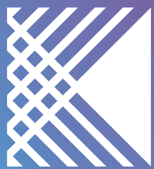
2023



We are dependable.

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PRESIDENT'S MESSAGE

2023 was a key year for K-Bro, one in which we put the worst effects of the pandemic behind us. We realized significant increases in volume, revenue, EBITDA, and EPS. We were particularly pleased to see these operating and financial improvements in our Canadian and UK businesses, and we saw increases in our healthcare and hospitality businesses. In addition to the improvement in our operating results, we completed two strategic acquisitions to strengthen our businesses in Québec City and Montréal.

Our balance sheet remains strong, with capacity to continue to finance growth opportunities. We financed both of our 2023 acquisitions with our credit line. We also began our NCIB share buyback program in May, and continued the buyback through to the end of the year and into 2024.

Most importantly, we have entered 2024 expecting continued growth and profitability. In addition to organic growth opportunities, we are continuing to consider Canadian and UK acquisition growth opportunities that are strategically complementary and accretive to our existing businesses.

Our 2023 highlights included:

- Revenue of $321mm, a 16% increase from 2022
- EBITDA of $56.8 mm, a 55.7% increase
- EPS of $1.64, a 355.6%% increase

We know the pandemic has been difficult for so many people, including our customer and employees. While our financial results came under pressure, our company is in a good position to continue our recovery and to grow, and we are appreciative of your continuing confidence and support. We will continue to work hard to provide excellent service to our many customers, a healthy and fulfilling career for our three thousand employees in Canada and the UK, and strong results for our shareholders.

We wish you a good 2024.

Linda McCurdy

K·BRO

031
007

K-Bro turned a corner in 2023, with our financial and operating performance showing significant improvement after so many pandemic-related challenges. We had significant organic growth, and completed two important acquisitions in our existing Québec City and Montréal markets.

We are pleased to have begun our share buyback efforts in May, while maintaining the ability to continue funding growth. Our balance sheet is strong, our cash flow generation is solid, and we enter 2024 with optimism about both our Canadian and UK markets.

K-Bro never stops striving every day to provide the highest-quality service to our customers. On behalf of the K-Bro Board and all of our employees, we appreciate your confidence and never take it for granted. We will continue working hard to do what is best for our customers, employees and shareholders, and we look forward to a bright 2024 and beyond.

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 ten facilities and two distributions centers in Canada, and five 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.

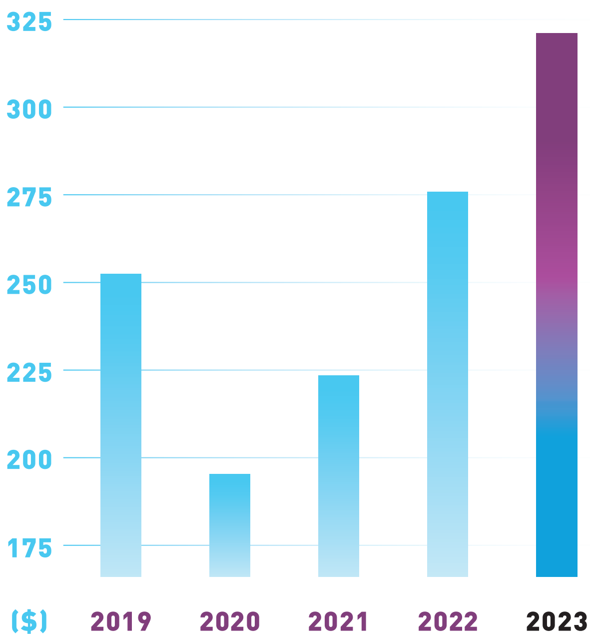
SEAN CURTIS, KRISTIE PLAQUIN, MICHAEL PERCY, ELISE REES, STEVEN MATYAS, MATTHEW HILLS, RYO UTAHARA, TREVOR RYE, SCOTT INGLIS, MICHAEL JONES, LUCY RENAUT, BENOIT LAURENT, DIMITRI HAMM, BARB LEWIS, KEVIN STEPHENSON, JAMES EWART, ANDREW MACKEEN, JEFF GANNON, LINDA MCCURDY

