreciation of property, plant and equipment (note 14)	5,041	4,732	9,978	9,421
Amortization of other assets (note 15)	1,173	957	2,349	1,966
Other	(4,736)	(2,185)	(7,911)	(3,778)
	<u>\$ 43,525</u>	<u>\$ 41,576</u>	<u>\$ 88,274</u>	<u>\$ 82,123</u>

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9 Restructuring

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 other benefits. Restructuring costs also consist of renovation and closure costs related to phasing out the Casey's concept.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at June 26, 2016:

(in thousands of Canadian dollars)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Net liability, beginning of period	\$ 2,488	\$ 7,987	\$ 3,662	\$ 10,338
Cost/(recovery) recognized				
Employee termination benefits	(323)	500	(492)	236
Site closing costs and other	(8)	(64)	27	(5)
Total	(331)	436	(465)	231
Cash payments				
Employee termination benefits	588	1,514	1,593	3,568
Site closing costs and other	36	81	71	173
Total	624	1,595	1,664	3,741
Net liability, end of period	\$ 1,533	\$ 6,828	\$ 1,533	\$ 6,828

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2016	December 27, 2015	June 28, 2015
Employee termination benefits:			
Accounts payable and accrued liabilities	\$ 974	\$ 3,078	\$ 6,134
Other long-term liabilities	189	170	295
Site closing costs and other:			
Provisions - current	141	132	333
Provisions - long-term	229	282	66
	\$ 1,533	\$ 3,662	\$ 6,828

Cara Operations Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the 13 and 26 weeks ended June 26, 2016 and June 28, 2015

(unaudited)

10 Net interest expense and other financing charges

(in thousands of Canadian dollars)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Interest expense on long-term debt	\$ 333	\$ 763	\$ 687	\$ 4,114
Interest expense on preferred shares	-	368	-	3,130
Interest on finance leases	381	422	763	932
Financing costs	35	73	69	394
Interest expense - other	88	252	190	557
Accretion expense	-	131	-	1,034
Interest expense related to derivative	-	5	-	192
Interest income	(41)	(25)	(274)	(53)
	<u>\$ 796</u>	<u>\$ 1,989</u>	<u>\$ 1,435</u>	<u>\$ 10,300</u>

11 Income taxes

The Company's provision for income taxes is comprised of the following:

(in thousands of Canadian dollars)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Current income tax expense (recovery)				
Current period	\$ 301	\$ 378	366	\$ 378
Part VI.1 taxes on preferred share dividends	-	147	-	1,252
Adjustment for prior years	(20)	(18)	(20)	(18)
	<u>281</u>	<u>507</u>	<u>346</u>	<u>1,612</u>
Deferred income tax expense (recovery)				
Origination and reversal of temporary differences	6,658	4,598	12,283	6,827
Adjustments for prior years	(176)	-	(176)	-
Benefit from previously unrecognized tax asset	50	(3,973)	150	(5,788)
	<u>6,532</u>	<u>625</u>	<u>12,257</u>	<u>1,039</u>
Net income tax expense	<u>\$ 6,813</u>	<u>\$ 1,132</u>	<u>\$ 12,603</u>	<u>\$ 2,651</u>

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Recognized deferred tax assets and liabilities

(in thousands of Canadian dollars)	As at June 26, 2016	As at December 27, 2015	As at June 28 2015
Opening balance	\$ 36,903	\$ 671	\$ 671
Deferred income tax (expense)/recovery	(12,257)	35,080	(1,039)
Transaction costs	425	4,131	
New York Fries acquisition	-	(2,695)	-
Landing Group acquisition	-	(160)	
Income taxes recognized in other comprehensive income	-	(124)	-
Net deferred tax asset (liability)	\$ 25,071	\$ 36,903	\$ (368)

Recorded in the consolidated balance sheets as follows:

Deferred tax asset	\$ 29,513	\$ 41,300	\$ -
Deferred tax liability	(4,442)	(4,397)	(368)
Net deferred tax asset (liability)	\$ 25,071	\$ 36,903	\$ (368)

Cara Operations Limited

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(unaudited)

12 Assets held for sale

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

(in thousands of Canadian dollars)	<u>June 26, 2016</u>	<u>December 27, 2015</u>	<u>June 28, 2015</u>
Assets held for sale	\$ <u>5,166</u>	\$ <u>7,274</u>	\$ <u>-</u>

During the 13 and 26 weeks ended June 26, 2016, two restaurants were sold to franchisees for a total purchase price of \$2.4 million (13 and 26 weeks ended June 28, 2015 – \$nil).

