Cara Operations Limited

Condensed Consolidated Interim Financial Statements (unaudited)
For the 13 weeks ended April 1, 2018 and March 26, 2017

Cara Operations Limited
Condensed Consolidated Interim Statements of Earnings and Comprehensive Income
For the 13 weeks ended April 1, 2018 and March 26, 2017

(in thousands of Canadian dollars, except where otherwise indicated)		April 1, 2018		March 26, 2017
				(note 3)
Sales (note 6)	$	202,146	$	156,963
Franchise revenues (note 7)		44,396		41,588
Total gross revenue	$	246,542	$	198,551
Cost of inventories sold		(84,756)		(69,597)
Selling, general and administrative expenses (note 8)		(130,192)		(97,087)
Impairment of assets (note 14)		(578)		(1,184)
Restructuring and other (note 9)		(229)		25
Operating income	$	30,787	$	30,708
Net interest expense and other financing charges (note 10)		(3,317)		(3,042)
Share of loss from investment in joint ventures		(398)		(123)
Earnings before change in fair value and income taxes	$	27,072	$	27,543
Change in fair value of exchangeable partnership units		2,256		-
Earnings before income taxes	$	29,328	$	27,543
Income taxes (note 11)				
Current		(2,660)		(3,171)
Deferred (expense) recovery		(5,131)		19,472
Net earnings	$	21,537	$	43,844
Net earnings attributable to				
Shareholders of the Company	$	21,699	$	43,986
Non-controlling interest		(162)		(142)
	$	21,537	$	43,844
Statement of comprehensive income				
Net earnings	$	21,537	$	43,844
Other comprehensive income		283		-
Total comprehensive income	$	21,820	$	43,844
Net earnings per share attributable to the Common Shareholders of the Company (note 22) (in dollars)				
Basic earnings per share	$	0.36	$	0.73
Diluted earnings per share	$	0.35	$	0.71

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

Cara Operations Limited
Condensed Consolidated Interim Statements of Total Equity
For the 13 weeks ended April 1, 2018 and March 26, 2017

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

	Attributable to the Common Shareholders of the Company						
	# of shares (in thousands)	**Share capital** (note 21)	**Contributed surplus**	**Merger reserve**	**Accumulated other comprehensive loss**	**Deficit**	**Total equity**
Balance at December 31, 2017	**58,572**	**$ 690,968**	**$ 11,957**	**$ -**	**$ (5,326)**	**$ (90,179)**	**$ 607,420**
Net earnings	**-**	**-**	**-**	**-**	**-**	**21,699**	**21,699**
Other comprehensive income	**-**	**-**	**-**	**-**	**283**	**-**	**283**
The Keg merger (note 26)	**-**	**-**	**-**	**(216,728)**	**1,793**	**(35,117)**	**(250,052)**
Dividends	**-**	**-**	**-**	**-**	**-**	**(6,660)**	**(6,660)**
Share re-purchase (note 21)	**(27)**	**(654)**	**-**	**-**	**-**	**-**	**(654)**
Issuance of common stock (note 21)	**3,801**	**94,728**	**-**	**-**	**-**	**-**	**94,728**
Stock options exercised (note 21)	**17**	**173**	**(35)**	**-**	**-**	**-**	**138**
Stock-based compensation (note 20)	**-**	**-**	**525**	**-**	**-**	**-**	**525**
	3,791	**94,247**	**490**	**(216,728)**	**2,076**	**(20,078)**	**(139,993)**
Balance at April 1, 2018	**62,363**	**$ 785,215**	**$ 12,447**	**$ (216,728)**	**$ (3,250)**	**$ (110,257)**	**$ 467,427**

	Attributable to the Common Shareholders of the Company						
	# of shares (in thousands)	**Share capital** (note 21)	**Contributed surplus**	**Merger reserve**	**Accumulated other comprehensive loss**	**Deficit**	**Total equity**
Balance at December 25, 2016	59,982	$ 723,724	$ 9,764	$ -	$ (3,790)	$ (175,756)	$ 553,942
Net earnings and comprehensive income	-	-	-	-	-	43,986	43,986
Dividends	-	-	-	-	-	(6,099)	(6,099)
Stock options exercised	14	146	(27)	-	-	-	119
Stock-based compensation (note 21)	-	-	545	-	-	-	545
	14	146	518	-	-	37,887	38,551
Balance at March 26, 2017	59,996	$ 723,870	$ 10,282	$ -	$ (3,790)	$ (137,869)	$ 592,493

Cara Operations Limited

Condensed Consolidated Interim Balance Sheets

As at April 1, 2018, December 31, 2017 and March 26, 2017

(in thousands of Canadian dollars)		As at April 1, 2018		As at December 31, 2017		As at March 26, 2017
Assets						
Current Assets						
Cash	**$**	**47,420**	$	41,971	$	13,880
Accounts receivable (note 25)		**72,002**		60,991		65,749
Inventories (note 12)		**34,472**		26,321		27,015
Assets held for sale		**-**		-		2,998
Current taxes receivable		**-**		-		54
Prepaid expenses and other assets		**15,272**		8,573		5,429
Total Current Assets	**$**	**169,166**	$	137,856	$	115,125
Long-term receivables (note 13)		**40,660**		40,033		40,826
Property, plant and equipment (note 14)		**419,919**		336,210		325,429
Investment in the Keg Limited Partnership (note 26)		**130,750**		-		-
Brands and other assets (note 15)		**618,102**		614,968		592,720
Goodwill (note 16)		**191,111**		191,111		190,204
Deferred tax asset (note 11)		**39,709**		23,361		37,894
Total Assets	**$**	**1,609,417**	$	1,343,539	$	1,302,198
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	**$**	**119,031**	$	86,131	$	100,045
Provisions (note 17)		**6,332**		6,959		6,621
Gift card liability		**106,905**		57,495		35,803
Income taxes payable		**2,304**		4,107		5,607
Current portion of long-term debt (note 18)		**6,916**		2,916		2,527
Total Current Liabilities	**$**	**241,488**	$	157,608	$	150,603
Long-term debt (note 18)		**509,879**		401,700		379,280
Note payable to The Keg Royalties Income Fund (note 26)		**57,000**		-		-
Provisions (note 17)		**8,157**		8,171		9,534
Other long-term liabilities (note 19)		**92,434**		67,842		67,838
Deferred gain on sale of The Keg Rights		**135,478**		-		-
Deferred tax liability (note 11)		**97,554**		100,798		102,450
Total Liabilities	**$**	**1,141,990**	$	736,119	$	709,705
Shareholders' Equity						
Common share capital (note 21)	**$**	**785,215**	$	690,968	$	723,870
Contributed surplus		**12,447**		11,957		10,282
Merger reserve (note 26)		**(216,728)**		-		-
Accumulated other comprehensive loss		**(3,250)**		(5,326)		(3,790)
Deficit		**(110,257)**		(90,179)		(137,869)
Total Shareholders' Equity	**$**	**467,427**	$	607,420	$	592,493
Total Liabilities and Equity	**$**	**1,609,417**	$	1,343,539	$	1,302,198

Commitments, contingencies and guarantees (note 24)

Subsequent events (note 28)

