



2020
Annual Report



K·BRO

**We are
depend**

able.

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PRESIDENT'S MESSAGE



The COVID-19 pandemic that reached Canada and the UK in early 2020 has been catastrophic for all of our communities and for the world. Few people have been left untouched by this tragedy. As I am writing this letter, there are signs of hope that we can begin to leave the worst of this pandemic behind as vaccines are being distributed. While it may take months for vaccines to take effect and for life to more closely resemble our routines, we are seeing numerous hopeful signs for the remainder of 2021 and beyond.


K-Bro faced challenges in 2020 that continue into 2021, but we worked swiftly and effectively to steer our company through the worst of the pandemic. As a result, we entered 2021 in a strong financial condition and are well-positioned for continuing growth and profitability. While all of our operations in Canada and the UK have been impacted, our financial results were promising:

- Revenue and Adjusted EBITDA without the adoption of IFRS 16 were \$196.6 mm and \$35.0 mm.
- The financial impact was felt most harshly in March through May, after which our healthcare business saw a strong recovery. While our hospitality business remains low relative to pre-pandemic levels, it did slightly recover during the summer and we are seeing signs of a continuing recovery.
- All of our Canadian plants remained in operation throughout the year, with some on reduced schedules. While we temporarily reduced capacity at our UK plants, all but one are now operating.
- We maintained a conservative balance sheet throughout the year and sustained ample access to liquidity. We did not reduce our dividend even during the worst of the financial impact.

We worked with our employees to develop comprehensive and pro-active plans to deal with all foreseeable impacts of COVID and to ensure that our customers continued to receive all services. We also quickly implemented aggressive mitigation and hygiene standards in place at all operations. Our employees contributed and adapted in myriad ways. Largely through their efforts, we were able to continue in providing the safest possible work environment in which to effectively service our communities through highly uncertain times.

Thank you for your continuing support and confidence. We will undoubtedly face further challenges resulting from the COVID-19 pandemic in 2021 and beyond, but we remain hopeful and optimistic as this year unfolds. We remain steadfastly dedicated to providing best-in-class services for all of our customers, to continue to uphold high standards of corporate responsibility in all of our communities, to offer a safe and healthy workplace for all of our employees, and to realizing the financial results that we all expect.

All of us at K-Bro wish you a healthy and better 2021.



Linda McCurdy

CHAIRMAN'S MESSAGE

2020 was a difficult year for all of our communities, and K-Bro certainly faced its share of adversity.

Throughout the pandemic we have remained focused on protecting our employees and providing the safest possible work environment and ensuring that we provide the services that our customers need in order to service their communities. While 2020 and 2021 are years of continuing challenges, we remain dedicated to doing whatever it takes to protect our communities and provide the highest possible level of service for our customers throughout Canada and the UK.

Financial performance in 2020 was solid, especially given the impact on each of our operations and the devastating consequences to the hospitality sector. Revenue and Adjusted EBITDA without the adoption of IFRS 16 were \$196.6 mm and \$35.0 mm. We maintained significant liquidity throughout the year, and are pleased that we did not reduce our dividend while many other companies were forced to do so. This speaks to the strength of our business model. We are hopeful about a continuing recovery in 2021, and we believe our actions and resulting strength will position us well for organic and acquisition growth.

On behalf of our Company and Board, thank you for your loyalty and trust in continuing to support K-Bro. We remain committed to delivering the best possible results for our customers, employees, communities and shareholders, and are working hard to catalyze this very trying experience to build a stronger K-Bro, and make the most of the brighter times ahead.



Ross Smith





OFFICERS & DIRECTORS

K-Bro is the largest healthcare & hospitality laundry & linen processor in Canada, & with the acquisition of Fishers we are now one of the largest in the UK & Europe.

We operate 15 facilities and two distribution centers, including nine facilities and two distributions centers in Canada, and six facilities in the UK (Scotland and the North East of England).

Our core values remain central to our reputation, and we continue to relentlessly focus on providing industry-leading quality and service. Our ability to deliver on commitments to our valued customers remains second to none.

K-Bro provides the vital products and services that help people heal, travel, live, and play. We're helping hospitals and extended care centers care for the young, old and vulnerable in environmentally responsible ways. Our responsibility also extends to ensuring that we have a safe culture at K-Bro. As our society becomes more diverse, we integrate our commitment to responsibility into our new businesses, employees and the communities in which we live and work.



ROSS SMITH, MICHAEL PERCY, KRISTIE PLAQUIN, SEAN CURTIS, STEVEN MATYAS



RYO UTAHARA, TREVOR RYE, SCOTT INGLIS, MICHAEL JONES,
LUCY RENAUT, DIMITRI HAMM, MATTHEW HILLS, JACKIE BELANGER,
SEAN JACKSON, KEVIN STEPHENSON, JEFF GANNON, ANDREW MACKEEEN

“K-Bro’s focus on investing for the long term has created a highly efficient, environmentally conscious & cost-effective network across Canada.”

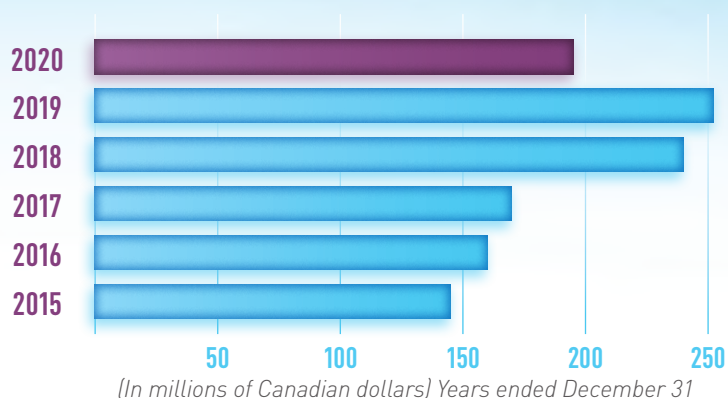
LINDA MCCURDY,
PRESIDENT & CHIEF EXECUTIVE OFFICER



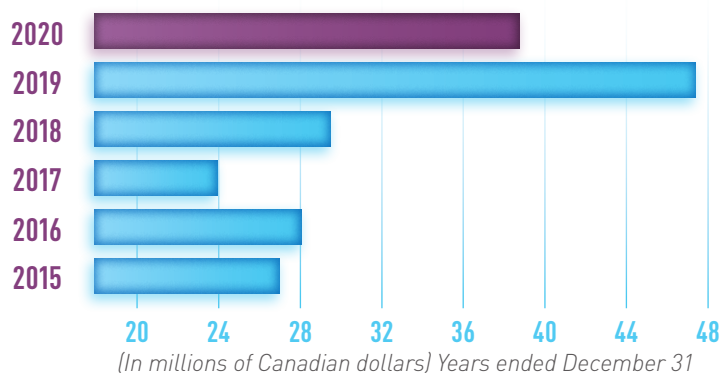
FINANCIAL HIGHLIGHTS

The following unaudited financial data has been derived from K-Bro's consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP. The information set forth below should be read in conjunction with the Management's Discussion & Analysis, Consolidated Financial Statements and Notes sections of this Annual Report.

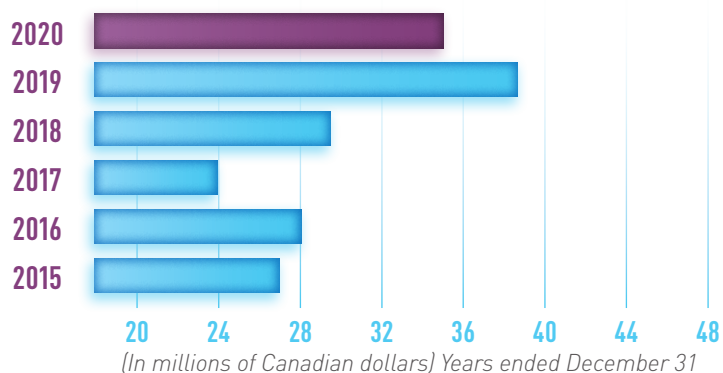
Revenue
Down **22.1%**



EBITDA⁽¹⁾
Down **19.6%**



Adjusted EBITDA before IFRS 16⁽¹⁾
Down **9.5%**



¹ Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of the MD&A for more information.

² The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions, impacting travel both in and out of Canada and the UK. This has had and is expected to continue to have a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy.

Since mid-March 2020, we have seen significantly reduced hotel occupancy rates compared to historical levels. Demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights. Accordingly, hospitality volumes in all of our Canadian and UK markets have slowed to historically low levels.

Years ended December 31,

	2020	2019	2018	2017	2016	2015	2014
Income Statement Data							
Revenue	196,591	252,410	239,534	170,559	159,089	144,537	136,440
EBITDA	38,244	47,573	29,581	23,985	28,236	27,140	26,241
EBITDA (%)	19.5	18.8	12.3	14.1	17.7	18.8	19.2
Adjusted EBITDA without adoption of IFRS 16 ⁽¹⁾	35,032	38,693	29,581	23,985	28,236	27,140	26,241
Adjusted EBITDA (%) without adoption of IFRS 16 ⁽¹⁾	17.8	15.3	12.3	14.1	17.7	18.8	19.2
Net earnings	3,782	10,906	6,169	5,718	11,527	12,068	12,198
Adjusted Net earnings without adoption of IFRS 16 ⁽¹⁾	8,249	11,339	6,169	5,718	11,527	12,068	12,198
Net earnings per share (Diluted)	0.36	1.03	0.59	0.63	1.44	1.52	1.72
Adjusted Net earnings per Share without adoption of IFRS 16 (Diluted) ⁽¹⁾	0.78	1.07	0.59	0.63	1.44	1.52	1.72
Balance Sheet Data							
Working capital	27,922	31,021	34,825	32,008	13,766	8,670	21,717
Long-term debt	40,657	62,494	70,203	42,780	25,800	2,349	0
Other Financial Data							
Distributable cash per share	2.94	2.80	2.36	2.20	2.76	2.69	2.85
Payout ratio (%)	40.9	42.9	51.1	55.5	43.5	44.8	42.0
Price to earnings multiple (12 months trailing)	93.0	40.8	56.7	65.6	29.3	33.5	26.9
Price to EBITDA multiple (12 months trailing)	10.8	9.3	11.9	15.7	11.9	14.9	12.5
Return on shareholders' equity (ROE)(%)	2.3	5.6	3.1	2.8	9.9	10.7	11.1
Total shareholder return, YTD (%)	4.5	25.7	19.1	0.9	14.9	13.1	19.4
Total shareholder return, 5 yrs (%)	6.7	8.0	14.5	19.3	66.4	155.0	182.9
Market capitalization	416,078	445,914	431,794	434,211	338,190	406,872	367,023
Share price:							
High	46.44	43.16	41.71	45.00	50.98	56.99	47.90
Low	23.73	32.74	32.00	37.39	36.69	43.00	36.90
Close	38.97	42.05	33.44	41.32	42.15	50.95	46.11

¹ Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

(\$ Thousands of CDN dollars, except percentages and per share data)

MANAGEMENT'S DISCUSSION & ANALYSIS





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Management's Discussion & Analysis of Financial Condition & Results of Operations

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the audited consolidated financial statements of K-Bro Linen Inc. ("the Corporation") for the years ended December 31, 2020 and 2019 (the "2020 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2020, June 30, 2020 and September 30, 2020. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc. and Fishers Topco Ltd., are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of March 18, 2021.

In the interest of providing current holders ("Shareholders") of common shares of K-Bro Linen Inc. ("Common Shares") and potential investors with information regarding current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions and courses of action, and include future-oriented financial information.

This MD&A contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words "anticipate", "continue", "expect", "may", "will", "project", "should", "believe", and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this MD&A. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including the possibility of undisclosed material liabilities; (ii) K-Bro's competitive environment; (iii) utility costs, minimum wage legislation and labour costs; (iv) K-Bro's dependence on long-term contracts with the associated renewal risk; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Quebec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability of future financing; (x) textile demand; (xi) the adverse impact of the COVID-19 pandemic on the Corporation, which has been significant to date and which we believe will continue to be significant for the short to medium term; and (xii) foreign currency risk. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) expected impact of labour cost initiatives; (iii) frequency of one-time costs impacting quarterly and annual financial results; (iv) foreign exchange rates; (v) the level of capital expenditures and (vi) the expected impact of the COVID-19 pandemic on the Corporation. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Forward looking information included in this MD&A includes the expected annual healthcare revenues to be generated from the Corporation's contracts with new customers, calculation of costs, including one-time costs

impacting the quarterly financial results, anticipated future capital spending and statements with respect to future expectations on margins and volume growth, as well as statements related to the impact of the COVID-19 pandemic on the Corporation.

All forward-looking information in this MD&A is qualified by these cautionary statements. Forward-looking information in this MD&A is presented only as of the date made. Except as required by law, K-Bro does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

This MD&A also makes reference to certain measures in this document that do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. Please see "Terminology" for further discussion.

Introduction

CORE BUSINESS

The Corporation is the largest owner and operator of laundry and linen processing facilities in Canada and a market leader for laundry and textile rental services in Scotland and the North East of England. K-Bro and its wholly owned subsidiaries operate across Canada and the UK, providing a range of linen services to healthcare institutions, hotels and other commercial accounts that include the processing, management and distribution of general linen and operating room linen.

The Corporation's operations in Canada include nine processing facilities and two distribution centres under three distinctive brands: K-Bro Linen Systems Inc., Buanderie HMR and Les Buanderies Dextraze. The Corporation operates in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria.

The Corporation's operations in the UK include Fishers Topco Ltd. ("Fishers"), which was acquired by K-Bro on November 27, 2017. Fishers was established in 1900 and is a leading operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, health-care, manufacturing and pharmaceutical sectors. The Corporation operates six UK sites located in Cupar, Perth, Newcastle, Livingston and Coatbridge. The Corporation has also temporarily shut down its facility in Perth as a result of the COVID-19 pandemic.

INDUSTRY & MARKET

In Canada, K-Bro provides laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered by K-Bro include the processing, management and distribution of general and operating room linens, including sheets, blankets, towels, surgical gowns and drapes and other linen. Other types of processors in K-Bro's industry include independent privately-owned facilities (i.e., typically small, single facility companies), public sector central laundries and public and private sector on premise laundries (known as "OPLs"). Participants in other sectors of the Canadian laundry and linen services industry, such as uniform rental companies (which own and launder uniforms worn by their customers' employees) typically do not offer services that significantly overlap with those offered by K-Bro.

In the UK, Fishers provides laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered by Fishers include the processing, management and distribution of general linen, workwear and clean room garment services. Other types of processors in Fishers' industry in the UK include publicly traded companies, independent privately-owned facilities (i.e., typically, small single facility companies), public sector central laundries and public and private sector OPLs.

Our partnerships with healthcare institutions and hospitality clients across Canada and the UK demonstrate K-Bro's commitment to building relationships that foster continuous improvement, providing flexibility to adjust to changing circumstances as required and which incorporate incentives, penalties and the sharing of risks and rewards as circumstances warrant.

In this competitive industry, K-Bro is distinctive in its ability to deliver products and services that provide value to our customers. Management believes that the health-care and hospitality sectors of the laundry and linen services industry represent a stable base of annual recurring business with opportunities for growth as additional healthcare beds and funds are made available to meet the needs of an aging demographic.

INDUSTRY CHARACTERISTICS & TRENDS

Management believes that the industry in which K-Bro operates has historically exhibited the following characteristics and trends:

Generally Stable Industry with Moderate Cyclicity – As evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms in the hospitality industry. The potential for step-changes in volumes and revenues that align with contractual arrangements exists within this industry. Service relationships are generally formalized through contracts in the healthcare sector that are typically long term (from five to ten years), while contracts in the hospitality sector usually range from two to five years. We note that the ongoing COVID-19 pandemic has introduced atypical instability in both the healthcare and the hospitality sectors which is inconsistent with the historical characteristics of and trends in K-Bro's industry. The continued spread of COVID-19 throughout Canada and the UK, at least in the short-term to medium-term, is expected to have a significant negative impact on the Corporation's business.

Outsourcing and Privatization – In Canada, healthcare institutions and regional authorities are facing funding pressures and must continually evaluate the allocation of scarce resources. Consequently, there are often advantages to healthcare institutions in outsourcing the processing of healthcare linen to private sector laundry companies such as K-Bro because of the economies of scale and significant management expertise that can be provided on a more comprehensive and cost-effective basis than customers can achieve in operating their own laundry facilities.

Fragmentation – Most cities have at least one and sometimes several private sector competitors operating in the healthcare and hospitality sectors of the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to complete acquisitions.

CUSTOMERS & PRODUCT MIX

K-Bro's Canadian customers include some of the largest healthcare institutions and hospitality providers in Canada. In the UK, Fishers' customers include some of the largest hotel chains operating in Scotland. Healthcare customers include acute care hospitals and long-term care facilities, primarily in Canada. Most of K-Bro's hospitality customers (typically greater than 250 rooms) have historically generated between 0.5 million and 3 million pounds of linen per year. Most healthcare customers have historically generated

between 0.5 million pounds of linen per year for a hospital and up to approximately 40 million pounds of linen per year for a Canadian healthcare region. We note that the ongoing COVID-19 pandemic has introduced atypical instability in both the healthcare and the hospitality sectors which is inconsistent with such historical linen generation trends.

As COVID-19 continues to spread throughout Canada and the UK, at least in the short-term to medium-term, we expect significant reductions in linen volume generation by our customers in the hospitality segment, primarily as a result of decreased willingness and ability of the general population to travel to and within Canada and the UK during the course of the outbreak. In addition, as hospitals prepared for potential surges in COVID-19-related occupancy during Q1 and early Q2 of 2020, we saw a decline in healthcare volumes as a result of cancelled elective surgeries and decreased occupancy rates. As 2020 progressed we have seen healthcare levels increase above historical levels due to change in usage practices. We cannot predict with certainty how the progression of COVID-19 will impact overall volumes in 2021. For a summary of the impact on revenues for 2020 refer to the COVID-19 section which summarizes impact on a monthly and quarterly basis.

Strategy

K-Bro maintains the following three-part strategic focus:

Secure and Maintain Long-Term Contracts with Large Healthcare and Hospitality Customers – K-Bro's core service is providing high quality laundry and linen services at competitive prices to large healthcare and hospitality customers under longterm contracts. K-Bro's contracts in the healthcare sector typically range from five to ten years in length. Contracts in the hospitality sector typically range from two to five years.

Extend Core Services to New Markets – Management has demonstrated its ability to successfully expand K-Bro's business into new markets from its established bases. Since 2005, K-Bro has entered four new geographic markets across Canada, and in late 2017 entered into the UK market. These new markets have contributed significantly to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality institutions continue to increase their focus on core services and confront pressures for capital and cost savings.

Management may in the future expand its core services to new markets either through acquisitions or by establishing new facilities. Its choice of areas for expansion will depend on the availability of suitable acquisition candidates, the volume of healthcare and hospitality linen to be processed and the policies of applicable governments.

