BUSINESS ACQUISITION REPORT

Item 1. Identity of Company

1.1 Name and Address of Company

Cara Operations Limited
199 Four Valley Drive
Vaughan, Ontario L4K 0B8

1.2 Executive Officer

For further information, please contact Ken Grondin, Chief Financial Officer at (905) 760-2244.

Item 2. Details of Acquisition

2.1 Nature of Business Acquired

All amounts in this business acquisition report are stated in Canadian Dollars (CDN$) unless stated otherwise.

On March 31, 2016, Cara Operations Ltd. (the "Company" or "Cara") announced that it entered into a definitive agreement to acquire 100% of Sogelec Inc. ("**St-Hubert**"), Québec's leading full-service restaurant operator as well as fully integrated food manufacturer for $538.1 million ("**the Transaction**"). The transaction, which closed on September 2, 2016, was funded by a combination of approximately gross proceeds of $230 million through a private placement of Subordinate Voting Shares (announced on April 15, 2016, see details below), $53.9 million vendor take-back settled in Cara subordinate voting shares and an increased lending commitment from Cara's syndicate upsized from $150 million up to $550 million, of which a portion was utilized to fund the transaction.

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 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 (a "**Subordinate Voting Share**") 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. These subscription receipts were settled on September 2, 2016 for 7,863,280 Subordinate Voting Shares of Cara.

St-Hubert was originally founded by the Léger family in 1951. St-Hubert is one of Québec's most admired and recognized restaurant companies and is known for its great tasting rotisserie chicken, courteous service and warm, trendy atmosphere. Based on total sales, St-Hubert is Québec's top full-service restaurant operator and Canada's fourth largest full-service restaurant operator. As at September 2, 2016, St-Hubert had 122 restaurants, 89% of St-Hubert restaurants are operated by franchisees and 92% are based in Québec.

In addition to its restaurant business, St-Hubert manufactures and distributes fresh, frozen and non-perishable food products under the St-Hubert brand name as well as under several private label brands. St-Hubert operates two manufacturing plants in Boisbriand and Blainville, Quebec and two distribution centers in Anjou and Boisbriand, Quebec. Further information about the company is available at www.st-hubert.com.

2.2 Date of Acquisition

September 2, 2016.

2.3 Consideration

The total consideration paid in respect of the Transaction was $538.1 million (the **"Purchase Price"),** after working capital adjustments and transaction costs.

The Purchase Price was financed through a combination of: (i) an offering of 7,863,280 subscription receipts on a private placement basis at a subscription price of $29.25 per subscription receipt for total gross proceeds of $230 million; (ii) the issuance of $53.9 million in Cara Subordinate Voting Shares to the vendor and certain management shareholders; (iii) an amendment and $400 million increase to the Company's credit facility with Scotiabank and a syndicate of lenders to fund the transaction**.**

On September 2, 2016, the Company amended and extended its existing credit facility to include: (i) a $400 million revolving term credit facility maturing September 2, 2021, which was used to partially fund the Transaction, and (ii) a $150 million non-revolving 3-year term credit facility maturing September 2, 2019 (with an additional $50 million optional accordion), (the "**Credit Facilities**").

The Credit Facilities rank senior to all other indebtedness of Cara and each of its subsidiaries that provided a guarantee and granted security in connection with the Credit Facilities and are subject to customary terms, conditions, covenants, events of default, and other provisions.

Upon completion of the Transaction, on September 2, 2016 the subscription receipts were exchanged on a one-for-one basis for 7,863,280 subordinate voting shares of

Cara and a cash payment equal to $0.20 per Subscription Receipt representing the aggregate amount of dividends per Share for which record dates occurred since the issuance of the Subscription Receipts.

2.4 Effect on Financial Position

For additional information on the effect of the Transaction on Cara'a financial position, see the pro forma consolidated financial statements of Cara for the 52 weeks ended December 27, 2015; and the pro forma consolidated financial statements of Cara for the 39 weeks ended September 25, 2016 which are referred to in Item 3 below.

2.5 Prior Valuations

No valuation opinion was required by securities legislation or a Canadian exchange or market within the last 12 months by St-Hubert or Cara to support the consideration paid by Cara under the Transaction.

2.6 Parties to Transaction

The Transaction was not with an informed person, associate or affiliate of Cara.

2.7 Date of Report

November 10, 2016.

Item 3. Financial Statements and Other Information

We include as Schedule A to this business acquisition report, the following financial statements and other financial information of St-Hubert and Cara as required by Part 8 of National Instrument 51-102 — *Continuous Disclosure Obligations,* subject to any exemptions therefrom:

(a) consolidated financial statements of St-Hubert, including consolidated balance sheet as at September 30, 2015 and September 30, 2014 and consolidated statements of earnings, retained earnings, and cash flows of St-Hubert for the years ended September 30, 2015 and September 30, 2014, together with the notes thereto;

(b) the independent auditors report on the consolidated balance sheet as at September 30, 2015 and consolidated statements of earnings, retained earnings, and statements of cash flows of St-Hubert for the years ended September 30, 2015 , together with the notes thereto;

(c) unaudited condensed interim consolidated financial statements of St-Hubert, including consolidated balance sheet as at June 30, 2016 and audited consolidated balance sheet as at September 30, 2015, and consolidated statements of earnings, retained earnings, and cash flows of St-Hubert for the nine-month periods ended June 30, 2016 and June 30, 2015, together with the notes thereto;

(d) unaudited pro forma consolidated financial statements of Cara giving effect to the Transaction, together with the notes thereto, including:

(i) an unaudited pro forma statement of earnings for the 52 weeks ended December 27, 2015 that gives effect the Transaction as if it had taken place as at December 31, 2014; and

(ii) an unaudited pro forma statement of earnings for the 39 weeks ended September 25, 2016 that gives effect the Transaction as if it had taken place as at December 31, 2014.

Index to Financial Statements

Sogelec Inc.

Consolidated Financial Statements
September 30, 2015

Raymond Chabot Grant Thornton

Independent Auditor's Report

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

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

To the shareholders of
Sogelec Inc.

We have audited the accompanying consolidated financial statements of Sogelec Inc., which comprise the consolidated balance sheet as at September 30, 2015 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 the auditor’s 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, the auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sogelec Inc. as at September 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Raymond Chabot Grant Thornton S.E.N.C.R.L.[1]

Laval
December 17, 2015, except as to Note 24 which is as of November 4, 2016

[1] CPA auditor, CA public accountancy permit no. A110715

Sogelec Inc.
Consolidated Earnings
Year ended September 30, 2015

	2015	2014
	$	$
Sales (Note 4)	**278,877,117**	251,687,973
Earnings before the following items	**210,309,006**	182,736,159
Inventory recognized as expenses	**166,646,525**	147,940,840
Stock-based compensation	**475,126**	610,921
Net change in defined benefit asset	**676,000**	(2,429,000)
Financial expenses (Note 5)	**2,281,179**	2,460,241
Severance	**285,094**	1,868,122
Reversal of non-recurring professional fees	**(500,000)**	
Franchise and restaurant branch closure costs		(664,695)
Gain on disposal and write-off of assets held for sale	**(168,333)**	(1,720,630)
Loss on disposal and write-off of property, plant and equipment	**4,471**	666,765
Depreciation of property, plant and equipment	**9,606,959**	9,370,066
Amortization of intangible assets	**4,726,288**	4,349,008
	184,033,309	162,451,638
Earnings before income taxes	**26,275,697**	20,284,521
Income taxes		
Current	**5,837,826**	2,874,762
Future	**1,500,089**	2,538,525
	7,337,915	5,413,287
Net earnings	**18,937,782**	14,871,234

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

Sogelec Inc.
Consolidated Retained Earnings
Year ended September 30, 2015

	2015	2014
	$	$
Balance, beginning of year		
Balance, as previously reported	**136,457,628**	126,251,655
Accounting changes (Note 2)	**(1,396,220)**	(3,032,821)
Balance, as restated	**135,061,408**	123,218,834
Net earnings	**18,937,782**	14,871,234
	153,999,190	138,090,068
Dividends		
Class "B" shares	**16,300**	16,300
Class "K" shares	**3,012,360**	3,012,360
	3,028,660	3,028,660
Balance, end of year	**150,970,530**	135,061,408

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

Sogelec Inc.
Consolidated Cash Flows
Year ended September 30, 2015

	2015	2014
	$	$
OPERATING ACTIVITIES		
Net earnings	**18,937,782**	14,871,234
Stock-based compensation paid	**(105,915)**	(254,034)
Deferred revenue	**100,000**	2,540,460
Non-cash items (Note 6)	**22,288,049**	3,537,692
Cash flows from operating activities	**41,219,916**	20,695,352
INVESTING ACTIVITIES		
Advances to a shareholder	**(12,927,911)**	(8,644,007)
Net change in notes receivable from franchisees	**52,248**	199,673
Property, plant and equipment	**(12,798,285)**	(11,273,040)
Investment tax credits relating to property, plant and equipment	**1,007,584**	
Disposal of property, plant and equipment	**88,237**	68,794
Disposal of assets held for sale	**526,108**	3,839,396
Franchisees' contributions to property, plant and equipment	**735,888**	609,008
Intangible assets	**(1,886,839)**	(1,392,604)
Cash flows from investing activities	**(25,202,970)**	(16,592,780)
FINANCING ACTIVITIES		
Long-term debt		5,968,406
Repayment of long-term debt	**(13,953,280)**	(6,318,571)
Dividends paid	**(3,028,660)**	(3,028,660)
Cash flows from financing activities	**(16,981,940)**	(3,378,825)
Net increase (decrease) in cash	**(964,994)**	723,747
Cash, beginning of year	**972,494**	248,747
Cash, end of year	**7,500**	972,494