13 Long-term receivables

(in thousands of Canadian dollars)	<u>June 26, 2016</u>	<u>December 27, 2015</u>	<u>June 28, 2015</u>
Franchise receivable	\$ 32,312	\$ 33,896	\$ 44,106
Promissory notes	1,189	1,289	1,373
Franchise licence notes	-	13	26
	\$ <u>33,501</u>	\$ <u>35,198</u>	\$ <u>45,505</u>

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 \$32.3 million (December 27, 2015 - \$33.9 million; June 28, 2015 - \$44.1 million) relate 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 13 and 26 weeks ended June 26, 2016, the Company recorded \$nil (13 and 26 weeks ended June 28, 2015 - \$nil) of impairment losses on long-term franchise receivables.

Long-term receivables

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

Cara Operations Limited
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14 Property, plant and equipment

(in thousands of Canadian dollars)	As at June 26, 2016						
	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Construction-in-progress	Total
Cost							
Balance, beginning of year	\$ 2,291	\$ 3,073	\$ 144,352	\$ 99,274	\$ 30,888	\$ 3,576	\$ 283,454
Additions	-	-	832	430	-	2,857	4,119
Additions from business acquisitions (note 5)	-	-	225	-	-	-	225
Disposals and adjustments	-	-	148	(5,137)	-	302	(4,687)
Transfer to/(from) construction-in-progress	-	-	1,989	230	-	(2,219)	-
Balance at March 27, 2016	\$ 2,291	\$ 3,073	\$ 147,546	\$ 94,797	\$ 30,888	\$ 4,516	\$ 283,111
Additions	-	4	2,051	1,386	-	11,395	14,836
Additions from business acquisitions (note 5)	-	-	10	-	-	-	10
Disposals and adjustments	-	(4)	(24)	(993)	-	950	(71)
Transfer to/(from) construction-in-progress	-	-	4,776	11,725	-	(16,501)	-
Balance at June 26, 2016	\$ 2,291	\$ 3,073	\$ 154,359	\$ 106,915	\$ 30,888	\$ 360	\$ 297,886
Accumulated depreciation and impairment losses							
Balance, beginning of year	\$ -	\$ 2,448	\$ 109,918	\$ 62,696	\$ 13,879	\$ -	\$ 188,941
Depreciation expense	-	26	2,833	1,536	542	-	4,937
Disposals and adjustments	-	-	(2,100)	(2,587)	-	-	(4,687)
Balance at March 27, 2016	\$ -	\$ 2,474	\$ 110,651	\$ 61,645	\$ 14,421	\$ -	\$ 189,191
Depreciation expense	-	26	3,132	1,345	538	-	5,041
Disposals and adjustments	-	(4)	(24)	(43)	-	-	(71)
Balance at June 26, 2016	\$ -	\$ 2,496	\$ 113,759	\$ 62,947	\$ 14,959	\$ -	\$ 194,161
Carrying amount as at:							
June 26, 2016	\$ 2,291	\$ 577	\$ 40,600	\$ 43,968	\$ 15,929	\$ 360	\$ 103,725
December 27, 2015	\$ 2,291	\$ 625	\$ 34,434	\$ 36,578	\$ 17,009	\$ 3,576	\$ 94,513
June 28, 2015	\$ 2,291	\$ 667	\$ 31,314	\$ 30,544	\$ 17,335	\$ 1,223	\$ 83,374

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15 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.

(in thousands of Canadian dollars)	<u>Brands</u>	<u>Other assets</u>	<u>Total</u>
Cost			
Balance, beginning of year	\$ 179,288	\$ 30,343	\$ 209,631
Additions from business acquisitions (note 5)	-	169	169
Balance as at March 27 & June 26, 2016	\$ 179,288	\$ 30,512	\$ 209,800
Accumulated amortization			
Balance, beginning of year	\$ -	\$ 8,330	\$ 8,330
Amortization	-	1,176	1,176
Balance end of period March 27, 2016	\$ -	\$ 9,506	\$ 9,506
Amortization	-	1,173	1,173
Balance end of period June 26, 2016	\$ -	\$ 10,679	\$ 10,679
Carrying amount as at:			
June 26, 2016	\$ <u>179,288</u>	\$ <u>19,833</u>	\$ <u>199,121</u>
December 27, 2015	\$ 179,288	\$ 22,013	\$ 201,301
June 28, 2015	\$ 140,723	\$ 21,554	\$ 162,277

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16 Goodwill

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 cash generating units 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 for impairment at least annually and whenever there is an indication that the asset may be impaired.