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 UP

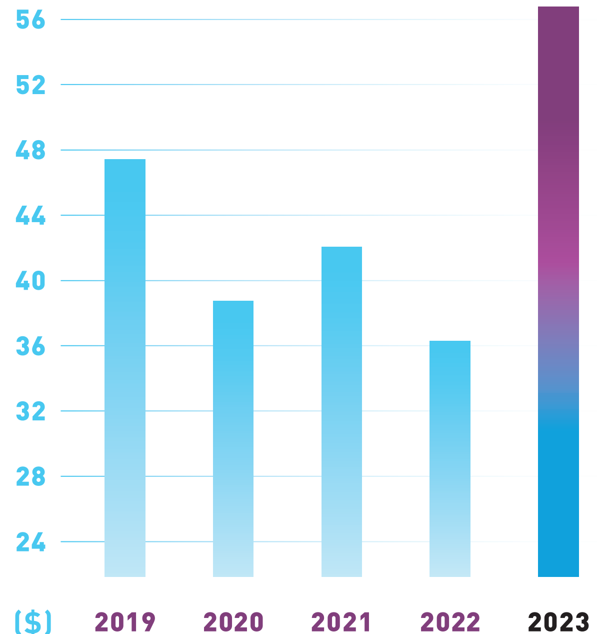
16.0%



(In millions of Canadian dollars) Years ended December 31

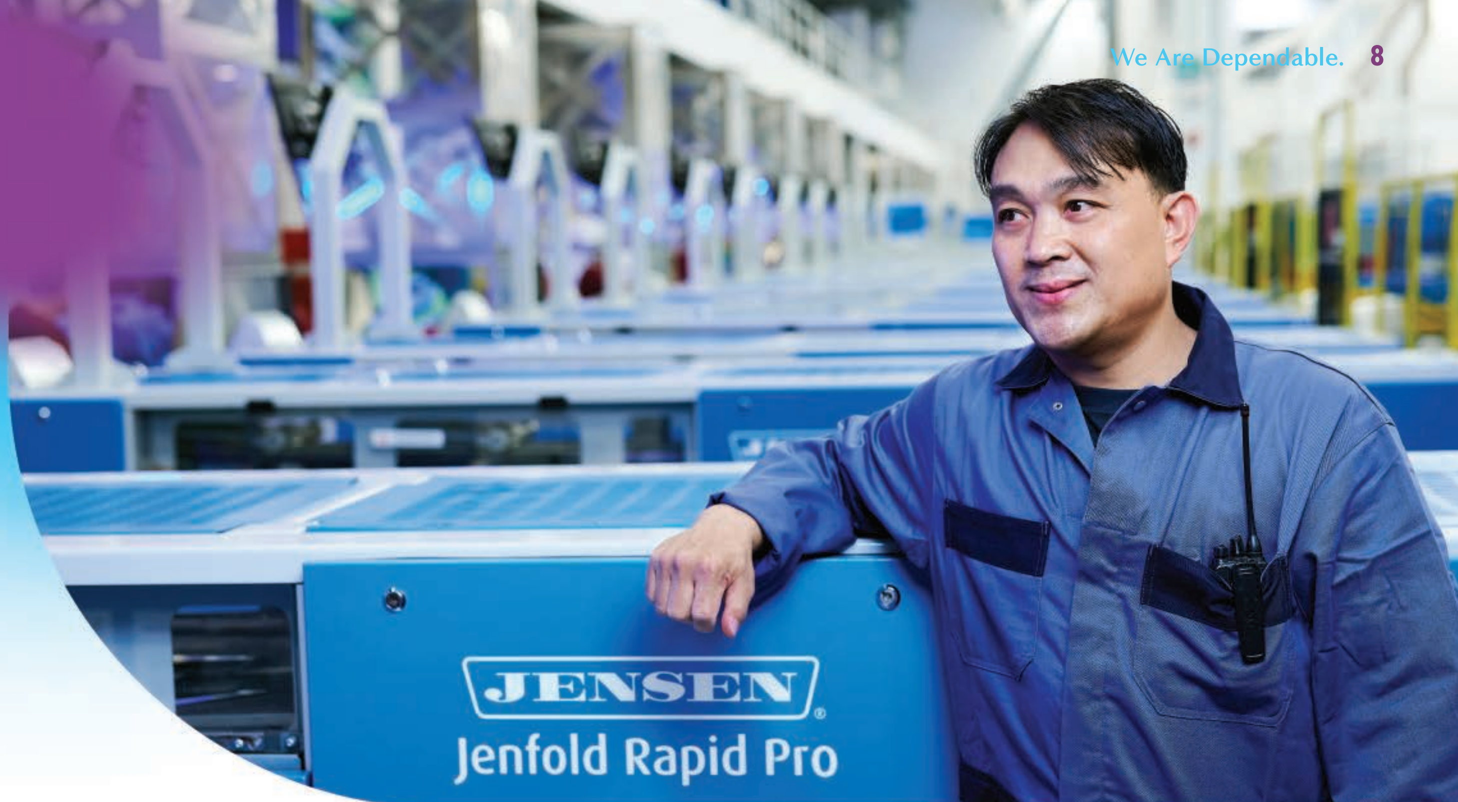
EBITDA UP

55.7%



(In millions of Canadian dollars) Years ended December 31

1 The COVID-19 pandemic caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had an adverse impact on the Corporation's hospitality business. The COVID-19 pandemic has also contributed to unusually competitive labour markets, causing inefficiencies in attracting, training and retaining employees. In addition to this, certain geopolitical events and other factors resulted in rising and unstable commodity costs for key inputs such as natural gas, electricity and diesel. The combination of all these events has had a negative impact to consolidated EBITDA in 2020, 2021 and 2022.



Years ended December 31,	2023	2022	2021	2020	2019
Income Statement Data					
Revenue	**320,884**	276,623	223,992	196,591	252,410
EBITDA	**56,806**	36,492	42,791	38,244	47,573
EBITDA (%)	**17.7**	13.2	19.1	19.5	18.8
Net earnings	**17,607**	3,906	8,692	3,782	10,906
Net earnings per share (Diluted)	**1.64**	0.37	0.81	0.36	1.03
Balance Sheet Data					