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

Sogelec Inc.
Consolidated Balance Sheet
September 30, 2015

	2015	2014
	$	$
ASSETS		
Current		
Cash	**7,500**	972,494
Trade and other receivables (Note 7)	**30,387,390**	27,654,790
Tax credits relating to tips reported and investment tax credits receivable	**856,368**	578,790
Current income tax asset		2,880,542
Inventories (Note 8)	**15,608,731**	16,814,536
Assets held for sale (Note 9)	**2,111,345**	
Prepaid expenses	**1,465,054**	1,688,993
	50,436,388	50,590,145
Long-term		
Assets held for sale (Note 9)	**1,411,609**	2,919,432
Prepaid expenses	**102,072**	229,422
Advances to a shareholder, without interest or repayment terms	**69,089,746**	56,161,835
Investments (Note 10)	**638,251**	690,499
Property, plant and equipment (Note 11)	**93,922,405**	93,748,105
Intangible assets (Note 12)	**62,553,342**	65,331,651
Goodwill (Note 13)	**28,135,750**	28,147,094
Defined benefit asset (Note 17)	**783,000**	1,459,000
	307,072,563	299,277,183

Sogelec Inc.
Consolidated Balance Sheet
September 30, 2015

	2015	2014
	$	$
LIABILITIES		
Current		
Trade and other payables (Note 14)	**26,764,604**	25,306,283
Dividends payable	**16,300**	16,300
Current income tax liability	**2,632,424**	
Interest rate swaps		162,314
Current portion of long-term debt	**940,000**	1,040,000
	30,353,328	26,524,897
Long-term		
Long-term debt (Note 15)	**55,145,927**	68,896,553
Interest rate swaps	**226,345**	
Deferred revenue	**1,051,919**	1,339,111
Stock-based compensation liability (Note 18)	**1,506,540**	1,137,329
Future income tax liability	**15,419,503**	13,919,414
	103,703,562	111,817,304
EQUITY		
Share capital (Note 16)		
Class "K" shares, retractable for $50,206,000	**50,206,000**	50,206,000
Other shares	**336,355**	336,355
Contributed surplus	**1,856,116**	1,856,116
Retained earnings	**150,970,530**	135,061,408
	203,369,001	187,459,879
	307,072,563	299,277,183

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

On behalf of the Board,

Director

Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Business Corporations Act (Quebec), operates businesses in the restaurant, food processing and distribution sectors through its subsidiary.

2 - ACCOUNTING CHANGES

Employee future benefits

As at October 1, 2014, the Company applied Section 3462, Employee Future Benefits, in Part II of the *CPA Canada Handbook – Accounting* to recognize the pension expense and other employee benefits. In accordance with the transitional provisions, this new standard, applicable to financial statements for fiscal years beginning on or after January 1, 2014, has been applied retrospectively. Previously, the Company applied Section 3461, Employee Future Benefits, in Part II of the *CPA Canada Handbook – Accounting.* It, therefore, measured accrued benefit obligations using a valuation for accounting purposes in accordance with the guidance in Section 3461 and recognized in consolidated earnings actuarial gains and losses and past service cost resulting from changes to the pension plans according to the straight-line basis of amortization over the average remaining service period of active employees covered by the pension plan. Under the new standard, it is no longer possible to defer the recognition of actuarial gains and losses and past service cost to future years since the new standard requires their immediate recognition in earnings.

This accounting change led to a reduction in the defined benefit asset of $2,359,000, a decrease in the future income tax liability of $634,571 and a decrease in consolidated retained earnings of $1,724,429 as at September 30, 2014. Additionally, this change led to a decrease in the pension expense of $2,391,000, an increase in future income tax liability of $643,179 and an increase in consolidated net earnings of the 2014 year of $1,747,821. The $3,472,250 adjustment (net of future income taxes of $1,277,750) relating to years prior to the years presented is applied against opening consolidated retained earnings for the 2014 year.

Subsidiaries

As at October 1, 2014, the Company early adopted Section 1591, Subsidiaries, in Part II of the *CPA Canada Handbook – Accounting* (hereafter, "Section 1591") to account for subsidiaries. Pursuant to the transitional provisions, this new standard, which is applicable for fiscal years beginning on or after January 1, 2016, has been applied retrospectively. Previously, the Company applied Section 1590, Subsidiaries and AuG-15, Consolidation of Variable Interest Entities, of Part II of the *CPA Canada Handbook – Accounting.* Section 1591 changes the identification of an entity's subsidiaries, in particular, Section 1591 provides new guidance on determining whether an enterprise controls another enterprise through contractual rights.

2 - ACCOUNTING CHANGES (Continued)

Subsidiaries *(Continued)*

By adopting Section 1591, the Company determined it does not control 664045 N.B. Ltd. or 9264-3337 Québec Inc. which were previously considered as variable interest entities of which the Company was the main beneficiary. Accordingly, adoption of Section 1591 led to deconsolidation of these previously consolidated entities.

The accounting change led to a decrease in consolidated total assets of $973,399, a decrease in consolidated total liabilities of $1,301,608 and an increase in consolidated retained earnings of $328,209 as at September 30, 2014. Additionally, this accounting change led to a decrease in consolidated net earnings of the 2014 year of $311,220. The $439,429 adjustment relating to years prior to the years presented is applied against opening consolidated retained earnings for the 2014 year.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's consolidated financial statements are prepared in accordance with Canadian accounting standards for private enterprises.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. These estimates are based on management's knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, St-Hubert Group Inc.

Advertising fund

Under the terms of the franchise agreements, the franchisees and restaurant branches pay royalties to an advertising fund on the basis of their sales. The Company collects these funds in its capacity as franchiser-agent and must use them exclusively to promote the "St-Hubert" franchise nationally, for the benefit of all franchisees and restaurant branches. The royalties and advertising and promotion program expenses relating to the advertising fund are not recognized in the Company's consolidated earnings but are recognized instead as amounts payable to or receivable from the franchisees.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Company's principal sources of revenue are the following:

- Food processing and distribution;
- Franchise network procurement;
- Restaurant branch sales;
- Rent and royalties.

Food processing and distribution, franchise network procurement, rent and royalties

Revenue is recognized when the following conditions have been satisfied:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The price is fixed or determinable; and
- Collection is reasonably assured.

Food processing and distribution revenue and franchise network procurement revenue is recognized when products have been shipped and the clients have assumed the risks and responsibilities.

Rent and royalty revenue is calculated on the sales of the franchise restaurants and recognized at the time of sale to customers.

Restaurant branch sales

The restaurant branches' sales are recognized at the time of sale to customers and when they are received.

Deferred revenue

Amounts received under the terms of supplier agreements are applied against purchases over the term of the agreements. Amounts collected that are not recognized are presented as deferred revenue.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Company's financial assets and liabilities from transactions not concluded with related parties are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities *(Continued)*

Subsequent measurement

At each reporting date, the Company measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

Transaction costs relating to financial assets and liabilities that are measured at amortized cost are amortized on a straight-line basis over the term of the related financial instrument. Amortization of transaction costs related to long-term debt is recognized in earnings as interest expense.

With respect to financial assets measured at amortized cost, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in consolidated earnings. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in consolidated earnings in the year the reversal occurs.

Inventory valuation

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Property, plant and equipment and intangible assets subject to amortization

Depreciation and amortization

Property, plant and equipment are depreciated over their estimated useful lives according to the straight-line method at the following annual rates and periods:

	Rates and periods
Buildings	2.5% and 5%
Interior layouts	6.67%, 8.33% and 10%
Parking lot	5%
Furniture and equipment	6.67%, 10% and 20%
Computer equipment	14% to 33%
Production equipment and automotive equipment	6% to 25%
Leasehold improvements and building on leased property	Lease term
Aircraft, 12.5% owned	20 years

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and intangible assets subject to amortization *(Continued)*

Intangible assets subject to amortization are amortized according to the straight-line method over the following periods:

	Periods
Banner and customer relationship	3, 7, 10 and 20 years
Franchisee relationship	40 years
Software	3 and 7 years
Non-compete agreement	5 years
Trademarks	7 and 8 years

Impairment

Property, plant and equipment and intangible assets subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

Goodwill and intangible assets not subject to amortization

Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Goodwill and intangible assets not subject to amortization are tested for impairment when events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill or the intangible asset are assigned may exceed its fair value. When the carrying amount of a reporting unit or the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess of the goodwill or intangible asset.

Employee future benefits

The Company accrues its obligations under the defined benefit pension plans as the employees render the services necessary to earn the pension benefits. More specifically, the Company recognizes its obligations under the defined benefit plan on the consolidated balance sheet, net of the fair value of plan assets. The Company determines the defined benefit obligations using the most recent actuarial valuation prepared for funding purposes, which is extrapolated to the Company's year end. The total defined benefit plan cost includes current service cost and finance cost and is recognized in consolidated earnings under "Earnings before the following items". Remeasurements and other items, which include actuarial gains and losses relating to obligations, the difference between the actual return on plan assets and interest income deducted from the finance cost as well as past service cost, are recognized immediately in consolidated earnings.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Company uses the future income taxes method of accounting for income taxes.

Interest rate swaps

The Company uses interest rate swaps to manage its interest rate risk but does not use hedge accounting. Accordingly, interest rate swaps are recognized on the consolidated balance sheet at their fair value and changes in fair value are recognized in consolidated earnings for the year.

Stock option plan

The Company has a stock option plan for officers, which is described in Note18. Because the Company is required to purchase the shares held by officers in cash, the stock-based compensation cost is measured on the basis of the accrued appreciation of the shares on the subsidiary's consolidated balance sheet date and recognized as a liability. The change in the stock-based compensation liability results from changes in the accrued appreciation of the shares during the year and also reflects the impact of any new options awarded or shares purchased, as appropriate. This change and dividends declared on the shares held by officers are recognized in consolidated earnings in "Stock-based compensation".