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

Cara Operations Limited
Condensed Consolidated Interim Statements of Cash Flows
For the 13 weeks ended April 1, 2018 and March 26, 2017

(in thousands of Canadian dollars)	April 1, 2018	March 26, 2017
Cash from (used in)		
Operating Activities		
Net earnings	$ **21,537**	$ 43,844
Depreciation and amortization	**14,595**	11,522
Net gain on disposal of property, plant and equipment	**(212)**	(443)
Loss (gain) on early buyout/cancellation of equipment rental contracts	**187**	(27)
Impairment of assets	**578**	1,184
Net interest expense and other financing charges (note 10)	**3,317**	3,042
Stock based compensation	**525**	545
Income taxes (paid) received	**(4,463)**	2,300
Change in assets held for sale	**-**	(2,998)
Change in restructuring provision	**(910)**	(287)
Change in deferred tax (note 11)	**5,076**	(19,472)
Change in franchise onerous contract provision (note 17)	**(254)**	(284)
Change in fair value of Exchangable Keg Partnership units	**(2,256)**	-
Other non-cash items	**1,841**	(1,934)
Net change in non-cash operating working capital (note 23)	**(40,388)**	(8,558)
Cash flows (used in) from operating activities	**(827)**	28,434
Investing Activities		
Common control transaction, net of cash assumed (note 26)	**(71,753)**	1,521
Purchase of property, plant and equipment	**(6,733)**	(10,224)
Proceeds on disposal of property, plant and equipment	**32**	527
Proceeds on early buyout of equipment rental contracts	**50**	100
Share of loss from investment in joint ventures	**398**	123
Additions to other assets	**(127)**	(56)
Change in long-term receivables	**(733)**	368
Cash flows used in investing activities	**(78,866)**	(7,641)
Financing Activities		
Issuance of long-term credit facility, net of financing costs (note 18)	**104,000**	-
Repayment of long-term credit facility (note 18)	**(15,000)**	(32,000)
Issuance of subordinated voting common shares (note 21)	**138**	119
Share re-purchase (note 21)	**(654)**	-
Change in finance leases (note 18)	**(740)**	512
Interest paid	**(2,450)**	(2,308)
Cash flows from (used in) financing activities	**85,294**	(33,677)
Change in cash during the period	**5,601**	(12,884)
Foreign currency translation adjustment	**(152)**	-
Cash - Beginning of period	**41,971**	26,764
Cash - End of period	$ **47,420**	$ 13,880

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

1 Nature and description of the reporting entity

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

The Company's subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "CARA". On May 11, 2018, the Company will change its name to Recipe Unlimited Corporation, under the new stock symbol "RECP".

As part of the Company's initial public offering ("IPO") during fiscal 2015, the Company issued multiple voting shares to Fairfax Financial Holdings Limited and its affiliates (''Fairfax'') and to the Phelan family through Cara Holdings Limited and its affiliates (''Cara Holdings'', and together with Fairfax, the ''Principal Shareholders''). As at April 1, 2018, the Principal Shareholders hold 66.7% of the total issued and outstanding shares and have 97.7% of the voting control attached to all the shares.

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

2 Basis of Presentation

Statement of compliance

The unaudited condensed consolidated 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 2017 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 May 10, 2018.

Functional and presentation currency

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

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

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

Seasonality of interim operations

Results of operations for the interim period are not necessarily indicative of the results of operations for the full year. Total gross revenues 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 the condensed consolidated 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 during the first quarter of 2018 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 31, 2017.

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 2018

Revenue

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 replaced 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 has adopted IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The Company has determined that the new standard has changed the presentation of advertising fund payments received from franchisees to Cara and the related transfers from Cara to the advertising funds, including payments from Cara corporate restaurants, which were previously reported on a net basis in the consolidated financial statements. Under the new standard, advertising fund payments from franchisees and advertising fund transfers from Cara are reported separately on a gross basis (notes 7 and 8). The Company has applied this change retrospectively and therefore prior year comparatives have been restated to reflect this revenue change. There was no impact to the opening balance sheet of December 26, 2016. Below is the revised Revenue recognition policy as a result of the new standard adopted.

Revenue recognition

Gross revenues include revenue from the Company’s food service activities. These activities consist primarily of food and beverage sales at restaurants operated by the Company, food product sales related to the sale of manufactured products to grocery retailers and certain franchisees, franchise revenues earned as part of the license agreements between the Company and its franchisees, and advertising fund payments received from franchisees, including payments from Cara corporate restaurants. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Corporate restaurant sales

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

Food processing and distribution sales

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

Franchise revenues

The Company grants license agreements to independent operators (“franchisees”). As part of the license agreements, the franchisees pay initial and renewal franchise fees, conversion fees for established locations, royalties based on franchisee sales, and other payments, which may include payments for equipment usage and property rents. Franchise fees and conversion fees, if applicable, are substantially collected at the time the license agreement is entered into.

Royalties, based on a percentage of sales, are recognized as revenue and are recorded when earned. Most rental agreements are based on fixed payments including the recovery of operating costs, while other rental agreements are contingent on certain sales levels. Rental revenue from fixed equipment or property leases are recognized on a straight-line basis over the term of the related lease while variable equipment or property rental agreements based on a percentage of sales are accrued based on the actual sales of the restaurant.

Advertising fund payments received from franchisees and Cara corporate restaurants are based on a percentage of sales, are recognized as revenue and are recorded when earned. Corresponding advertising fund transfers from Cara to the advertising funds are reported separately and are included in selling, general, and administrative expenses. The Company is not entitled to retain these advertising fund payments received and are obligated to transfer these funds to be used solely for use in advertising and marketing related costs for specific restaurant brands.

Financial Instruments

In July 2014, the IASB issued the complete IFRS 9, “Financial Instruments” (“IFRS 9”) which has replaced IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for the classification and measurement of financial assets. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company adopted IFRS 9 on January 1, 2018.

1. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company’s accounting policies related to financial liabilities.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through OCI (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit and loss (“FVTPL”). For the Company, FVTPL is equivalent to fair value through statement of earnings. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial assets	**Notes**	**IAS 39 Classification**	**IFRS 9 Classification**
Cash		Fair value through statement of earnings	Amortized cost
Accounts receivables		Loans and receivables	Amortized cost
Long-term receivables – franchise receivable and promissory notes		Loans and receivables	Amortized cost
Long-term receivables – due from related parties	(a)	Loans and receivables	Amortized cost
Long-term receivables –due from related party receivables	(b)	Fair value through statement of earnings	Fair value through statement of earnings

(a) Some due from related party receivables relate to joint venture term loans and demand loans which bear interest and are reviewed and renewed on an annual basis. These are classified as amortized cost under IFRS 9.

(b) Some due from related party receivables relate to joint venture loans for business purposes of which collection of the loan principal is contingent on the financial performance of the joint venture. These receivables are classified at fair value through statement of earnings under IFRS 9.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.

A financial asset, unless it is a trade receivable without a significant financing component that is initially measured at the transaction price, is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets of the Company.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of earnings.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of earnings. Any gain or loss on de-recognition is recognized in the statement of earnings.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements, as described further below.