Working capital	**41,382**	36,635	30,271	27,922	31,021
Long-term debt	**70,247**	45,166	37,973	40,657	62,494
Other Financial Data					
Distributable cash per share	**3.04**	1.81	2.57	2.94	2.80
Payout ratio (%)	**39.8**	65.9	46.8	40.9	51.1
Price to earnings multiple (12 months trailing)	**20.1**	73.8	42.2	93.0	40.8
Price to EBITDA multiple (12 months trailing)	**6.2**	8.0	8.5	10.8	9.3
Return on shareholders' equity (ROE)(%)	**10.1**	2.2	4.7	2.3	5.6
Total shareholder return, YTD (%)	**25.3**	16.7	9.2	4.5	29.3
Total shareholder return, 5 yrs (%)	**7.3**	0.4	2.7	6.7	5.7
Market capitalization	**350,971**	294,108	366,616	416,078	445,914
Share price:					
High	**35.7**	36.0	47.2	46.4	43.2
Low	**27.0**	27.6	33.4	23.7	32.7
Close	**33.0**	27.3	34.2	39.0	42.1

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

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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, 2023 and 2022 (the "2023 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2023, June 30, 2023 and September 30, 2023. The Corporation and its wholly owned subsidiaries, including K-Bro Linen Systems Inc., Para Net Buanderie & Nettoyage a Sec Inc., Buanderie Villeray Limitée, 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 21, 2024.