Introduce Related Services – In addition to focusing on its core services, the Corporation also attempts to capitalize on attractive business opportunities by introducing closely-related services that enable it to provide more complete solutions to K-Bro's healthcare and hospitality customers. These related service offerings include K-Bro Operating Room services and on-site services. K-Bro performs the sterilization of operating room linen packs for six major hospitals in Toronto.

Fourth Quarter Overview

Net earnings for the fourth quarter of 2020 was \$2.1 million or \$0.20 per share (basic). Cash generated by operating activities for the fourth quarter of 2020 was \$25.0 million and distributable cash flow was \$6.9 million. As a result of the COVID-19 pandemic, consolidated hospitality revenue for the three months ended December 31, 2020 decreased by 69.4% over the comparable 2020 period. This is partially offset by an increase of 18.3% in consolidated healthcare revenue for an overall decrease in consolidated revenue of 19.9%.

EBITDA (see "Terminology") increased in the fourth quarter to \$11.7 million from \$11.1 million in 2019, which is an increase of 5.6%. On a consolidated basis, the Corporation's EBITDA margin increased from 17.7% in 2019 to 23.3% in 2020. For the Canadian division, EBITDA margin increased to 26.8% from 19.0% for the comparative quarter of 2020. For the UK division, EBITDA margin decreased to -3.9% from 14.0% for the comparative quarter of 2020.

On a consolidated basis, adjusted EBITDA and margin without the adoption of IFRS 16 for the fourth quarter of 2020 was \$9.6 million and 19.0%, compared to \$9.1 million and 14.5% respectively in the same comparative period of 2019. The changes in adjusted EBITDA and adjusted EBITDA margin relate primarily to effects of the COVID-19 pandemic, which include government assistance received during the quarter.

For the Canadian division, the Corporation for the months of April, May, and July through December was eligible for the Canadian Emergency Wage Subsidy ("CEWS") that was announced by the Federal Government in response to the COVID-19 pandemic on March 27, 2020. The CEWS program, which subsidizes a percentage of employee wages (subject to certain caps) is designed for eligible Canadian employers whose businesses have been impacted by the COVID-19 pandemic and is intended to help employers rehire previously laid off workers, retain existing employees, and assist Canadian businesses through the COVID-19 pandemic. The CEWS program allowed the Corporation to preserve a significant number of jobs. Without the benefit of this wage subsidy, the Canadian operations would have taken available alternative actions. During the fourth quarter of 2020, the Corporation has recognized \$0.6 million of wage subsidy which has been netted against the respective source of the expense.

For the UK division, the Corporation was eligible for the Coronavirus Job Retention Scheme ("CJRS") which was introduced by the UK government on March 20, 2020 to pay approximately 80% of salaries for employees (subject to certain caps) who are furloughed. For the fourth quarter, the Corporation has recognized £0.7 million (\$1.3 million) which has been netted against the respective source of the expense. During 2020, the terms of the CJRS required companies share in the cost of the program, and as a result the impact to the fourth quarter EBITDA was a cost of £69k (\$119k) which represents the UK division's contribution for hours and certain benefits. For greater clarity, until July 2020 the UK division received an equivalent amount from the government that is then paid to furloughed employees netting to no impact on EBITDA, however starting in August 2020 the UK division was required to make contributions for hours and certain benefits.

Selected Annual Financial Information

(\$ Thousands of CDN dollars, except percentages and per share amounts)	Years Ended December 31,								
	Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019 ⁽⁴⁾	Canadian Division 2018	UK Division 2018	2018
Revenue	166,682	29,909	196,591	186,624	65,786	252,410	179,889	59,645	239,534
EBITDA ⁽¹⁾	38,365	(121)	38,244	35,843	11,730	47,573	21,370	8,211	29,581
Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	38,018	(2,986)	35,032	30,052	8,641	38,693	21,370	8,211	29,581
Net earnings (loss)	10,892	(7,110)	3,782	7,787	3,119	10,906	2,701	3,468	6,169
Adjusted net earnings (loss) without adoption of IFRS 16 ⁽³⁾	15,274	(7,025)	8,249	7,997	3,342	11,339	2,701	3,468	6,169
Net earnings (loss) per share:									
Basic	1.032	(0.673)	0.358	0.741	0.297	1.038	0.258	0.331	0.589
Diluted	1.025	(0.669)	0.356	0.737	0.295	1.032	0.257	0.330	0.588
Adjusted net earnings (loss) without adoption of IFRS 16 per share:									
Basic	1.447	(0.665)	0.781	0.761	0.318	1.079	0.258	0.331	0.589
Diluted	1.437	(0.661)	0.776	0.756	0.316	1.072	0.257	0.330	0.588
Total assets			323,811			352,059			322,229
Long-term debt (excludes lease liabilities)			40,657			62,494			70,203
Weighted average number of shares outstanding:									
Basic			10,557,147			10,508,080			10,466,458
Diluted			10,629,237			10,571,347			10,500,014

1 EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See "Terminology".

2 Adjusted EBITDA without adoption of IFRS 16 (as defined below) is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

3 Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

4 Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items.



Summary of 2020 Results, Key Events & Outlook

FINANCIAL GROWTH

Net earnings were \$3.8 million or \$0.36 per Common Share (basic). Cash flow from operating activities was \$42.4 million and distributable cash flow was \$31.3 million. Revenue decreased in fiscal 2020 to \$196.6 million or by 22.1% compared to 2019.

EBITDA (see “Terminology”) decreased in 2020 to \$38.2 million or by 19.6% compared to \$47.6 million in 2019. On a consolidated basis, EBITDA margin increased from 18.8% in 2019 to 19.5% in 2020. For the Canadian division, the EBITDA margin increased to 23.0% in 2020 from 19.2% in 2019. For the UK division, the EBITDA margin decreased to -0.4% in 2020 from 17.8% in 2019.

For the Canadian division, the Corporation for the months of April, May, and July through December was eligible for the Canadian Emergency Wage Subsidy (“CEWS”) that was announced by the Federal Government in response to the COVID-19 pandemic on March 27, 2020. The CEWS program, which subsidizes a percentage of employee wages (subject to certain caps) is designed for eligible Canadian employers whose businesses have been impacted by the COVID-19 pandemic and is intended to help employers rehire previously laid off workers, retain existing employees, and assist Canadian businesses through the COVID-19 pandemic. The CEWS program allowed the Corporation to preserve a significant number of jobs. Without the benefit of this wage subsidy, the Canadian operations would have taken available alternative actions. During 2020, the Corporation has recognized \$8.3 million of the wage subsidy which has been netted against the respective source of the expense.

For the UK division, the Corporation was eligible for the Coronavirus Job Retention Scheme (“CJRS”) which was introduced by the UK government on March 20, 2020 to pay approximately 80% of salaries for employees (subject to certain caps) who are furloughed. Year to date, the Corporation has recognized £3.4 million (\$5.9 million) which has been netted against the respective source of

the expense. During 2020, the terms of the CJRS required companies share in the cost of the program, and as a result the impact to EBITDA was a cost of £95k (\$164k) which represents the UK division’s contribution for hours and certain benefits. For greater clarity, until July 2020, the UK division received an equivalent amount from the government that is then paid to furloughed employees netting to no impact on EBITDA, however starting in August 2020 the UK division was required to make contributions for hours and certain benefits.

Near-Term & Long-Term Growth & Margin Impact

In 2019, management completed its strategy in its Toronto and Vancouver markets that it believes will position K-Bro for long-term growth in its healthcare and hospitality businesses. The strategy included capital investments to build large, efficient, state-of-the-art facilities with meaningful additional capacity in Toronto and Vancouver. In addition, K-Bro has made investments to upgrade one of its existing Vancouver plants to create a more efficient facility with meaningful additional capacity.

The construction and/or upgrade of three of our large facilities enables us to bid on a significant amount of additional business, but created margin pressure through 2017, 2018 and Q1 2019 as K-Bro incurred significant onetime and transition costs associated with these large investments. Management believes that the onetime and transition costs incurred will position K-Bro to achieve more long-term growth and a lower cost structure in the future and that K-Bro will ultimately return to normalized margins upon resolution of the COVID-19 pandemic, as more specifically discussed below.

As disclosed above, the continued spread of COVID-19 throughout Canada and the UK, at least in the short-term to medium-term, is expected to have a significant negative impact on the amount of hospitality volume processed by the Corporation. To date the Corporation has seen an increased demand on the healthcare portion of the business as a result of practice changes within the hospitals. Dependent on the duration of the pandemic, management believes that the Corporation’s capital investments in Vancouver and Toronto could position the Corporation to profitably grow the business, for example as hotel occupancy rates rebound upon resolution of the public health crisis.

KEY EVENTS IN OUR MARKETS ARE SUMMARIZED BELOW

Alberta Contract Award

On March 1, 2021, the Corporation was awarded a one-year extension to provide laundry and linen services to Alberta Health Services Calgary. The contract extends the existing relationship between the Corporation and Alberta Health Services Calgary.

In October 2020, AHS issued a request for proposal for linen services (the "AHS RFP"). The AHS RFP encompassed the linen services provided by the Corporation to AHS under the AHS Calgary Contract, as well as the linen services provided by the Corporation to AHS in Edmonton, for which volumes are under contract as part of two existing agreements until 2022 and 2023 respectively. The AHS RFP also included new volume for rural Alberta. The AHS RFP is significant opportunity for the Corporation, but no assurances can be provided that the Corporation will be successful in pursuing such opportunity. See "Risk Factors – Increased Competition" in the Corporation's Annual Information Form.

British Columbia Contract Award

On September 1, 2020 the Corporation was awarded a five-year extension to provide healthcare laundry and linen services to part of the Lower Mainland. The contract extends the existing relationship between the Corporation and Business Initiatives & Support Services (BISS) for Vancouver Coastal Health, Fraser Health, Providence Health Care and Provincial Health Services Authority.

Revolving Credit Facility

During the second quarter of 2020, the Corporation completed an amendment to its existing revolving credit facility which made changes to certain terms and conditions within the agreement in consideration of the ongoing COVID-19 pandemic and the impact to the Corporation's operations. Key changes included:

- An increased Funded Debt to EBITDA covenant for the period of September 30, 2020 to June 30, 2021 which gradually allows for a maximum Funded Debt to EBITDA ratio of 4.5x for Q4 2020 and Q1 2021 including certain one-time add backs to EBITDA.
- A reduction to the Fixed Charge Covenant for the period of September 30, 2020 to June 30, 2021 which reduces to a maximum of 1.1x.
- A restriction on any further dividend increases during the covenant relief period of July 1, 2020 to June 30, 2021.

UK Acquisition

On July 19, 2019, the Corporation signed a share purchase agreement to acquire all the assets of a Scotland-incorporated private laundry and linen services company operating in Aberdeen. This acquisition was completed in September 2019 for a total consideration of £775k plus a working capital adjustment. For accounting purposes, the transaction has been treated as an asset acquisition, whereby the net working capital was recorded at closing, and the customer contracts acquired have been recorded as an intangible asset for £883k representing the total purchase price of £775k and associated transaction costs of £88k.

Capital Investment Plan

For fiscal 2021, the Corporation's planned capital spending is expected to be approximately \$5.0 million on a consolidated basis. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK and does not take into account amounts accrued in 2020 that will be paid in 2021. We will continue to assess capital needs within our facilities and prioritize projects that have shorter term paybacks as well as those that are required to maintain efficient and reliable operations.

Loss of Whitbread Group Contract

Subsequent to the 2019 fiscal year, the Corporation was unsuccessful in renewing its UK contract with the Whitbread Group. The associated volume was phased out of the relevant plant over the first two quarters of 2020. For the year ended December 31, 2019, this contract accounted for approximately 14% of Fishers' overall revenue.

COVID-19 Pandemic

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions, impacting travel both in and out of Canada and the UK. This has had and is expected to continue to have a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy.

Since mid-March 2020, we have seen significantly reduced hotel occupancy rates compared to historical levels. Demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights. Accordingly, hospitality volumes in all of our Canadian and UK markets have slowed to historically low levels. While we saw improvement in the Corporation's hospitality business in Q3 resulting from increased domestic tourism, volumes in Q4 started to quickly taper, primarily a result of the second wave of COVID-19 and reinstatement of previous restrictions.

In addition to this, in late Q1 and into Q2 we saw decreases in our healthcare business as a result of hospitals and health authorities taking measures to prepare for anticipated surges in COVID-19-related occupancy (i.e., cancellation of elective surgeries). As Q2 progressed, we saw a return to more normal healthcare levels however we cannot predict with certainty how the progression of COVID-19 will impact overall volumes. The following table depicts the impact on the Corporation's revenue for 2020.

Month	Healthcare Revenue Change (2020 compared to 2019)	Hospitality Revenue Change (2020 compared to 2019)	Consolidated Revenue Change (2020 compared to 2019)
January	3%	7%	5%
February	5%	7%	6%
March	0%	-27%	-12%
Q1 2020 compared to Q1 2019 (Jan to Mar)	3%	-6%	-1%
April	-8%	-94%	-45%
May	2%	-92%	-39%
June	9%	-90%	-40%
Q2 2020 compared to Q2 2019 (Apr to Jun)	1%	-92%	-41%
July	13%	-76%	-29%
August	12%	-59%	-23%
September	12%	-53%	-20%
Q3 2020 compared to Q3 2019 (Jul to Sep)	12%	-63%	-24%
October	12%	-61%	-20%
November	19%	-69%	-18%
December	24%	-78%	-22%
Q4 2020 compared to Q4 2019 (Oct to Dec)	18%	-69%	-20%
YTD	9%	-60%	-22%

Although the Corporation has developed and implemented measures to mitigate the effects of the COVID-19 pandemic which include, temporary restructuring through consolidating operations, reducing headcount, reducing certain capital expenditures and accessing available government assistance programs, earnings will continue to be particularly affected if we continue to experience reductions in travel and reduced hospitality and healthcare occupancy rates. The extent of such negative effects on our business and our financial and operational performance will depend on future developments, including the duration, spread and severity of outbreaks, the availability and effectiveness of the vaccine, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of the COVID-19 pandemic on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. As hotels are continuing to experience significantly reduced occupancy rates, our 2021 consolidated results of operations will continue to be significantly impacted. Additionally, our suppliers or other third parties we rely upon may experience

delays or shortages, which could have an adverse effect on our business prospects and results of operations.

As an ongoing risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, and continues to be offset through the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and, accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty.

Therefore, uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's interim condensed consolidated financial statements related to potential impacts of the COVID-19 pandemic on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the assets or liabilities affected.

Impairment of Assets

(a) Impairment Testing at March 31, 2020

Management assessed that impairment indicators existed at March 31, 2020, specifically for the five CGUs that rely primarily on hospitality revenues as a result of the significant impact that COVID-19 had on the hospitality industry.

For the five CGUs who rely primarily on hospitality revenues an impairment test was completed using a probability-weighted discounted cash flow approach whereby the recoverable amount was based on the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

The key assumptions in calculating the recoverable amount of the five CGU's were as follows:

	March 31, 2020
Long-term growth rate %	2.0% to 3.0%
Pre-tax discount rate %	10.5% to 12.5%

For the March 31, 2020 impairment test, management's probability weighted approach was evaluated based on an equally weighted probability of a one year downturn in sales to the worst case of a two year downturn in sales. The scenarios estimated a decline of 70% for 2020 and 50% for 2021, with sales returning to normalized levels thereafter with sales growth estimates used between 2% to 3%.

As a result of this testing at March 31, 2020, an impairment loss of \$5,516 was recognized for three CGUs in the Canadian division, of which \$3,177 was allocated to goodwill and \$2,339 was allocated to PP&E. The table below summarizes the impairment details:

GCU	Allocated to Goodwill	Allocated to PP&E	Total Impairment Recorded	Recoverable Amount
Montréal	823	-	823	2,485
Québec	654	2,339	2,993	-1,917
Victoria	1,700	-	1,700	5,433
	3,177	2,339	5,516	6,001

(b) Impairment Testing at December 31, 2020

The Corporation performed its annual assessment for goodwill impairment for the Canadian division and for the UK division as at December 31, 2020 in accordance with its policy described in Note 2(k).

At December 31, 2020, the recoverable amount for the CGUs was determined using either a probability-weighted discounted cash flow approach (hospitality CGUs) or an earnings multiple approach (healthcare CGUs). The Corporation references Board approved budgets and cash flow forecasts, trailing twelve-month EBITDA, implied multiples and appropriate discount rates in the valuation calculations.

For the healthcare CGUs whereby the earnings multiple approach is used the implied multiple is calculated by utilizing the average multiples of comparable public companies. For the healthcare CGU's, the Corporation used implied average forward multiples that ranged from 12.7 to 12.9 to calculate the recoverable amounts. For these CGUs, based on testing performed at December 31, 2020 no impairment was determined to exist.

For the hospitality CGUs the probability weight discounted cash flow approach was used at both March 31, 2020 and December 31, 2020 to capture the increased risk and uncertainty arising from COVID-19.

For the December 31, 2020 impairment test, management's probability weighted approach was evaluated based on an equally weighted probability of a continued two year downturn in sales to the worst case of a three year downturn in sales. The scenarios estimated a decline of 45% for 2021, 30% for 2022, and 5% for 2023 with sales returning to normalized levels thereafter with sales growth estimates used 2%. This contrasts to the March 31, 2020 impairment test which contemplated a decline in 2020 and 2021 revenues only. As at December 31, 2020, for the goodwill associated with the remaining hospitality CGUs (the UK Division, Vancouver 2 and Victoria) the recoverable amounts was estimated to be £41,070, \$21,300 and \$6,484 respectively which exceeded the carrying amounts of the CGUs. No further impairment was therefore required for any of these CGUs.

The key assumptions in calculating the recoverable amount of the remaining CGU's were as follows:

	December 31, 2020
Long-term growth rate %	2.0%
Pre-tax discount rate %	11.6% to 12.5%

In addition to the key assumptions noted above, management has also evaluated other reasonable changes in estimates and assumptions and did not identify any other instances that could cause the carrying amount of these CGUs to exceed the recoverable amount. The table below summarizes the sensitivity of the key assumptions.

	Recoverable Amount	Sensitivity Analysis	
		Long-Term Growth Rate Decrease of 1%	Pre-Tax Discount Rate Increase of 1%
UK Division	£41,070	-£3,869	-£4,652
Vancouver 2	\$21,300	-\$2,295	-\$2,785
Victoria	\$6,484	-\$695	-\$845

The Corporation will continue to carefully monitor the situation as it pertains to the COVID-19 pandemic and further consider if there are new, or additional indicators, that exist during fiscal 2021.

With the ongoing evolution of the COVID-19 pandemic, the length and severity of these developments is subject to significant uncertainty. Accordingly, new developments may materially and adversely affect assumptions used in the consideration of the impairment of assets, impact whether a CGU has been impaired, and may change prior recorded impairment amounts.