2. *Impairment of financial assets*

IFRS 9 replaces IAS 39's "incurred loss" impairment model with a revised forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of cash, accounts receivable, long term receivables and some due from related parties' balances.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company applies the ECL model to assess for impairment on its financial assets at each balance sheet date. This impacts long term receivables, including promissory notes, franchise receivables, due from related parties' balances and trade accounts receivables.

For trade receivables, the standard provides a simplified impairment model for trade receivables without significant financing components such as the Company's trade receivables. In this model, only life-time ECL's are recognized.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

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

Foreign Currency Transactions

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The Company has adopted the amendments of IFRIC 22 for annual periods beginning on January 1, 2018. There was no material impact on the consolidated financial statements.

Other Standards

On December 8, 2016 the IASB issued narrow-scope amendments to two standards as part of its annual improvements process (Annual Improvements to IFRS Standards (2014-2016) cycle). There was clarification that the election to measure an associate or joint venture at fair value under IAS 28 “Investments in Associates and Joint Ventures” for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis which the Company intends to adopt in its financial statements for the annual period beginning on January 1, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

4 Future accounting standards

Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 31, 2018. The Company has developed a comprehensive work plan which includes the review of all the Company's leases and sublease arrangements and adjustments to the Company's database systems to quantity the impact of this standard. As the Company is a lessee with numerous leases and subleases to franchisees, this standard is expected to have a significant impact on assets, liabilities and the statements of earnings and comprehensive income.

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

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (JV). Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company did not adopt these amendments in its financial statements for the annual period beginning January 1, 2018, as the effective date for these amendments has been deferred indefinitely.

Long-term interest in associates and joint ventures

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

Annual Improvements to IFRS Standards (2015-2017) Cycle

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business; and
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

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

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which they are first applied (earlier application is permitted). The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Company intends to adopt the amendments to IAS 19 in its financial statements for the annual period beginning on December 31, 2018. The Company does not expect the amendments to have a material impact on the financial statements.

5 Acquisitions and Buyouts

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

The Keg merger – see note 26 Related Party transactions

Pickle Barrel

On December 1, 2017 (the "Pickle Barrel" Acquisition Date"), the Company completed the acquisition of 100% of Pickle Barrel Restaurants Inc. for $21.5 million comprised of $17.4 million in cash, the assumption of $3.4 million debt, and through the issuance of $0.8 million in Cara subordinate voting shares to the vendor. The cash portion of the transaction was settled by drawing on the Company's existing credit facility. As at April 1, 2018, there were no changes to the identifiable assets acquired and liabilities assumed at fair value in connection with the acquisition of Pickle Barrel disclosed in the December 31, 2017 financial statements.

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 April 1, 2018, 1 franchise location (March 26, 2017 - nil) was re-acquired by the Company for $18 thousand related to the purchase of inventory, resulting in goodwill of $nil (March 26, 2017 - $nil).

6 Sales

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

(in thousands of Canadian dollars)		For the 13 weeks ended April 1, 2018		For the 13 weeks ended March 26, 2017
Sales at corporate restaurants	**$**	**136,913**	$	94,237
Food processing and distribution sales		**61,146**		59,628
Call centre service charge revenues		**3,085**		3,098
Catering sales		**1,002**		-
	$	**202,146**	$	156,963

7 Franchise revenues

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

(in thousands of Canadian dollars)		For the 13 weeks ended April 1, 2018		For the 13 weeks ended March 26, 2017 (note 3)
Royalty revenue	**$**	**24,533**	$	22,489
Advertising fund transfers		**16,770**		15,822
Other rental income		**2,104**		2,214
Income on finance leases		**421**		466
Franchise fees on new and renewal licenses		**314**		322
Amortization of unearned conversion fees income		**254**		275
	$	**44,396**	$	41,588

8 Selling, general and administrative expenses

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

(in thousands of Canadian dollars)		For the 13 weeks ended April 1, 2018		March 26, 2017 (note 3)
Corporate restaurant expenses	$	**86,125**	$	58,734
Advertising fund transfers		**16,770**		15,822
Franchise assistance and bad debt		**1,992**		1,739
Franchisor over-contribution to advertising funds		**666**		642
The Keg royalty expense		**2,414**		-
Depreciation of property, plant and equipment (note 14)		**12,220**		9,143
Amortization of other assets (note 15)		**1,535**		1,539
Other		**8,470**		9,468
	$	**130,192**	$	97,087

For the 13 weeks ended April 1, 2018, $0.8 million (March 26, 2017 - $0.8 million) of depreciation related to property, plant and equipment has been included in cost of inventories sold as part of food processing and distribution.

9 Restructuring and other

Restructuring costs consist of plans to consolidate and eliminate certain home office and brand operations positions related to Cara’s acquisitions, comprised primarily of severance costs and lease settlement costs.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at April 1, 2018:

(in thousands of Canadian dollars)		For the 13 weeks ended April 1, 2018		March 26, 2017
Net liability, beginning of period	$	**2,057**	$	1,647
Cost recognized				
Employee termination benefits		**82**		-
Site closing costs and other		**147**		(25)
Total		**229**		(25)
Cash payments				
Employee termination benefits		**766**		193
Site closing costs and other		**373**		69
Total		**1,139**		262
Net liability, end of period	$	**1,147**	$	1,360

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		April 1, 2018		December 31, 2017		March 26, 2017
Employee termination benefits:						
Accounts payable and accrued liabilities	$	**849**	$	1,469	$	806
Other long-term liabilities		**-**		65		-
Site closing costs and other:						
Provisions - current		**204**		517		344
Provisions - long-term		**94**		6		210
	$	**1,147**	$	2,057	$	1,360

10 Net interest expense and other financing charges

		For the 13 weeks ended		
(in thousands of Canadian dollars)		April 1, 2018		March 26, 2017
Interest expense on long-term debt	$	**4,087**	$	2,654
Interest on finance leases		**466**		502
Financing costs		**175**		166
Interest expense - other		**73**		58
Interest income on Keg Partnership units		**(965)**		-
Interest income		**(519)**		(338)
	$	**3,317**	$	3,042

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 April 1, 2018	March 26, 2017
Current income tax expense		
Current period	$ **2,649**	$ 3,171
Adjustment for prior years	**11**	-
	2,660	3,171
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	**5,133**	4,972
Adjustments for prior years	**53**	
Benefit from previously unrecognized tax asset	**(55)**	(24,444)
	5,131	(19,472)
Net income tax expense (recovery)	$ **7,791**	$ (16,301)

Recognized deferred tax assets and liabilities

(in thousands of Canadian dollars)	April 1, 2018	December 31, 2017	March 26, 2017
Opening balance	$ **(77,437)**	$ (85,031)	$ (85,031)
Deferred income tax (expense)/recovery	**(5,131)**	4,398	19,472
Keg acquisition	**24,723**	-	-
Pickle Barrel acquistion	-	362	-
St-Hubert acquisition	-	1,004	1,003
Original Joe's acquisition	-	1,272	-
Income taxes recognized in other comprehensive income	-	558	-
	$ **(57,845)**	$ (77,437)	$ (64,556)
Recorded in the consolidated balance sheets as follows:			
Deferred tax asset	$ **39,709**	$ 23,361	$ 37,894
Deferred tax liability	**(97,554)**	(100,798)	(102,450)
	$ **(57,845)**	$ (77,437)	$ (64,556)