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 (a) the possibility of undisclosed material liabilities, disputes or contingencies, (b) challenges or delays in achieving synergy and integration targets, (c) the diversion of management's time and focus from other business concerns and (d) the use of resources that may be needed in other parts of our business; (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 and the risks associated with maintaining short term contracts; (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, Québec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability and terms of future financing; (x) textile demand; (xi) availability and access to labour; (xii) rising wage rates in all jurisdictions the Corporation operates and (xiii) interest rate and 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) interest and foreign exchange rates; and (v) the level of capital expenditures. 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.

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 Accounting Standards 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 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 ten processing facilities and two distribution centres under two distinctive brands: K-Bro Linen Systems Inc. and Buanderie HMR. 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, healthcare, manufacturing and pharmaceutical sectors. The Corporation operates five UK sites located in Cupar, Perth, Newcastle, Livingston and Coatbridge.

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 healthcare 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 Cyclicality – 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.

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. Management evaluates M&A opportunities on an ongoing basis and looks to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

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.

Strategy

In 2023, K-Bro communicated its long-term sustainability strategy which prioritizes putting people first, supporting its partners and environmental stewardship. The strategy focuses on three pillars: People; Partners; and Planet, and builds on the Corporation's vision of delivering industry-leading service while embracing its responsibilities to society as a good corporate citizen – supporting the communities in which it operates, being a great place to work and a dependable partner for all its stakeholders.

People - Foster a customer-centric culture, take care of people, embrace diversity, and ensure K-Bro is a great place to work.

Partners - Be dependable, exemplify responsible business practices, support local communities, and anticipate evolving trends.

Planet - Operate responsibly, prioritize energy efficiency, embrace best management practices, and support environmental stewardship across the supply chain.

K-Bro maintains the following three part growth 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 long term 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 nine major hospitals in Toronto and the four health authorities in the Vancouver area.

Fourth Quarter Overview

Net earnings for the fourth quarter of 2023 were $4.2 million or $0.40 per Common Share (basic). Cash flow from operating activities was $7.8 million and distributable cash flow was $7.2 million. Consolidated revenue for the fourth quarter of 2023 increased to $82.5 million or by 16.7% compared to 2022, primarily related to the impact of price increases implemented to offset inflation-related costs, as well as stronger hospitality client activity combined with the continued strength of healthcare revenues and the acquisition of Paranet and Villeray during 2023 (see "Key Events").

EBITDA (see "Terminology") increased in the fourth quarter 2023 to $14.3 million or by 63.6% compared to $8.7 million in 2022. On a consolidated basis, EBITDA margin increased to 17.3% in 2023 from 12.3% in 2022.

Adjusted EBITDA (see "Terminology") increased in the fourth quarter 2023 to $13.3 million or by 52.8% compared to $8.7 million in 2022. On a consolidated basis, adjusted EBITDA margin increased to 16.2% in 2023 from 12.3% in 2022.

For the Canadian division, the EBITDA margin the fourth quarter increased to 18.6% in 2023 from 14.2% in 2022. The increase in margin is primarily related to the impact of stronger client activity, price increases across various markets serviced, labour efficiencies, and delivery route optimization combined with reduced fuel rates. The increase in EBITDA margin was also due to the gain on settlement of contingent consideration. This relates to the derecognition of contingent consideration for the Paranet acquisition since it will not be paid out. This gain is a non-cash item outside of core operations.

For the Canadian division, the Adjusted EBITDA margin the fourth quarter increased to 17.1% in 2023 from 14.2% in 2022. The increase in margin is primarily related to stronger client activity, the impact of price increases across various markets serviced, labour efficiencies, and delivery route optimization combined with reduced fuel rates.