Outlook

While the COVID-19 pandemic will have a continued significant negative impact on our hospitality revenue, management believes the prospects for the Corporation's healthcare business remains strong in the medium-to-long-term. By providing integral laundry and linen processing services to the hospitality and healthcare sectors, the Corporation has been designated an "essential" service in the jurisdictions in which it operates, which has allowed the Corporation's facilities to remain open and continue "normal" operations. This has mitigated some of the more dramatic financial and operational impacts experienced by many other businesses in other industries. In addition, management believes that the financial flexibility provided by our strong balance sheet will enable us to operate without disruption to our business model while maintaining our ability to service the healthcare and hospitality sectors in our Canadian and UK markets. For further information about the impact of the COVID-19 pandemic on our business, see the "Summary of Interim Results, and Key Events".

Results of Operations

KEY PERFORMANCE DRIVERS

K-Bro's key performance drivers focus on growth, profitability, stability and cost containment in order to maintain dividends and maximize Shareholder value in the long term. The following outlines our results on a period-to-period comparative basis in each of these areas:

		Three Months Ended December 31,					
(\$ Thousands of CDN dollars, except percentages and per share amounts)		Canadian Division	UK Division	2020	Canadian Division	UK Division	2019 ⁽⁵⁾
Category	Indicator	2020	2020		2019	2019	
Growth	EBITDA ⁽¹⁾	36.8%	-109.5%	5.6%	80.6%	32.8%	67.7%
	Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	43.1%	-145.9%	5.1%	50.5%	2.9%	37.7%
	Revenue	-3.1%	-65.8%	-19.9%	2.1%	17.5%	5.8%
	Distributable cash flow ⁽⁴⁾			-2.2%			21.2%
Profitability	EBITDA ⁽¹⁾	11,951	(224)	11,727	8,737	2,365	11,102
	EBITDA margin	26.8%	-3.9%	23.3%	19.0%	14.0%	17.7%
	Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	10,421	(841)	9,580	7,283	1,833	9,116
	Adjusted EBITDA margin without adoption of IFRS 16	23.4%	-14.5%	19.0%	15.8%	10.9%	14.5%
	Net earnings (loss)	4,500	(2,365)	2,135	1,760	435	2,195
	Adjusted net earnings (loss) without adoption of IFRS 16 ⁽³⁾	4,507	(2,078)	2,429	1,835	573	2,408
Stability	Debt to total capital			17.9%			24.7%
	Unutilized line of credit			58,693			36,356
	Cash on hand			2,416			5,301
	Payout ratio			46.5%			45.2%
	Dividends declared per share			0.300			0.300
Cost containment	Wages and benefits	32.5%	41.7%	33.5%	40.5%	35.8%	39.3%
	Utilities	5.2%	13.7%	6.2%	5.4%	8.9%	6.3%
	Expenses included in EBITDA	73.2%	103.9%	76.7%	81.0%	86.0%	82.3%

¹ EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See Terminology.

² Adjusted EBITDA without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

³ Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

⁴ Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

⁵ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items

		Years Ended December 31,					
		Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019 ⁽⁵⁾
<i>(\$ Thousands of CDN dollars, except percentages and per share amounts)</i>							
Category	Indicator						
Growth	EBITDA ⁽¹⁾	7.0%	-101.0%	-19.6%	67.7%	42.9%	60.8%
	Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	26.5%	-134.6%	-9.5%	40.6%	5.2%	30.8%
	Revenue	-10.7%	-54.5%	-22.1%	3.7%	10.3%	5.4%
	Distributable cash flow ⁽⁴⁾			5.6%			19.6%
Profitability	EBITDA ⁽¹⁾	38,365	(121)	38,244	35,843	11,730	47,573
	EBITDA margin	23.0%	-0.4%	19.5%	19.2%	17.8%	18.8%
	Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	38,018	(2,986)	35,032	30,052	8,641	38,693
	Adjusted EBITDA margin without adoption of IFRS 16	22.8%	-10.0%	17.8%	16.1%	13.1%	15.3%
	Net earnings (loss)	10,892	(7,110)	3,782	7,787	3,119	10,906
	Adjusted net earnings (loss) without adoption of IFRS 16 ⁽³⁾	15,274	(7,025)	8,249	7,997	3,342	11,339
Stability	Debt to total capital			17.9%			24.7%
	Unutilized line of credit			58,693			36,356
	Cash on hand			2,416			5,301
	Payout ratio			40.9%			42.9%
	Dividends declared per share			1.200			1.200
Cost containment	Wages and benefits	32.9%	42.6%	34.4%	40.9%	35.4%	39.4%
	Utilities	5.3%	9.6%	5.9%	5.7%	8.9%	6.5%
	Expenses included in EBITDA	77.0%	100.4%	80.5%	80.8%	82.2%	81.2%

¹ EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See Terminology.

² Adjusted EBITDA without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

³ Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

⁴ Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

⁵ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items

QUARTERLY FINANCIAL INFORMATION - CONSOLIDATED

Historically, the Corporation's financial and operating results, particularly in respect of Fishers, are stronger in the second and third quarters as a result of seasonality and the associated higher hospitality volumes. Other fluctuations in net income from quarter-to-quarter can also be attributed

to hiring and labour cost trends, timing of linen purchases, utility costs, timing of repairs and maintenance expenditures, business development, capital spending patterns and changes in corporate tax rates and income tax expenses.

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Consolidated (\$ Thousands of CDN dollars, except percentages and per share amounts)	2020 ⁽⁵⁾				2019 ⁽⁴⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	41,981	39,071	35,103	35,048	35,482	34,710	34,729	34,103
Hospitality revenue	8,376	12,368	2,417	22,227	27,410	33,132	29,164	23,680
Total revenue	50,357	51,439	37,520	57,275	62,892	67,842	63,893	57,783
Expenses included in EBITDA	38,630	38,720	27,465	53,532	51,790	53,225	51,154	48,668
EBITDA ⁽¹⁾	11,727	12,719	10,055	3,743	11,102	14,617	12,739	9,115
EBITDA as a % of revenue (EBITDA margin)	23.3%	24.7%	26.8%	6.5%	17.7%	21.5%	19.9%	15.8%
Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	9,580	10,785	7,558	7,109	9,116	12,286	10,488	6,803
Adjusted EBITDA without adoption of IFRS 16 as % of revenue	19.0%	21.0%	20.1%	12.4%	14.5%	18.1%	16.4%	11.8%
Depreciation and amortization	7,110	6,840	6,853	7,081	7,011	7,059	6,979	6,916
Finance expense	836	1,141	791	1,193	1,213	1,510	1,566	1,513
Earnings (loss) before income taxes	3,781	4,738	2,411	(4,531)	2,878	6,048	4,194	686
Income tax expense (recovery)	1,646	1,296	798	(1,123)	683	1,379	647	191
Net earnings (loss)	2,135	3,442	1,613	(3,408)	2,195	4,669	3,547	495
Net earnings (loss) as a % of revenue	4.2%	6.7%	4.3%	-6.0%	3.5%	6.9%	5.6%	0.9%
Basic earnings (loss) per share	0.202	0.326	0.153	(0.323)	0.209	0.444	0.338	0.047
Diluted earnings (loss) per share	0.200	0.323	0.152	(0.322)	0.207	0.441	0.336	0.047
Adjusted net earnings without adoption of IFRS 16 ⁽³⁾	2,429	3,543	1,292	985	2,408	4,736	3,637	558
Basic adjusted earnings without adoption of IFRS 16 per share	0.230	0.335	0.122	0.093	0.229	0.451	0.346	0.053
Diluted adjusted earnings without adoption of IFRS 16 per share	0.228	0.332	0.122	0.093	0.227	0.447	0.344	0.053
Total assets	323,811	338,591	330,372	336,127	352,059	353,021	361,018	360,563
Total long-term financial liabilities	95,555	113,278	108,207	106,621	116,455	119,102	129,862	123,049
Funds provided by (used in) operations	25,023	(504)	6,289	11,588	11,555	19,816	2,875	9,670
Long-term debt (excludes lease liabilities)	40,657	59,325	56,416	54,693	62,494	66,070	75,952	67,444
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300

1 EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See Terminology.

2 Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

3 Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

4 Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items.

5 Q1 2020 includes an adjustment of \$5.5 million for an impairment related charge to the Canadian Division, and is excluded in adjusted EBITDA and adjusted net earnings (loss).

QUARTERLY FINANCIAL INFORMATION - CANADIAN DIVISION

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Canadian Division

(\$ Thousands of CDN dollars, except percentages and per share amounts)

	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	40,305	37,417	33,598	33,395	33,839	33,224	33,122	32,435
Hospitality revenue	4,268	5,628	1,755	10,316	12,162	16,267	13,477	12,098
Total revenue	44,573	43,045	35,353	43,711	46,001	49,491	46,599	44,533
Expenses included in EBITDA	32,622	30,999	23,779	40,917	37,264	39,068	37,300	37,149
EBITDA ⁽¹⁾	11,951	12,046	11,574	2,794	8,737	10,423	9,299	7,384
EBITDA as a % of revenue (EBITDA margin)	26.8%	28.0%	32.7%	6.4%	19.0%	21.1%	20.0%	16.6%
Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	10,421	10,609	10,140	6,848	7,283	8,925	7,884	5,960
Adjusted EBITDA without adoption of IFRS 16 as % of revenue	23.4%	24.6%	28.7%	15.7%	15.8%	18.0%	16.9%	13.4%
Net earnings (loss)	4,500	4,404	4,460	(2,472)	1,760	2,893	2,403	731
Net earnings (loss) as a % of revenue	10.1%	10.2%	12.6%	-5.7%	3.8%	5.8%	5.2%	1.6%
Basic earnings (loss) per share	0.426	0.417	0.423	(0.235)	0.167	0.275	0.229	0.070
Diluted earnings (loss) per share	0.422	0.413	0.420	(0.233)	0.166	0.273	0.228	0.069
Adjusted net earnings without adoption of IFRS 16 ⁽³⁾	4,507	4,422	4,482	1,863	1,835	2,919	2,456	787
Basic adjusted earnings without adoption of IFRS 16 per share	0.426	0.419	0.425	0.177	0.174	0.278	0.234	0.075
Diluted adjusted earnings without adoption of IFRS 16 per share	0.423	0.415	0.422	0.176	0.173	0.276	0.233	0.075

¹ EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See "Terminology".

² Adjusted EBITDA without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

³ Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

⁴ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items.

⁵ Q1 2020 includes an adjustment of \$5.5 million for an impairment related charge to the Canadian Division, and is excluded in adjusted EBITDA and adjusted net earnings (loss).

QUARTERLY FINANCIAL INFORMATION - UK DIVISION

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - UK Division (in reporting currency Canadian \$)

(\$ Thousands of CDN dollars, except percentages and per share amounts)

	2020				2019 ⁽⁴⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	1,676	1,654	1,505	1,653	1,643	1,486	1,607	1,668
Hospitality revenue	4,108	6,740	662	11,911	15,248	16,865	15,687	11,582
Total revenue	5,784	8,394	2,167	13,564	16,891	18,351	17,294	13,250
Expenses included in EBITDA	6,008	7,721	3,686	12,615	14,526	14,157	13,854	11,519
EBITDA ⁽¹⁾	(224)	673	(1,519)	949	2,365	4,194	3,440	1,731
EBITDA as a % of revenue (EBITDA margin)	-3.9%	8.0%	-70.1%	7.0%	14.0%	22.9%	19.9%	13.1%
Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	(841)	176	(2,582)	261	1,833	3,361	2,604	843
Adjusted EBITDA without adoption of IFRS 16 as % of revenue	-14.5%	2.1%	-119.2%	1.9%	10.9%	18.3%	15.1%	6.4%
Net earnings (loss)	(2,365)	(962)	(2,847)	(936)	435	1,776	1,144	(236)
Net earnings (loss) as a % of revenue	-40.9%	-11.5%	-131.4%	-6.9%	2.6%	9.7%	6.6%	-1.8%
Basic earnings (loss) per share	(0.224)	(0.091)	(0.270)	(0.089)	0.041	0.169	0.109	(0.022)
Diluted earnings (loss) per share	(0.222)	(0.090)	(0.268)	(0.088)	0.041	0.168	0.108	(0.022)
Adjusted net earnings (loss) without adoption of IFRS 16 ⁽³⁾	(2,078)	(879)	(3,190)	(878)	573	1,817	1,181	(229)
Basic adjusted earnings (loss) without adoption of IFRS 16 per share	(0.197)	(0.083)	(0.302)	(0.083)	0.054	0.173	0.112	(0.022)
Diluted adjusted earnings (loss) without adoption of IFRS 16 per share	(0.195)	(0.082)	(0.300)	(0.083)	0.054	0.172	0.112	(0.022)

¹ EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See "Terminology".

² Adjusted EBITDA without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

³ Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

⁴ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items.

Quarterly Financial Information - UK Division*(in local currency Sterling £)**(Thousands, except percentages and per share amounts)*

	2020				2019 ⁽⁴⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	974	961	875	962	966	913	935	963
Hospitality revenue	2,388	3,916	385	6,931	8,967	10,359	9,126	6,689
Total revenue	3,362	4,877	1,260	7,893	9,933	11,272	10,061	7,652
Expenses included in EBITDA	3,492	4,487	2,140	7,343	8,543	8,696	8,058	6,654
EBITDA ⁽¹⁾	(130)	390	(880)	550	1,390	2,576	2,003	998
EBITDA as a % of revenue (EBITDA margin)	-3.9%	8.0%	-69.8%	7.0%	14.0%	22.9%	19.9%	13.1%
Adjusted EBITDA without adoption of IFRS 16 ⁽²⁾	(488)	102	(1,499)	150	1,077	2,065	1,517	485
Adjusted EBITDA without adoption of IFRS 16 as % of revenue	-14.5%	2.1%	-119.2%	1.9%	10.9%	18.3%	15.1%	6.4%
Net earnings (loss)	(1,376)	(559)	(1,653)	(546)	254	1,091	668	(138)
Net earnings (loss) as a % of revenue	-40.9%	-11.5%	-131.2%	-6.9%	2.6%	9.7%	6.6%	-1.8%
Basic earnings (loss) per share	(0.130)	(0.053)	(0.157)	(0.052)	0.024	0.104	0.064	(0.013)
Diluted earnings (loss) per share	(0.129)	(0.052)	(0.156)	(0.052)	0.024	0.103	0.063	(0.013)
Adjusted net earnings (loss) without adoption of IFRS 16 ⁽³⁾	(1,210)	(510)	(1,853)	(512)	336	1,115	690	(134)
Basic adjusted earnings (loss) without adoption of IFRS 16 per share	(0.114)	(0.048)	(0.176)	(0.049)	0.032	0.106	0.066	(0.013)
Diluted adjusted earnings (loss) without adoption of IFRS 16 per share	(0.114)	(0.048)	(0.174)	(0.048)	0.032	0.105	0.065	(0.013)

¹ EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense (recovery) and depreciation and amortization). See "Terminology".

² Adjusted EBITDA without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

³ Adjusted net earnings without adoption of IFRS 16 is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See "Terminology" for a complete description of the adjusted items.

⁴ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2020 and 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items.

REVENUE, EARNINGS & EBITDA

For the year ended December 31, 2020, K-Bro's consolidated revenue decreased by 22.1% to \$196.6 million from \$252.4 million in the comparative period. This decrease was primarily due to the significant reduction in hospitality revenue related to the COVID-19 pandemic. In 2020, approximately 76.9% of K-Bro's consolidated revenue was generated from healthcare institutions, which is higher compared to 55.1% in 2019. This was primarily related to the COVID-19 pandemic's effect on the hospitality segment, as described above.

Consolidated EBITDA decreased in the year to \$38.2 million from \$47.6 million in 2019, which is an decrease of 19.6%. The consolidated EBITDA margin increased to 19.5% in 2020 compared to 18.8% in 2019. Included in 2020 consolidated EBITDA is a charge related to the impairment of assets of

\$5.5 million. This results in a 2.8% decrease to the consolidated EBITDA margin for 2020. This is offset by government assistance received in 2020 for the Canadian division in the amount of \$8.3 million which has been netted against the respective source of the expense. Consolidated adjusted EBITDA decreased in the year to \$35.0 million from \$38.9 million in 2019, which is an decrease of 9.5%. The consolidated adjusted EBITDA margin increased to 17.8% 2020 compared to 15.3% in 2019. The reduction in the adjusted EBITDA and increase in adjusted EBITDA margin can be attributed to the reduced hospitality volume as a result of the COVID-19 pandemic, offset by government assistance received in 2020 for the Canadian division in the amount of \$8.3 million which has been netted against the respective source of the expense.

The UK division also received government assistance during 2020 in the amount of £3.4 million (\$5.9 million) which has been netted against the respective source of the expense. For the first two quarters there was no impact to EBITDA in relation to the government assistance, however, beginning in the third quarter of 2020 onwards, government assistance received by the UK division through the CJRS required that companies share in the cost of the program and as a result the impact to EBITDA during 2020 was a cost of £95k (\$164k), which represents the UK division's contribution for hours and certain benefits in the third and fourth quarters. For greater clarity, until July 2020, the UK division received an equivalent amount from the government that was then paid to furloughed employees netting to no impact on EBITDA however starting in August 2020, the UK division was required to make contributions for hours and certain benefits.

Net earnings decreased by \$7.1 million or 65.3% from \$10.9 million in 2019 to \$3.8 million in 2020, and net earnings as a percentage of revenue decreased by 2.4% to 1.9% in 2020 from 4.3% in 2019. The change in net earnings is primarily related to the flow through items in EBITDA discussed above, lower finance costs related to the revolving credit facility, and lower income tax expense.

OPERATING EXPENSES

Wages and benefits decreased by \$32.0 million to \$67.6 million compared to \$99.6 million in the comparative period of 2019, and as a percentage of revenue decreased by 5.0% to 34.4%. The decrease as a percentage of revenue is primarily related to \$7.0 million government assistance received in the Canadian division, improvements in labour efficiencies, offset by escalating minimum wage rates and restructuring costs of \$1.4 million related to the COVID-19 pandemic.

Linen decreased by \$2.7 million to \$24.8 million compared to \$27.5 million in the comparative period of 2019, and as a percentage of revenue increased by 1.7% to 12.6%. The increase as a percentage of revenue is primarily related to the higher proportion of healthcare revenue. The reduction in total cost relates to decreased linen amortization on the hospitality portion of the Corporation's business which is a result of the COVID-19 pandemic.

Utilities decreased by \$4.8 million to \$11.6 million compared to \$16.4 million in the comparative period of 2019, and as a percentage of revenue decreased by 0.6% to 5.9%. The decrease as a percentage of revenue is primarily related to lower utility costs in British Columbia as a result of a temporary natural gas supply shortage during the first quarter of 2019, lower commodity costs, and operational measures to offset the impact of COVID-19.

Delivery decreased by \$8.1 million to \$20.7 million compared to \$28.8 million in the comparative period of 2019, and as a percentage of revenue decreased by 0.9% to 10.5%. The decrease as a percentage of revenue is primarily related to government assistance received, in addition to management's efforts to offset the impact of COVID-19 in the delivery operations of each plant through temporary reductions in the delivery labour force, logistics and delivery route optimizations, offset by fixed costs which remain constant regardless of the reduction in volume resulting from the COVID-19 pandemic and price increases from renewals of outsourced freight contracts.