(in thousands of Canadian dollars)	<u>June 26, 2016</u>	<u>December 27, 2015</u>	<u>June 28, 2015</u>
Cost			
Balance, beginning of year	\$ 49,540	\$ 43,051	\$ 43,051
Additions	-	6,589	2,930
Impairment	-	(100)	-
Balance, end of period	<u>\$ 49,540</u>	<u>\$ 49,540</u>	<u>\$ 45,981</u>

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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 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 current estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

(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	115	-	-	-	115
Accretion	75	-	-	-	75
Payments	(48)	(337)	(129)	-	(514)
Adjustments	(661)	525	-	10	(126)
Balance, end of period					
March 27, 2016	4,855	2,679	2,382	1,640	11,556
Additions	23	-	-	-	23
Accretion	74	-	-	-	74
Payments	(4)	(300)	(126)	(60)	(490)
Adjustments	(36)	176	-	-	140
Balance, end of period					
June 26, 2016	\$ 4,912	\$ 2,555	\$ 2,256	1,580	\$ 11,303
December 27, 2015	\$ 5,374	\$ 2,491	\$ 2,511	\$ 1,630	\$ 12,006
June 28, 2015	\$ 5,206	\$ 2,408	\$ 3,217	\$ 1,705	\$ 12,536

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2016	December 27, 2015	June 28, 2015
Provisions - current	\$ 4,610	\$ 5,004	\$ 5,104
Provisions - long-term	6,693	7,002	7,432
	\$ 11,303	\$ 12,006	\$ 12,536

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(unaudited)

18 Long-term debt

(in thousands of Canadian dollars)	<u>June 26, 2016</u>	<u>December 27, 2015</u>	<u>June 28, 2015</u>
Term credit facility	\$ 47,000	\$ 65,000	\$ 41,000
Finance leases	19,665	20,785	21,894
Other	-	-	1,651
	<u>66,665</u>	<u>85,785</u>	<u>64,545</u>
Less: Financing costs	410	477	575
	<u>\$ 66,255</u>	<u>\$ 85,308</u>	<u>\$ 63,970</u>

Recorded in the consolidated balance sheets as follows:

Current portion of long-term debt	\$ 2,194	\$ 2,156	\$ 2,730
Long-term portion of long-term debt	<u>64,061</u>	<u>83,152</u>	<u>61,240</u>
	<u>\$ 66,255</u>	<u>\$ 85,308</u>	<u>\$ 63,970</u>

Term credit facility

As at June 26, 2016, \$47.0 million (December 27, 2015 - \$65.0 million; June 28, 2015 - \$41.0 million) was drawn under the amended and extended term credit facility with an effective interest rate of 2.73% representing bankers acceptance rate of 0.88% plus 1.25%, standby fee and the amortization of deferred financing fees of 0.60%.

The Company is required to pay a standby fee between 0.25% to 0.45% per annum, on the unused portion of the credit facility, for the term of its term credit facility. The standby fee rate is based on the Company's total funded net debt to EBITDA ratio. As of June 26, 2016, the standby fee was 0.25%.

On March 31, 2016, the Company announced that it entered into a definitive agreement to acquire 100% of St-Hubert. The transaction will be partly funded by an increased lending commitment from Cara's syndicate from \$150.0 million to \$550.0 million. See note 5.

Finance leases

Included in finance leases are obligations that bear interest at an average rate of 7.3% (December 27, 2015 – 7.3%; June 28, 2015 – 7.4%).

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19 Other long-term liabilities

(in thousands of Canadian dollars)	June 26, 2016	December 27, 2015	June 28, 2015
Accrued pension and other benefit plans	\$ 21,011	\$ 21,448	\$ 22,357
Deferred rental income	13,473	14,344	19,379
Deferred income	12,137	13,808	14,697
Accrued rent expense	4,032	3,898	3,717
Restructuring (note 9)	188	170	295
Long-term incentive plans (note 20)	231	166	-
Other long-term liabilities	1,758	1,805	1,904
	\$ 52,830	\$ 55,639	\$ 62,349

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2016	December 27, 2015	June 28, 2015
Accounts payable and accrued liabilities	\$ 3,673	\$ 4,595	\$ 4,733
Other long-term liabilities	49,157	51,044	57,616
	\$ 52,830	\$ 55,639	\$ 62,349

Accrued pension and other benefit plans

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

For the 13 and 26 weeks ended June 26, 2016, the Company recorded expenses of \$0.2 million and \$0.4 million, respectively (13 and 26 weeks ended June 28, 2015 - \$0.2 million and \$0.5 million, respectively) related to pension benefits. No contributions are required as at June 26, 2016.

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 \$13.5 million (December 27, 2015 – \$14.3 million; June 28, 2015 – \$19.4 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.