For the UK division, in the fourth quarter, the EBITDA margin increased to 13.2% in 2023 from 6.0% in 2022. The improvement in EBITDA margin is primarily related to the impact of stronger client activity, price increases, increased productivity, and delivery cost efficiencies. Adjusted EBITDA was consistent with EBITDA in the UK for both 2023 and 2022.

Selected Annual Financial Information

($ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2023	UK Division 2023	2023	Canadian Division 2022	UK Division 2022	2022	Canadian Division 2021	UK Division 2021	2021
				Years Ended December 31,					
Revenue	241,129	79,755	**320,884**	212,035	64,588	**276,623**	183,073	40,919	**223,992**
EBITDA[1]	44,699	12,107	**56,806**	32,365	4,127	**36,492**	39,678	3,113	**42,791**
Adjusted EBITDA[2]	43,754	12,107	**55,861**	32,365	4,127	**36,492**	39,678	3,113	**42,791**
Net earnings (loss)	12,584	5,023	**17,607**	6,042	(2,136)	**3,906**	13,604	(4,912)	**8,692**
Net earnings (loss) per share:									
Basic	1.180	0.471	**1.651**	0.567	(0.200)	**0.366**	1.282	(0.463)	**0.819**
Diluted	1.172	0.468	**1.640**	0.563	(0.199)	**0.364**	1.273	(0.460)	**0.813**
Total assets			**364,716**			**325,760**			**332,519**
Long-term debt (excludes lease liabilities)			**70,247**			**45,166**			**37,973**
Weighted average number of shares outstanding:									
Basic			**10,663,949**			**10,657,742**			**10,608,539**
Diluted			**10,733,256**			**10,735,269**			**10,686,187**

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

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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.

Summary of 2023 Results & Key Events

Net earnings were $17.6 million or $1.65 per Common Share (basic). Cash flow from operating activities was $41.0 million and distributable cash flow was $32.4 million. Revenue increased in fiscal 2023 to $320.9 million or by 16.0% compared to 2022. Consolidated revenue for the fourth quarter of 2023 increased to $82.5 million or by 16.7% compared to 2022, primarily related to price increases implemented in 2023, as well as stronger hospitality client activity combined with the continued strength of healthcare revenues and the acquisition of Paranet and Villeray (see "Key Events").

EBITDA (see "Terminology") increased in 2023 to $56.8 million or by 55.7% compared to $36.5 million in 2022. On a consolidated basis, EBITDA margin increased from 13.2% in 2022 to 17.7% in 2023.

Adjusted EBITDA (see "Terminology") increased in 2023 to $55.9 million or by 53.1% compared to $36.5 million in 2022. On a consolidated basis, EBITDA margin increased from 13.2% in 2022 to 17.4% in 2023.

For the Canadian division, the EBITDA margin increased to 18.5% in 2023 from 15.3% in 2022. The increase in margin is primarily related to impact of price increases across various markets serviced, the completion of the AHS transition, operating efficiencies, and lower delivery costs. The lower delivery costs are attributable to the optimization of high frequency routes combined with reduced fuel rates. The increase in EBITDA margin was also due to the gain on settlement of contingent consideration. This relates to the derecognition of contingent consideration for the Paranet acquisition since it will not be paid out. This gain is a non-cash item outside of core operations.

For the Canadian division, the Adjusted EBITDA margin increased to 18.1% in 2023 from 15.3% in 2022. The increase in margin is primarily related to impact of price increases across various markets serviced, the completion of the AHS transition, operating efficiencies, and lower delivery costs. The lower delivery costs are attributable to the optimization of high frequency routes combined with reduced fuel rates.

For the UK division, the EBITDA margin increased to 15.2% in 2023 from 6.4% in 2022. The increase in EBITDA margin is primarily related to the impact of price increases and increased productivity. In addition, the natural gas hedge put into place during 2022, lower fuel rates and delivery cost efficiencies contributed to the margin growth. Adjusted EBITDA was consistent with EBITDA in the UK for both 2023 and 2022.