4 - CLASSES OF REVENUES

The Company's revenues for each of the major classes of products and services are detailed as follows:

	2015	2014
	$	$
Food processing and distribution	**147,792,643**	138,004,086
Franchise network procurement	**69,976,876**	54,945,842
Restaurant branches	**35,023,099**	33,488,426
Rent and royalties	**22,716,009**	22,487,543
Other	**3,368,490**	2,762,076
	278,877,117	251,687,973

5 - FINANCIAL EXPENSES

	2015	2014
	$	$
Interest on long-term debt	**2,246,965**	2,844,101
Investment income	**(29,817)**	(30,650)
Decrease (increase) in fair value of interest rate swaps related to revolving term credits	**64,031**	(353,210)
	2,281,179	2,460,241

6 - NON-CASH ITEMS

	2015	2014
	$	$
Stock-based compensation	**475,126**	610,921
Decrease (increase) in fair value of interest rate swaps related to revolving term credits	**64,031**	(353,210)
Franchise and restaurant branch closure costs		(664,695)
Gain on disposal and write-off of assets held for sale	**(168,333)**	(1,720,630)
Loss on disposal and write-off of property, plant and equipment	**4,471**	666,765
Depreciation of property, plant and equipment	**9,606,959**	9,370,066
Amortization of intangible assets	**4,726,288**	4,349,008
Amortization of transaction costs relating to long-term debt	**102,654**	115,850
Amortization of deferred revenue	**(1,487,192)**	(1,580,919)
Net change in defined benefit asset	**676,000**	(2,429,000)
Future income taxes	**1,500,089**	2,538,525
Net change in working capital items	**6,787,956**	(7,364,989)
	22,288,049	3,537,692

7 - TRADE AND OTHER RECEIVABLES

	2015	2014
	$	$
Trade accounts receivable (a)		
Franchisees	**11,772,145**	9,324,446
Banners and other trade receivables (b)	**15,263,840**	15,691,444
Allowance for doubtful accounts	**(206,155)**	(165,684)
	26,829,830	24,850,206
Credit cards	**290,056**	244,640
Lessor's contribution to property, plant and equipment		583,837
Volume rebates and discounts receivable	**2,215,858**	1,122,107
Other	**1,051,646**	854,000
	30,387,390	27,654,790

(a) As at September 30, 2015, the gross carrying amount of impaired trade accounts receivable totals $592,778 ($543,198 as at September 30, 2014). The amount of the impairment loss related to the trade accounts receivable is $252,814 for the year ($172,094 in 2014), and the reversal of a previously recognized loss on the trade accounts receivable is immaterial (immaterial in 2014).

(b) Amounts owing from two customers represent 34% and 14% of banners and other trade receivables excluding allowances (they represented 32% and 19% in 2014).

8 - INVENTORIES

	2015	2014
	$	$
Food staples	**13,623,239**	14,985,555
Packaging	**1,059,874**	976,778
Supplies	**925,618**	852,203
	15,608,731	16,814,536

9 - ASSETS HELD FOR SALE

During the previous year, the Company put land, a building and certain operating assets of restaurant branches for sale. Accordingly, these assets had been reclassified under Assets held for sale on the consolidated balance sheet as at September 30, 2014. As at September 30, 2015, these assets had not been sold.

Additionally, on October 26, 2015, the Company sold its Ottawa Hunt Club corporate branch to a third party for a cash consideration of $1,100,000 and the signing of a franchise agreement. The sale price is subject to certain adjustments provided in the agreement. Furthermore, the Company entered into a subleasing agreement regarding premises subject to an operating lease. As at September 30, 2015, these assets were reclassified in current assets under Assets held for sale on the consolidated balance sheet.

Lastly, on December 16, 2015, the Company sold a building for a cash consideration of $1,000,000 and $1,800,000 in credits exchangeable for future services. As at September 30, 2015, $1,000,000 in respect of this building was reclassified in current assets under Assets held of sale on the consolidated balance sheet, representing the value of the consideration to be received in the short term.

10 - INVESTMENTS

	2015	2014
	$	$
Notes receivable from franchisees	**472,752**	525,000
Life insurance cash redemption value	**165,499**	165,499
	638,251	690,499

11 - PROPERTY, PLANT AND EQUIPMENT

			2015	2014
	Cost	**Accumulated depreciation**	**Net carrying amount**	Net carrying amount
	$	**$**	**$**	$
Land	**15,574,116**		**15,574,116**	15,296,162
Buildings	**45,129,727**	**15,279,963**	**29,849,764**	29,932,783
Interior layouts	**53,084,529**	**32,563,274**	**20,521,255**	18,051,931
Parking lot	**4,985,848**	**1,951,028**	**3,034,820**	2,848,519
Furniture, equipment and computer equipment	**25,241,322**	**18,741,180**	**6,500,142**	7,870,648
Production equipment	**15,449,246**	**6,164,862**	**9,284,384**	8,575,367
Automotive equipment	**1,224,185**	**769,671**	**454,514**	343,993
Leasehold improvements and building on leased property	**17,078,186**	**10,935,587**	**6,142,599**	8,048,429
Aircraft, 12.5% owned	**1,261,385**	**359,009**	**902,376**	965,445
Property, plant and equipment under construction	**1,658,435**		**1,658,435**	1,814,828
	180,686,979	**86,764,574**	**93,922,405**	93,748,105

During the year, the Company recognized investment tax credits of $1,258,838 (nil in 2014) applied against the cost of land, buildings, interior layouts and production equipment. As at September 30, 2015, an amount of $251,254 had not been received.

As at September 30, 2015, trade and other payables include $1,462,950 ($1,442,589 in 2014) for interior layouts, leasehold improvements, property, plant and equipment under construction and the acquisition of equipment and computer equipment.

The cost and accumulated depreciation of assets held for leasing are $73,487,585 ($73,570,638 in 2014) and $43,910,477 ($44,052,272 in 2014) respectively. During the year, rental income amounted to $8,002,594 ($8,101,788 in 2014).

12 - INTANGIBLE ASSETS

	2015	2014
	$	$
Intangible assets subject to amortization		
Acquired		
Banner and customer relationships	**9,953,989**	11,198,194
Franchisee relationships	**392,308**	404,808
Non-compete agreement	**138,200**	244,800
Trademarks (a)	**4,213,256**	3,193,056
	14,697,753	15,040,858
Developed		
Software	**7,896,037**	9,274,908
Under development		
Software	**820,395**	176,728
	23,414,185	24,492,494
Intangible assets not subject to amortization acquired		
Trademarks (a)	**39,139,157**	40,839,157
	62,553,342	65,331,651

(a) During the year, the Company determined the estimated useful life of two trademarks (one in 2014) and, accordingly, transferred these trademarks from intangible assets not subject to amortization acquired to intangible assets subject to amortization acquired.

As at September 30, 2015, trade and other payables include $198,640 for software developed and under development ($137,500 in 2014).

13 - GOODWILL

	2015	2014
	$	$
Balance, beginning of year	**28,147,094**	27,707,665
Acquisition of a restaurant branch		439,429
Other	**(11,344)**	
Balance, end of year	**28,135,750**	28,147,094

14 - TRADE AND OTHER PAYABLES

	2015	2014
	$	$
Trade accounts payable and accrued liabilities	**15,224,116**	17,241,145
Amounts payable to franchisees	**3,472,703**	2,554,663
Sales taxes payable	**540,963**	479,228
Salaries and benefits payable	**7,526,822**	5,031,247
	26,764,604	25,306,283

Government remittances (other than income taxes) total $847,609 as at September 30, 2015 ($1,037,540 as at September 30, 2014).

15 - LONG-TERM DEBT

	Current	2015	2014
	$	**$**	$
Authorized revolving term credit of $80,000,000, variable rate, maturing in April 2018 (a)		**49,265,927**	
Mortgage loan, secured by a hypothec on property, plant and equipment with a net carrying amount of $45,744,144 financial institution's base rate less 1.25% (3.45%; 3.75% in 2014), payable in monthly instalments of $35,000, maturing in September 2023 (b)	**420,000**	**3,360,000**	3,780,000
Mortgage loan, secured by an immovable hypothec of $6,300,000 on land and a building and a movable hypothec of $6,300,000 on equipment, financial institution's base rate less 0.6% (3.1%; 3.4% in 2014), payable in monthly instalments of $35,000, maturing in September 2023 (b)	**420,000**	**3,360,000**	3,780,000
Government financial assistance under the Programme de soutien aux projets économiques (PSPE), unsecured without interest, payable in annual instalments of $100,000, maturing in September 2016	**100,000**	**100,000**	200,000
"A" revolving term credit, variable rate			41,751,553
"B" revolving term credit, variable rate			20,425,000
		56,085,927	69,936,553
Current portion	**940,000**	**940,000**	1,040,000
		55,145,927	68,896,553

(a) Under the terms of the agreement, the Company is subject to certain covenants. It is required to maintain a debt ratio, a fixed fees coverage ratio and a capitalization ratio based on set limits. As at September 30, 2015, the ratios are respected. The revolving term credit is available in the form of bank advances, banker's acceptances, and letters of credit or guarantee. The term of the banker's acceptances can vary between 1, 2, 3, 6 and 12 months. The letters of credit or guarantee cannot be used to guarantee loans or other similar commitments. The global amount of outstanding letters of credit or guarantee cannot exceed $2,500,000.