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Deferred income

Unearned franchise and conversion fee income

At June 26, 2016, the Company had deferred \$7.0 million (December 27, 2015 - \$7.5 million; June 28, 2015 - \$8.1 million) of initial franchise fees and conversion fees received from franchisees that will be recognized over the remaining term of the respective franchise agreements for future services.

Sale-leaseback transactions

At June 26, 2016, the Company had deferred \$4.7 million (December 27, 2015 - \$5.1 million; June 28, 2015 - \$6.0 million) related to gains realized on sale-leaseback transactions.

20 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 7.4 million shares, a guideline the Company has set on the number of stock option grants. As at June 26, 2016, 4.9 million shares were granted.

Stock options outstanding as at June 26, 2016 have a term of up to eight years from the initial grant date. Each stock option is exercisable into one Subordinate Voting Share at the price specified in the terms of the option agreement. There were no accelerated vesting features upon the initial public offering under any of the plans described below.

On April 10, 2015, all stock options granted prior to the IPO were consolidated at a ratio of 2.79 to 1 to entitle holders of the options to purchase Subordinate Voting Shares of the Company.

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The following table summarizes the options granted post share consolidation:

	For the 13 and 26 weeks ended June 26, 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	-	-	-	-	12,635	27.85	12,635	\$ 27.85
Forfeited	-	-	-	-	(3,042)	18.31	(3,042)	18.32
Outstanding options, March 27, 2016	86,021	0.01	3,504,624	5.97	1,361,196	14.18	4,951,841	\$ 8.12
Granted	-	-	-	-	4,917	30.42	4,917	\$ 30.42
Forfeited	-	-	-	-	(20,628)	13.72	(20,628)	\$ 13.72
Outstanding options, end of period	86,021	0.01	3,504,624	5.97	1,345,485	14.24	4,936,130	8.12
Options exercisable, end of period	53,763	0.01	1,747,312	5.89	-	-	1,801,075	5.72
	For the 13 and 26 weeks ended June 28, 2015 ⁽¹⁾							
	Director stock option plan		CEO stock option plan		Employee stock option plan		Total	
	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share
Outstanding options, December 30, 2014	86,021	0.01	3,494,624	5.89	1,166,379	8.51	4,747,024	\$ 6.42
Forfeited	-	-	-	-	(2,688)	8.51	(2,688)	8.51
Outstanding options, March 29, 2015	86,021	0.01	3,494,624	5.89	1,163,691	8.51	4,744,336	\$ 6.43
Granted	-	-	-	-	40,000	34.10	40,000	\$ 34.10
Forfeited	-	-	-	-	(93,320)	8.51	(93,320)	\$ 8.51
Outstanding options, end of period	86,021	0.01	3,494,624	5.89	1,110,371	9.43	4,691,016	6.62
Options exercisable, end of period	21,505	0.01	-	-	-	-	21,505	0.01

⁽¹⁾ This table reflects the options and exercise price after the 2.79 to 1 share consolidation which took effect on April 10, 2015 prior to the IPO.

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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 Subordinate 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 shares issued on exercise are not entitled to vote or participate in dividends declared on the voting class of common shares. The settlement of the option can only be into the common share equity of the Company.

During the 13 and 26 weeks ended June 26, 2016 and June 28, 2015, no stock options were granted under the Director Plan.

For the 13 and 26 weeks ended June 26, 2016, the Company recognized stock-based compensation costs of \$34.0 thousand and \$58.2 thousand, respectively (13 and 26 weeks ended June 28, 2015 - \$72.5 thousand and \$145.1 thousand, respectively) related to the Director Plan Options with a corresponding increase to contributed surplus.

Certain 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 13 and 26 weeks ended June 26, 2016, the Company expensed \$55.9 thousand and \$65.6 thousand, respectively, (13 and 26 weeks ended June 28, 2015 - \$nil) and a liability recorded as part of Other Long-Term Liabilities in the amount of \$0.2 million as at June 26, 2016 (June 28, 2015 - \$nil).

CEO stock option plan

Under the CEO Stock Option Plan (“CEO Plan”), the Company’s CEO was granted the right to purchase 3,000,000 non-voting shares of the Company at an exercise price per share of \$0.01 and 6,750,000 non-voting shares of the Company at an exercise price per share of \$3.05. Under this plan, 4,875,000 options vest on the second anniversary of the grant date (October 31, 2015) and 4,875,000 options will vest on the third anniversary of the grant date (October 31, 2016). Vested options will not be exercisable until the earlier of an initial public offering of the Company and the fifth anniversary of the grant date. The options expire after eight years.

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

During the 13 and 26 weeks ended June 26, 2016 and June 28, 2015, no stock options were granted under the CEO Plan.