12 Inventories

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

(in thousands of Canadian dollars)		April 1, 2018		December 31, 2017		March 26, 2017
Raw materials	$	**5,702**	$	**6,198**	$	7,751
Work in progress		**732**		**716**		819
Finished goods		**14,794**		**12,840**		13,018
Food and beverage supplies		**13,244**		**6,567**		5,427
	$	**34,472**	$	**26,321**	$	27,015

13 Long-term receivables

(in thousands of Canadian dollars)		April 1, 2018		December 31, 2017		March 26, 2017
Franchise receivable	**$**	**23,205**	$	24,366	$	28,495
Due from related parties (note 26)		**16,306**		14,571		10,483
Promissory notes		**1,149**		1,096		1,848
	$	**40,660**	$	40,033	$	40,826

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 $23.2 million (December 31, 2017 - $24.4 million; March 26, 2017 - $28.5 million) relates primarily to the long-term obligation of the franchisees to pay the Company over the term of the rental agreement which is equal to the term of the license agreement or the term to the expected buyout date assuming that the franchisee is more likely than not to acquire the rented assets from the Company.

Long-term franchise receivables are reviewed for impairment when a triggering event has occurred. An impairment loss is recorded when the carrying amount of the long-term franchise receivable exceeds its estimated net realizable value. For the 13 weeks ended April 1, 2018, the Company recorded $nil (March 26, 2017 - $nil) of impairment losses on long-term franchise receivables.

Long-term receivable maturities

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

14 Property, plant and equipment

	As at April 1, 2018						
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Construction-in-progress	Total
Cost							
Balance, beginning of year	$ 38,816	$115,801	$ 214,017	$ 143,250	$ 42,439	$ 6,456	$ 560,779
Additions	-	-	1,218	2,038	-	4,127	7,383
Additions from The Keg merger (note 26)	-	-	17,748	71,339	-	542	89,629
Disposals and adjustments	-	(16)	(19,755)	(2,796)	-		(22,567)
Foreign exchange translation	-	-	226	577	-	4	807
Transfer to/(from) construction-in-progress	-	45	1,114	1,168	-	(2,327)	-
Balance, end of period	$ 38,816	$115,830	$ 214,568	$ 215,576	$ 42,439	$ 8,802	$ 636,031
Accumulated depreciation and impairment losses							
Balance, beginning of year	$ -	$ 7,964	$ 134,454	$ 63,372	$ 18,779	$ -	$ 224,569
Depreciation expense	-	634	6,441	4,818	1,167	-	13,060
Impairment losses	-	-	-	578	-	-	578
Foreign exchange translation		-	192	463	-	-	655
Disposals and adjustments	-	(16)	(19,735)	(2,999)	-	-	(22,750)
Balance, end of period	$ -	$ 8,582	$ 121,352	$ 66,232	$ 19,946	$ -	$ 216,112
Carrying amount as at:							
April 1, 2018	$ 38,816	$107,248	$ 93,216	$ 149,344	$ 22,493	$ 8,802	$ 419,919
December 31, 2017	$ 38,816	$ 107,837	$ 79,563	$ 79,878	$ 23,660	$ 6,456	$ 336,210
March 26, 2017	$ 38,546	$ 109,931	$ 77,162	$ 64,566	$ 20,465	$ 14,759	$ 325,429

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.

								As at April 1, 2018
(in thousands of Canadian dollars)		**Brands**		**Other assets**		**Investment in joint ventures and associates** (note 26)		**Total**
Cost								
Balance, beginning of period	**$**	**526,072**	**$**	**90,222**	**$**	**19,675**	**$**	**635,969**
Additions		-		**127**		-		**127**
Additions from The Keg merger (note 26)		-		**4,443**		-		**4,443**
Change in fair value		-		-		-		-
Share of gain from investment in joint ventures and associates		-		-		**99**		**99**
Balance as at April 1, 2018	**$**	**526,072**	**$**	**94,792**	**$**	**19,774**	**$**	**640,638**
Accumulated amortization								
Balance, beginning of period	**$**	-	**$**	**21,001**	**$**	-	**$**	**21,001**
Amortization		-		**1,535**		-		**1,535**
Impairment loss		-				-		-
Balance as at April 1, 2018	**$**	-	**$**	**22,536**	**$**	-	**$**	**22,536**
Net carrying amount as at:								
April 1, 2018	**$**	**526,072**	**$**	**72,256**	**$**	**19,774**	**$**	**618,102**
December 31, 2017	$	526,072	$	69,221	$	19,675	$	614,968
March 26, 2017	$	514,639	$	74,162	$	3,919	$	592,720

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)		**April 1, 2018**		**December 31, 2017**		**March 26, 2017**
Cost						
Balance, beginnning of period	**$**	**191,111**	$	188,998	$	188,998
Additions		**-**		941		-
Additions resulting from change in Preliminary Purchase Equation		**-**		1,347		1,206
Disposals		**-**		(175)		-
Balance, end of period	**$**	**191,111**	$	191,111	$	190,204

17 Provisions

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

						As at April 1, 2018				
(in thousands of Canadian dollars)		**Asset retirement obligations**		**Lease obligations for closed restaurants**		**Franchise onerous contracts**		**Other**		**Total**
Balance, begining of period	**$**	**5,994**	**$**	**2,156**	**$**	**4,064**	**$**	**2,916**	**$**	**15,130**
Additions		**6**		**-**		**-**		**-**		**6**
Accretion		**69**		**-**		**-**		**-**		**69**
Payments		**-**		**(568)**		**-**		**-**		**(568)**
Adjustments		**(24)**		**440**		**(254)**		**(310)**		**(148)**
Balance, end of period	**$**	**6,045**	**$**	**2,028**	**$**	**3,810**	**$**	**2,606**	**$**	**14,489**
December 31, 2017	$	5,994	$	2,156	$	4,064	$	2,916	$	15,130
March 26, 2017	$	6,027	$	2,542	$	4,406	$	3,180	$	16,155

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		April 1, 2018		December 31, 2017		March 26, 2017
Provisions - current	$	**6,332**	$	6,959	$	6,621
Provisions - long-term		**8,157**		8,171		9,534
	$	**14,489**	$	15,130	$	16,155

18 Long-term debt

(in thousands of Canadian dollars)		April 1, 2018		December 31, 2017		March 26, 2017
Term credit facility - revolving	**$**	**318,025**	$	229,025	$	210,000
Term credit facility - non-revolving		**150,000**		150,000		150,000
The Keg credit facilities		**24,000**		-		-
Finance leases		**26,756**		27,496		24,205
		518,781		406,521		384,205
Less: Financing costs		**1,986**		1,905		2,398
	$	**516,795**	$	404,616	$	381,807

Recorded in the consolidated balance sheets as follows:

Current portion of long-term debt	**$**	**6,916**	$	2,916	$	2,527
Long-term portion of long-term debt		**509,879**		401,700		379,280
	$	**516,795**	$	404,616	$	381,807

Term credit facility

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

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

As at April 1, 2018, $468.0 million (December 31, 2017 $379.0 million; March 26, 2017 - $360.0 million) was drawn under the amended and extended credit facilities with an effective interest rate of 3.49% representing bankers acceptance rate of 1.58% plus 1.75% borrowing spread, standby fees and the amortization of deferred financing fees of 0.16%.