KEY EVENTS IN OUR MARKETS ARE SUMMARIZED BELOW

ACQUISITION OF BUANDERIE PARANET

On March 1, 2023 the Corporation completed the acquisition of 100% of the share capital of Buanderie Para-Net ("Paranet") operating as Paranet (the "Paranet Acquisition"), a private laundry and linen services company operating in Québec City, Québec. The Paranet Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, contracts and an employee base. The contracts acquired are in the Québec healthcare and hospitality sector, which complements the existing business of the Corporation. Based on the Corporation's evaluation of the Paranet Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Paranet Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The Corporation financed the Paranet Acquisition and transaction costs from existing loan facilities.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)	2023
Cash consideration	11,074
Contingent consideration	945
Total purchase price	**12,019**

The assets and liabilities recognized as a result of the Paranet Acquisition are as follows:

($ Thousands, except percentages)	2023
Net Assets Acquired:	
Accounts receivable	1,317
Prepaid expenses and deposits	137
Linen in service	970
Accounts payable and accrued liabilities[2]	(1,552)
Lease liabilities	(1,176)
Deferred income taxes	(1,474)
Property, plant and equipment[1,2]	6,142
Intangible assets	2,450
Net identifiable assets acquired	**6,814**
Goodwill	5,205
Net assets acquired	**12,019**

1 Includes ROUA from the Canadian Division of $1,176 comprised of buildings of $964 and vehicles of $212

2 Includes provision of $219 for asset retirement obligation

The provisional intangible assets acquired are made up of $2,450 for the customer contracts along with related relationships and customer lists. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

Contingent Consideration

In the event that a certain EBITDA target was achieved by Paranet for the twelve month period ended August 31, 2023, additional undiscounted consideration of up to $1,890 would have been payable in cash during the fourth quarter of 2023. While performance was in-line with expectations, the target was not achieved; therefore, no payment was made.

During the first three quarters of 2023, the estimated fair value of the possible payment was classified as contingent consideration. The fair value of the contingent consideration was estimated by considering the probability-adjusted future expected cash flows in regards to Paranet achieving the target that would result in consideration being paid. The impact of discounting these future cash flows was not considered because the impact would be nominal. Given that the EBITDA target was not achieved for the twelve month period ended August 31, 2023, the contingent consideration amount of $945 has been derecognized and a gain on settlement of contingent consideration has been recorded in Consolidated Statement of Earnings and Comprehensive Income for the twelve months ended December 31, 2023.

Acquisition Related Costs

For the twelve months ended December 31, 2023, $274 in professional fees associated with the Paranet Acquisition has been included in Corporate expenses.

Revenue and Profit Information

The acquired business contributed revenues of $7,819 to the Corporation for the period from March 1, 2023 to December 31, 2023. If the Paranet Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the period ended December 31, 2023 would have been $322,209.

The acquired business contributed a net deficit of ($316) to the Corporation for the period from March 1, 2023 to December 31, 2023. If the Paranet Acquisition had occurred on January 1, 2023, consolidated pro-forma net income for the period ended December 31, 2023 would have been $17,591.

These amounts have been calculated using Paranet's results and adjusting them for differences in the accounting policies between the Corporation and Paranet as it pertains to property, plant and equipment. The Corporation follows the requirements of IFRS Accounting Standards whereas Paranet previously reported under Canadian Accounting Standards for Private Enterprises (ASPE), the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023, together with the consequential tax effects.