Occupancy costs decreased by \$0.9 million to \$3.6 million compared to \$4.5 million in the comparative period of 2019, and as a percentage of revenue remained constant at 1.8%. This includes fixed costs that remain constant regardless of the reduction in volume resulting from the COVID-19 pandemic, offset by rent concessions received in certain plants in the UK in the amount of \$0.5 million recorded in the second quarter of 2020.

Materials and supplies decreased by \$1.3 million to \$7.0 million compared to \$8.3 million in the comparative period of 2019, and as a percentage of revenue increased by 0.3% to 3.6%. The increase as a percentage of revenue is primarily related to additional personal protective equipment required as a result of the COVID-19 pandemic and one-time cost recoveries in 2019.

Repairs and maintenance decreased by \$1.8 million to \$7.0 million compared to \$8.8 million in the comparative period of 2019, and as a percentage of revenue remained relatively constant at 3.6%. The decrease in costs is a result of the reduction in volume resulting from the COVID-19 pandemic and timing of maintenance activities.

Corporate costs decreased by \$0.6 million to \$10.5 million compared to \$11.1 million in the comparative period of 2019, and as a percentage of revenue increased by 1.0% to 5.4%. The increase as a percentage of revenue is primarily related to fixed costs that remain constant regardless of the reduction in volume resulting from the COVID-19 pandemic, restructure costs, bad debt expense, and offset by government assistance received.

Depreciation of property, plant and equipment and amortization of intangible assets represents the expense related to the appropriate matching of the Corporation's long-term assets to the estimated useful life and period of economic benefit of those assets.

Income tax includes current and future income taxes based on taxable income and the temporary timing differences between the tax and accounting bases of assets and liabilities. Income tax reflects the provision on the earnings of the Corporation.



Liquidity & Capital Resources

In 2020, cash generated by operating activities was \$42.4 million with a debt to total capitalization of 17.9%. The change in cash from operations is primarily due to the change in working capital items driven mainly from and the impact of the COVID-19 pandemic, particularly additional linen expenditures made to support increased healthcare volumes due to the COVID-19 pandemic offset by collections of accounts receivable. The Corporation's capital structure includes working capital, a committed revolving credit facility and share capital. We continuously monitor actual and forecast cash flows and monitor the availability on our committed credit facility. Management believes the un-utilized balance of \$58.7 million with respect to its revolving credit facility is sufficient for the Corporation's operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and longterm basis in order to ensure that sufficient capital is available for future growth needs.

During 2020, cash used in financing activities was \$40.8 million compared to \$27.1 million in 2019. Financing activities consisted of net repayment of the revolving credit facility, dividends paid to Shareholders and principal elements of lease payments.

During 2020, cash used in investing activities was \$4.4 million compared to \$14.3 million in 2019. Investing activities related primarily to the purchase of plant equipment.

CONTRACTUAL OBLIGATIONS

Payments due under contractual obligations for the next five years and thereafter are as follows:

	Payments Due by Period				
	Total	2021	2022 to 2023	2024 to 2025	Subsequent
<i>(\$ Thousands of CDN dollars)</i>					
Long-term debt	40,657	-	40,657	-	-
Lease liabilities	61,539	8,335	14,423	11,648	27,133
Utility commitments	5,170	5,170	-	-	-
Linen purchase obligations	4,527	4,527	-	-	-
Property, plant and equipment commitments	42	42	-	-	-

The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2020. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

FINANCIAL POSITION

	Years Ended December 31,	
	2020	2019
<i>(\$ Thousands, except percentages)</i>		
Cash and cash equivalents	(2,416)	(5,301)
Long-term debt (excludes lease liabilities)	40,657	62,494
Shareholders' equity	189,504	196,051
Total capital	227,745	253,244
Debt to total capital (see <i>Terminology</i> for definition)	17.9%	24.7%

The Corporation is subject to the following covenants as defined in the credit facility agreement:

Financial Covenant	Limit for December 31, 2020	December 31, 2020	December 31, 2019
Funded debt to credit facility EBITDA ⁽¹⁾	4.50	1.03	1.57
Fixed charge coverage ratio	1.10	12.90	7.39

¹ The financial covenants include financial measures defined within the credit facility agreement that are not defined under IFRS. For purposes of calculating EBITDA for bank compliance reporting EBITDA is defined as Adjusted EBITDA with certain addbacks

For the year ended December 31, 2020, the Corporation had a debt to total capital of 17.9%, unused revolving credit facility of \$58.7 million and has not incurred any events of default under the terms of its credit facility.

As at December 31, 2020, the Corporation had net working capital of \$27.9 million compared to its working capital position of \$31.0 million at December 31, 2019. The decrease in working capital is primarily attributable to a decrease in working capital requirements from the UK division due to the impact of COVID-19 and the reduction business activity, timing differences related to cash receipts from customers, and a decrease in cash and cash equivalents.

Management believes that K-Bro has the capital resources and liquidity necessary to meet its commitments, support its operations and finance its growth strategies. In addition to K-Bro's ability to generate cash from operations and its revolving credit facility, K-Bro believes it is also able to raise capital through equity issuances in the market or increase its borrowing capacity, if necessary, to provide for capital spending and to sustain its property, plant and equipment.

Dividends

Fiscal Period	Payment Date	# of Shares Outstanding	2020		2019	
			Amount Per Share	Total Amount (1)(3)(5)(7)	Amount Per Share	Total Amount (2)(4)(6)(8)
January	February 14	10,604,029	0.10000	1,060	0.10000	1,056
February	March 13	10,604,029	0.10000	1,060	0.10000	1,056
March	April 15	10,604,029	0.10000	1,060	0.10000	1,056
Q1			0.30000	3,181	0.30000	3,168
April	May 15	10,604,029	0.10000	1,060	0.10000	1,056
May	June 15	10,676,889	0.10000	1,068	0.10000	1,060
June	July 15	10,676,889	0.10000	1,068	0.10000	1,060
Q2			0.30000	3,196	0.30000	3,177
July	August 14	10,676,889	0.10000	1,068	0.10000	1,060
August	September 15	10,676,889	0.10000	1,068	0.10000	1,060
September	October 15	10,676,889	0.10000	1,068	0.10000	1,060
Q3			0.30000	3,203	0.30000	3,181
October	November 13	10,676,889	0.10000	1,068	0.10000	1,060
November	December 15	10,676,889	0.10000	1,068	0.10000	1,060
December	January 15	10,676,889	0.10000	1,068	0.10000	1,060
Q4			0.30000	3,203	0.30000	3,181
YTD			1.20000	12,783	1.20000	12,707

¹ The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,438 per month for January - March 2020; when rounded in thousands, \$3,181 of dividends were declared in Q1 2020.

² The total amount of dividends declared was \$0.10000 per share for a total of \$1,055,994 per month for January - March 2019; when rounded in thousands, \$3,168 of dividends were declared in Q1 2019.

³ The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,438 for April 2020, \$1,067,689 for May 2020, and \$1,067,689 for June 2020. When rounded in thousands, \$3,181 of dividends were declared in Q2 2020.

⁴ The total amount of dividends declared was \$0.10000 per share for a total of \$1,055,994 for April 2019, \$1,060,403 for May 2019, and \$1,060,438 for June 2019. When rounded in thousands, \$3,177 of dividends were declared in Q2 2019.

⁵ The total amount of dividends declared was \$0.10000 per share for a total of \$1,067,689 per month for July - September 2020; when rounded in thousands, \$3,203 of dividends were declared in Q3 2020.

⁶ The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,438 per month for July - September 2019; when rounded in thousands, \$3,181 of dividends were declared in Q3 2019.

⁷ The total amount of dividends declared was \$0.10000 per share for a total of \$1,067,689 per month for October - December 2020; when rounded in thousands, \$3,203 of dividends were declared in Q4 2020.

⁸ The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,438 per month for October - December 2019; when rounded in thousands, \$3,181 of dividends were declared in Q4 2019.

For the year ended December 31, 2020, the Corporation declared a \$1.200 per Common Share dividend compared to \$2.942 per Common Share of Distributable Cash Flow (see "Terminology"). The actual payout ratio was 40.9%.

The Corporation's policy is to pay dividends to Shareholders from its available distributable cash flow while considering requirements for capital expenditures, working capital, growth capital and other reserves considered advisable

by the Board of Directors. All such dividends are discretionary. Dividends are declared payable each month in equal amounts to Shareholders on the last business day of each month and are paid by the 15th of the following month.

The Corporation designates all dividends paid or deemed to be paid as Eligible Dividends for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

Distributable Cash Flow

(see Terminology) (all amounts in this section in \$000s except per share amounts and percentages)

The Corporation's source of cash for dividends is distributable cash flow provided by operating activities. Distributable cash flow, reconciled to cash provided by operating activities as calculated under IFRS, is presented as follows:

(\$ Thousands of CDN dollars, except percentages and per share amounts)	2020				2019 ⁽⁴⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash (used in) provided by operating activities	25,023	(504)	6,289	11,588	11,555	19,816	2,875	9,670
Deduct (add):								
Net changes in non-cash working capital items ⁽¹⁾	16,111	(13,724)	(2,926)	3,011	1,534	7,463	(8,615)	1,484
Share-based compensation expense	410	693	189	507	404	427	439	540
Maintenance capital expenditures ⁽²⁾	(11)	35	280	328	1,072	1,352	1,143	374
Principle elements of lease payments ⁽⁵⁾	1,627	1,442	1,487	1,666	1,501	1,806	1,736	1,648
Distributable cash flow⁽⁵⁾	6,886	11,050	7,259	6,076	7,044	8,768	8,172	5,624
Dividends declared	3,203	3,203	3,196	3,181	3,181	3,181	3,177	3,168
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio ⁽³⁾	46.5%	29.0%	44.0%	52.4%	45.2%	36.3%	38.9%	56.3%
Weighted average shares outstanding during the period, basic	10,575	10,563	10,551	10,539	10,521	10,511	10,504	10,497
Weighted average shares outstanding during the period, diluted	10,658	10,667	10,627	10,591	10,588	10,584	10,558	10,546
Trailing-twelve months ("TTM")								
Distributable cash flow	31,271	31,429	29,147	30,060	29,608	28,375	26,879	25,190
Dividends	12,783	12,761	12,739	12,720	12,707	12,694	12,681	12,667
Payout ratio ⁽³⁾	40.9%	40.6%	43.7%	42.3%	42.9%	44.7%	47.2%	50.3%

¹ Net changes in non-cash working capital is excluded from the calculation as management believes it would introduce significant cash flow variability and affect underlying cash flow from operating activities. Significant variability can be caused by such things as the timing of receipts (which individually are large because of the nature of K-Bro's customer base and timing may vary due to the timing of customer approval, vacations of customer personnel, etc.) and the timing of disbursements (such as the payment of large volume rebates done once annually). As well, large increases in working capital are generally required when contracts with new customers are signed as linen is purchased and accounts receivable increase. Management feels that this amount should be excluded from the distributable cash flow calculation.

² Maintenance capital expenditures include costs required to maintain or replace assets which do not have a discrete return on investment.

³ The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

⁴ Effective January 1, 2019, the Corporation has adopted IFRS 16 using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16.

⁵ Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

Outstanding Shares

As at December 31, 2020, the Corporation had 10,676,889 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2020 were 10,557,147 and 10,629,237, respectively (10,508,080 and 10,571,347, respectively, for the comparative 2019 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2019 fiscal year, on April 24, 2020 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of \$1.8 million (2019 – \$1.7 million) to be paid as Common Shares issued from treasury. As at December 31, 2020, the value of the Common Shares held by the LTI custodian was \$3.1 million (December 31, 2019 – \$2.7 million) which was comprised of 79,423 in unvested Common Shares (December 31, 2019 – 64,924) with a nil aggregate cost (December 31, 2019 – \$nil).

As at March 18, 2021 there were 10,676,889 Common Shares issued and outstanding including 79,423 Common Shares issued but held as unvested treasury shares.

Related Party Transactions

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by Mr. Matthew Hills, a member of the Board of Directors. The amounts charged are recorded at their exchange amounts and are on arm's length terms. For the year ended December 31, 2020, the Corporation incurred fees totaling \$138,000 (2019 – \$138,000).

Critical Accounting Estimates

The Corporation's summary of significant accounting policies are contained in Note 2 to the 2020 Audited Financial Statements.

The 2020 Audited Financial Statements include estimates and assumptions made by management in respect of operating results, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the Corporation's most critical accounting

estimates, being those that involve the most difficult, subjective and complex judgments, and/or requiring estimates that are inherently uncertain and which may change in subsequent reporting periods.

K-Bro has continuously refined and documented its management and internal reporting systems to ensure that accurate, timely, internal and external information is gathered and disseminated. Management also regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances.

K-Bro has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

K-Bro's leadership team's mandate includes ongoing development of procedures, standards and systems to allow K-Bro staff to make the best decisions possible and ensuring those decisions are in compliance with the Corporation's policies.

Preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions that affect:

- volume rebates;
- linen in service;
- intangible assets;
- goodwill;
- income taxes;
- provisions; and,
- allowance for doubtful accounts;
- segment information;
- property, plant and equipment;
- right of use assets and lease liabilities; and,
- lease terms.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

COVID-19 Risk

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had, and is expected to continue to have a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy.

The extent of such negative effects on our hospitality business and our financial and operational performance will depend on future developments, including the duration, spread and severity of COVID-19 outbreaks, the availability and effectiveness of the vaccine, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of the COVID-19 pandemic on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. As hotels continue to experience significantly reduced occupancy rates for an extended period, consolidated results of operations will be significantly impacted. The extent to which the outbreaks affects our earnings will depend on the length of time the hospitality industry continues to experience reduced occupancy rates. Earnings will continue to be particularly affected if we continue to experience further reductions in travel and reduced hospitality occupancy rates. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, which could have an adverse effect on our business prospects and results of operations.

As an ongoing risk, the duration and full financial effect of the COVID-19 pandemic continues to be uncertain at this time, however, the Corporation is managing the ongoing risk through the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements:

AREAS OF SIGNIFICANT JUDGEMENT

Recognition of Rebate Liabilities

In applying its accounting policy for volume rebates, the Corporation must determine whether the processing volume thresholds will be achieved. The most difficult and subjective area of judgment is whether a contract will generate satisfactory volume to achieve minimum levels. Management considers all appropriate facts and circumstances in making this assessment including historical experience, current volumetric run-rates, and expected future events.

Impairment of Goodwill & Non-financial Assets

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset is impaired.

The Corporation applies judgment in:

- assessing the likelihood of renewal of significant contracts included in the intangible assets described in Note 8,
- determining the appropriate discount rate and growth rate
- determining the appropriate comparable companies used in earnings multiple approach.

During the first quarter of 2020, based off impairment indicators that existed as a result of the COVID-19 pandemic, management had assessed the impairment of assets based off facts and circumstances which suggest that the carrying amount in certain CGUs may exceed its recoverable amount, refer to Note 26 for further detail.

Segment Identification

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the Chief Executive Officer. Aggregation occurs when the operating segments have similar economic characteristics and have similar (a) products and services; (b) geographic proximity; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable.

Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For many of the leases the cash outflows associated with the lease extension term would be material. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

AREAS OF ESTIMATION UNCERTAINTY

Incremental Borrowing Rate

In applying its accounting policy for leases management considers all appropriate facts and circumstances in the determination the lessee's incremental borrowing rate being used and these rates are reviewed and update on an annual basis.

Amortization of Property, Plant & Equipment, & Intangible Assets

In applying its accounting policy for the amortization of property, plant and equipment, and intangible assets, management considers all appropriate facts and circumstances in the determination of the appropriate rates and methodology to allocate costs over their estimated useful lives, including historical experience, current volumetric run-rates, and expected future events.

Linen in Service

The estimated service lives of linen in service are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits of use.

Provisions

The Corporation's provision includes restructure costs and the restoration for premises of its leased plants. The Corporation determines restructure costs based off employment standards and legal consultation. For leased plants, a provision has been recognized for the present value of the estimated expenditure required to remove any leasehold improvements and installed equipment. Refer to Note 10 for more details about estimation for this provision.

Impairment of Goodwill & Non-financial Assets

During instances where indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable value of CGUs require the use of estimates related to the future operating results and cash generating ability of the assets. The Corporation applies estimates in identifying the appropriate discount rate and growth rate used to estimate the recoverable value, identifying the CGUs to which intangible assets should be allocated to, and the CGU or group of CGUs at which goodwill is monitored for internal management purposes.

Management regularly evaluates these estimates and judgments. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Terminology

EBITDA

K-Bro reports EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. EBITDA is utilized to measure compliance with debt covenants and to make decisions related to dividends to Shareholders. We believe EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency and management's estimate of their useful life. Accordingly, EBITDA comprises

revenues less operating costs before financing costs, capital asset and intangible asset amortization, and income taxes.

EBITDA is a sub-total presented within the statement of earnings in accordance with the amendments made to IAS 1 which became effective January 1, 2016. EBITDA is not considered an alternative to net earnings in measuring K-Bro's performance. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

	Three Months Ended December 31,		Years Ended December 31,	
	2020	2019	2020 ⁽¹⁾	2019
<i>(\$ Thousands of CDN dollars)</i>				
Net earnings	2,135	2,195	3,782	10,906
Add:				
Income tax expense	1,646	683	2,617	2,900
Finance expense	836	1,213	3,961	5,802
Depreciation of property, plant and equipment	6,157	6,053	24,048	24,705
Amortization of intangible assets	953	958	3,836	3,260
EBITDA	11,727	11,102	38,244	47,573

¹ Q1 2020 includes an adjustment of \$5.5 million for an impairment related charge to the Canadian Division.



NON-GAAP MEASURES

Adjusted EBITDA Without Adoption of IFRS 16

Adjusted EBITDA without adoption of IFRS 16 is a measure which has been reported in order to assist in the comparison of historical EBITDA to current results. "Adjusted EBITDA" without adoption of IFRS 16 is defined as EBITDA (defined above) with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations.

	Three Months Ended December 31,					
	Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019
<i>(\$ Thousands of CDN dollars)</i>						
EBITDA	11,951	(224)	11,727	8,737	2,365	11,102
Add back IFRS 16 Adjustments:						
Delivery	(423)	(441)	(864)	(343)	(360)	(703)
Occupancy costs	(1,107)	(176)	(1,283)	(1,111)	(172)	(1,283)
EBITDA without adoption of IFRS 16	10,421	(841)	9,580	7,283	1,833	9,116
Add back non-reoccurring items:						
Impairment of assets	-	-	-	-	-	-
Adjusted EBITDA without adoption of IFRS 16	10,421	(841)	9,580	7,283	1,833	9,116

	Years Ended December 31,					
	Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019
<i>(\$ Thousands of CDN dollars)</i>						
EBITDA	38,365	(121)	38,244	35,843	11,730	47,573
Add back IFRS 16 Adjustments:						
Delivery	(1,442)	(1,582)	(3,024)	(1,391)	(2,001)	(3,392)
Occupancy costs	(4,421)	(1,283)	(5,704)	(4,400)	(1,088)	(5,488)
EBITDA without adoption of IFRS 16	32,502	(2,986)	29,516	30,052	8,641	38,693
Add back non-reoccurring items:						
Impairment of assets	5,516	-	5,516	-	-	-
Adjusted EBITDA without adoption of IFRS 16	38,018	(2,986)	35,032	30,052	8,641	38,693

Adjusted Net Earnings Without Adoption of IFRS 16 & Adjusted Net Earnings Without Adoption of IFRS 16 per Share

Adjusted net earnings and adjusted net earnings per share are measures which have been reported in order to assist in the comparison of historical net earnings to current results. "Adjusted net earnings" is defined as net earnings with the exclusion of IFRS 16, and certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations.