For the 13 and 26 weeks ended June 26, 2016, the Company recognized stock-based compensation costs of \$0.4 million and \$0.9 million, respectively (13 and 26 weeks ended June 28, 2015 - \$1.0 million and \$2.1 million, respectively) related to the CEO Plan with a corresponding increase to contributed surplus.

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Employee stock option plan

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

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

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

During the 13 and 26 weeks ended June 26, 2016, the Company granted an additional 4,917 and 17,551 stock options, respectively, at a weighted average exercise price of \$30.42 and \$28.57, respectively (for the 13 and 26 weeks ended June 28, 2015 – 40,000 options with a weighted average exercise price of \$34.10) per Subordinate Voting Share under its existing stock option plans, which only allows for settlement in shares.

During the 13 and 26 weeks ended June 26, 2016, 20,628 and 23,670 stock options, respectively, with an weighted average exercise price of \$13.72 and \$14.31, respectively, were forfeited (13 and 26 weeks ended June 28, 2015 – 93,320 and 96,008 stock options, respectively, with an exercise price of \$8.51).

For the 13 and 26 weeks ended June 26, 2016, the Company recognized stock-based compensation costs of \$0.6 million and \$1.2 million, respectively (13 and 26 week ended June 28, 2015 - \$0.5 million and \$0.9 million, respectively) related to the Employee Plan with a corresponding increase to contributed surplus.

21 Share capital

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

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

Upon the completion of the IPO, the Company's authorized share capital consists of an unlimited number of two classes of issued and outstanding shares: Subordinate Voting Shares and Multiple Voting Shares. The Multiple Voting Shares are held by the Principal Shareholders, either directly or indirectly. Multiple Voting

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Shares may only be issued to the Principal Shareholders. The Subordinate Voting Shares and the Multiple Voting Shares are substantially identical with the exception of the voting, pre-emptive and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote and each Multiple Voting Share is entitled to 25 votes on all matters. The Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Subordinate Voting Shares benefit from “coattail” provisions that give them certain rights in the event of a take-over bid for the Multiple Voting Shares.

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

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

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

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

For the period ended December 27, 2015, the Company paid dividends on Subordinate Voting Shares and Multiple Voting Shares totaling \$9.5 million, of which \$9.1 million was cash settled and \$0.4 million was settled through the issue of 13,911 Subordinate Voting Shares through the Company’s Dividend Reinvestment Plan (“DRIP”) which enables shareholders to acquire additional Subordinate Voting Shares from Cara by reinvesting all of their cash dividends. On May 5, 2016, the Company’s Board of Directors suspended the DRIP.

On March 3, 2016, the Company’s Board of Directors declared the 2015 fourth quarter dividend of \$0.102 per share on its outstanding Subordinate Voting Shares and Multiple Voting Shares paid on April 15, 2016 to shareholders of record as of March 31, 2016.

On May 5, 2016, the Company’s Board of Directors declared the 2016 first quarter dividend of \$0.1017 per share on its outstanding Subordinate Voting Shares and Multiple Voting Shares payable, and subscription receipts outstanding payable on June 15, 2016 to shareholders of record as of May 31, 2016.

During the 13 and 26 weeks ended June 26, 2016, the Company paid \$10.0 million of dividends on Subordinate Voting Shares and Multiple Voting Shares.

During the 13 and 26 weeks ended June 28, 2015, the Company declared \$nil and \$3.0 million, respectively, in dividends on common shares to Cara Holdings and paid \$3.0 million and \$14.0 million, respectively. These common shares were subsequently exchanged to Multiple Voting common shares as part of the IPO on April 10, 2015.

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As at June 26, 2016, there were 34,396,284 Multiple Voting Shares and 14,773,666 Subordinate Voting Shares issued and outstanding. There were no preference shares issued and outstanding as at June 26, 2016.

	Number of Common Shares (in thousands)				Share Capital (in thousands of dollars)			
	Common shares (prior to IPO) (note 1)	Multiple voting common shares	Subordinate voting common shares	Total Common Shares	Common shares (prior to the IPO) (note 1)	Multiple voting common shares	Subordinate voting common shares	Total Share Capital
Balance at December 30, 2014 and March 29, 2015	50,468	-	-	50,468	\$ 29,285	\$ -	\$ -	\$ 29,285
Share consolidation	(32,379)	-	-	(32,379)	-	-	-	-
Share conversion	(18,089)	17,493	578	(18)	(29,285)	28,321	964	-
Issuance of common stock	-	19,903	11,175	31,078	-	181,022	227,274	408,296
Balance as at June 28, 2015	-	37,396	11,753	49,149	-	209,343	228,238	437,581
Share conversion	-	(3,000)	3,000	-	-	(16,795)	16,795	-
Shares issued under dividend reinvestment plan	-	-	14	14	-	-	420	420
Balance at December 27, 2015 and March 27, 2016	-	34,396	14,767	49,163	\$ -	\$ 192,548	\$ 245,453	\$ 438,001
Shares issued under dividend reinvestment plan	-	-	7	7	-	-	227	227
Balance at June 26, 2016	-	34,396	14,774	49,170	\$ -	\$ 192,548	\$ 245,680	\$ 438,228