15 - LONG-TERM DEBT (Continued)

Bank advances bear interest at the Canadian prime rate (2.7%; 3% in 2014) plus a premium varying from 0.25% to 1.125% (0.5% to 1% in 2014), according to the results of a financial ratio calculation. The banker's acceptances and letters of credit or guarantee include commissions varying from 1.25% to 2.125% (1.75% to 2.25% in 2014) according to the results of a financial ratio calculation. The Company is required to pay an availability commission on the unused portion of the authorized credit varying between 0.25% and 0.425% (0.4% to 0.55% in 2014) according to the results of a financial ratio calculation and its utilization. As at September 30, 2015, the availability commission is 0.4% (0.4% in 2014) and the revolving term credit utilization is as follows:

	2015	2014
	$	$
Revolving term credit		
Banker's acceptance, 2.29% (including a 1.5% commission), maturing on October 26, 2015	**48,000,000**	
Bank advances, 3.2% (including a 0.5% premium)	**1,455,388**	
Transaction costs relating to long-term debt	**(189,461)**	
	49,265,927	–
"A" revolving term credit		
Banker's acceptance, 3.51% in 2014 (including a 2.25% commission) maturing on October 28, 2014		40,000,000
Bank advances, 4% in 2014 (including a 1% premium)		1,811,307
Transaction costs relating to long-term debt		(59,754)
	–	41,751,553
"B" revolving term credit		
Banker's acceptance, 3.51% in 2014 (including a 2.25% commission) maturing on October 28, 2014		20,400,000
Bank advances, 4% in 2014 (including a 1% premium)		25,000
	–	20,425,000

(b) Under the deed of hypothec, the Company is required to comply with certain covenants.

The estimated instalments on long-term debt in the coming years amount to $940,000 in 2016, $840,000 in 2017, $50,105,927 in 2018 and $840,000 in 2019 and 2020.

Additionally, the Company has a non-interest bearing loan to a maximum authorized amount of $3,000,000 with Investissement Québec with disbursements being subject to compliance with certain terms. The loan is secured by a $3,000,000 hypothec on the universality of present and future movables and a $3,000,000 hypothec on a building. The loan is payable three years after the first disbursement over a five-year term. As at September 30, 2015, the loan is not used.

16 - SHARE CAPITAL

As at September 30, 2015, the Company's share capital is as follows:

Authorized
Unlimited number of shares without par value

Class "A", entitled to one vote per share, and participating

Class "B", 8% cumulative dividend calculated on the amount of the consideration received on issuance, retractable on the holder's death for the paid-up capital amount, exchangeable at the holder's option for class "J" shares on a class "J" share for class "B" share basis

Class "C" and "D", entitled to 100 votes per share until the holder's death, 5% non-cumulative dividend calculated on the amount of the consideration received on issuance, retractable on the holder's death for the paid-up capital amount

Class "E", 8% non-cumulative dividend calculated on the redemption value, redeemable or retractable for the amount received on issuance

Class "F", "G", "H" and "I", dividend conditional on a director's death

Class "J", 0.5% monthly non-cumulative dividend calculated on the redemption value, redeemable by the Company or on the date closest to the holder's death or the seventh anniversary of issuance at the fair value of the consideration received on issuance

Class "K", 6% non-cumulative dividend calculated on the redemption value, redeemable or retractable either for class "A" shares or for cash at the fair value of the consideration received on issuance

Class "L", entitled to 1,000 votes per share

The ranking of the shares for dividend payments is as follows: classes "K", "B" and "J", "C" and "D", "E" and "A and "B" (additional participation for class "B" shares). No dividend is payable on the class "L" shares.

	2015	2014
	$	$
Issued and fully paid		
1,000 class "A" shares	**250**	250
4,075 class "B" shares (a)	**203,750**	203,750
900 class "D" shares	**900**	900
131,155 class "E" shares	**131,155**	131,155
200 class "F" and "H" shares	**200**	200
50,206,000 class "K" shares (b)	**50,206,000**	50,206,000
100 class "L" shares	**100**	100
	50,542,355	50,542,355

16 - SHARE CAPITAL (Continued)

(a) The holders of class "B" shares are entitled to an additional participation in the Company's earnings determined as follows: following declaration of a dividend on the class "B", "C", "D", "E" and "J" shares, an additional dividend may be declared from the first 30% of the Company's consolidated net earnings for the previous year and shared among holders of the class "B" and class "A" shares, in the such proportion that the dividend paid on each class "A" share will be double the dividend paid on each class "B" share.

(b) The 50,206,000 class "K" shares are retractable for $50,206,000.

17 - EMPLOYEE FUTURE BENEFITS

Defined benefit pension plan

The Company has a funded supplementary defined benefit pension plan guaranteeing a pension benefit for certain employees. It is not permitted to contribute to the plan since January 1, 2011.

The defined benefit pension plan is based on years of service and final average salary. Pension benefits will increase annually corresponding to the benefit index to a maximum of 4%.

The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2014.

The funded status of the pension plan is as follows:

	2015	2014
	$	$
Defined benefit obligations	**19,817,000**	17,968,000
Fair value of plan assets	**20,600,000**	19,427,000
Funding status – surplus and defined benefit assets	**783,000**	1,459,000

The amount of remeasurements and other items recognized in the consolidated statement of earnings is $1,084,000 (($1,971,000) in 2014).

Multiemployer plan

The Company participates in a multiemployer defined benefit plan for one of its subsidiaries. The plan is recognized as a defined contribution plan because sufficient information is not available to recognize it as a defined benefit plan.

As at December 31, 2014, the solvency actuarial deficit attributable to the subsidiary in the multiemployer plan is about $918,000.

18 - STOCK PURCHASE PLAN

Annually, or when certain officers are hired, the St-Hubert Group Inc. compensation committee awards St-Hubert Group Inc. class "D" shares to officers. These shares are vested on the basis of a vesting schedule defined by the St-Hubert Group Inc. compensation committee or by a contractual agreement. St-Hubert Group Inc. can pay dividends on the class "D" shares in cash or as class "G" shares.

The Company redeems the class "D" and "G" shares when the officer's employment ends, or upon the retirement, disability or death of the officer. The class "G" shares are also retractable by the officers in accordance with contractual holding provisions. The cash amount payable on the redemption of the class "D" shares is the excess of the St-Hubert Group Inc.'s consolidated retained earnings at the redemption date over the St-Hubert Group Inc.'s consolidated retained earnings as determined in the shareholding agreements, divided by the number of then issued and outstanding class "A" and "D" shares of St-Hubert Group Inc. The cash amount payable on the purchase or redemption of the class "G" shares is $1 per share.

In 2015, the Company awarded 55,800 class "D" shares (no shares in 2014) and issued 342,626 class "G" shares (632,740 shares in 2014) to eligible officers. As at September 30, 2015, 65,100 class "D" shares (48,350 shares in 2014) and 1,078,056 issued and outstanding class "G" shares (752,913 shares in 2014) are subject to the Company's class "D" and "G" shareholding agreements. During the year the compensation expense recorded in the Company's consolidated earnings amounted to $475,126 ($610,921 in 2014). As at September 30, 2015, $1,506,540 ($1,137,329 in 2014) is recorded as stock based compensation liability.

19 - FINANCIAL INSTRUMENTS

Financial risks

The Company's main financial risk exposure is detailed as follows.

Credit risk

Generally, the carrying amount on the consolidated balance sheet of the Company's financial assets exposed to credit risk represents the maximum amount exposed to credit risk. The Company is also exposed to credit risk because it has guaranteed other parties (Note 22).

19 - FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Company has determined that the following financial instruments increase its credit risk exposure:

– Trade accounts receivable:

  The Company's credit risk is primarily attributable to its trade accounts receivable. The Company does not require a guarantee from its customers. About 44% (37% in 2014) of the trade accounts receivable are attributable to franchisees where payments are made by preauthorized deductions. Moreover, trade account receivable balances are managed and analyzed on an ongoing basis and, accordingly, the Company's exposure to doubtful accounts is not significant.

– Notes receivable from franchisees, rebates, signing bonuses and volume discounts receivable:

  These financial instruments are managed and analyzed periodically to detect any loss in value. As at September 30, 2015, management considers that the Company's credit risk in respect of these financial instruments is low and, accordingly, no valuation allowance was recognized.

Market risk

The Company's financial instruments expose it to market risk, in particular, interest rate risk which results from its investing and financing activities:

– Interest rate risk:

  The Company is exposed to interest rate risk with respect to financial assets and liabilities bearing interest at fixed and variable rates.

  Notes receivable from franchisees bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

  The revolving term credit and mortgage loans bear interest at a variable rate and the Company is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

  The Company uses interest rate swaps to reduce its exposure to interest rate risk on its revolving term credit maturing in April 2018 and which set the interest rate at 1.13% plus a premium on a portion of the revolving term credit, that is $30,000,000.

Liquidity risk

The Company's liquidity risk represents the risk that the Company could encounter difficulty in meeting obligations associated with its financial liabilities. The Company is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the consolidated balance sheet.

19 - FINANCIAL INSTRUMENTS (Continued)

Carrying amount of financial assets by category

The Company's financial assets, totalling $99,957,388 ($85,314,119 as at September 30, 2014) are all classified within financial assets that are measured at amortized cost.

Guaranteed financial liabilities

As at September 30, 2015, the total carrying amount of guaranteed financial liabilities is $55,985,927.

20 - ADDITIONAL INFORMATION ON FRANCHISEES

	2015	2014
Number of operating franchises		
Balance, beginning of year	**104**	103
New franchises (a)	**2**	1
Balance, end of year	**106**	104
Restaurant branches owned by the franchisor (b)	**11**	11
	117	115

(a) Val-Bélair, Buckingham (Repentigny in 2014)

(b) Vimont, Windsor Station, Honoré-Beaugrand, Châteauguay, Côte-des-Neiges, St-Denis, St-Martin, Complexe Desjardins, Avenue du Parc, Porte du Nord, Ottawa Hunt Club

21 - COMMITMENTS

The Company has entered into long-term lease agreements expiring on various dates until December 31, 2028, which call for lease payments of $14,010,642 for the rental of premises, buildings and automotive equipment. Minimum lease payments for the next five years are $2,580,569 in 2016, $2,532,254 in 2017, $2,309,938 in 2018, $2,036,459 in 2019 and $1,477,985 in 2020.