	Three Months Ended December 31,					
	Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019
<i>(\$ Thousands of CDN dollars)</i>						
Net earnings (loss)	4,500	(2,365)	2,135	1,760	435	2,195
Add back IFRS 16 Adjustments:						
Delivery	(423)	(441)	(864)	(343)	(360)	(703)
Occupancy costs	(1,107)	(176)	(1,283)	(1,111)	(172)	(1,283)
Depreciation of property, plant and equipment	1,169	812	1,981	1,166	602	1,768
Finance expense	371	151	522	391	97	488
Income tax expense	(3)	(59)	(62)	(27)	(28)	(55)
Net earnings (loss) without adoption of IFRS 16	4,507	(2,078)	2,429	1,836	574	2,410
Add back non-recurring items (net of income taxes):						
Impairment of assets	-	-	-	-	-	-
Adjusted net earnings (loss) without adoption of IFRS 16	4,507	(2,078)	2,429	1,836	574	2,410
Weighted average number of shares outstanding:						
Basic	10,574,768	10,574,768	10,574,768	10,520,843	10,520,843	10,520,843
Diluted	10,657,750	10,657,750	10,657,750	10,588,170	10,588,170	10,588,170
Adjusted net earnings (loss) without adoption of IFRS per share:						
Basic	0.426	(0.197)	0.230	0.174	0.054	0.229
Diluted	0.423	(0.195)	0.228	0.173	0.054	0.227

	Years Ended December 31,					
	Canadian Division 2020	UK Division 2020	2020	Canadian Division 2019	UK Division 2019	2019
<i>(\$ Thousands of CDN dollars)</i>						
Net earnings (loss)	10,892	(7,110)	3,782	7,787	3,119	10,906
Add back IFRS 16 Adjustments:						
Delivery	(1,442)	(1,582)	(3,024)	(1,391)	(2,001)	(3,392)
Occupancy costs	(4,421)	(1,283)	(5,704)	(4,400)	(1,088)	(5,488)
Depreciation of property, plant and equipment	4,469	2,516	6,985	4,457	2,908	7,365
Finance expense	1,492	452	1,944	1,620	450	2,070
Income tax expense	(25)	(18)	(43)	(76)	(46)	(122)
Net earnings (loss) without adoption of IFRS 16	10,965	(7,025)	3,940	7,997	3,342	11,339
Add back non-recurring items (net of income taxes):						
Impairment of assets	4,309	-	4,309	-	-	-
Adjusted net earnings (loss) without adoption of IFRS 16	15,274	(7,025)	8,249	7,997	3,342	11,339
Weighted average number of shares outstanding:						
Basic	10,557,147	10,557,147	10,557,147	10,508,080	10,508,080	10,508,080
Diluted	10,629,237	10,629,237	10,629,237	10,571,347	10,571,347	10,571,347
Adjusted net earnings (loss) without adoption of IFRS per share:						
Basic	1.447	(0.665)	0.781	0.761	0.318	1.079
Diluted	1.437	(0.661)	0.776	0.756	0.316	1.072

DISTRIBUTABLE CASH FLOW

Distributable cash flow is a measure used by management to evaluate the Corporation's performance. While the closest IFRS measure is cash provided by operating activities, distributable cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It should be noted that although we consider this measure to be distributable cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for dividends, reinvestment in the Corporation, potential acquisitions, or other purposes. Investors should be cautioned that distributable cash flow may not actually be available for growth or distribution from the Corporation. Management refers to "Distributable cash flow" as to cash provided by (used in) operating activities with the addition of net changes in non-cash working capital items, less share-based compensation, maintenance capital expenditures and principal elements of lease payments.

PAYOUT RATIO

"Payout ratio" is defined by management as the actual cash dividend divided by distributable cash. This is a key measure used by investors to value K-Bro, assess its performance and provide an indication of the sustainability of dividends. The payout ratio depends on the distributable cash and the Corporation's dividend policy.

DEBT TO TOTAL CAPITAL

"Debt to total capital" is defined by management as the total longterm debt (excludes lease liabilities) divided by the Corporation's total capital. This is a measure used by investors to assess the Corporation's financial structure.

Distributable cash flow, payout ratio, debt to total capital adjusted EBITDA, adjusted net earnings, and adjusted net earnings per share are not calculations based on IFRS and are not considered an alternative to IFRS measures in measuring K-Bro's performance. Distributable cash flow, payout ratio, adjusted EBITDA, adjusted net earnings, and adjusted net earnings per share do not have standardized meanings in IFRS and are therefore not likely to be comparable with similar measures used by other issuers.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2020, the Corporation has not entered into any off balance sheet arrangements.

Changes in Accounting Policies

The Corporation has prepared its December 31, 2020 audited consolidated financial statements in accordance with IFRS. See Note 2 of the 2020 Audited Financial Statements for more information regarding the significant accounting principles used to prepare the 2020 Audited Financial Statements.

Recent Accounting Pronouncements

The Corporation has not adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation's consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The amendments apply for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The Corporation does not expect a material impact from the application of the Phase 2 amendments given that the contractual cash flows of its financial instruments and lease liabilities are not dependent upon any interest rate benchmarks under the scope of the reform and the Corporation does not apply hedge accounting.

Financial Instruments

The Corporation's financial instruments at December 31, 2020 and 2019 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long term debt. The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation classifies its financial assets as those to be measured subsequently at fair value (either through other comprehensive income or loss, or through profit or loss), and those to be measured at amortized cost. The Corporation's financial assets are measured at amortized cost using the effective interest method under IFRS 9. At initial recognition, K-Bro measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Accounts payable and accrued liabilities, and dividends payable are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Lease liabilities are recognized initially at their net present value and subsequently measured at amortized cost using the effective interest method. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long-term debt.

Long-term debt and borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Long-term debt and borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period and included as part of the profit and loss. Derivative financial instruments are utilized by the Corporation to manage cash flow risk against the volatility in interest rates on its longterm debt and foreign exchange rates on its equipment purchase commitments. The Corporation typically does not utilize derivative financial instruments for trading or speculative purposes.

The Corporation has a floating interest rate debt that gives rise to risks that its earnings and cash flows may be adversely impacted by fluctuations in interest rates. In order to manage these risks, the Corporation may enter into interest rate swaps, forward contracts on foreign currency, utilities and textiles or option contracts.

The Corporation has entered into several electrical and natural gas contracts at December 31, 2020. The Corporation has examined the terms of the natural gas and electricity contracts and has determined that these contracts will be physically settled and as such are not considered to be financial instruments.

Critical Risks & Uncertainties

As at December 31, 2020, there are no material changes in the Corporation's risks or risk management activities since December 31, 2019. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Common Shares are subject to a number of risks. These risk factors include: the adverse impact of the coronavirus (COVID-19) pandemic on the Corporation, which is significant, particularly to our hospitality segment; dependence on long-term contracts and the associated renewal risk thereof; the effects of market volatility and uncertainty; potential future tax changes; the Corporation's competitive environment and increased competition; our ability to acquire and successfully integrate and operate additional businesses; utility costs; the labour markets; the fact that our credit facility imposes numerous covenants and encumbers assets; and, environmental matters.

For a discussion of these risks and other risks associated with an investment in the Common Shares, see "Risk Factors – Risks Related to K-Bro and the Laundry and Linen Industry" detailed in the Corporation's Annual Information Form" that is available at www.sedar.com.

Controls & Procedures

In order to ensure that information with regard to reports filed or submitted under securities legislation present fairly in all material respects the financial information of K-Bro, management, including the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), are responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

DISCLOSURE CONTROLS & PROCEDURES

The Corporation has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements of K-Bro was properly recorded, processed, summarized and reported to the Board of Directors and the Audit Committee. The Corporation’s CEO and CFO have evaluated the effectiveness of these disclosure controls and procedures for the year ended December 31, 2020, and the CEO and CFO have concluded that these controls were operating effectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting (“ICFR”). Consequently the CEO and CFO confirm that the additions to these controls that occurred during the year ended December 31, 2020, did not materially affect, or are reasonably likely to materially affect, the Corporation’s ICFR. Based upon their evaluation of these controls for the year ended December 31, 2020, the CEO and CFO have concluded that these controls were operating effectively.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instance of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that managements’ assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or, (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Additional information regarding K-Bro including required securities filings are available on our website at www.k-brolinen.com and on the Canadian Securities Administrators’ website at www.sedar.com; the System for Electronic Document Analysis and Retrieval (“SEDAR”).

Vous pouvez obtenir des renseignements supplémentaires sur la Société, y compris les documents déposés auprès des autorités de réglementation, sur notre site Web, au www.k-brolinen.com et sur le site Web des autorités canadiennes en valeurs mobilières au www.sedar.com, le site Web du Système électronique de données, d’analyse et de recherche (« SEDAR »).





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Independent auditor's report

To the Shareholders of K-Bro Linen Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of K-Bro Linen Inc. and its subsidiaries (together, the Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matter

Impairment assessment of goodwill, intangibles and other long-lived assets for the cash generating units (CGUs) that rely primarily on hospitality revenues

Refer to note 9 – Goodwill, note 26 – Impairment of assets, note 2 – Significant accounting policies and note 5 – Critical accounting estimates and judgments to the consolidated financial statements.

The Corporation had goodwill of \$38.5 million, intangible assets of \$10.0 million and property, plant and equipment of \$208.7 million as at December 31, 2020, which include amounts related to the CGUs that rely primarily on hospitality revenues.

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount firstly to the recorded goodwill, then to the other assets in the CGU on a pro rata basis, as determined by the carrying amount of each asset in the CGU.

For the hospitality CGUs, the probability weighted discounted cash flow approach was used at both March 31, 2020 and December 31, 2020 to capture the increased risk and uncertainty arising from COVID-19.

For the March 31, 2020 impairment test, management's probability weighted approach was evaluated based on an equally weighted probability of a one-year downturn in sales to the worst case scenario of a two-year downturn in sales.

For the December 31, 2020 impairment test, management's probability weighted approach was

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated how management determined the recoverable amounts of the goodwill, intangibles and other long-lived assets related to CGUs that rely primarily on hospitality revenues, which included the following:
 - Tested the appropriateness of the approach used and the mathematical accuracy of the probability weighted discounted cash flows.
 - Tested appropriateness and reasonableness of the probability weighted scenarios of a one to two-year downturn in sales at March 31, 2020 and a two to three-year downturn in sales at December 31, 2020.
 - Tested the reasonableness of the long-term growth rates applied by management in the probability weighted discounted cash flows by comparing them to the historical growth rates of the CGUs and to the budget approved by the Board of Directors.
 - Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies.
 - Tested the underlying data used in the probability weighted discounted cash flows.
- Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the key assumptions used.



Key audit matter

How our audit addressed the key audit matter

evaluated based on an equally weighted probability of a continued two-year downturn in sales to the worst case of a three-year downturn in sales for the remaining CGUs.

Key assumptions in calculating the recoverable amount of the CGUs were long-term growth rates and discount rates.

As a result of the testing at March 31, 2020, an impairment loss of \$5.5 million was recognized for three CGUs, of which \$3.2 million was allocated to goodwill and \$2.3 million was allocated to property and equipment. As at December 31, 2020, no further impairment was required for any of these CGUs.

We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgments and estimates made by management in determining the recoverable amount of the CGUs that rely primarily on hospitality revenues, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions. Professionals with skill and knowledge in the field of valuation assisted us in performing our procedures.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially



inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Richard Probert.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
March 18, 2021

Consolidated Statements of Financial Position

(\$ Thousands of CDN dollars)

	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	2,416	5,301
Accounts receivable	28,108	34,900
Income tax receivable	370	-
Prepaid expenses and deposits	4,231	4,334
Linen in service (note 6)	31,549	26,039
	66,674	70,574
Property, plant and equipment (note 7)	208,660	226,332
Intangible assets (note 8)	9,980	13,699
Goodwill (note 9)	38,497	41,454
	323,811	352,059
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	24,620	28,689
Provisions (note 10)	884	-
Contract liability (note 3)	1,259	-
Lease liabilities (note 13)	8,298	8,297
Income taxes payable	2,623	1,507
Dividends payable to shareholders	1,068	1,060
	38,752	39,553
Long-term debt (note 11)	40,657	62,494
Lease liabilities (note 13)	37,705	38,531
Provisions (note 10)	2,789	2,838
Contract liability (note 3)	406	-
Deferred income taxes (note 14)	13,998	12,592
	134,307	156,008
SHAREHOLDERS' EQUITY		
Share capital	204,869	203,110
Contributed surplus	2,281	2,241
Deficit	(19,079)	(10,078)
Accumulated other comprehensive income	1,433	778
	189,504	196,051
Contingencies and commitments (note 15)	323,811	352,059

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

Approved by the
Board of Directors



ROSS S. SMITH,
DIRECTOR



MATTHEW HILLS,
DIRECTOR

Consolidated Statements of Earnings & Comprehensive Income

	Years Ended December 31,	
	2020	2019
<i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>		
REVENUE (note 25)	196,591	252,410
Expenses		
Wages and benefits (notes 3 and 15)	67,620	99,562
Linen (note 6)	24,780	27,463
Utilities	11,644	16,427
Delivery (notes 3 and 15)	20,719	28,789
Occupancy costs (note 3)	3,561	4,483
Materials and supplies	6,986	8,256
Repairs and maintenance	7,006	8,761
Corporate (note 3)	10,520	11,104
Gain on disposal of property, plant and equipment	(5)	(8)
Impairment of assets (note 26)	5,516	-
	158,347	204,837
EBITDA	38,244	47,573
Other expenses		
Depreciation of property, plant and equipment (note 7)	24,048	24,705
Amortization of intangible assets (note 8)	3,836	3,260
Finance expense (note 12)	3,961	5,802
	31,845	33,767
Earnings before income taxes	6,399	13,806
Current income tax expense	1,234	1,722
Deferred income tax expense	1,383	1,178
Income tax expense (note 14)	2,617	2,900
Net earnings	3,782	10,906
Other comprehensive income		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	655	(888)
Total comprehensive income	4,437	10,018
Net earnings per share (note 17):		
Basic	0.36	1.04
Diluted	0.36	1.03
Weighted average number of shares outstanding:		
Basic	10,557,147	10,508,080
Diluted	10,629,237	10,571,347

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

Consolidated Statements of Changes in Equity

(\$ Thousands of CDN dollars)

	Total Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at December 31, 2019	203,110	2,241	(10,078)	778	196,051
Total comprehensive income	-	-	3,782	655	4,437
Dividends declared (note 19)	-	-	(12,783)	-	(12,783)
Employee share based compensation expense	-	1,799	-	-	1,799
Shares vested during the year	1,759	(1,759)	-	-	-
As at December 31, 2020	204,869	2,281	(19,079)	1,433	189,504

(\$ Thousands of CDN dollars)

	Total Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Equity
As at December 31, 2018	201,429	2,112	(6,547)	1,666	198,660
Change in accounting policy (note 3)	-	-	(1,730)	-	(1,730)
Restated total equity at January 1, 2019	201,429	2,112	(8,277)	1,666	196,930
Total comprehensive income	-	-	10,906	(888)	10,018
Dividends declared (note 19)	-	-	(12,707)	-	(12,707)
Employee share based compensation expense	-	1,810	-	-	1,810
Shares vested during the year	1,681	(1,681)	-	-	-
As at December 31, 2019	203,110	2,241	(10,078)	778	196,051

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



Consolidated Statements of Cash Flow

	Years Ended December 31,	
	2020	2019
<i>(\$ Thousands of CDN dollars)</i>		
OPERATING ACTIVITIES		
Net earnings	3,782	10,906
Depreciation of property, plant and equipment (note 7)	24,048	24,705
Amortization of intangible assets (note 8)	3,836	3,260
Gain on forgiveness of lease liabilities (note 3)	(464)	-
Accretion expense (note 10)	29	199
Employee share based compensation expense	1,799	1,810
Gain on disposal of property, plant and equipment	(5)	(8)
Impairment of assets (note 26)	5,516	-
Deferred income taxes	1,383	1,178
	39,924	42,050
Change in non-cash working capital items (note 20)	2,472	1,866
Cash provided by operating activities	42,396	43,916
FINANCING ACTIVITIES		
Net repayment of revolving debt (note 11)	(21,837)	(7,709)
Principle elements of lease payments (note 3)	(6,222)	(6,691)
Dividends paid to shareholders	(12,775)	(12,703)
Cash used in financing activities	(40,834)	(27,103)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,420)	(12,942)
Proceeds from disposal of property, plant and equipment	7	51
Purchase of intangible assets (note 8)	-	(1,439)
Cash used in investing activities	(4,413)	(14,330)
Change in cash and cash equivalents during the year	(2,851)	2,483
Effect of exchange rate changes on cash and cash equivalents	(34)	(9)
Cash and cash equivalents, beginning of year	5,301	2,827
Cash and cash equivalents, end of year	2,416	5,301
Supplementary cash flow information		
Interest paid	3,849	5,459
Income taxes paid	518	228

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



Notes to the Consolidated Financial Statements

(Thousands of Canadian dollars except share and per share amounts, Years ended December 31, 2020 and 2019)

K-Bro Linen Inc. (the "Corporation" or "K-Bro") is incorporated in Canada under the Business Corporations Act (Alberta). K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada and a market leader for laundry and textile services in Scotland and the North East of England. K-Bro and its wholly owned subsidiaries, operate across Canada and the United Kingdom ("UK"), provide a range of linen services to healthcare institutions, hotels and other commercial organizations that include the processing, management and distribution of general linen and operating room linen.

The Corporation's operations in Canada include nine processing facilities and two distribution centres under three distinctive brands, including K-Bro Linen Systems Inc., Buanderie HMR and Les Buanderies Dextraze, in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria.

The Corporation's operations in the UK include Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017. Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, health-care, manufacturing, and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North East of England. The company operates in five cities, in Scotland and the North East of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "KBL". The address of the Corporation's registered head office is 14903 – 137 Avenue, Edmonton, Alberta, Canada.

These unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on March 18, 2021.