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 (the "Offering") for gross proceeds of approximately \$230.0 million. Each Subscription Receipt represents the right of the holder to receive, upon closing of the St-Hubert transaction and without payment of additional consideration, one Subordinate Voting Share of Cara plus an amount per Subordinate Voting Share equal to the amount per Subordinate Voting Share of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing of the St-Hubert transaction, less applicable withholding taxes. The Offering proceeds, less a 50% portion of the agents' fees, are being held in escrow pending the closing of the St-Hubert transaction and have been recorded as restricted cash. As part of the Offering, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately \$102.0 million of the total \$230.0 million gross proceeds. In consideration for Fairfax's commitment, the Company will pay Fairfax a fee of \$4.0 million upon closing of the transaction.

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As at June 26, 2016 the gross proceeds from the Subscription Receipts, interest earned, dividends payable, issuance costs and the commitment fee have been recorded in other liabilities as follows:

As at June 26, 2016	
Subscription receipts (number outstanding)	7,863,280
(in thousands of Canadian dollars)	
Gross proceeds	\$ 230,000
Interest earned on escrowed proceeds	489
Accrued payable for dividends declared	(800)
Issuance costs, net of tax ⁽¹⁾	(1,175)
Sub-total	\$ 228,514
Commitment fee payable to Fairfax upon closing	4,000
Other liabilities	\$ 232,514

⁽¹⁾ Represents 50% of the agents fees, a further \$1.2 million will be payable upon closing

22 Earnings per share

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

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

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The following table sets forth the calculation of basic and diluted earnings per share (“EPS”):

	<u>For the 13 weeks ended June 26, 2016</u>			<u>For the 13 weeks ended June 28, 2015</u>		
	<u>Attributable to Common Shareholders</u>			<u>Attributable to Common Shareholders</u>		
	Net earnings (loss)	Weighted average number of shares ('000)	EPS	Net earnings (loss)	Weighted average number of shares ('000)	EPS
Basic ⁽¹⁾						
Continuing Operations	\$ 18,094	49,168	\$ 0.37	15,521	45,480	\$ 0.34
Discontinued Operations	(2)	49,168	(0.00)	(3)	45,480	(0.00)
	<u>\$ 18,092</u>	<u>49,168</u>	<u>\$ 0.37</u>	<u>15,518</u>	<u>45,480</u>	<u>\$ 0.34</u>
Diluted ⁽¹⁾						
Continuing Operations	\$ 18,094	53,032	\$ 0.34	15,521	50,514	\$ 0.31
Discontinued Operations	(2)	53,032	(0.00)	(3)	50,514	(0.00)
	<u>\$ 18,092</u>	<u>53,032</u>	<u>\$ 0.34</u>	<u>15,518</u>	<u>50,514</u>	<u>\$ 0.31</u>

⁽¹⁾ As at June 26, 2016, the subscription receipts were not included in the calculation of basic or diluted earnings per share as the conditions required to exchange the receipts to common shares have not yet been met. Refer to note 21 for further details.

	<u>For the 26 weeks ended June 26, 2016</u>			<u>For the 26 weeks ended June 28, 2015</u>		
	<u>Attributable to Common Shareholders</u>			<u>Attributable to Common Shareholders</u>		
	Net earnings (loss)	Weighted average number of shares ('000)	EPS	Net earnings (loss)	Weighted average number of shares ('000)	EPS
Basic ⁽¹⁾						
Continuing Operations	\$ 32,592	49,166	\$ 0.66	21,827	31,632	\$ 0.69
Discontinued Operations	(4)	49,166	(0.00)	(6)	31,632	(0.00)
	<u>\$ 32,588</u>	<u>49,166</u>	<u>\$ 0.66</u>	<u>21,821</u>	<u>31,632</u>	<u>\$ 0.69</u>
Diluted ⁽¹⁾						
Continuing Operations	\$ 32,592	53,115	\$ 0.61	21,827	43,077	\$ 0.51
Discontinued Operations	(4)	53,115	(0.00)	(6)	43,077	(0.00)
	<u>\$ 32,588</u>	<u>53,115</u>	<u>\$ 0.61</u>	<u>21,821</u>	<u>43,077</u>	<u>\$ 0.51</u>

⁽¹⁾ As at June 26, 2016, the subscription receipts were not included in the calculation of basic or diluted earnings per share as the conditions required to exchange the receipts to common shares have not yet been met. Refer to note 21 for further details.