The Company is required to pay a standby fee of between 0.25% to 0.60% per annum, on the unused portion of the credit facility, for the term of its credit facilities. The standby fee rate is based on the Company's total funded net debt to EBITDA ratio. As of April 1, 2018, the standby fee rate was 0.35%.

As at April 1, 2018, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments.

The Keg Credit Facilities

In connection with The Keg merger (note 26), the Company assumed a multi-option credit agreement with a Canadian banking syndicate for the expansion of restaurant operations. The revolving credit and term loan facilities, with a syndicate of two Canadian banks, are available to finance the construction of certain new corporate restaurants and major renovations in Canada. These facilities are comprised of a $14.0 million reducing term facility, a $35.0 million revolving facility for future restaurant expansion which is subject to annual repayment based on 25% of excess operating cash flow, and a revolving demand operating facility of up to $3.0 million available for general corporate purposes, including working capital, overdrafts and letters of credit.

Excess operating cash flow is defined in the credit agreement as operating cash flow for the financial year plus extraordinary or non-recurring items and any net decrease in working capital less interest paid, debt principal repayments, unfunded capital expenditures, income taxes paid and any net increase in working capital. Operating cash flow is defined as the sum of net income for the financial year, adjusted for gains or losses from dispositions not in the ordinary course of business, extraordinary or non-recurring items and equity income or losses from subsidiaries plus interest expense, income tax expense and depreciation and amortization.

As at April 1, 2018, $24.0 million of the revolving facility has been drawn and is due on the July 2, 2020 maturity date, and less than $0.1 million of the revolving demand operating facility has been used to issue letters of credit.

All of the above facilities bear interest at a rate between bank prime plus 1.25% to bank prime plus 2.0% based on certain financial criteria. As at April 1, 2018, the Company met the criteria for interest at bank prime plus 1.25%.

The above credit facilities are secured by a general security agreement and hypothecation over KRL's Canadian and US assets and a pledge of all equity interests in the Partnership.

Finance leases

Included in finance leases are obligations that bear interest at an average rate of 6.8% (December 31, 2017 - 6.8%; March 26, 2017 – 7.0%).

The movement in long-term debt from December 31, 2017 to April 1, 2018 is as follows:

(in thousands of Canadian dollars)	Term Credit facility	Other	Finance leases	Total
Balance at December 31, 2017	$ 379,025	$ -	$ 27,496	$ 406,521
Less Financing costs	(1,905)	-	-	(1,905)
	377,120	**-**	**27,496**	**404,616**
Changes from financing cash flows				
Issuance of borrowings	104,000	-	-	104,000
Repayment of borrowings	(15,000)	-	-	(15,000)
Debt assumed from Keg merger (note 26)	-	23,774	-	23,774
Payment of finance lease liabilities	-	-	(1,206)	(1,206)
Balance due to changes from financing cash flows as at April 1, 2018	$ 466,120	$ 23,774	$ 26,290	$ 516,184
Non-cash movements				
Adjustment to capitalized borrowing costs	(30)	-	-	(30)
Interest expense	163	12	466	641
Balance at April 1, 2018	**$ 466,253**	**$ 23,786**	**$ 26,756**	**$ 516,795**

19 Other long-term liabilities

(in thousands of Canadian dollars)	April 1, 2018	December 31, 2017	March 26, 2017
Accrued pension and other benefit plans	**$ 23,490**	$ 23,653	$ 22,236
Non-controlling interest liability	**19,511**	19,511	19,511
Contingent liability (note 26)	**17,000**	-	-
Deferred income	**9,985**	10,860	12,344
Deferred rental income	**8,855**	9,375	11,136
Accrued rent expense	**6,578**	5,100	4,558
Leasehold inducements	**4,978**	-	-
Restructuring	**-**	65	806
Deferred share units	**941**	720	426
Other long-term liabilities	**2,814**	2,324	3,957
	$ 94,152	$ 71,608	$ 74,974

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	April 1, 2018	December 31, 2017	March 26, 2017
Accounts payable and accrued liabilities	$ **1,718**	$ 3,766	$ 7,136
Other long-term liabilities	**92,434**	67,842	67,838
	$ **94,152**	$ 71,608	$ 74,974

Accrued pension and other benefit plans

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

For the 13 weeks ended April 1, 2018, the Company recorded expenses of $0.2 million (13 weeks ended March 26, 2017 - $0.4 million) related to pension benefits.

Deferred income

Unearned franchise and conversion fee income

At April 1, 2018, the Company had deferred $5.2 million (December 31, 2017 - $5.6 million; March 26, 2017 - $6.3 million) of initial franchise fees and conversion fees received from franchisees that will be recognized over the remaining term of the respective franchise agreements.

Sale-leaseback transactions

At April 1, 2018, the Company had deferred $3.4 million (December 31, 2017 - $3.5 million; March 26, 2017 - $4.1 million) related to gains realized on sale-leaseback transactions.

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 $8.9 million (December 31, 2017 - $9.4 million; March 26, 2017 – $11.1 million) represents the unearned revenue associated with the rental agreements calculated as the present value of the minimum lease payments using an interest rate implicit in the rental agreement.

Deferred share units

The non-employee board members receive Deferred Share Units ("DSU") as compensation for their participation on the board. These DSUs are settled for cash when members cease to participate on the board of directors. For the 13 weeks ended April 1, 2018, the Company recognized an expense of $0.2 million (March 26, 2017- $0.1 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $0.9 million as at April 1, 2018 (December 31, 2017 - $0.7 million; March 26, 2017 - $0.4 million).

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 8.8 million shares, a guideline the Company has set on the number of stock option grants. As at April 1, 2018, approximately 4.1 million stock options were granted and outstanding.

Stock options outstanding as at April 1, 2018 have a term of up to eight years from the initial grant date. Each stock option is exercisable into one Subordinate Voting Share at the price specified in the terms of the option agreement. There were no accelerated vesting features upon the initial public offering under any of the plans described below.

The following table summarizes the options granted:

	For the 13 weeks ended April 1, 2018								
	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
Outstanding options, December 31, 2017	2,449,355	$	8.74	1,680,071	$	17.06	4,129,426	$	12.12
Exercised	-	$	-	(16,270)	$	8.51	(16,270)	$	8.51
Forfeited	-	$	-	(32,181)	$	23.06	(32,181)	$	23.06
Outstanding options, end of period	2,449,355	$	8.74	1,631,620	$	17.02	4,080,975	$	12.05
Options exercisable, end of period	2,419,355	$	8.51	241,935	$	8.51	2,661,290	$	8.51

	For the 13 weeks ended March 26, 2017								
	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
Outstanding options, December 25, 2016	2,429,355	$	8.61	1,374,397	$	14.70	3,803,752	$	10.81
Granted	20,000	$	24.64	491,577	$	24.64	511,577	$	24.64
Forfeited	-	$	-	(52,234)	$	15.27	(52,234)	$	15.27
Exercised	-	$	-	(13,920)	$	8.51	(13,920)	$	8.51
Outstanding options, end of period	2,449,355	$	8.74	1,799,820	$	17.44	4,249,175	$	12.44
Options exercisable, end of period	2,419,355	$	8.51	459,038	$	8.51	2,878,393	$	8.51

CEO stock option plan

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

During the 13 weeks ended April 1, 2018, no stock options were granted under the CEO Plan (March 26, 2017 – 20,000 stock options at an exercise price of $24.64).