1. BASIS OF PRESENTATION

The Consolidated Financial Statements of the Corporation have been prepared in accordance with International Financial Reporting Standards as published in the CPA Canada Handbook (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of Measurement

The Consolidated Financial Statements have been prepared under the historical cost convention.

b) Principles of Consolidation

The consolidated financial statements include the Corporation, its wholly owned subsidiaries, and the long-term incentive plan account (Note 2(o)). All inter-company balances and transactions have been eliminated upon consolidation.

c) Cash & Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are classified as loans and receivables and are carried at amortized cost, which is equivalent to fair value.

d) Linen in Service

Linen in service is stated at cost less accumulated depreciation. The cost is based on the expenditures that are directly attributable to the acquisition of linen, amortization commences when linen is put into service; with operating room linen amortized across its estimated service life of 24 months and general linen amortized based on usage which results in an estimated average service life of 24 to 36 months.

e) Revenue Recognition

A laundry services contract is a contract specifically negotiated for the provision of laundry and linen services. Revenue is based on contractually set pricing on a consistent unit-of-weight or price-per-piece basis for each service over the term of the contract. The Corporation reports revenue under two revenue categories: healthcare and hospitality services. When determining the proper revenue recognition method for contracts, the Corporation evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. The Corporation accounts for a contract when, it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

1. Identifying the Contract

The Corporation's policy for revenue recognition requires an appropriately authorized contract, with sign-off by representatives from all respective parties before any services are provided to a customer. Contained within the terms of these contracts is detailed information identifying each party's rights regarding the laundry and linen services to be provided, as well as associated payment terms (i.e., service pricing, early payment discounts, invoicing requirements, etc.). In addition, the Corporation's contracts have commercial substance as the services to be provided will directly impact the Corporation's future cash flows via incoming revenue and related outgoing expenditures.

As part of the Corporation's analysis in reviewing and accepting a contract, the Corporation assesses the likelihood of collection from all prospective customers and only transacts with those customers from which payment is probable. As the Corporation's significant customer contracts are generally with government-funded health agencies and large volume hotels, it is probable that the Corporation will collect the consideration to which is entitled for the performance of these contracts.

For services provided following the expiration of a contract and subsequent renewal negotiations, the terms of the original contract carry forward until the new agreement has been appropriately authorized. This is confirmed through verbal approval and is consistent with customary business practices.

2. Identifying Performance Obligations in a Contract

Linen services are provided to the Corporation's customers consecutively over a period of time (i.e., daily deliveries over the contract term) and the same method is used to measure the Corporation's progress in satisfying the performance of the contract (i.e., revenue is based on contractually set pricing on a consistent unit-of-weight or price-per-piece basis for each service over the term of the contract). Additionally, these services generally include integrated processing and delivery, consist of a single deliverable (clean processed volume), and in the case of rental linen, are not offered individually (rental linen is used as an input in the provision of standard laundry and linen services). Therefore, the services provided under one service agreement constitute a single performance obligation.

3. Determining the Transaction Price

The majority of the Corporation's contracts utilize a fixed pricing model. These contracts stipulate a fixed rate to be charged to customers on a price-per-unit basis, including either weight-based or item-based billing. For these types of arrangements, revenue is recognized over time as each unit of linen is processed and delivered using the fixed consideration rate per the contract. In addition to the above pricing methodology, some contracts have additional components which meet the definition of variable consideration per IFRS 15, which are accounted for using the most likely amount method. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Corporation's anticipated performance and all information, historical, current, and forecasted, that is reasonably available.

4. Allocating the Transaction Price

Each of the customer's individual customer contracts represents a single performance obligation. As a result, the transaction price for each contract (based on contractually stipulated fixed and variable pricing for a single deliverable) is allocated to each processed item based on the agreed upon rate.

Volume rebates, where applicable, are recorded based on annualized expected volumes of individual customer contracts when it is reasonable that the criteria are

likely to be met. Based on past experience, management believes that volumes utilized for any estimates are reasonable and would not expect a material deviation to the balance of accrued liabilities or revenue.

5. Performance Obligations Satisfied Over Time

The Corporation typically transfers control of goods or services and satisfies performance obligations over time, once clean linen has been provided to the customer and the customer has accepted delivery of the processed items.

Payment of laundry services are due respective of the terms as indicated in the customer's laundry service contract, whereby customers are generally invoiced on a monthly basis and consideration is payable when invoiced.

The Corporation presents its contract balances, on a contract-by-contract basis, in a net contract asset or liability position, separately from its trade receivables. Contract assets and trade receivables are both rights to receive consideration in exchange for goods or services that the Company has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (trade receivables) or if it is also conditional on something else (contract assets), such as the satisfaction of further performance obligations under the contract. A contract liability is the cumulative amount received and contractually receivable by the Corporation that exceeds the right to consideration resulting from the Corporation's performance under a given contract.

f) Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be reliably measured. The carrying amount of a replaced part is de-recognized. Repairs and maintenance are charged to the Consolidated Statements of Earnings and Comprehensive Income during the financial period in which they are incurred.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Corporation has not capitalized any borrowing costs during the year as there were no qualifying assets.

Property, plant and equipment include right of use assets as disclosed under the Corporation's leasing policy in note 2(r). Right of use assets arise from a lease that is initially measured on a present value basis, and are classified within the relevant property, plant and equipment categories based on the type of asset.

The major categories of property, plant and equipment are depreciated on a straight-line basis to allocate their cost over their estimated useful lives as follows:

Asset	Rate
Buildings	15 – 25 years
Laundry equipment	7 – 20 years
Office equipment	2 – 5 years
Delivery equipment	5 – 10 years
Computer equipment	2 years
Leasehold improvements	Lease term

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset.

g) Intangible Assets

Intangible assets acquired in a business combination are recorded at fair value at the acquisition date. Subsequently they are carried at cost less accumulated amortization and accumulated impairment losses.

The major categories of intangible assets are depreciated on a straight-line basis to allocate their cost over their estimated useful lives as follows:

Asset	Rate
Customer contracts	1 – 20 years
Computer software	5 years
Brand	Indefinite

These estimates are reviewed at least annually and are updated if expectations change as a result of changing client relationships or technological obsolescence.

h) Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and

value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount firstly to the recorded goodwill, then to the other assets in the CGU on a pro rata basis, as determined by the carrying amount of each asset in the CGU. The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

i) Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Consolidated Statements of Earnings and Comprehensive Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax provision is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date of the taxation authority where the Corporation operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

j) Business Combinations

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in net earnings. Associated transaction costs are expensed when incurred.

k) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their estimated fair values at the acquisition date. Goodwill is allocated as of the date of the business combination. Goodwill is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the related business combination. A CGU represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

l) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net earnings for the period attributable to Shareholders of the Corporation by the weighted average number of Common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of common shares included within the weighted average is computed using the treasury stock method. The Corporation's potentially dilutive Common shares are comprised of long-term incentive plan equity compensation granted to officers and key employees (Note 2(o)).

m) Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars. The Corporation's operations in Canada have a functional currency of Canadian dollars. The Corporation's operations in the UK have a functional currency of pounds sterling.

Translation of Foreign Entities

The functional currency for each of the Corporation's subsidiaries is the currency of the primary economic environment in which it operates. Operations with foreign functional currencies are translated into the Corporation's presentation currency in the following manner:

- Monetary and non-monetary assets and liabilities are translated at the spot exchange rate in effect at the reporting date;
- Revenue and expense items (including depreciation and amortization) are translated at average rates of exchange prevailing during the period, which approximate the exchange rates on the transaction dates;

- Impairment of assets are translated at the prevailing rate of exchange on the date of the impairment recognition, and;
- Exchange gains and losses that result from translation are recognized as a foreign currency translation difference in accumulated other comprehensive income (loss).

Translation of Transactions & Balances

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction as follows:

- Monetary assets and liabilities are translated at the exchange rate in effect at the reporting date;
- Non-monetary items are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange, except depreciation and amortization, which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized within "finance expense" in the consolidated statements of earnings & comprehensive income.

n) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

o) Employee Benefits

Post-Employment Benefit Obligations

The Corporation contributes on behalf of its employees to their individual Registered Retirement Savings Plans subject to an annual maximum of 10% of gross personal earnings. The Corporation accounts for contributions as an expense in the period that they are incurred. The Corporation does not provide any other post-employment or post-retirement benefits.

Existing Equity-based Compensation Plan of the Corporation

On June 16, 2011, the Shareholders of the Corporation approved a new Long-term Incentive Plan ("LTI"), which was amended and restated as of December 31, 2018. Under the LTI, awards are granted annually in respect of the prior fiscal year to the eligible participants based on a percentage of annual salary. The amount of the award (net of withholding obligations) is satisfied by issuing treasury shares or cash to be held in trust by the trustee pursuant to the terms of the LTI. All awards issued under the provisions of the LTI are recorded as compensation expense over the relevant service period, being the year to which the LTI relates and the vesting period of the shares.

The Amendment made on December 31, 2018 gave the Board of Directors the right to elect to satisfy the award in cash. The Corporation has determined that this change did not create an obligation to satisfy the award in cash and therefore the LTI continues to be treated as an equity settled share based payment.

Subject to the discretion of the Compensation, Nominating and Corporate Governance Committee of the Board of Directors, one-quarter of a Participant's grant will vest on the Determination Date (defined as the first May 15th following the date that the Directors of the Corporation approve the audited consolidated financial statements of the Corporation for the prior year). The remaining three-quarters of the Participant's grant will vest on November 30th following the second anniversary of the Determination Date.

If a change of control occurs, all LTI Shares held by the Administrator in respect of unvested grants will vest immediately. LTI participants are entitled to receive dividends on all common shares granted under the LTI whether vested or unvested. In most circumstances, unvested common shares held by the LTI Administrator for a participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those common shares will be disposed of by the Administrator to K-Bro for no consideration and such Common shares shall thereupon be cancelled. If a participant is terminated without cause,

retires or resigns on a basis which constitutes constructive dismissal, the participant will be entitled to receive his or her unvested common shares on the regular vesting schedule under the LTI.

p) Financial Instruments

The Corporation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or loss, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Corporation's business model for managing the financial assets and contractual terms of the cash flows.

At initial recognition, the Corporation measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Corporation's financial assets consist of cash and cash equivalents and accounts receivable, which are measured at amortized cost using the effective interest method under IFRS 9.

The Corporation's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities, dividends payable and long-term debt. Accounts payable and accrued liabilities and dividends payable are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Lease liabilities are recognized initially at their net present value and subsequently measured at amortized cost using the effective interest method.

Long-term debt and borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Long-term debt and borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period and included as part of the profit and loss.

q) Impairment of Financial Assets

Information about the impairment of financial assets, their credit quality and the Corporation's exposure to credit risk can be found in Note 21(d). The Corporation utilizes the application of the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the Corporation's trade receivables have been grouped based on operating segment, shared credit risk characteristics and days past due. Accounting judgment and estimate is required in the assessment of the lifetime expected default rate of each trade receivables grouping. The lifetime expected default rates are reviewed at least annually and are updated if expectations change.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

r) The Corporation's Leasing Activities & How These Are Accounted For

The Corporation leases various buildings, vehicles and equipment. Rental contracts are typically made for fixed periods of one to fifteen years but may have extension options as described in Note 2(r)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any financial covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees, and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Corporation:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised of IT-equipment and small items of office furniture.

(i) Variable Lease Payments

Based on the valuation of the Corporation's leases, no leases have been identified that are directly tied to an index or rate, and whereby an estimate would be required in determining the uncertainty arising from variable lease payments.

(ii) Extension & Termination Options

Extension and termination options are included in a number of property and equipment leases across the Corporation. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor.

s) Government Grants

Government grants, including non-monetary grants at fair value, are only recognised when there is reasonable assurance that:

- (a)** all conditions attaching to the Government grant will be complied with;
- (b)** the value of the grant can be determined with reasonable certainty; and
- (c)** the grant will be received.

Government grants are recognised in the profit or loss over the periods in which the Corporation recognises related expenses. Where government grants relate to costs which have been capitalised as assets these are recognised as a reduction to the related asset in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognised in profit or loss in the period in which they relate to.

3. CHANGES AND UPDATES IN ACCOUNTING POLICIES

a) IFRS 16 Leases – COVID-19 Related Rent Concessions

New or amended standards became applicable during 2020, and the Corporation changed its accounting policies with adjustments on a prospective basis as a result of adopting the amendment to IFRS 16 Leases on June 1, 2020.

IFRS 16, Leases was amended and is effective for annual reporting periods beginning on or after June 1, 2020. The changes to IFRS 16, Leases, pertain to COVID-19 Related Rent Concessions, which:

1. provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
2. require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications; require lessees that apply the exemption to disclose that fact; and
3. require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months.

The Corporation has elected to apply the exemption and has treated COVID-19 rent related concessions received as if they were not lease modifications. As such, changes in lease payments that do not arise from a lease modification are accounted for as variable lease payments, in which the Corporation recognizes the variable lease payments in profit or loss in the respective period in which the event or condition that triggers those payments occurs.

During the year ended December 31, 2020, a rent concession for the unconditional forgiveness of debt of \$464 was recognized as a negative variable lease payment included in the Corporation's consolidated statements of earnings and comprehensive income as an offset to occupancy costs and treated as a forgiveness of lease liabilities, with a non-cash impact to the principal elements of lease payments included in financing activities within the Corporation's consolidated statements of cash flow.

(b) Government Grants

For the twelve month period ended December 31, 2020, the Corporation adopted the use of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, which outlines how to account for government grants and other assistance. The standard outlines that government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

The Corporation received government assistance for both their Canadian and UK division, under the following government programs:

Canadian Division

I. The Canada Emergency Wage Subsidy ("CEWS") program was introduced by the Government of Canada on March 27, 2020, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of salaries paid out to employees during the pandemic. During the year ended December 31, 2020, the Corporation submitted claims of \$8,348 under the CEWS program, with the majority of the amounts received with only \$299 outstanding in receivables on the Corporation's Consolidated Statement of financial position at December 31, 2020. The Corporation will continue to evaluate its eligibility under the CEWS program through the balance of 2021.

II. The Corporation received \$2,788 of linen in service from the Ontario Ministry of Health in exchange for a contractual commitment to provide a deferred linen service credit of \$1,665 to various Ontario hospitals allocated over the useful life of the linen. The difference between the fair value of linen in service received and the linen service credit is considered to be government assistance related to an asset that has been recorded as a reduction in the value of the linens and will be recognized as a reduction of the linen amortization charge over the life of the linens in service. The deferred linen service credit of \$1,665 is reflected as a contract liability on the Corporation's Consolidated Statements of financial position at December 31, 2020.

UK Division

III. The Coronavirus Job Retention Scheme (“CJRS”) was introduced by the UK government on March 20, 2020 and provides eligible employers the ability to access support to continue paying part of their employees’ salary for those employees that would otherwise have been laid off during the crisis. During the year ended December 31, 2020, the Corporation submitted claims of £3,433 (\$5,907) under the CJRS program with the majority of the amounts received with only £58 (\$101) outstanding in receivables on the Corporation’s Consolidated Statement of financial position at December 31, 2020. The Corporation will continue to evaluate its eligibility under the CJRS program through the balance of 2021.

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the government grants have been recognized on the Corporation’s consolidated statements. During the year ended December 31, 2020, \$14,255 of government grants were offset to operating expenses which includes, wages and benefits of \$10,684, delivery of \$2,281, and corporate costs of \$1,290. During the year ended December 31, 2020, no amounts for the deferred linen service credit have been recognized in revenue such that the closing balance of the contract liability remains at \$1,665.

4. NEW STANDARDS & INTERPRETATIONS NOT YET ADOPTED

The Corporation has not adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation’s consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The amendments apply for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The Corporation does not expect a material impact from the application of the Phase 2 amendments given that the contractual cash flows of its financial instruments and lease liabilities are not dependent upon any interest rate benchmarks under the scope of the reform and the Corporation does not apply hedge accounting.

5. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The preparation of the Corporation’s consolidated financial statements, in conformity with IFRS, requires management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

COVID-19 Risk

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had, and is expected to continue to have a significant adverse impact on the Corporation’s hospitality business, the duration of which we are unable to predict with any degree of accuracy.

The extent of such negative effects on our hospitality business and our financial and operational performance will depend on future developments, including the duration, spread and severity of COVID-19 outbreaks, the availability and effectiveness of the vaccine, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of the COVID-19 pandemic on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. As hotels continue to experience significantly reduced occupancy rates for an extended period, consolidated results of operations will be significantly impacted. The extent to which the outbreaks affects our earnings will depend on the length of time the hospitality industry continues to experience

reduced occupancy rates. Earnings will continue to be particularly affected if we continue to experience reductions in travel and reduced hospitality occupancy rates. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, which could have an adverse effect on our business prospects and results of operations.

As an ongoing risk, the duration and full financial effect of the COVID-19 pandemic continues to be uncertain at this time, the Corporation is managing the ongoing risk through the Corporation's business continuity plan and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Corporation's operations, financial results and condition in future periods are also subject to significant uncertainty.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation's consolidated financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements:

Areas of Significant Judgement

Recognition of Rebate Liabilities

In applying its accounting policy for volume rebates, the Corporation must determine whether the processing volume thresholds will be achieved. The most difficult and subjective area of judgment is whether a contract will generate satisfactory volume to achieve minimum levels. Management considers all appropriate facts and circumstances in making this assessment including historical experience, current volumetric run-rates, and expected future events.

Impairment of Goodwill & Non-Financial Assets

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset is impaired.

The Corporation applies judgment in:

- assessing the likelihood of renewal of significant contracts included in the intangible assets described in Note 8,
- identifying the CGUs to which intangible assets should be allocated to, and the CGU or group of CGUs at which goodwill is monitored for internal management purposes, and
- determining the appropriate comparable companies used in earnings multiple approach.

During the first quarter of 2020, based on impairment indicators that existed as a result of the COVID-19 pandemic, management had assessed the impairment of assets based off facts and circumstances which suggest that the carrying amount in certain CGUs may exceed its recoverable amount, refer to Note 26 for further detail.

Segment Identification

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the Chief Executive Officer. Aggregation occurs when the operating segments have similar economic characteristics and have similar (a) products and services; (b) geographic proximity; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable.

Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For many of the leases the cash outflows associated with the lease extension term would be material. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.



Areas of Estimation Uncertainty

Incremental Borrowing Rate

In applying its accounting policy for leases management considers all appropriate facts and circumstances in the determination the lessee's incremental borrowing rate being used and these rates are reviewed and update on an annual basis.

Amortization of Property, Plant & Equipment, & Intangible Assets

In applying its accounting policy for the amortization of property, plant and equipment, and intangible assets, management considers all appropriate facts and circumstances in the determination of the appropriate rates and methodology to allocate costs over their estimated useful lives, including historical experience, current volumetric run-rates, and expected future events.

Linen in Service

The estimated service lives of linen in service are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits of use.

Provisions

The Corporation's provision includes restructure costs and the restoration for premises of its leased plants. The Corporation determines restructure costs based off employment standards and legal consultation. For leased plants, a provision has been recognized for the present value of the estimated expenditure required to remove any leasehold improvements and installed equipment. Refer to Note 10 for more details about estimation for this provision.