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

	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Common shares	49,168,494	45,479,884	49,165,543	31,632,162
Effect of warrants issued	-	1,626,993	-	8,216,316
Effect of stock options issued	3,863,662	3,407,598	3,949,887	3,228,962
	<u>53,032,156</u>	<u>50,514,475</u>	<u>53,115,430</u>	<u>43,077,440</u>

23 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)	For the 13 weeks ended		For the 26 weeks ended	
	June 26, 2016	June 28, 2015	June 26, 2016	June 28, 2015
Accounts receivable	\$ (2,238)	\$ (910)	\$ 14,863	\$ 7,430
Inventories	(46)	(1,669)	60	(655)
Assets held for sale	2,250	-	2,108	-
Income taxes payable (recoverable)	281	526	45	(3,397)
Prepaid expenses and other assets	233	1,996	397	780
Accounts payable and accrued liabilities	5,367	(1,332)	(13,859)	(7,621)
Provisions	140	(54)	(394)	(1,800)
Gift card liability	(3,615)	(2,419)	(26,451)	(24,926)
Income taxes paid	(25)	-	301	5,008
Change in interest payable	(629)	3,760	(913)	(275)
Net change in non-cash operating working capital	<u>\$ 1,718</u>	<u>\$ (102)</u>	<u>\$ (23,843)</u>	<u>\$ (25,456)</u>

24 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.

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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 condensed consolidated interim financial statements.

The Company has outstanding letters of credit amounting to \$0.3 million (June 28, 2015 - \$0.9 million) primarily for various utility companies that provide services to corporate owned or franchised locations and support for certain franchisees' external financing used to fund their initial franchise fees and conversion fees, if applicable, payable to the Company. The probability of the letters of credit being drawn as a result of default by a franchisee is low.

Indemnification provisions

In addition to the above guarantees, the Company has also provided customary indemnifications in the normal course of business and in connection with business dispositions. 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.

25 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. 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

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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. 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 June 26, 2016, December 27, 2015 and June 28, 2015:

(in thousands of Canadian dollars)

	June 26, 2016			
	Current	> 30 days past due	> 60 days past due	Total
Accounts receivable	\$ 32,452	\$ 1,278	\$ 8,381	\$ 42,111
Less: allowance for doubtful accounts	796	345	6,992	8,133
Accounts receivable, net	\$ 31,656	\$ 933	\$ 1,389	\$ 33,978
Balances at December 27, 2015	\$ 46,015	\$ 2,135	\$ 887	\$ 49,037
Balances at June 28, 2015	\$ 22,372	\$ 1,272	\$ 1,474	\$ 25,118

There are no significant impaired receivables that have not been provided for in the allowance. As of June 26, 2016, the Company believes that the \$8.1 million (December 27, 2015 - \$7.2 million; June 28, 2015 - \$6.7 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 be remedied.

Fair value of financial instruments

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.

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- 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 June 26, 2016.

Other financial instruments

Other financial instruments of the Company consist of cash, accounts receivable, bank indebtedness 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.

26 Related parties

Shareholders

Prior to the IPO, Cara Holdings held 96.7% of the voting common shares. As part of the IPO, these voting common shares were exchanged into Multiple Voting Shares. Subsequent to the IPO and subsequent disposition of a portion of their ownership, Cara Holdings holds 29.5% of the total issued and outstanding shares, representing 41.4% voting control.

On April 10, 2015, as part of the IPO, subsidiaries of Fairfax exchanged non-voting preferred shares in conjunction with a cashless warrant exercise into Multiple Voting Shares of the Company. As a result of the conversion and subsequent purchases of Subordinate Voting Shares, Fairfax holds 40.5% of the total issued and outstanding shares, representing 56.9% voting control.

Fairfax and Cara Holdings together hold 70.0% of the total issued and outstanding shares and have 98.3% of the voting control attached to all the shares.

On March 30, 2016, the Company entered into an Equity Commitment Agreement with Fairfax, where Fairfax provided a commitment that Fairfax will 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, will purchase \$200 million of Subordinate Voting Shares at a price of \$26.20. Fairfax shall also maintain 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 will pay Fairfax a fee of \$4.0 million. See note 21.