ACQUISITION OF VILLERAY

On November 1, 2023, the Corporation completed the acquisition of 100% of the share capital of Buanderie Villeray and its affiliate Buanderie La Relance (the "Villeray Acquisition"), a private laundry and linen services company incorporated in Canada and operating in Montréal, Québec. The Villeray Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, customer relationships and an employee base. Villeray operates in the hospitality and healthcare sector, which complements the existing business of the Corporation. As part of the transaction, the Corporation closed its Granby facility and consolidated existing volumes into Villeray. Based on the Corporation's evaluation of the Villeray Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Villeray Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The Corporation financed the Villeray Acquisition and transaction costs from existing loan facilities.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)	2023
Cash consideration	11,204
Contingent consideration	500
Total purchase price	**11,704**

The assets and liabilities recognized as a result of the Villeray Acquisition are as follows:

($ Thousands, except percentages)	2023
Net Assets Acquired:	
Accounts receivable	907
Prepaid expenses and deposits	187
Income tax receivable	69
Accounts payable and accrued liabilities[2]	(807)
Lease liabilities	(2,706)
Deferred income taxes	(1,416)
Property, plant and equipment[1,2]	7,161
Intangible assets	2,530
Net identifiable assets acquired	**5,925**
Goodwill	5,779
Net assets acquired	**11,704**

1 Includes ROUA from the Canadian Division of $2,706 related to buildings

2 Includes provision of $97 for asset retirement obligation

The provisional intangible assets acquired are made up of $2,530 related to customer relationships. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

Contingent Consideration

The estimated fair value of payment has been classified as contingent consideration by exercising significant judgment as to whether it should be classified as such, or as renumeration to the former owner, who will be employed subsequent to the close of the transaction. The Corporation has determined by considering all relevant factors included in the agreements as it pertains to employment terms, valuation of the business, and other relevant terms that the additional consideration is most appropriately reflected as contingent consideration.

In the event that a certain EBITDA target is achieved by Villeray for the twelve month period ended October 31, 2024, additional undiscounted consideration ranging from $500 to $1,000 will be payable in cash during the first quarter of 2025. The potential undiscounted amount payable within the agreement will only be paid should the EBITDA target be achieved. Should the EBITDA target not be achieved, no payment will be made.

The fair value of the contingent consideration of $500 was estimated by considering the probability-adjusted future expected cash flows in regards to Villeray achieving the target that would result in consideration being paid. The impact of discounting those future cash flows was not considered because the impact would be nominal.

Since the estimated future cash flows and probability of achieving the EBITDA target are an unobservable input, the fair value of the contingent consideration is classified as a level 3 fair value measurement.

Acquisition Related Costs

For the year ended December 31, 2023, $414 in professional fees associated with the Villeray Acquisition has been included in Corporate expenses.

Revenue and Profit Information

The acquired business contributed revenues of $1,602 to the Corporation for the period from November 1, 2023 to December 31, 2023. If the Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the year ended December 31, 2023 would have been $329,021. If both the Paranet Acquisition and Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the year ended December 31, 2023 would have been $330,346.

The acquired business contributed a net deficit of ($201) to the Corporation for the period from November 1, 2023 to December 31, 2023, inclusive of Granby transition related costs. If the Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma net income for the period ended December 31, 2023 would have been $17,721.

These amounts have been calculated using Villeray's results and adjusting them for differences in the accounting policies between the Corporation and Villeray as it pertains to property, plant and equipment. The Corporation follows the requirements of IFRS Accounting Standards whereas Villeray previously reported under Canadian Accounting Standards for Private Enterprises (ASPE), the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023, together with the consequential tax effects.

NORMAL COURSE ISSUER BID

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

During the year ended December 31, 2023, the Corporation repurchased and cancelled 199,062 common shares (2022 – nil) for $6,496 under the NCIB, net of transaction costs of $1 which were recorded in share capital. The average share price was $32.63, with prices ranging from $30.48 to $35.53.

The Corporation recorded a financial liability of $3,967 related to the NCIB due to the automatic share repurchase plan for purchases that could be made from January 1 to March 22, 2024. During the blackout period, no changes can be made as it pertains to the automated share repurchase plan.