Impairment of Goodwill & Non-Financial Assets

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. As part of this review the Corporation use estimates to calculate the appropriate discount rate and growth rate which are used to estimate the recoverable value.

During instances where indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable value of CGUs require the use of estimates related to the future operating results and cash generating ability of the assets.

Management regularly evaluates these estimates and judgments. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. LINEN IN SERVICE

(\$ Thousands of CDN dollars)

	2020	2019
Balance, beginning of year	26,039	26,371
Additions	30,177	27,307
Amortization charge	(24,780)	(27,463)
Effect of movement in exchange rates	113	(176)
Balance, end of year	31,549	26,039

7. PROPERTY, PLANT & EQUIPMENT

(\$ Thousands of CDN dollars,
except share and per share amounts)

	Land	Buildings	Laundry Equipment ⁽¹⁾	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
Year Ended, December 31, 2019									
Opening net book amount	4,067	19,109	124,252	387	324	958	43,918	1,233	194,248
Adjustment for change in accounting policy	-	38,141	-	-	8,129	-	-	-	46,270
Restated opening net book amount	4,067	57,250	124,252	387	8,453	958	43,918	1,233	240,518
Additions ⁽²⁾⁽³⁾	-	580	7,283	69	1,551	328	423	623	10,857
Disposals	-	-	(5)	-	(38)	-	-	-	(43)
Depreciation charge	-	(5,251)	(11,635)	(146)	(3,366)	(578)	(3,729)	-	(24,705)
Effect of movement in exchange rates	(24)	(55)	(191)	(1)	(22)	-	(2)	-	(295)
Closing net book amount	4,043	52,524	119,704	309	6,578	708	40,610	1,856	226,332
At December 31, 2019									
Cost	4,043	61,656	186,714	1,043	10,513	3,083	60,099	1,856	329,007
Accumulated depreciation	-	(9,132)	(67,010)	(734)	(3,935)	(2,375)	(19,489)	-	(102,675)
Net book amount	4,043	52,524	119,704	309	6,578	708	40,610	1,856	226,332
Year Ended, December 31, 2020									
Opening net book amount	4,043	52,524	119,704	309	6,578	708	40,610	1,856	226,332
Additions ⁽²⁾⁽³⁾	-	1	2,329	64	5,725	145	43	-	8,307
Disposals	-	-	(2)	-	-	-	-	-	(2)
Transfers	-	-	153	-	-	-	-	(153)	-
Depreciation charge	-	(5,229)	(11,289)	(144)	(2,933)	(459)	(3,994)	-	(24,048)
Impairment of assets ^{(note 26)(4)}	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Effect of movement in exchange rates	19	125	191	2	69	-	4	-	410
Closing net book amount	4,062	47,214	108,973	231	9,434	380	36,663	1,703	208,660
Year Ended, December 31, 2020									
Cost	4,062	61,810	189,464	1,110	16,347	3,228	60,145	1,703	337,869
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(14,389)	(78,378)	(880)	(6,907)	(2,834)	(23,482)	-	(126,870)
Net book amount	4,062	47,214	108,973	230	9,435	380	36,663	1,703	208,660

¹ Included in laundry equipment are assets under development in the amount of \$24 (2019 - \$103). These assets are not available for service and accordingly are not presently being depreciated.

² Total property, plant and equipment additions are inclusive of amounts incurred in the period that are yet to be paid, with amounts remaining in accounts payable and other liabilities of \$312 (2019 - \$2,037).

³ Additions include amounts from the Canadian Division of \$2,544 (2019 - \$5,461) and from the UK Division of \$5,763 (2019 - \$5,396).

⁴ During 2020 based off impairment indicators that existed in the year, the Corporation determined that the carrying value exceeded the recoverable amount for one of their cash generating units, and an impairment loss was recorded for property, plant and equipment, for further detail refer to note 26.

8. INTANGIBLE ASSETS

(\$ Thousands of CDN dollars,
except share and per share amounts)

	Healthcare Relationships	Hospitality Relationships	Computer Software	Brand	Total
Year Ended, December 31, 2019					
Opening net book amount	983	10,339	-	4,360	15,682
Additions	-	1,439	-	-	1,439
Amortization charge	(453)	(2,807)	-	-	(3,260)
Effect of movement in exchange rates	-	(96)	-	(66)	(162)
Closing net book amount	530	8,875	-	4,294	13,699
At December 31, 2019					
Cost	19,200	22,845	927	4,294	47,266
Accumulated amortization	(18,670)	(13,970)	(927)	-	(33,567)
Net book amount	530	8,875	-	4,294	13,699
Year Ended, December 31, 2020					
Opening net book amount	530	8,875	-	4,294	13,699
Amortization charge	(453)	(3,383)	-	-	(3,836)
Effect of movement in exchange rates	-	66	-	51	117
Closing net book amount	77	5,558	-	4,345	9,980
At December 31, 2020					
Cost	19,200	22,911	927	4,345	47,383
Accumulated amortization	(19,123)	(17,353)	(927)	-	(37,403)
Net book amount	77	5,558	-	4,345	9,980

9. GOODWILL

Goodwill represents the excess of the acquisition-date fair value of consideration transferred over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized. Refer to Note 26 for the Corporation's impairment testing disclosure.

Goodwill has been allocated to the following CGUs:

<i>(\$ Thousands of CDN dollars)</i>	December 31, 2020	December 31, 2019
Calgary	8,082	8,082
Edmonton	4,346	4,346
Vancouver 2	3,413	3,413
Vancouver 1	2,630	2,630
Victoria	1,508	3,208
Montréal	-	823
Québec	-	654
Canadian division	19,979	23,156
UK division	18,100	18,100
Changes due to movement in exchange rates	418	198
UK division	18,518	18,298
Goodwill	38,497	41,454

10. PROVISIONS

The Corporation's provision includes a current provision of \$884 to recognize restructuring costs, and a long-term provision of \$2,789 that is comprised of lease provisions and obligations to restore leased premises of its leased plants.

Management estimates the current provision based on consultation from legal and current employment standards. Estimates of the long-term provision, is based off information from previous asset retirement obligations, as well as plant specific factors. Factors that could impact the estimated obligation are labour costs, the extent of removal work required, the number of lease extensions exercised and the inflation rate.

A long-term provision has been recognized for the present value of the estimated expenditure required to settle the lease provision and to remove leasehold improvements and installed equipment. The Corporation estimates the undiscounted, inflation adjusted cash flows required to settle

these obligations at December 31, 2020 to be \$2,928 (2019 - \$3,063). Management has estimated the present value of this obligation at December 31, 2020 to be \$2,789 (2019 - \$2,838) using an inflation rate of 1.40% (2019 - 1.90%) and pre-tax weighted average risk-free interest rate of 0.20% to 1.10% (2019 - 1.68% to 1.76%) dependent upon length of the lease term, which reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2022 to 2033.

As at December 31, 2020, if actual costs were to differ by 10% from management's estimate the obligation would be an estimated \$367 (2019 - \$284) higher or lower. It is possible the estimated costs could change and changes to these estimates could have a significant effect on the Corporation's consolidated financial statements.

The Corporation recorded the following provision activity during the year:

(\$ Thousands of CDN dollars)

	Asset Retirement Obligations	Restructuring Costs	Other	Total
Year Ended, December 31, 2020				
Balance, beginning of year	2,740	-	98	2,838
New provisions	-	1,852	-	1,852
Charges against provisions	29	-	-	29
Adjustments/settlement	13	(968)	(98)	(1,053)
Changes due to movement in exchange rate	7	-	-	7
Balance, end of year	2,789	884	-	3,673
Current portion	-	884	-	884
Non-current portion	2,789	-	-	2,789
Year Ended, December 31, 2019				
Balance, beginning of year	2,547	-	116	2,663
Charges against provisions	199	-	-	199
Adjustments/settlement	-	-	(18)	(18)
Changes due to movement in exchange rate	(6)	-	-	(6)
Balance, end of year	2,740	-	98	2,838
Current portion	-	-	-	-
Non-current portion	2,740	-	98	2,838

11. LONG-TERM DEBT

(\$ Thousands of CDN dollars)

Prime Rate Loan⁽¹⁾

At January 1, 2019	70,203
Net repayment of debt	(7,709)
Closing balance at December 31, 2019	62,494

At January 1, 2020	62,494
Net repayment of debt	(21,837)
Closing balance at December 31, 2020	40,657

¹ The revolving credit facility is collateralized by a general security agreement, bears interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on July 31, 2022 (December 31, 2019 – July 31, 2022). The additional interest margin can range between 0.0% to 1.75% dependent upon the calculated Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 4.5x. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at December 31, 2020 the combined interest rate was 2.70% (December 31, 2019 – 4.45%).

During 2020 the Corporation completed an amendment to its existing revolving credit facility which made changes to certain terms and conditions within the agreement in consideration of the ongoing COVID-19 pandemic and the impact to the Corporation's operations.

Under the credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at December 31, 2020 and December 31, 2019.

The Corporation has a revolving credit facility of up to \$100,000 plus a \$25,000 accordion of which \$41,307 is utilized (including letters of credit totaling \$650) as at December 31, 2020. Interest payments only are due during the term of the facility.

Drawings under the revolving credit facility are available by way of Bankers' Acceptances, Canadian prime rate loans, Libor of UK pounds based loans, letters of credit or standby letters of guarantee. Drawings under the revolving credit facility bear interest at a floating rate, plus an applicable margin based on certain financial performance ratios.

A general security agreement over all assets, a mortgage against all leasehold interests and real property, insurance policies and an assignment of material agreements have been pledged as collateral.

The carrying value of borrowings approximate their fair value as the debt is based on a floating rate, the interest rate risk has not changed, and the impact of discounting is not significant.

The Corporation has incurred no events of default under the terms of its credit facility agreement.

12. FINANCE EXPENSE

(\$ Thousands of CDN dollars)

	2020	2019
Interest on long-term debt	1,690	3,302
Lease interest expense	1,944	2,070
Accretion expense	29	199
Other charges, net	298	231
	3,961	5,802

13. LEASES

a) Amounts Recognized in the Balance Sheet

The balance sheet reflects the following amounts relating to leases:

<i>(\$ Thousands of CDN dollars)</i>	December 31, 2020	December 31, 2019
Right-of-use assets		
Buildings	30,549	34,593
Equipment	9,226	6,310
	39,775	40,903
Lease liabilities		
Buildings	36,501	40,357
Equipment	9,502	6,471
Total lease liabilities	46,003	46,828
Less, current portion of lease liabilities	(8,298)	(8,297)
Long term lease liabilities	37,705	38,531
Additions to the right-of-use assets during the financial year		
Buildings	-	546
Equipment	5,749	1,467
	5,749	2,013

b) Amounts Recognized in the Statement of Earnings

The statement of earnings reflects the following amounts relating to leases:

<i>(\$ Thousands of CDN dollars)</i>	December 31, 2020	December 31, 2019
Depreciation charge of right-of-use assets		
Buildings	4,130	4,097
Equipment	2,854	3,268
	6,984	7,365
Interest expense (included in finance expense)	1,944	2,070
Expense relating to short-term leases (included in delivery and corporate expenses)	-	57
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	33	38
The total cash outflow for leases	8,199	8,856

c) Reconciliation of expected lease liabilities

(\$ Thousands of CDN dollars)

	December 31, 2020	December 31, 2019
Lease liabilities		
Balance at January 1,	46,828	3,030
Adjustment for change in accounting policy	-	48,668
Right-of-use asset additions	5,749	2,013
Interest expense	1,944	1,620
Cash payment of lease payments	(8,630)	(8,487)
Effect of movement in exchange rates	112	(16)
Total lease liabilities	46,003	46,828
Less current portion, included in accrued liabilities	(8,298)	(8,297)
Long term lease liabilities	37,705	38,531

14. INCOME TAXES

A reconciliation of the expected income tax expense to the actual income tax expense is as follows:

(\$ Thousands of CDN dollars)

	2020	2019
Current tax:		
Current tax expense on profits for the year	1,234	1,722
Total current tax expense	1,234	1,722
Deferred tax:		
Origination and reversal of temporary differences	1,133	1,501
Impact of substantively enacted rates and other	250	(323)
Total deferred tax expense	1,383	1,178

The tax on the Corporation's earnings differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

(\$ Thousands of CDN dollars)

	2020	2019
Earnings before income taxes	6,399	13,806
Non-taxable items	(1,112)	(209)
Income subject to tax	5,287	13,597
Income tax at statutory rate of 25.86% (2019 - 26.74%)	1,367	3,636
Difference between Canadian and foreign tax rates	782	(195)
Impact of substantively enacted rates and other	468	(541)
Income tax expense	2,617	2,900

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

<i>(\$ Thousands of CDN dollars)</i>	2020	2019
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(12,850)	(12,085)
Deferred tax asset to be recovered within 12 months	-	-
	(12,850)	(12,085)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	21,212	20,545
Deferred tax liability to be recovered within 12 months	5,636	4,132
	26,848	24,677
Deferred tax liabilities, net	13,998	12,592

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

<i>(\$ Thousands of CDN dollars)</i>	Lease Liabilities	Provisions	Offering Costs & Other	Total
Deferred tax assets:				
At January 1, 2019	-	(530)	(1,800)	(2,330)
Charged (credited) to the statement of earnings	777	(33)	1,269	2,013
Change in accounting policy	(11,774)	-	-	(11,774)
Related to movements in exchange rates	2	-	4	6
At December 31, 2019	(10,995)	(563)	(527)	(12,085)
Charged (credited) to the statement of earnings	201	15	(937)	(721)
Related to movements in exchange rates	(31)	-	(13)	(44)
At December 31, 2020	(10,825)	(548)	(1,477)	(12,850)

<i>(\$ Thousands of CDN dollars)</i>	Linen in Service	Property, Plant & Equipment	Intangible Assets & Goodwill	LTIP & Other	Total
Deferred tax liabilities:					
At January 1, 2019	4,176	7,479	2,804	-	14,459
Charged (credited) to the statement of earnings	(44)	(806)	(416)	431	(835)
Change in accounting policy	-	11,106	-	-	11,106
Related to movements in exchange rates	-	(11)	(42)	-	(53)
At December 31, 2019	4,132	17,768	2,346	431	24,677
Charged (credited) to the statement of earnings	1,503	1,683	(985)	(97)	2,104
Related to movements in exchange rates	-	46	21	-	67
At December 31, 2020	5,636	19,496	1,382	334	26,848

15. CONTINGENCIES & COMMITMENTS

a) Contingencies

The Corporation has standby letters of credit issued as part of normal business operations in the amount of \$650 (December 31, 2019 – \$1,150) which will remain outstanding for an indefinite period of time.

Grievances for unspecified damages were lodged against the Corporation in relation to labor matters. The Corporation has disclaimed liability and is defending the actions. It is not practical to estimate the potential effect of these grievances, but legal advice indicates that it is not probable that a significant liability will arise.

With the impact of COVID-19, the operations of certain plants have significantly been impacted, and as a result various employees have been furloughed throughout 2020. During 2020 the Corporation has recognized a provision of \$1,852 related to restructuring costs through the statement of earnings, with \$884 remaining as a current liability on the Corporation's consolidated statement of financial position, refer to Note 10.

b) Commitments

Utility Commitments

The Corporation was committed to estimated natural gas and electricity commitments for the next five calendar years and thereafter as follows:

Utility commitments (\$ Thousands of CDN dollars)

2021	5,170
2022	-
2023	-
2024	-
2025	-
Subsequent	-
	5,170

Linen Purchase Commitments

At December 31, 2020, the Corporation was committed to linen expenditure obligations in the amount of \$4,527 (December 31, 2019 – \$9,821) to be incurred within the next year.

Property, Plant & Equipment Commitments

At December 31, 2020, the Corporation was committed to capital expenditure obligations in the amount of \$42 (December 31, 2019 – \$641) to be incurred within the next year.

Trust Funds on Deposit

The Corporation maintains funds in trust for a customer to facilitate both parties in achieving their shared objectives. These funds are not available for the Corporation's general operating activities and, as such, have not been recorded in the accompanying Consolidated Statements of Financial Position. As at December 31, 2020, the Corporation held trust funds on deposit in the amount of \$630 (2019 – \$605).

16. SHARE CAPITAL

a) Authorized

The Corporation is authorized to issue an unlimited number of common shares and such number of shares of one class designated as preferred shares which number shall not exceed 1/3 of the common shares issued and outstanding from time to time.

b) Issued

	2020	2019
Balance, beginning of year	10,604,382	10,559,936
Common shares issued under LTI	72,507	44,446
Balance, end of year	10,676,889	10,604,382
Unvested common shares held in trust for LTI	79,423	64,924

17. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the net earnings attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year.

	2020	2019
<i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>		
Net earnings	3,782	10,906
Weighted average number of shares outstanding (thousands)	10,557	10,508
Net earnings per share, basic	0.36	1.04

The basic net earnings per share calculation excludes the unvested Common shares held by the LTIP Account.

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares.

	2020	2019
<i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>		
Basic weighted average shares for the year	10,557,147	10,508,080
Dilutive effect of LTI shares	72,090	63,267
Diluted weighted average shares for the year	10,629,237	10,571,347
Net earnings	3,782	10,906
Weighted average number of shares outstanding (thousands)	10,629	10,571
Net earnings per share, diluted	0.36	1.03

18. LONG-TERM INCENTIVE PLAN

An account was formed to hold equity grants issued under the terms of the LTI on behalf of the participants (the "LTIP Account") and under certain circumstances the Corporation may be the beneficiary of forfeited Common shares held by the LTIP Account. The Corporation has control over the LTIP Account as it is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the LTIP Account. Therefore the Corporation has consolidated the LTIP Account. Compensation expense is recorded by the Corporation in the period earned. Dividends paid by the Corporation with respect to unvested Common shares held by the LTIP Account are paid to LTI participants. Unvested Common shares held by the LTIP Account are shown as a reduction of shareholders' equity.

	2020 Unvested	2020 Vested	2019 Unvested	2019 Vested
Balance, beginning of year	64,924	493,972	63,346	451,104
Issued during year	49,301	23,206	30,122	14,324
Vested during year	(34,802)	34,802	(28,544)	28,544
Balance, end of year	79,423	551,980	64,924	493,972

The cost of the 79,423 (2019 – 64,924) unvested Common shares held by the LTIP Account at December 31, 2020 was nil (2019 - nil).

19. DIVIDENDS TO SHAREHOLDERS

During the year ended December 31, 2020, the Corporation declared total dividends to shareholders of \$12,783 or \$1.200 per share (2019 - \$12,707 or \$1.200 per share).

The Corporation's policy is to pay dividends to Shareholders of its available cash to the maximum extent possible consistent with good business practice considering requirements for capital expenditures, working capital, growth capital and other reserves considered advisable by the Directors of the Corporation. All such dividends are discretionary. Dividends are declared payable each month to the Shareholders on the last business day of each month and are paid by the 15th day of the following month.