Under an agreement with a franchisee, the Company is committed to purchase the Ste-Rose and Ste-Dorothée restaurants for $1,200,000 and $1,500,000 respectively. The purchase prices are subject to some adjustments provided in the agreement.

22 - GUARANTEES AND CONTINGENCIES

The Company has entered into subleasing transactions for certain premises and land under operating leases expiring between 2016 and 2028. Should the sublessee fail to perform any of the contractual obligations, the Company must, subject to certain terms, compensate the lessor for such failure. The maximum obligation under these guarantees is $12,714,426. As at September 30, 2015, the Company has not recorded a liability in respect of these guarantees since it is unlikely that the sublessee will fail to satisfy its contractual obligations. The Company can also exercise a recourse against the sublessee up to the full amount due to it.

During the year, the Company was the subject of various income tax investigations. As at September 30, 2015, an allowance was recognized in this respect. In the opinion of management, no significant additional amount will be payable under these investigations.

23 - SUBSEQUENT EVENT

On October 16, 2015, the Company acquired land and a building from a franchisee for $2,599,896 in cash.

24 - ASPE TO IFRS RECONCILIATION

The Company was acquired by Cara Operations Ltd on September 2, 2016. As a requirement of the acquisition, the Company's financial statements must be included in a Business Acquisition Report ("BAR"). The BAR requires an accounting standards for private enterprises (ASPE) to International Financial Reporting Standards (IFRS) reconciliation for the statement of consolidated earnings and a description of the impact of each adjustment on the consolidated balance sheet for each period presented. The periods presented in this reconciliation are the years ended September 30, 2015 and 2014.

24 - ASPE TO IFRS RECONCILIATION (Continued)

Statement of consolidated earnings for the year ended September 30, 2014:

	2014 ASPE	Reconciliation to IFRS		IFRS Presentation (E(iii))	2014 IFRS
	$	$		$	$
Sales	251,687,973			(23,363,160)	228,324,813
Franchise revenues				22,565,594	22,565,594
Other				188,792	188,792
Total gross revenue from operations				(608,774)	251,079,199
Earnings before the following items	182,736,159			(182,736,159)	
Inventory recognized as expenses	147,940,840			(147,940,840)	
Stock-based compensation	610,921			(610,921)	
Net change in defined benefit asset	(2,429,000)	2,316,000	(B)	113,000	
Financial expenses	2,460,241	1,115,360	(C) (D)	(3,575,601)	
Severance	1,868,122			(1,868,122)	
Franchise and restaurant branch closure costs	(664,695)			664,695	
Gain on disposal and write-off of assets held for sale	(1,720,630)			1,720,630	
Loss on disposal and write-off of property, plant and equipment	666,765			(666,765)	
Depreciation of property, plant and equipment	9,370,066			(9,370,066)	
Amortization of intangible assets	4,349,008			(4,349,008)	
	162,451,638	3,431,360			–
Cost of inventories sold				149,905,443	149,905,443
Selling, general and administrative expenses				81,074,204	81,074,204
Net restructuring costs (income)				(359,264)	(359,264)
Operating income					20,458,816
Finance costs					
Net interest expense and other financing charges				3,958,865	3,958,865
Gain on derivative				(353,210)	(353,210)
Earnings before income taxes	20,284,521	(3,431,360)			16,853,161
Income taxes					
Current	2,874,762				2,874,762
Future	2,538,525	(623,000)	(B)		1,915,525
	5,413,287	(623,000)			4,790,287
Net earnings	14,871,234	(2,808,360)			12,062,874
Other comprehensive income					
Items that will not be reclassified to consolidated earnings					
Remeasurement of the net defined benefit liability and total other comprehensive income		(43,000)	(B)		(43,000)
Total comprehensive income	14,871,234	(2,851,360)			12,019,874

24 - ASPE TO IFRS RECONCILIATION (Continued)

Statement of consolidated earnings for the year ended September 30, 2015:

	2015 ASPE	Reconciliation to IFRS	IFRS Presentation (E(iii))	2015 IFRS
	$	$	$	$
Sales	278,877,117		(23,927,600)	254,949,517
Franchise revenues			22,961,447	22,961,447
Other			239,286	239,286
Total gross revenue from operations			(726,867)	278,150,250
Earnings before the following items	210,309,006		(210,309,006)	
Inventory recognized as expenses	166,646,525		(166,646,525)	
Stock-based compensation	475,126		(475,126)	
Net change in defined benefit asset	676,000	(759,000) (B)	83,000	
Financial expenses	2,281,179	(4,098,640) (C) (D)	1,817,461	
Severance	285,094		(285,094)	
Reversal of non-recurring professional fees	(500,000)		500,000	
Gain on disposal and write-off of assets held for sale	(168,333)		168,333	
Loss on disposal and write-off of property, plant and equipment	4,471		(4,471)	
Depreciation of property, plant and equipment	9,606,959		(9,606,959)	
Amortization of intangible assets	4,726,288		(4,726,288)	
	184,033,309	(4,857,640)		–
Cost of inventories sold			168,839,485	168,839,485
Selling, general and administrative expenses			80,736,692	80,736,692
Net restructuring costs (income)			(763,573)	(763,573)
Operating income				29,337,646
Finance costs				
Net interest expense (income) and other financing charges			(1,859,722)	(1,859,722)
Loss on derivative			64,031	64,031
Earnings before income taxes	26,275,697	4,857,640		31,133,337
Income taxes				
Current	5,837,826			5,837,826
Future	1,500,089	204,000 (B)		1,704,089
	7,337,915	204,000		7,541,915
Net earnings	18,937,782	4,653,640		23,591,422
Other comprehensive income				
Items that will not be reclassified to consolidated earnings				
Remeasurement of the net defined benefit liability and total other comprehensive income		398,000 (B)		398,000
Total comprehensive income	18,937,782	5,051,640		23,989,422

24 - ASPE TO IFRS RECONCILIATION (Continued)

Selected statement of consolidated balance sheet information

The following table outlines the changes to selected consolidated balance sheet accounts as a result of the reconciliation from ASPE to IFRS.

September 30, 2014

	ASPE	Reconciliation to IFRS		IFRS
	$	$		$
Advances to a shareholder, without interest or repayment terms	56,161,835	(9,731,000)	(C)	46,430,835
Intangible assets	65,331,651	(19,439,157)	(A)	45,892,494
Goodwill	28,147,094	(10,702,725)	(A)	17,444,369
Defined benefit asset (liability)	1,459,000	(4,184,000)	(B)	(2,725,000)
Future income tax liability	13,919,414	(7,155,996)	(A) (B)	6,763,418
Class "K" shares – retractable		50,206,000	(D)	50,206,000
Share capital – class "K" shares	50,206,000	(50,206,000)	(D)	
Contributed surplus	1,856,116	(1,856,116)	(A)	
Retained earnings	135,061,408	(35,044,770)		100,016,638

September 30, 2015

	ASPE	Reconciliation to IFRS		IFRS
	$	$		$
Advances to a shareholder, without interest or repayment terms	69,089,746	(2,969,000)	(C)	66,120,746
Intangible assets	62,553,342	(19,439,157)	(A)	43,114,185
Goodwill	28,135,750	(10,702,725)	(A)	17,433,025
Defined benefit asset (liability)	783,000	(2,881,000)	(B)	(2,098,000)
Future income tax liability	15,419,503	(6,805,996)	(A) (B)	8,613,507
Class "K" shares – retractable		50,206,000	(D)	50,206,000
Share capital – class "K" shares	50,206,000	(50,206,000)	(D)	
Contributed surplus	1,856,116	(1,856,116)	(A)	
Retained earnings	150,970,530	(27,329,770)		123,640,760

(A) Intangible assets and goodwill

Under ASPE, the Company previously revalued intangible assets and goodwill through push-down accounting. Under IFRS, push-down accounting is not permitted. Furthermore, the IFRS 1 exemption to consider fair value as deemed cost cannot be used as these intangible assets and goodwill do not meet the recognition criteria under IFRS. The IFRS reconciliation note derecognizes these assets and the related future income taxes.

24 - ASPE TO IFRS RECONCILIATION (Continued)

(B) Pension plan

Balance sheet

Under ASPE, the Company determines the defined benefit obligation using the most recent actuarial valuation prepared for funding purposes, which is extrapolated to the Company's year-end. Under IFRS, the obligation differs from the ASPE obligation mainly due to the use of different assumptions. Under IFRS, the Company uses management’s best estimates of salary escalation, retirement age and mortality based on accounting requirements. In addition, the discount rate used to measure the obligation is based on market yields of high quality corporate bonds. Under ASPE, the assumptions, including the discount rate, are essentially based on regulatory requirements.

Earnings and OCI

Under ASPE, the pension cost includes current service cost and net finance cost and is recognized in consolidated earnings. Remeasurements and other items, which include actuarial gains and losses relating to obligations and the difference between the actual return on plan assets and interest income deducted from the finance cost, are recognized immediately in consolidated earnings.

Under IFRS, the pension cost includes service cost and net interest cost and is recognized in consolidated earnings, while actuarial gains and losses relating to the obligation and the difference between the actual return on plan assets and interest income deducted from the interest cost are recognized as remeasurements of the net defined benefit liability in consolidated other comprehensive income (OCI) and consolidated retained earnings.

(C) Advances to a shareholder

Under ASPE, advances to a shareholder that is a related party are not initially recognized at fair value. Under IFRS, the advances are initially recognized at fair value and subsequently at the amortized cost using the effective interest method. The initial difference between the fair value and the nominal value is considered a distribution to a shareholder within equity. Fair value was estimated using management's best estimates on timing of repayment.