During the 13 weeks ended April 1, 2018 and March 26, 2017, no options were exercised or forfeited.

For the 13 weeks ended April 1, 2018, the Company recognized stock-based compensation costs of $nil million (March 26, 2017 - $nil) related to the CEO Plan with a corresponding increase to contributed surplus.

Employee stock option plan

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

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

Under this plan, the CFO now has 298,377 options at an average exercise price of $10.39 and the Company's management team now has 1,333,243 at an average exercise price of $18.50.

During the 13 weeks ended April 1, 2018, no options were granted (March 26, 2017 – 491,577 stock options were granted with a weighted average exercise price of $24.64 per Subordinate Voting Share) under its existing stock option plans, which only allows for settlement in shares.

During the 13 weeks ended April 1, 2018, 16,270 stock options with an exercise price of $8.51 were exercised (March 26, 2017 – 13,920 stock options with an exercise price of $8.51).

During the 13 weeks ended April 1, 2018, 32,181 stock options with a weighted average exercise price of $23.06 were forfeited (March 26, 2017 – 52,234 stock options with a weighted average exercise price of $15.27).

For the 13 weeks ended April 1, 2018, the Company recognized stock-based compensation costs of $0.5 million (March 26, 2017 - $0.5 million) related to the Employee Plan with a corresponding increase to contributed surplus.

On May 11, the Company will grant 3,000,000 stock options with an exercise price of $35.00 to Mr. David Aisenstat in connection with the confirmation of his Board Appointment at the Company's Annual General Meeting to be held May 11, 2018.

21 Share capital

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

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

On June 16, 2017, the Company announced its notice of intention to make a normal course issuer bid ("NCIB") for its Subordinate Voting Shares. The Company may purchase up to 2,009,376 Subordinate Voting Shares during the period from June 21, 2017 to June 20, 2018. Purchases of the Subordinate Voting Shares are made at market prices and any Subordinate Voting Shares purchased through the NCIB will be cancelled. During the 13 weeks ended April 1, 2018, the Company purchased and cancelled 27,437 Subordinate Voting Shares for $0.7 million (53 weeks ended December 31, 2017 - 1,468,006 Subordinate Voting Shares for $33.9 million.

On December 1, 2017 the Company issued 30,290 subordinate voting shares in connection with the Pickle Barrel transaction**.**

On February 22, 2018 the Company issued 3,801,284 subordinate voting shares in connection with the Keg merger**.**

As at April 1, 2018, there were 34,396,284 Multiple Voting Shares and 27,966,723 Subordinate Voting Shares issued and outstanding.

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

	Number of Common Shares (in thousands)			Share Capital (in thousands of dollars)		
	Multiple voting common shares	Subordinate voting common shares	Total Common Shares	Multiple voting common shares	Subordinate voting common shares	Total Share Capital
Balance at December 25, 2016	34,396	25,586	59,982	$ 192,548	$ 531,176	$ 723,724
Shares issued under stock option plan (note 20)	-	14	14	-	146	146
Balance at March 26, 2017	**34,396**	**25,600**	**59,996**	$ **192,548**	$ **531,322**	$ **723,870**
Shares issued under stock option plan (note 20)	-	14	14	-	205	205
Share re-purchase	-	(1,468)	(1,468)	-	(33,857)	(33,857)
Shares issued as part of Pickle Barrel transaction	-	30	30	-	750	750
Balance at December 31, 2017	**34,396**	**24,176**	**58,572**	$ **192,548**	$ **498,420**	$ **690,968**
Shares issued under stock option plan (note 20)	-	17	17	-	173	173
Share re-purchase	-	(27)	(27)	-	(654)	(654)
Shares issued as part of Keg merger	-	3,801	3,801	-	94,728	94,728
Balance at April 1, 2018	**34,396**	**27,967**	**62,363**	$ **192,548**	$ **592,667**	$ **785,215**

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. Diluted earnings per share amounts are calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of shares issued during the period.

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

	13 weeks ended April 1, 2018			13 weeks ended March 26, 2017		
	Net earnings attributable to shareholders of the Company	**Weighted average number of shares**	**EPS**	Net earnings attributable to shareholders of the Company	Weighted average number of shares	EPS
Basic	**$ 21,699**	**60,217**	**$ 0.36**	$ 43,986	59,983	$ 0.73
Diluted	**$ 21,699**	**62,584**	**$ 0.35**	**$** 43,986	62,326	**$** 0.71

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

	April 1, 2018	March 26, 2017
Common shares	**60,217,135**	59,983,319
Effect of stock options issued [1]	**2,366,657**	2,342,496
	62,583,792	62,325,815

[1] 393,913 shares have been excluded from April 1, 2018 because they are anti-dilutive (March 26, 2017 - 342,420 shares)

23 Cash flows

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

	For the 13 weeks ended	
(in thousands of Canadian dollars)	**April 1, 2018**	**March 26, 2017**
Accounts receivable	**$ (1,180)**	$ 18,119
Inventories	**(2,178)**	822
Income taxes payable	**(1,803)**	931
Prepaid expenses and other assets	**(4,614)**	508
Accounts payable and accrued liabilities	**(4,745)**	1,182
Gift card liability	**(29,639)**	(27,086)
Income taxes paid	**4,463**	(2,300)
Change in interest payable	**(692)**	(734)
Net change in non-cash operating working capital	**$ (40,388)**	$ (8,558)

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.

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

The Company has outstanding letters of credit amounting to \$0.6 million (December 31, 2017 - \$0.6 million; March 26, 2017 - \$0.8 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 and the Company receives customary indemnifications in the normal course of business and in connection with business dispositions and acquisitions. These indemnifications include items relating to taxation, litigation or claims that may be suffered by a counterparty as a consequence of the transaction. Until such times as events take place and/or claims are made under these provisions, it is not possible to reasonably determine the amount of liability under these arrangements. Historically, the Company has not made significant payments relating to these types of indemnifications.

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 and food manufacturing and distribution division. To manage this exposure, the Company uses purchase arrangements for a portion of its needs for certain consumer products that may be commodities based.

Liquidity and capital availability risk

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

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

Credit risk

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

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

Under IFRS 9, credit risk assessment now requires impairment to be recognized on financial assets. For accounts receivables, lifetime expected credit losses are recognized in the statement of earnings for assets that have increases in credit risk after initial recognition.