On April 15, 2016, as part of the Offering, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately \$102.0 million of the total \$230.0 million gross proceeds, resulting in Fairfax maintaining their approximately 40% equity interest and approximately 57% voting interest in the Company. As at June 26, 2016, the pro-rata share of dividends payable on the subscription receipts was \$0.4 million.

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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 restaurants) 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 during the 13 and 26 weeks ended June 26, 2016 and June 28, 2015.

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

Insurance Provider

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

27 Segmented information

Cara divides its operations into the following three business segments: corporate restaurants, franchise restaurants, and central operations.

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

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

Central operations includes 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 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 did 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.

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For the 13 weeks ended June 26, 2016	Corporate	Franchise	Central	Total
Sales	\$ 68,432	\$ -	\$ 2,164	\$ 70,596
Franchise revenues	-	17,291	689	17,980
Cost of inventories sold and cost of labour	(41,511)	-	-	(41,511)
Other revenues (costs)	(18,011)	(1,913)	5,665	(14,259)
	<u>\$ 8,910</u>	<u>\$ 15,378</u>	<u>\$ 8,518</u>	<u>\$ 32,806</u>
Amortization of unearned conversion fees income	-	-	397	397
Restructuring	-	-	331	331
Non-allocated selling, general and administrative expenses	-	-	(7,851)	(7,851)
Operating income	<u>\$ 8,910</u>	<u>\$ 15,378</u>	<u>\$ 1,395</u>	<u>\$ 25,683</u>
For the 13 weeks ended June 28, 2015	Corporate	Franchise	Central	Total
Sales	\$ 60,592	\$ -	\$ 2,194	\$ 62,786
Franchise revenues	-	16,802	846	17,648
Cost of inventories sold and cost of labour	(37,454)	-	-	(37,454)
Other revenues (costs)	(15,440)	(2,062)	2,898	(14,604)
	<u>\$ 7,698</u>	<u>\$ 14,740</u>	<u>\$ 5,938</u>	<u>\$ 28,376</u>
Amortization of unearned conversion fees income	-	-	422	422
Development revenues	-	-	81	81
Development expenses	-	-	(76)	(76)
Restructuring	-	-	(436)	(436)
Non-allocated selling, general and administrative expenses	-	-	(7,474)	(7,474)
Operating income (loss)	<u>\$ 7,698</u>	<u>\$ 14,740</u>	<u>\$ (1,545)</u>	<u>\$ 20,893</u>

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For the 26 weeks ended June 26, 2016	Corporate	Franchise	Central	Total
Sales	\$ 131,637	\$ -	\$ 4,538	\$ 136,175
Franchise revenues	-	34,868	1,349	36,217
Cost of inventories sold and cost of labour	(82,081)	-	-	(82,081)
Other revenues (costs)	(35,554)	(3,774)	9,360	(29,968)
	<u>\$ 14,002</u>	<u>\$ 31,094</u>	<u>\$ 15,247</u>	<u>\$ 60,343</u>
Amortization of unearned conversion fees income	-	-	795	795
Restructuring	-	-	465	465
Non-allocated selling, general and administrative expenses	-	-	(15,160)	(15,160)
Operating income	<u>\$ 14,002</u>	<u>\$ 31,094</u>	<u>\$ 1,347</u>	<u>\$ 46,443</u>
For the 26 weeks ended June 28, 2015	Corporate	Franchise	Central	Total
Sales	\$ 113,738	\$ -	\$ 4,832	\$ 118,570
Franchise revenues	-	33,565	1,804	35,369
Cost of inventories sold and cost of labour	(71,636)	-	-	(71,636)
Other revenues (costs)	(30,830)	(3,909)	5,757	(28,982)
	<u>\$ 11,272</u>	<u>\$ 29,656</u>	<u>\$ 12,393</u>	<u>\$ 53,321</u>
Amortization of unearned conversion fees income	-	-	897	897
Development revenues	-	-	1,767	1,767
Development expenses	-	-	(1,721)	(1,721)
Restructuring	-	-	(231)	(231)
Non-allocated selling, general and administrative expenses	-	-	(15,482)	(15,482)
Operating income (loss)	<u>\$ 11,272</u>	<u>\$ 29,656</u>	<u>\$ (2,377)</u>	<u>\$ 38,551</u>

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28 Subsequent Event

On August 4, 2016, the Company's Board of Directors declared a dividend of \$0.10169 per share of subordinate voting shares, multiple voting shares, and subscription receipts outstanding. Dividends per share will be comprised of: (i) \$0.05373 per share eligible dividend, and (ii) a \$0.04796 per share taxable dividend. Payment of the dividend will be made on September 15, 2016 to shareholders and subscription receipt holders of record at the close of business on August 31, 2016. The Company expects to return to paying 100% eligible dividends after the third quarter.