(D) Class "K" shares, retractable for $50,206,000

Under ASPE, the class "K" shares were issued as part of a tax planning arrangement and were presented within equity. Under IFRS, these shares are considered as liabilities. The IFRS reconciliation note reclassifies the shares to liabilities as well as the related dividends to financial expenses.

24 - ASPE TO IFRS RECONCILIATION (Continued)

(E) Presentation differences

i) Under ASPE, the renegotiation of long-term debt after the balance sheet date is treated as an adjusting subsequent event and the associated debt is presented as long-term. A balance sheet prepared under IFRS is based on the conditions that exist as at the balance sheet date. Therefore, the revolving lines of credit of $62,176,553 as at September 30, 2014 would be reclassified as current liabilities.

ii) Under ASPE, assets held for sale are presented as long-term and the sale of these assets after the balance sheet date is treated as an adjusting subsequent event and the assets are presented as short-term. Under IFRS, all assets held for sale are presented as short-term.

iii) Under IFRS, it is required to present an operating income as well as expenses using a classification based on either nature or function. Under ASPE, there are no such requirements. The Company has chosen under IFRS to present its expenses using a classification based on function.

Sogelec Inc.

Condensed Interim
Consolidated Financial Statements
For the nine-month periods ended
June 30, 2016 and 2015

Sogelec Inc.
Consolidated Earnings

For the nine-month periods ended June 30, 2016 and 2015
(Unaudited)

	2016-06-30	2015-06-30
	$	$
Sales (Note 3)	219,719,035	212,688,584
Earnings before the following items	161,439,353	158,444,830
Inventory recognized as expenses	131,956,231	127,035,964
Stock-based compensation	679,616	559,998
Net change in defined benefit asset	(925,500)	317,500
Financial expenses (Note 4)	1,067,343	1,836,621
Severance	142,461	
Loss (gain) on disposal and write-off of property, plant and equipment	60,388	(91,904)
Depreciation of property, plant and equipment	7,447,122	7,128,833
Amortization of intangible assets	3,704,396	3,572,832
	144,132,057	140,359,844
Earnings before income taxes	17,307,296	18,084,986
Income taxes		
Current	3,624,185	3,358,005
Future	1,542,361	1,768,402
	5,166,546	5,126,407
Net earnings	12,140,750	12,958,579

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

Sogelec Inc.
Consolidated Retained Earnings
For the nine-month periods ended June 30, 2016 and 2015
(Unaudited)

	2016-06-30	2015-06-30
	$	$
Balance, beginning of period	150,970,532	135,061,310
Net earnings	12,140,750	12,958,579
	163,111,282	148,019,889
Dividends		
Class "A" shares	68,902,111	
Class "B" shares	12,538	16,300
Class "K" shares		3,008,597
	68,914,649	3,024,897
Balance, end of period	94,196,633	144,994,992

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

Sogelec Inc.
Consolidated Cash Flows
For the nine-month periods ended June 30, 2016 and 2015
(Unaudited)

	2016-06-30	2015-06-30
	$	$
OPERATING ACTIVITIES		
Net earnings	12,140,750	12,958,579
Stock-based compensation paid	(309,622)	
Deferred revenue	1,100,000	
Non-cash items		
Stock-based compensation	679,616	559,998
Increase in fair value of interest rate swaps related to revolving term credits	(69,288)	(2,270)
Loss (gain) on disposal and write-off of property, plant and equipment	60,388	(91,904)
Depreciation of property, plant and equipment	7,447,122	7,128,833
Amortization of intangible assets	3,704,396	3,572,832
Amortization of transaction costs relating to long-term debt	56,227	85,043
Amortization of deferred revenue	(478,412)	(1,151,516)
Net change in defined benefit asset	(925,500)	317,500
Future income taxes	1,542,361	1,768,402
Net change in working capital items	(1,702,852)	11,759,974
Cash flows from operating activities	23,245,186	36,905,471
INVESTING ACTIVITIES		
Advances to a shareholder	62,635	(12,076,227)
Net change in notes receivable from franchisees	141,635	40,004
Property, plant and equipment	(10,935,922)	(9,012,485)
Disposal of property, plant and equipment	1,000,000	563,390
Acquisition of a business segment	(2,700,000)	
Disposal of a business segment	1,100,000	
Intangible assets	(920,144)	(1,572,878)
Cash flows from investing activities	(12,251,796)	(22,058,196)
FINANCING ACTIVITIES		
Long-term debt	1,205,962	
Repayment of long-term debt	(11,861,237)	(12,249,699)
Dividends paid	(16,300)	(3,028,660)
Cash flows from financing activities	(10,671,575)	(15,278,359)
Net increase (decrease) in cash	321,815	(431,084)
Cash, beginning of period	7,500	972,494
Cash, end of period	329,315	541,410

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

Sogelec Inc.
Consolidated Balance Sheet
June 30, 2016
(Unaudited)

	2016-06-30	Audited 2015-09-30
	$	$
ASSETS		
Current		
Cash	329,315	7,500
Trade and other receivables (Note 5)	22,803,560	30,387,390
Tax credits relating to tips reported and investment tax credits receivable	1,128,246	856,368
Current income tax asset	378,328	
Inventories	21,826,260	15,608,731
Assets held for sale	111,215	2,111,345
Prepaid expenses	3,525,510	1,465,054
	50,102,434	50,436,388
Long-term		
Assets held for sale		1,411,609
Prepaid expenses	664,806	102,072
Advances to a shareholder, without interest or repayment terms	125,000	69,089,746
Investments	496,616	638,251
Property, plant and equipment (Note 6)	98,269,639	93,922,405
Intangible assets	59,850,230	62,553,342
Goodwill (Note 7)	30,015,749	28,135,750
Defined benefit asset	1,708,500	783,000
	241,232,974	307,072,563

Sogelec Inc.
Consolidated Balance Sheet
June 30, 2016
(Unaudited)

	2016-06-30	Audited 2015-09-30
	$	$
LIABILITIES		
Current		
Trade and other payables	29,180,680	26,764,604
Dividends payable	12,541	16,300
Current income tax liability		2,632,424
Current portion of long-term debt	840,000	940,000
	30,033,221	30,353,328
Long-term		
Long-term debt	44,646,879	55,145,927
Interest rate swaps	157,057	226,345
Deferred revenue	962,315	1,051,919
Stock-based compensation liability	1,876,534	1,506,540
Future income tax liability	16,961,864	15,419,503
	94,637,870	103,703,562
EQUITY		
Share capital (Note 8)		
Class "K" shares, retractable for $50,206,000	50,206,000	50,206,000
Other shares	336,355	336,355
Contributed surplus	1,856,116	1,856,116
Retained earnings	94,196,633	150,970,530
	146,595,104	203,369,001
	241,232,974	307,072,563

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

On behalf of the Board,

Director | Director

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Business Corporations Act (Quebec), operates businesses in the restaurant, food processing and distribution sectors through its subsidiary.

2 - BASIS OF PREPARATION

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the consolidated financial statements for the year ended September 30, 2015 .

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2015.

3 - CLASSES OF REVENUES

The Company's revenues for each of the major classes of products and services are detailed as follows:

	2016-06-30	2015-06-30
	$	$
Food processing and distribution	114,520,264	112,226,035
Franchise network procurement	55,427,417	53,170,542
Restaurant branches	28,650,019	27,283,061
Rent and royalties	17,861,298	17,467,679
Other	3,260,037	2,541,265
	219,719,035	212,688,582

4 - FINANCIAL EXPENSES

	2016-06-30	2015-06-30
	$	$
Interest on long-term debt	1,163,357	1,856,747
Investment income	(26,726)	(17,857)
Increase in fair value of interest rate swaps related to revolving term credits	(69,288)	(2,269)
	1,067,343	1,836,621

5 - TRADE AND OTHER RECEIVABLES

	2016-06-30	Audited 2015-09-30
	$	$
Trade accounts receivable (a)		
Franchisees	11,853,120	11,772,145
Banners and other trade receivables	8,918,768	15,263,840
Allowance for doubtful accounts	(250,038)	(206,155)
	20,521,850	26,829,830
Credit cards	382,397	290,056
Volume rebates and discounts receivable	991,945	2,215,858
Other	907,368	1,051,646
	22,803,560	30,387,390

(a) Amounts owing from two customers represent 20% and 17% of trade accounts receivable excluding allowances (34% and 14% as at September 30, 2015).

6 - PROPERTY, PLANT AND EQUIPMENT

	2016-06-30			Audited 2015-09-30
	Cost	Accumulated depreciation	Net carrying amount	Net carrying amount
	$	$	$	$
Land	17,049,839		17,049,839	15,574,116
Buildings	46,318,877	16,395,171	29,923,706	29,849,764
Interior layouts	54,513,571	35,069,668	19,443,903	20,521,255
Parking lot	5,128,840	2,117,909	3,010,931	3,034,820
Furniture, equipment and computer equipment	16,345,408	13,477,184	2,868,224	6,500,142
Production equipment	25,778,049	13,774,959	12,003,090	9,284,384
Automotive equipment	1,304,195	865,604	438,591	454,514
Leasehold improvements and building on leased property	17,505,022	11,795,232	5,709,790	6,142,599
Aircraft, 12.5% owned	1,261,385	407,524	853,861	902,376
Property, plant and equipment under construction	6,967,704		6,967,704	1,658,435
	192,172,890	93,903,251	98,269,639	93,922,405

7 - ACQUISITION OF FRANCHISES

In December 2015, the Company acquired the assets of the franchise of Sainte-Dorothée for a total consideration of $1,500,000. The assets that were transferred to the balance sheet of the Company are property and equipment of $300,000, prepaids of $20,000 and goodwill of $1,180,000. The results of operations are included in the consolidated operating results of the Company as of the date of the acquisition.