The following is an aging of the Company's accounts receivable, net of the allowance, as at April 1, 2018, December 31, 2017, and March 26, 2017:

(in thousands of Canadian dollars)				**April 1, 2018**
	Current	**> 30 days past due**	**> 60 days past due**	**Total**
Accounts receivable	**$ 61,501**	**$ 7,530**	**$ 16,443**	**$ 85,474**
Less: allowance for doubtful accounts	**107**	**25**	**13,340**	**13,472**
Accounts receivable, net	**$ 61,394**	**$ 7,505**	**$ 3,103**	**$ 72,002**
Balances at December 31, 2017	$ 49,363	$ 6,976	$ 4,652	$ 60,991
Balances at March 26, 2017	$ 54,871	$ 4,446	$ 6,432	$ 65,749

There are no significant impaired receivables that have not been provided for in the allowance. As at April 1, 2018, the Company believes that the $13.5 million (December 31, 2017 - $11.9 million; March 26, 2017 - $9.8 million) allowance sufficiently covers any credit risk related to the receivable balances past due. The remaining amounts past due were not classified as impaired as the past due status was reasonably expected to remedied.

Fair value of financial instruments

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

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

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

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

The following describes the fair value determinations of financial instruments:

Long-term debt

Fair value (Level 2) is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amount of the debt associated with the Company's current financing would approximate its fair value as at April 1, 2018

Other financial instruments

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

Some amounts due from related parties relate to loans provided by the Company to its joint ventures for business purposes. These assets are classified at fair value through the statement of earnings under IFRS 9. The Company's collection of the loan principal is contingent on the financial performance of the joint venture and are classified as level 3 financial instruments.

The Class C unit investment in the Partnership is measured at amortized cost. The Exchangeable unit investment in the Partnership measured at fair value through profit or loss. Investment of ten common shares in The Keg G.P. Ltd. ("KGP") and one general partnership unit in the Partnership measured at amortized cost.

26 Related parties

Shareholders

As at April 1, 2018, the Principal Shareholders hold 66.7% of the total issued and outstanding shares and have 97.7% of the voting control attached to all the shares. Cara Holdings holds 23.2% of the total issued and outstanding shares, representing 40.8% voting control. Fairfax holds 43.5% of the total issued and outstanding shares, representing 56.9% voting control.

On February 22, 2018, 3,400,000 subordinate voting shares were issued at the exchange amount to Fairfax as part of the merger with The Keg on February 22, 2018.

During the 13 weeks ended April 1, 2018, the Company declared a dividend of $0.1068 per share of Subordinate and Multiple Voting Shares of which Fairfax and Cara Holdings received $2.9 million and $1.5 million, respectively on April 16, 2018.

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. As at April 1, 2018, no payments were outstanding.

The Keg

On February 22, 2018 (the "Keg Acquisition Date"), the Company completed the merger with the Keg Restaurants Limited (the "The Keg") for approximately $200.0 million comprised of $105.0 million in cash and 3,801,284 Cara subordinate voting shares at the exchange amount. In addition, Cara may be required to pay up to an additional $30.0 million of cash consideration upon the achievement of certain financial milestones within the first three fiscal years following closing. The cash portion of the purchase price was settled by drawing on its existing credit facility.

The Company has elected not to account for the merger as a business combination under IFRS 3 Business Combinations, as the transaction represents a combination of entities under common control of Fairfax. Accordingly, the combination was recorded on a book value basis with the following balances as at February 22, 2018:

		February 22, 2018
Consideration		
Cash paid to vendor	$	105,000
Cara subordinated voting shares issued		94,728
Contingent liability		17,000
Total consideration	**$**	**216,728**
Assets		
Cash	$	33,247
Accounts receivable		9,912
Inventories		5,973
Prepaid expenses and other assets		2,085
Total Current Assets		51,217
Long-term receivables		750
Property, plant and equipment		89,629
Investment in The Keg Rights Ltd. Partnership		128,494
Brands and other assets		4,443
Deferred income tax asset		24,668
Total Assets	**$**	**299,201**
Liabilities		
Accounts payable and accrued liabilities	$	31,274
Gift cards liability		79,049
Current portion of long-term debt		4,000
Total current liabilities	$	114,323
Other long-term liabilities		5,813
Long-term debt		19,775
Note payable to The Keg Royalties Income Fund		57,000
Deferred gain on sale of Keg Rights		135,614
Total liabilities	$	332,525
Equity	$	(33,324)
Total liabilities and equity	**$**	**299,201**

A merger reserve equal to total consideration of $216.7 million has been recorded on the balance sheet. The results from The Keg are included in the statement of earnings from The Keg acquisition date.

Investment in The Keg Partnership

The Company's equity investment in the Partnership is represented by the investment in KGP. The value of the equity investment in the Partnership is nominal as substantially all of the cash flows from the Partnership are attributable to the Class C and Exchangeable Partnership units.

(in thousands of Canadian dollars)	# of units		Fair Value
Class A Partnership units	905,944	$	16,579
Class B Partnership units	176,700		3,233
Class C Partnership units	2,947,424		53,938
Exchangeable unit investment in the Partnership	4,030,068	$	73,750
Class C unit investment in the Partnership	5,700,000		57,000
	9,730,068	$	130,750

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a unit of The Keg Royalties Income Fund (the "Fund") as at April 1, 2018 was $18.30.

The Class A Partnership units represent The Keg's initial 10% effective ownership of the Fund at the date of The Keg Initial Public Offering ("The Keg IPO"). The Class B and Class D Partnership units were received by The Keg subsequent to The Keg IPO date in return for adding net sales to the Royalty Pool on an annual basis.

Pursuant to the declaration of trust, the holder (other than the Fund or its subsidiaries) of the Exchangeable Partnership units is entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if the Exchangeable Partnership units were exchanged into Fund units as of the record date of such votes, and will be treated in all respects as a Fund unitholder for the purpose of any such votes.

(a) The Class A units are entitled to a preferential proportionate distribution equal to the distribution on the Class C units, multiplied by the number of Class A units divided by the number of LP Partnership units ("LP units") issued and outstanding. The Keg Holdings Trust ("KHT") holds all of the 8,153,500 LP units issued and outstanding at April 1, 2018. In addition, the Class A units receive a residual distribution proportionately with the Class B units, Class D units, LP units and GP units relative to the aggregate number of each class issued and outstanding (or in the case of the Class B units and Class D units, the number issued and outstanding multiplied by the Class B and Class D current distribution entitlement, respectively). Class A units are exchangeable for Fund units on the basis of one Class A unit for one Fund unit and represent The Keg's initial 10% effective ownership of the Fund prior to the entitlement of Class B and Class D units.

(b) The Class B units were issued to The Keg in return for adding net sales from new Keg restaurants to the Royalty Pool and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class B units were adjusted annually on January 1 until the January 1, 2008 roll-in when the Class B Termination Date was reached and the last of the Class B units became entitled. Class B units held by the Company are exchangeable for Fund units on the basis of one Class B unit for one Fund unit. Class B units held by the Company receive a distribution entitlement.

(c) The Class D units were issued to the Company in return for adding net sales from new Keg restaurants to the Royalty Pool on an annual basis and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class D units are adjusted annually on January 1. Class D units held by the Company are exchangeable for Fund units on the basis of one Class D unit for one Fund unit and the same distribution entitlement as the Class B units. Class D units are issued subsequent to the Class B Termination Date and are identical to Class B units except that the Trustees of KHT can require the Company to surrender any or all of the issued Class D units for a price that is equal to the one originally used in the formula to calculate the number of units issued.