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

(\$ Thousands of CDN dollars)

	2020	2019
Accounts receivable	6,847	(1,514)
Linen in service	(3,731)	174
Prepaid expenses and deposits	134	(136)
Accounts payable and accrued liabilities ⁽¹⁾	(1,527)	(1,765)
Income taxes payable / receivable	749	5,107
	2,472	1,866

¹ Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, and current provision, but exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to and paid for during 2020 (\$1,725) and 2019 (\$4,090).

² Net change in the current provision (note 10) represent restructure costs accrued for during 2020 - \$884, and in 2019 - nil.

21. FINANCIAL INSTRUMENTS

a) Fair Value

The Corporation's financial instruments at December 31, 2020 and 2019 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long term debt. The carrying value of accounts receivable, accounts payable and accrued liabilities, lease liabilities, and dividends payable to shareholders approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Corporation's interest-bearing debt approximates the respective carrying amount due to the floating rate nature of the debt.

b) Financial Risk Management

The Corporation's activities are exposed to a variety of financial risks: price risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

c) Price Risk

Currency Risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The Corporation's operations in Canada are not significantly exposed to foreign currency risk as all revenues are received in Canadian dollars and minimal expenses are incurred in foreign currencies.

The Corporation's operations in the UK transacts in Sterling pounds £, with minimal revenue and expenses that are incurred in other foreign currencies. The Corporation is sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the Canadian dollar impacting other comprehensive income (loss).

For large capital expenditure commitments denominated in a foreign currency, the Corporation will enter into foreign exchange forward contracts if considered prudent to mitigate this risk.

Based on financial instrument balances as at December 31, 2020, a strengthening or weakening of \$0.01 of the Canadian dollar to the U.S. dollar with all other variables

held constant could have a favorable or unfavorable impact of approximately \$1, respectively, on net earnings.

Based on financial instrument balances as at December 31, 2020, a strengthening or weakening of \$0.01 of the Canadian dollar to the Sterling pounds £, with all other variables held constant could have an unfavorable or favorable impact of approximately \$2, respectively, on other comprehensive loss.

Interest Rate Risk

The Corporation is subject to interest rate risk as its credit facility bears interest at rates that depend on certain financial ratios of the Corporation and vary in accordance with market interest rates. Based on the credit facility at year end, the sensitivity to a 100 basis point movement in interest rates would result in an impact of \$407 (2019 - \$625) to net earnings.

Other Price Risk

The Corporation's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

d) Credit Risk

The Corporation has financial assets that are subject to the expected credit loss model. The Corporation's financial assets that are exposed to credit risk consist of cash and cash equivalents and accounts receivable. The Corporation, in the normal course of business, is exposed to credit risk from its customers.

Management believes that the risks associated with concentrations of credit risk with respect to accounts receivable

are limited due to the generally short payment terms, and the nature of the customers, which are primarily publicly funded health care entities. The credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are held with Canadian chartered banks and Standard Chartered Bank United Kingdom.

Cash & Cash Equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Accounts Receivable

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 60 months before December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate of the countries in which it provides services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2020 and 2019 was determined as follows for trade receivables:

(\$ Thousands of CDN dollars)

December 31, 2019	Gross	Allowance	Net
Current	26,634	-	26,634
1 to 60 days	6,464	-	6,464
61 to 90 days	1,164	-	1,164
Greater than 90 days	732	94	638
	34,994	94	34,900

December 31, 2020	Gross	Allowance	Net
Current	22,436	-	22,436
1 to 60 days	4,495	-	4,495
61 to 90 days	1,144	-	1,144
Greater than 90 days	300	267	33
	28,375	267	28,108

While the Corporation evaluates a customer's credit worthiness before credit is extended, provisions for potential credit losses are also maintained. The change in allowance for doubtful accounts was as follows:

<i>(\$ Thousands of CDN dollars)</i>	2020	2019
Opening loss allowance at January 1,	94	105
Adjustments made during the year	640	105
Write-offs	(468)	(114)
Effect of movements in exchange rates	1	(2)
Balance, end of year	267	94

e) Liquidity Risk

The Corporation's accounts payable, dividend payable and other liabilities are due within one year.

Payments due under contractual obligations on an undiscounted basis for the next five years and thereafter are as follows:

<i>(\$ Thousands of CDN dollars)</i>	Payments Due by Period				
	Total	2021	2022 to 2023	2024 to 2025	Subsequent
Long-term debt	40,657	-	40,657	-	-
Lease liabilities	61,539	8,335	14,423	11,648	27,133
Utility commitments	5,170	5,170	-	-	-
Linen purchase obligations	4,527	4,527	-	-	-
Property, plant and equipment commitments	42	42	-	-	-

The Corporation has a credit facility with a maturity date of July 31, 2022 (Note 11). The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to maintain and grow the current levels of cash flows from operations. The Corporation may be unable to extend the maturity date of the credit facility.

The Corporation's capital structure includes working capital, a committed revolving credit facility and share capital. The Corporation continuously monitors actual and forecast cash flows and monitors the availability on our committed credit facility to ensure sufficient liquidity is available.

To reduce liquidity risk, management has historically renewed the terms of the credit facility in advance of its maturity dates and the Corporation has maintained financial ratios that management believes are conservative compared to financial covenants applicable to the credit facility. A significant portion of the available facility remains undrawn.

Management measures liquidity risk through comparisons of current financial ratios with financial covenants contained in the credit facility.

22. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing its capital structure are as follows:

- maintain financial flexibility and availability of capital in order to meet financial obligations, provide dividends, execute growth plans, and to continue growth through business acquisitions;
- manage the Corporation's activities in a responsible way in order to provide an adequate return for its shareholders, while taking a conservative approach towards financial leverage and management of financial risk; and
- comply with financial covenants required under the credit facility.

The Corporation pays a dividend which reduces its ability to internally finance growth and expansion. However the availability of the Corporation's revolving line of credit provides sufficient access to capital to allow K-Bro to take advantage

of acquisition opportunities. The merits of the dividend are periodically evaluated by the Board.

The Corporation monitors its capital structure and financing requirements using non-GAAP financial metrics required under its Credit Facility debt covenants, consisting of Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. The Funded Debt, Credit Facility EBITDA, and Total Fixed Charge Coverage are defined under the terms of the Credit Facility (see Note 11) and do not have any standardized meaning prescribed under IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions will vary due to the timing of Material Transactions as defined under the terms of the Credit Facility.

The Corporation's capital structure is comprised of borrowings under its credit facility, shareholders' equity, less cash and cash equivalents.

	Years Ended December 31,	
	2020	2019
<i>(\$ Thousands of CDN dollars)</i>		
Long-term debt, including current portion	40,657	62,494
Issued and outstanding letters of credit	650	1,150
Shareholders' equity	189,504	196,051
	230,811	259,695
Less: Cash and cash equivalents	(2,416)	(5,301)
	228,395	254,394

The Corporation's financing strategy is to maintain a flexible structure consistent with the objectives stated above, to respond adequately to changes in economic conditions and to allow growth organically and through business acquisitions. In order to maintain and adjust its capital structure, the Corporation may issue new shares in the market, contract bank loans and negotiate new credit facilities.

As part of its operational strategy, to mitigate the impact of COVID-19 the Corporation reduced its planned capital spending through the deferral of any capital projects that were not critical to the Corporation's operations.

23. RELATED PARTY TRANSACTIONS

The Corporation transacts with key individuals from management and with the Board who have authority and responsibility to plan, direct and control the activities of the Corporation. The nature of these dealings were in the form of payments for services rendered in their capacity as Directors (retainers and meeting fees, including share-based payments) and as employees of the Corporation (salaries, benefits, short-term bonuses and share-based payments).

Key management personnel are defined as the executive officers of the Corporation including the President and Chief Executive Officer, Senior Vice-President, Chief Financial Officer and one employee acting in the capacity of Managing Director, UK.

During 2020 and 2019, remuneration to directors and key management personnel was as follows:

<i>(\$ Thousands of CDN dollars)</i>	2020	2019
Salaries and retainer fees	1,868	1,882
Short-term bonus incentives	993	967
Post-employment benefits	64	64
Share-based payments	1,469	1,446
	4,394	4,359

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by a Director. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the Years ended December 31, 2020, the Corporation incurred such fees totaling \$138 (2019- \$138).

24. EXPENSES BY NATURE

<i>(\$ Thousands of CDN dollars)</i>	2020	2019
Wages and benefits	81,868	118,851
Linen	24,780	27,463
Utilities	11,644	16,427
Delivery	12,480	15,567
Materials and supplies	8,126	10,172
Occupancy costs	3,704	4,675
Repairs and maintenance	7,006	8,761
Other expenses	8,739	2,921
	158,347	204,837

During the year ended December 31, 2020, wages and benefits reflected in the table above includes an offset of government grants recognized in the year of \$14,255 (\$0 - 2019).

25. SEGMENTED INFORMATION

The Chief Executive Officer ("CEO") is the Corporation's chief operating decision-maker. The Chief Executive Officer examines the Corporation's performance and allocation of resources both from geographic perspective and service type, and has identified two reportable segments of its business:

1. Canadian division - provides laundry and linen services to the healthcare and hospitality sectors through nine operating divisions located in Vancouver, Victoria, Calgary, Edmonton, Regina, Toronto, Montréal, and Québec City. Management has assessed that the services offered and the economic characteristics associated with these divisions are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in Canada.
2. UK division - provides laundry and linen services primarily to the hospitality sector, with other sectors including healthcare, manufacturing and pharmaceutical, through six sites which are located in Cupar, Perth, Newcastle, Livingston and Coatbridge.

The aggregation assessment requires significant judgment by management. Economic indicators used by management to assess the economic characteristics are the gross margin and the growth rate of each division.

The CEO primarily uses a measure of EBITDA to assess the performance of the operating segments. In addition, the CEO also receives information about the segments' revenue and assets on a monthly basis.

Segment revenue

The Corporation disaggregates revenue from contracts with customers by geographic location and customer-type for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same manner as in the consolidated statements of earnings & comprehensive income.

In Edmonton, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and this contract expires on March 31, 2023. In Calgary, the major customer is contractually committed to February 28, 2021, in Vancouver the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2025. For the years ended December 31, 2020, from these four major customers the Corporation has recorded revenue of \$108,559 (2019 - \$102,460), representing 55.2% (2019 - 40.6%) of total revenue.



(\$ Thousands of CDN dollars)

	2020		2019	
Healthcare	144,715	73.6%	132,620	52.6%
Hospitality	21,967	11.2%	54,004	21.4%
Canadian division	166,682	84.8%	186,624	74.0%
Healthcare	6,488	3.3%	6,404	2.5%
Hospitality	23,421	11.9%	59,382	23.5%
UK division	29,909	15.2%	65,786	26.0%
Total segment revenue	196,591	100.0%	252,410	100.0%

Segment Net Earnings & EBITDA

Segment net earnings and EBITDA are calculated consistent with the presentation in the financial statements. The net earnings and EBITDA is allocated based on the operations of the segment, and where the earnings and costs are generated from.

(\$ Thousands of CDN dollars)

	Canadian Division	UK Division	Total
2020			
Net earnings (loss)	10,892	(7,110)	3,782
EBITDA	38,365	(121)	38,244
2019			
Net earnings	7,787	3,119	10,906
EBITDA	35,843	11,730	47,573

The Canadian division net earnings includes non-cash employee share based compensation expense of \$1,799 (2019 – \$1,810).

Segment Assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Corporation's cash and cash equivalents are not considered to be segment assets but are managed by the treasury function.

(\$ Thousands of CDN dollars)

At December 31, 2020	Canadian Division	UK Division	Total
Total assets	243,414	80,397	323,811
Other:			
Cash and cash equivalents	(679)	(1,737)	(2,416)
Total segment assets	242,735	78,660	321,395

At December 31, 2019	Canadian Division	UK Division	Total
Total assets	260,560	91,499	352,059
Other:			
Cash and cash equivalents	-	(5,301)	(5,301)
Total segment assets	260,560	86,198	346,758

Segment Liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The Corporation's borrowings are not considered to be segment liabilities, but are managed by the treasury function.

(\$ Thousands of CDN dollars)

At December 31, 2020	Canadian Division	UK Division	Total
Total liabilities	112,229	22,078	134,307
Other:			
Long-term debt (note 11)	(40,657)	-	(40,657)
Total segment liabilities	71,572	22,078	93,650

At December 31, 2019	Canadian Division	UK Division	Total
Total liabilities	132,156	23,852	156,008
Other:			
Long-term debt (note 11)	(62,494)	-	(62,494)
Total segment liabilities	69,662	23,852	93,514

26. IMPAIRMENT OF ASSETS

(a) Impairment Testing at March 31, 2020

Management assessed that impairment indicators existed at March 31, 2020, specifically for the five CGUs that rely primarily on hospitality revenues as a result of the significant impact that COVID-19 had on the hospitality industry.

For the five CGUs who rely primarily on hospitality revenues an impairment test was completed using a probability-weighted discounted cash flow approach whereby the recoverable amount was based on the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

The key assumptions in calculating the recoverable amount of the five CGU's were as follows:

	March 31, 2020
Long-term growth rate %	2.0% to 3.0%
Pre-tax discount rate %	10.5% to 12.5%

For the March 31, 2020 impairment test, management's probability weighted approach was evaluated based on an equally weighted probability of a one year downturn in sales to the worst case of a two year downturn in sales. The scenarios estimated a decline of 70% for 2020 and 50% for 2021, with sales returning to normalized levels thereafter with sales growth estimates used between 2% to 3%.

As a result of this testing at March 31, 2020, an impairment loss of \$5,516 was recognized for three CGUs in the Canadian division, of which \$3,177 was allocated to goodwill and \$2,339 was allocated to PP&E. The table below summarizes the impairment details:

(\$ Thousands of CDN dollars)

CGU	Allocated to Goodwill	Allocated to PP&E	Total Impairment Recorded	Recoverable Amount
Montréal	823	-	823	2,485
Québec	654	2,339	2,993	(1,917)
Victoria	1,700	-	1,700	5,433
	3,177	2,339	5,516	6,001

(b) Impairment Testing at December 31, 2020

The Corporation performed its annual assessment for goodwill impairment for the Canadian division and for the UK division as at December 31, 2020 in accordance with its policy described in Note 2(k).

At December 31, 2020, the recoverable amount for the CGUs was determined using either a probability-weighted discounted cash flow approach (hospitality CGUs) or an earnings multiple approach (healthcare CGUs). The Corporation references Board approved budgets and cash flow forecasts, trailing twelve-month EBITDA, implied multiples and appropriate discount rates in the valuation calculations.

For the healthcare CGUs whereby the earnings multiple approach is used the implied multiple is calculated by utilizing the average multiples of comparable public companies. For the healthcare CGU's, the Corporation used implied average forward multiples that ranged from 12.7 to 12.9 to calculate the recoverable amounts. For these CGUs, based on testing performed at December 31, 2020 no impairment was determined to exist.

For the hospitality CGUs the probability weight discounted cash flow approach was used at both March 31, 2020 and December 31, 2020 to capture the increased risk and uncertainty arising from COVID-19.

For the December 31, 2020 impairment test, management's probability weighted approach was evaluated based on an equally weighted probability of a continued two year downturn in sales to the worst case of a three year downturn in sales. The scenarios estimated a decline of 45% for 2021, 30% for 2022, and 5% for 2023 with sales returning to normalized levels thereafter with sales growth estimates used 2%. This contrasts to the March 31, 2020 impairment test which contemplated a decline in 2020 and 2021 revenues only. As at December 31, 2020, for the goodwill associated with the remaining hospitality CGUs (the UK Division, Vancouver 2 and Victoria) the recoverable amounts was estimated to be £41,070, \$21,300 and \$6,484 respectively which exceeded the carrying amounts of the CGUs. No further impairment was therefore required for any of these CGUs.

The key assumptions in calculating the recoverable amount of the remaining CGU's were as follows:

	December 31, 2020
Long-term growth rate %	2.0%
Pre-tax discount rate %	11.6% to 12.5%

In addition to the key assumptions noted above, management has also evaluated other reasonable changes in estimates and assumptions and did not identify any other instances that could cause the carrying amount of these CGUs to exceed the recoverable amount. The table below summarizes the sensitivity of the key assumptions.

	Recoverable Amount	Sensitivity Analysis	
		Long-Term Growth Rate Decrease of 1%	Pre-Tax Discount Rate Increase of 1%
UK Division	£40,070	(£3,869)	(£4,652)
Vancouver 2	\$21,300	(\$2,295)	(\$2,785)
Victoria	\$6,484	(\$695)	(\$845)

The Corporation will continue to carefully monitor the situation as it pertains to the COVID-19 pandemic and further consider if there are new, or additional indicators, that exist during fiscal 2021.

With the ongoing evolution of the COVID-19 pandemic, the length and severity of these developments is subject to significant uncertainty. Accordingly, new developments may materially and adversely affect assumptions used in the consideration of the impairment of assets, impact whether a CGU has been impaired, and may change prior recorded impairment amounts.

27. SUBSEQUENT EVENTS

a) Dividends

The Corporation's Board of Directors declared an eligible dividend of \$0.10 per Common share of the Corporation payable on each of February 12, March 15, and April 15, 2021 to Shareholders of record on January 31, February 28, and March 31, 2021, respectively.

b) Alberta Healthcare Contract Extension

On March 1, 2021, the Corporation was awarded a 1 year extension to provide laundry and linen services to Alberta Health Services Calgary. The contract extends the existing relationship between the Corporation and Alberta Health Services Calgary.

Corporate Information

Board of Directors

ROSS SMITH, FCPA
FCA (Chair)
Corporate Director

MATTHEW HILLS, MBA
Managing Director
LLM Capital Partners

STEVEN MATYAS, BSC
Corporate Director

LINDA MCCURDY, MBA
President & CEO
K-Bro Linen Systems Inc.

MICHAEL PERCY, PHD
Professor
School of Business
University of Alberta

Executive Officers

LINDA MCCURDY, MBA
President & CEO

SEAN CURTIS
Senior VP & COO

KRISTIE PLAQUIN, CPA, CA
Chief Financial Officer

**TRANSFER AGENT
& REGISTRAR**
AST Trust Company
Calgary, Alberta

AUDITORS
**Pricewaterhouse-
Coopers LLP**
Edmonton, Alberta

LEGAL COUNSEL
Stikeman Elliott
Toronto, Ontario

PRINCIPAL BANK
TD Bank
Edmonton, Alberta

**STOCK EXCHANGE
LISTING**
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Canada Locations

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Jeff Gannon
General Manager

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Jackie Belanger
General Manager

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General Manager

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Ryo Utahara
General Manager

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F 780 452 2838

Trevor Ryc
General Manager

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Sean Jackson
General Manager

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F 418 661 4000

Dimitri Hamm
Directeur Général

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Cupar Trading Estate
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Avenue, Perth, PH13UF

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RIGGS PLACE

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Business Manager

COATBRIDGE

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P 01236449010

Andy Mackay
Operations Manager

CUPAR

Prestonhall Industrial
Estate, Cupar, Fife,
KY154RD

P 01334655220

Joe McDonagh
Operations Manager

LIVINGSTON

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Kelly Fox
Business Manager

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John Wellford
Operations Manager



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