Furthermore, in December 2015, the Company acquired 100% of the outstanding voting shares of 9188-2175 Québec Inc. (franchise of Sainte-Rose) for a total consideration of $1,200,000. The assets acquired are property and equipment of $500,000 and goodwill of $700,000. The results of operations are included in the consolidated operating results of the Company as of the date of the acquisition.

8 - SHARE CAPITAL

As at June 30, 2016, the Company's share capital is as follows:

Authorized
Unlimited number of shares without par value

Class "A" shares, entitled to one vote per share, and participating

Class "B" shares, 8% cumulative dividend calculated on the amount of the consideration received on issuance, retractable on the holder's death for the paid-up capital amount, exchangeable at the holder's option for class "J" shares on a class "J" share for class "B" share basis

Class "C" and "D" shares, entitled to 100 votes per share until the holder's death, 5% non-cumulative dividend calculated on the amount of the consideration received on issuance, retractable on the holder's death for the paid-up capital amount

Class "E" shares, 8% non-cumulative dividend calculated on the redemption value, redeemable or retractable for the amount received on issuance

Class "F", "G", "H" and "I" shares, dividend conditional on a director's death

Class "J" shares, 0.5% monthly non-cumulative dividend calculated on the redemption value, redeemable by the Company or on the date closest to the holder's death or the seventh anniversary of issuance at the fair value of the consideration received on issuance

Class "K" shares, 6% non-cumulative dividend calculated on the redemption value, redeemable or retractable either for class "A" shares or for cash at the fair value of the consideration received on issuance

Class "L" shares, entitled to 1,000 votes per share

The ranking of the shares for dividend payments is as follows: class "K", "B" and "J", "C" and "D", "E" and "A and "B" (additional participation for class "B" shares). No dividend is payable on the class "L" shares.

8 - SHARE CAPITAL (Continued)

	2016-06-30	Audited 2015-09-30
	$	$
Issued and fully paid		
1,002 class "A" shares (1,000 shares as at September 30, 2015) (a)	336,355	250
– class "B" share (4,075 shares as at September 30, 2015) (a)		203,750
– class "D" share (900 shares as at September 30, 2015) (a)		900
– class "E" share (131,555 shares as at September 30, 2015) (a)		131,155
– class "F" and "H" share (200 shares as at September 30, 2015) (a)		200
50,206,000 class "K" shares (b)	50,206,000	50,206,000
– class "L" share (100 shares as at September 30, 2015) (a)		100
	50,542,355	50,542,355

(a) During the nine-month periods, the Company exchanged 4,075 class "B" shares, 900 class "D" shares, 131,555 class "E" shares, 200 class "F" and "H" shares and 100 class "L" shares for 2 class "A" shares.

(b) The 50,206,000 class "K" shares are retractable for $50,206,000.

9 - ASPE TO IFRS RECONCILIATION

The Company was acquired by Cara Operations Ltd on September 2, 2016. As a requirement of the acquisition, the Company's financial statements must be included in a Business Acquisition Report ("BAR"). The BAR requires an accounting standards for private enterprises (ASPE) to International Financial Reporting Standards (IFRS) reconciliation for the statement of consolidated earnings and a description of the impact of each adjustment on the consolidated balance sheet for each period presented. The periods presented in this reconciliation are the nine-month periods ended June 30, 2016 and 2015.

9 - ASPE TO IFRS RECONCILIATION (Continued)

Statement of consolidated earnings for the nine-month period ended June 30, 2015:

	2015 ASPE	Reconciliation to IFRS	IFRS Presentation (E)	2015 IFRS
	$	$	$	$
Sales	212,688,584		(18,313,257)	194,375,327
Franchise revenues			17,567,965	17,567,965
Other			129,749	129,749
Total gross revenue from operations			(615,543)	212,073,041
Earnings before the following items	158,444,830		(158,444,830)	
Inventory recognized as expenses	127,035,964		(127,035,964)	
Stock-based compensation	559,998		(559,998)	
Net change in defined benefit asset	317,500	(380,000) (B)	62,500	
Financial expenses	1,836,621	1,333,360 (C) (D)	(3,169,981)	
Loss on disposal and write-off of property, plant and equipment	(91,904)		91,904	
Depreciation of property, plant and equipment	7,128,833		(7,128,833)	
Amortization of intangible assets	3,572,832		(3,572,832)	
	140,359,844	953,360		
Cost of inventories sold			128,661,061	128,661,061
Selling, general and administrative expenses			63,181,789	63,181,789
Net restructuring costs (income)			(88,565)	(88,565)
Operating income				20,318,756
Finance costs				
Net interest expense and other financing charges			3,189,399	3,189,399
Gain on derivative			(2,269)	(2,269)
Earnings before income taxes	18,084,986	(953,360)		17,131,626
Income taxes				
Current	3,358,005			3,358,005
Future	1,768,402	102,000 (B)		1,870,402
	5,126,407	102,000		5,228,407
Net earnings	12,958,579	(1,055,360)		11,903,219
Other comprehensive income				
Items that will not be reclassified to consolidated earnings				
Remeasurement of the net defined benefit liability and total other comprehensive income		566,500 (B)		566,500
Total comprehensive income	12,958,579	(1,621,860)		11,336,719

9 - ASPE TO IFRS RECONCILIATION (Continued)

Statement of consolidated earnings for the nine-month period ended June 30, 2016:

	2016 ASPE	Reconciliation to IFRS	IFRS Presentation (E)	2016 IFRS
	$	$	$	$
Sales	219,719,035		(19,286,358)	200,432,677
Franchise revenues			18,297,857	18,297,857
Other			196,340	196,340
Total gross revenue from operations			(792,161)	218,926,874
Earnings before the following items	161,439,353		(161,439,353)	
Inventory recognized as expenses	131,956,231		(131,956,231)	
Stock-based compensation	679,616		(679,616)	
Net change in defined benefit asset	(925,500)	1,032,500 (B)	(107,000)	
Financial expenses	1,067,343	(2,969,000) (D)	1,901,657	
Severance	142,461		(142,461)	
Loss on disposal and write-off of property, plant and equipment	60,388		(60,388)	
Depreciation of property, plant and equipment	7,447,122		(7,447,122)	
Amortization of intangible assets	3,704,396		(3,704,396)	
	144,132,057	(1,936,500)		
Cost of inventories sold			134,035,482	134,035,482
Selling, general and administrative expenses			66,906,147	66,906,147
Net restructuring costs (income)			617,692	617,692
Operating income				17,367,553
Finance costs				
Net interest expense (income) and other financing charges			(1,806,956)	(1,806,956)
Gain on derivative			(69,287)	(69,287)
Earnings before income taxes	17,307,296	1,936,500		19,243,796
Income taxes				
Current	3,624,185			3,624,185
Future	1,542,361	(278,000) (B)		1,264,361
	5,166,546	(278,000)		4,888,546
Net earnings	12,140,750	2,214,500		14,355,250
Other comprehensive income				
Items that will not be reclassified to consolidated earnings				
Remeasurement of the net defined benefit liability and total other comprehensive income		806,000 (B)		806,000
Total comprehensive income	12,140,750	1,408,500		13,549,250

9 - ASPE TO IFRS RECONCILIATION (Continued)

Selected statement of consolidated balance sheet information

The following table outlines the changes to selected consolidated balance sheet accounts as a result of the reconciliation from ASPE to IFRS.

June 30, 2016

	ASPE	Reconciliation to IFRS		IFRS
	$	$		$
Intangible assets	59,850,230	(19,439,157)	(A)	40,411,073
Goodwill	30,015,749	(10,702,725)	(A)	19,313,024
Defined benefit asset (liability)	1,708,500	(5,016,500)	(B)	(3,308,000)
Future income tax liability	16,961,864	(7,380,996)	(A) (B)	9,580,868
Class "K" shares – retractable		50,206,000	(D)	50,206,000
Share capital – class "K" shares	50,206,000	(50,206,000)	(D)	
Contributed surplus	1,856,116	(1,856,116)	(A)	
Retained earnings	94,196,633	(25,921,270)		68,275,363

(A) Intangible assets and goodwill

Under ASPE, the Company previously revalued intangible assets and goodwill through pushdown accounting. Under IFRS, pushdown accounting is not permitted. Furthermore, the IFRS 1 exemption to consider fair value as deemed cost cannot be used as these intangible assets and goodwill do not meet the recognition criteria under IFRS. The IFRS reconciliation note derecognizes these assets and the related future income taxes.

(B) Pension plan

Balance sheet

Under ASPE, the Company determines the defined benefit obligation using the most recent actuarial valuation prepared for funding purposes, which is extrapolated to the Company's year-end. Under IFRS, the obligation differs from the ASPE obligation mainly due to the use of different assumptions. Under IFRS, the Company uses management’s best estimates of salary escalation, retirement age and mortality based on accounting requirements. In addition, the discount rate used to measure the obligation is based on market yields of high quality corporate bonds. Under ASPE, the assumptions, including the discount rate, are essentially based on regulatory requirements.

Notes to unaudited Pro Forma Consolidated Financial Statements
(Amounts in thousands of Canadian dollars)
(Narrative and tabular amounts are unaudited)

1. Corporate Information

Cara Operations Limited is a publicly listed company formed in Ontario, Canada and its shares are listed on the Toronto Stock Exchange. The pro forma consolidated financial statements are of the Company and its subsidiaries, together referred to as Cara.

2. Basis of Presentation

The audited consolidated statement of financial position as at December 27, 2015 and the audited consolidated statement of comprehensive income for the 52 weeks ended December 27, 2015 of Cara were prepared in accordance with International Financial Reporting Standards ("IFRS"). The audited consolidated balance sheet as at September 30, 2015, the audited consolidated statement of earnings for the year ended September 30, 2015 of Sogelec Inc. ("Sogelec") were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and include a note reconciling ASPE to IFRS.