Distributions on Exchangeable Partnership units are recorded as interest income in the condensed consolidated statement earnings.

Class C Unit Investment in the Partnership

The Class C unit investment in the Partnership is comprised of 5,700,000 Class C Partnership units held by the Company. The Class C Partnership units were issued to The Keg as one of a series of transactions that occurred in conjunction with The Keg Initial Public Offering (“The Keg IPO”) of the Fund on May 31, 2002.

The Company has the option at any time to transfer its 5,700,000 Class C Partnership units to KHT, a subsidiary of The Keg Royalties Income Fund (“Fund”), in consideration for the assumption by KHT of an amount of the note payable equal to $10.00 for each Class C unit transferred. If the Company transferred all 5,700,000 Class C Partnership units, the entire $57.0 million note payable to the Fund would be extinguished (note 18). The Class C units are entitled to preferential monthly distributions equal to $0.0625 per Class C unit issued and outstanding and these distributions are recorded as interest income in the condensed consolidated statement of comprehensive income.

Other

As at April 1, 2018, $3 thousand owing from companies owned by a director of the Company, are included in accounts receivable (December 31, 2017 - $nil, March 26, 2017 - $nil). All of these receivables are current as of April 1, 2018 and the Company expects to collect these amounts in full. The Company also has $11 thousand in amounts owing to these companies included in accounts payable and accrued liabilities at April 1, 2018 (December 31, 2017 - $nil, March 26, 2017 - $nil).

As at April 1, 2018, long-term receivables include a non-interest bearing employee demand note recorded at the exchange amount $0.8 million (December 31, 2017 - $nil, March 26, 2017 - $nil).

As at April 1, 2018, the Company has a $2.5 million royalty fee payable, including GST, to the Fund (December 31, 2017 - $nil, March 26, 2017 - $nil) and a $0.4 million interest payable amount due to the Fund on the Keg Loan (December 31, 2017 - $nil, March 26, 2017 - $nil) included in accounts payable and accrued liabilities.

As at April 1, 2018, the Company has $1.0 million in distributions receivable from the Partnership (December 31, 2017 - $nil, March 26, 2017 - $nil) related to its ownership of the Class C and Exchangeable Partnership units. These amounts were received from the Partnership when due, subsequent to the above periods.

The Company performs accounting services for a company owned by a director. For the 13 weeks ended April 1, 2018, KRL earned $26 thousand for these services (13 weeks ended March 26, 2017 – $nil), which has been recognized by the Company as other income, net of the costs to provide these services.

The Company incurs royalty expense with respect to the licence and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is treated as a related party transaction. The Company incurred royalty expense of $2.4 million for the 13 weeks ended April 1, 2018 (13 weeks ended March 26, 2017 – $nil).

The Company also records investment income on its investment in Exchangeable and Class C units of the Partnership, which is presented as interest income in the condensed consolidated statements of earnings. During the 13 weeks ended April 1, 2018, the Company recorded investment income of $1.0 million related to these units (13 weeks ended March 26, 2017 – $nil).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. As at April 1, 2018 there was a due from related party balance of $12.6 million (December 31, 2017 - $12.2 million; March 26, 2017 - $12.9 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2018. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $2.2 million (December 31, 2017 - $2.2 million; March 26, 2017 - $2.4 million). The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. Management determines the fair value of these loans based on expected cash flows from the restaurant at a discount rate of 15%. For the 13 weeks ended April 1, 2018, the Company charged interest in the amount of $0.2 million (March 26, 2017 - $0.2 million) on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at April 1, 2018 the accounts receivable balance included $0.2 million (December 31, 2017 - $0.4 million; March 26, 2017 - $0.7 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures and associates are increased by the proportionate share of income earned. For the 13 weeks ended April 1, 2018, a $0.1 million reduction (13 weeks ended March 26, 2017 - $0.1 million reduction) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in associates and joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

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

The Company's investment is increased by the proportionate share of income earned. For the 13 weeks ended April 1, 2018, a $0.1 million increase (13 weeks ended March 26, 2017 - $nil) to the investment balance was recorded in relation to the Company's proportionate share of income for the period and included in share of income from investment in associates and joint ventures on the statement of earnings.

Investment in restaurant joint venture

The Company has an investment in a joint venture to operate two restaurants with a third party. As at April 1, 2018, the Company has invested $5.2 million, recorded in long-term receivables. The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. The Company and the third party each have a 50% ownership interest in the joint venture. The transaction is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 13 weeks ended April 1, 2018, a $0.5 million decrease (13 weeks ended March 26, 2017 - $nil) to the long term receivable balance was recorded in relation to the Company's proportionate share of loss for the period and included in share of loss from investment in associates and joint ventures on the statement of earnings.

Investment in Rose Reisman Catering joint venture

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

The Company's investment is increased by the proportionate share of income earned. For the 13 weeks ended April 1, 2018, a $0.1 million increase (13 weeks ended March 26, 2017 - $nil) to the investment balance was recorded in relation to the Company's proportionate share of earnings for the period and included in share of loss from investment in associates and joint ventures on the statement of earnings.

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

Significant subsidiaries

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

27 Segmented information

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

The Corporate restaurant segment includes the operations of the company-owned restaurants, the proportionate results from 55 joint venture restaurants from the Original Joe's investment, the Burger's Priest investment, and the 1909 Taverne Moderne joint venture, which generate revenues from the direct sale of prepared food and beverages to consumers.

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

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

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

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

(in thousands of Canadian dollars)	For the 13 weeks ended April 1, 2018	March 26, 2017
Gross revenue		
Sales	$ 146,138	$ 98,680
Proportionate share of equity accounted joint venture sales	(9,225)	(4,443)
Sales at corporate restaurants	136,913	94,237
Franchise revenues	24,360	22,182
Proportionate share of equity accounted joint venture royalty revenue	173	307
Royalty revenue	24,533	22,489
Food processing and distribution	61,146	59,628
Central	6,926	6,100
Non-allocated revenue	17,024	16,097
	$ 246,542	$ 198,551
Operating income		
Corporate	$ 5,674	$ 3,573
Franchise	22,368	20,443
Food processing and distribution	397	2,637
Central	4,326	4,724
Proportionate share equity accounted joint venture results included in corporate and franchise segment	397	99
Non-allocated costs	(2,375)	(768)
	$ 30,787	$ 30,708
Depreciation and amortization		
Corporate	$ 7,410	$ 4,417
Franchise	-	-
Food processing and distribution	2,542	2,064
Central	4,642	5,041
	$ 14,594	$ 11,522
Capital expenditures		
Corporate	$ 4,920	$ 11,987
Franchise	-	-
Food processing and distribution	477	565
Central	1,987	429
	7,384	$ 12,981

28 Subsequent Events

On May 10, 2018, the Company's Board of Directors declared a dividend of $0.1068 per share of subordinate and multiple voting common stock. Payment of the dividend will be made on June 15, 2018 to shareholders of record at the close of business on May 31, 2018.