The unaudited pro forma consolidated statements of earnings for the 52 weeks ended December 27, 2015 and for the 39 weeks ended September 25, 2016 combine the historical consolidated statements of Cara and Sogelec to give effect as if the acquisition occurred on December 31, 2014. Adjustments have been made to the historical consolidated financial statements of Sogelec to convert those financial statements, prepared in accordance with Canadian accounting standards for private enterprises, to IFRS for all material measurement and classification differences and to conform the accounting policies used to those of Cara. Details on these adjustments are described in Note 24 of the September 30, 2015 Sogelec annual consolidated financial statements and in Note 9 of the June 30, 2016 Sogelec interim condensed consolidated financial statements incorporated in item 3 of this report.

The unaudited *pro forma* consolidated statements of earnings of Cara have been derived from the following:

• the audited consolidated statement of comprehensive income of Cara for the 52 weeks ended December 27, 2015;

• the audited consolidated statement of Earnings of Sogelec for the year ended September 30, 2015;

• the unaudited interim period consolidated statement of comprehensive income of Cara for the 39 weeks ended September 25, 2016;

• the unaudited interim period consolidated statement of Earnings of Sogelec for the 9 month period ended June 30, 2016;

• the adjustments and assumptions outlined below to give effect to pro forma events that are directly attributable to the Sogelec ("St-Hubert") acquisition, factually supportable and expected to have a continuing impact on the consolidated result.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are consistent with those described in the audited consolidated financial statements of Cara for the year ended December 27, 2015.

The unaudited pro forma consolidated financial statements have been prepared using the acquisition method of accounting in accordance with IFRS 3, Business Combinations (“IFRS 3”). The pro forma adjustments are determined based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of Cara will depend on a number of factors. Therefore, the actual pretax and income tax adjustments will differ, possibly materially, from the pro forma adjustments. Management of Cara believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements.

The pro forma consolidated financial statements have been presented for information purposes only. They may not be indicative of the financial position and results of operations that would have occurred if the transactions (note 3) had been in effect on the dates indicated or of the financial position or operating results which may be obtained in the future and do not purport to project the future financial position or operating results of the combined company.

The pro forma consolidated financial statements do not include all the information and disclosures required by IFRS for annual financial statements and should be read in conjunction with the financial statements of Cara and the financial statements of Sogelec that are incorporated by reference or included herein. These pro forma statements have been prepared in thousands of Canadian dollars unless otherwise noted.

These financial statements do not reflect any costs savings, operating synergies or revenue enhancements that the combined company may achieve or any costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

3. Description of Transactions

Cara acquired all of the outstanding shares of Sogelec for a total purchase price of $538.1 million. The purchase price for such shares includes a working capital adjustment based on the balance of working capital as defined in the Purchase and Sale Agreement as at September 2, 2016.

To finance the Acquisition, Cara:

a) issued 7,863,280 Subordinate Voting Shares for gross proceeds of $230.0 million less transaction costs of approximately $7.2 million;
b) issued 1,788,034 Subordinate Voting Shares to the vendor and management shareholders;
c) utilized an amended credit facility provided by a syndicate of Canadian chartered banks. The amount of the new credit facility is $550 million, of which a portion was utilized for the transaction. The amended credit facility includes a term loan of $150 million and a

revolving credit facility of $400 million. Financing costs related to the amended credit facility were approximately $2.7 million.

4. Pro Forma Statement of Financial Position

Pro forma statements of financial position are not incorporated in this report and are incorporated by reference to Cara's September 25, 2016 unaudited consolidated financial statements filed on sedar.com on November 9, 2016.

5. Pro Forma Statements of Earnings

The unaudited pro forma statements of earnings of Cara and Sogelec for the 52 weeks ended December 27, 2015 and 39 weeks ended September 25, 2016 are based on historical financial statements of Cara and Sogelec as adjusted for the effects of the following transactions as if they had taken place at the beginning of the reporting period:

a) the amortization of intangibles;
b) the depreciation of property, plant and equipment;
c) the provision for interest expense impacts on the amended credit facilities and reversal of the interest amounts on the repaid bank debt;
d) the impact of finance leases recognized on acquisition;
e) the impact of asset retirement obligations recognized on acquisition; and
f) the reversal of Sogelec earnings from the date of acquisition included in the 39 weeks ended September 25, 2016;
g) the fair value impact to cost of goods sold related to the inventory increase recorded on acquisition;
h) the tax impact of the pro forma adjustments.

6. Pro Forma Earnings Per Share

The calculation of basic and diluted earnings per share for the 52 weeks ended December 27, 2015 on the pro forma consolidated statement of earnings is based on the pro forma number of shares outstanding of 50,054,020 shares for basic and 56,995,843 shares on a diluted basis. The calculation assumes that the new shares were issued on December 31, 2014.

The calculation of basic and diluted earnings per share for the 39 weeks ended September 25, 2016 on the pro forma consolidated statement of earnings is based on the pro forma number of shares outstanding of 58,818,326 shares for basic and 62,832,497 shares on a diluted basis. The calculation assumes that the new shares were issued on December 31, 2014.

Pro Forma Consolidated Statements of Earnings (Unaudited)

For the 52 weeks ended December 27, 2015

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

	Cara Historical	Sogelec Historical	Pro Forma Adjustments		Pro Forma Consolidated
Sales	$ 247,478	$ 254,950	$ -		$ 502,428
Franchise revenues	73,262	22,961	-		96,223
Other	-	239	-		239
Development revenues	5,594	-	-		5,594
Total gross revenue from continuing operations	$ 326,334	$ 278,150	$ -		$ 604,484
Cost of inventories sold	(70,495)	(168,839)	(2,896)	**g**	(242,230)
Selling, general and administrative expenses	(169,147)	(80,737)	254	**a**	(249,630)
			(194)	**b**	(194)
			520	**d**	520
			(8)	**e**	(8)
Development expenses	(5,560)	-	-		(5,560)
Impairment of assets, net of reversals	1,104	-	-		1,104
Restructuring	(368)	764	-		396
Operating income	81,868	29,338	(2,324)		108,882
Finance costs		-			
Net interest (expense) income and other financing charges	(12,267)	1,859	(1,859)	**c**	(12,267)
			(4,292)	**c**	(4,292)
			(154)	**c**	(154)
			(317)	**d**	(317)
Loss on derivative	(1,623)	(64)	-		(1,687)
Write-off of deferred financing fees	(1,800)	-	-		(1,800)
Earnings from continuing operations before income taxes	66,178	31,133	(8,945)		88,366
Income taxes					
Current	(1,550)	(5,838)	500	**h**	(6,888)
Deferred	35,080	(1,704)	1,893	**h**	35,269
Net earnings from continuing operations	99,708	23,591	(6,553)		116,746
Discontinued operations - net of income taxes	(10)	-	-		(10)
Net earnings	**$ 99,698**	**$ 23,591**	**$ (6,553)**		**$ 116,736**
Net earnings attributable to					
Shareholders of the Company	$ 99,395	$ 23,591	$ (6,553)		$ 116,433
Non-controlling interest	303	-	-		303
	$ 99,698	**$ 23,591**	**$ (6,553)**		**$ 116,736**
Net earnings per share attributable to the Common Shareholders of the Company (in dollars)					
Basic earnings per share	$ 2.46				$ 2.33
Diluted earnings per share	$ 2.10				$ 2.05
Basic earnings per share from continuing operations	$ 2.46				$ 2.33
Diluted earnings per share from continuing operations	$ 2.10				$ 2.04

Unaudited Pro Forma Consolidated Combined Interim Statements of Earnings
For the 39 weeks ended September 25, 2016

(in thousands of Canadian dollars, except where otherwise i

		Operations Ltd.		Sogelec Inc.		Pro Forma Adjustments			Pro Forma Consolidated
Sales	$	230,809	$	200,433	$	(20,217)	f	$	411,025
Franchise revenues		56,905		18,298		(1,557)	f		73,646
Other		-		196		-			196
Total gross revenue from continuing operations	$	287,714	$	218,927	$	(21,774)		$	484,867
Cost of inventories sold		(75,276)		(134,035)		15,587	f		(193,724)
Selling, general and administrative expenses		(142,559)		(66,906)		5,425	f		(204,040)
						271	a		271
						(146)	b		(146)
						390	d		390
						(6)	e		(6)
Impairment of assets, net of reversals		(1,536)		-		-			(1,536)
Restructuring		424		(618)		-			(194)
Operating income		68,767		17,368		(253)			85,882
Finance costs				-					
Net interest expense and other financing charges		(2,670)		1,807		(1,807)	c		(2,670)
						(3,556)	c		(3,556)
						(329)	c		(329)
						(237)	d		(237)
Gain on derivative		-		69		-			69
Write-off of deferred financing fees		(387)		-		-			(387)
Earnings from continuing operations before income taxes		65,710		19,244		(6,182)			78,772
Income taxes									
Current		(1,847)		(3,624)		1,302	f		(4,169)
						486	h		486
Deferred		(16,529)		(1,264)		(211)	f		(18,004)
						121	h		121
Net earnings from continuing operations		47,334		14,356		(4,484)			57,206
Discontinued operations - net of income taxes		(6)		-		-			(6)
Net earnings	**$**	**47,328**	**$**	**14,356**	**$**	**(4,484)**		$	**57,200**
Net earnings attributable to									
Shareholders of the Company	$	47,375	$	14,356	$	(4,484)		$	57,247
Non-controlling interest		(47)		-		-			(47)
	$	**47,328**	$	**14,356**	$	**(4,484)**		$	**57,200**
Net earnings per share attributable to the Common Shareholders of the Company (in dollars)									
Basic earnings per share	$	0.95						$	0.97
Diluted earnings per share	$	0.88						$	0.91
Basic earnings per share from continuing operations	$	0.95						$	0.97
Diluted earnings per share from continuing operations	$	0.88						$	0.91