3SHEALTH CONTRACT EXTENSION

In Q2 2022, the Corporation extended its existing contract with 3sHealth for an additional six years to May 31, 2031 on terms that are consistent with the existing contract.

REVOLVING CREDIT FACILITY

On August 31, 2023, the Corporation completed an amendment to its existing revolving credit facility to extend the agreement from July 31, 2026 to July 31, 2027, as previously amended on July 18, 2022. In addition, the agreement expanded the revolving credit facility from $100,000 to $125,000 plus a $25,000 accordion. The Corporation's incremental borrowing rate under its existing credit facility is determined by the Canadian prime rate plus an applicable margin based on the ratio of Funded Debt to EBITDA as defined in the credit agreement. During fiscal 2022 and 2023, the Canadian prime rate increased from 3.70% in January 2022 to 6.95% in June 2023, and in July 2023 it increased to 7.20%.

CAPITAL INVESTMENT PLAN

For fiscal 2024, the Corporation's planned capital spending is expected to be between $15.0 and $17.0 million on a consolidated basis, including the expenditures associated with the Villeray acquisition. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK. 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.

ECONOMIC CONDITIONS

Since 2020, due to changing government restrictions to mitigate the ongoing COVID-19 pandemic, supply chain disruption, geopolitical events impacting key inputs such as natural gas, electricity and diesel and inflationary impacts to labour and materials the Corporation has faced varying degrees of financial impact within Canada and the UK. The COVID-19 pandemic has also contributed to unusually competitive labour markets, causing inefficiencies in attracting, training and retaining employees. While labour markets have been stabilizing, certain regional markets continue to experience constrained labour availability.

The Corporation's Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates which are beyond the Corporation's control. Increases in interest rates, both domestically and internationally, could negatively affect the Corporation's cost of financing its operations and investments.

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 pandemic, geopolitical events and rising interest rates on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

IMPAIRMENT OF ASSETS

The Corporation performed its annual impairment assessment for goodwill for the Canadian division and for the UK division as at December 31, 2023 and December 31, 2022 in accordance with its policy described in Note 2(k) and Note 2(h). The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple approach. For the year ended December 31, 2023, if the result of the earnings multiple approach indicated there was a possible impairment, a discounted cash flow was performed.

Earnings multiple approach (Fair value less costs to dispose, "FVLCD")

For the years ended December 31, 2023 and 2022, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 9.70 (2022 - 10.60) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

Based on the assessments performed for the year ended December 31, 2023, no CGU had a recoverable amount that was less than the carrying value of the CGU. A further assessment using a discounted cash flow to determine the value-in-use was not performed due to the headroom from FVLCD determined using an earnings multiple approach.

Discounted cash flow (Value-in-use, "VIU")

Where the results of the FVLCD approach indicated there was a possible impairment, a further assessment using a discounted cash flow was performed to determine the VIU of each VGU identified.

For the year ended December 31, 2022, the Corporation used probability weighted discounted cash flows and the assumptions for those cash flows were the Corporation's board approved budgets, cash flow forecasts, trailing twelve-month EBITDA, the pre-tax discount rate and terminal value growth rate.

The probability weighted approach used for the year ended December 31, 2022 was evaluated based on an equally weighted probability of a continued one-year downturn in sales to the worst case scenario of a two year downturn in sales. The scenarios estimated a decline of 8% to 12 % for 2023, 7% for 2024 with sales returning to normalized levels thereafter with sales growth estimates used 2%. These represent the Corporation's best estimate of cash flows over the forecast period.

The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.

The calculation of the recoverable amount was based on the following key assumptions:

	Testing Methodology December 31, 2022	Pre-tax Discount Rate December 31, 2022	Terminal Value Growth Rate December 31, 2022
Calgary	FVLCD	n/a	n/a
Edmonton	FVLCD	n/a	n/a
Vancouver 2	FVLCD	n/a	n/a
Vancouver 1	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Paranet	n/a	n/a	n/a
Villeray	n/a	n/a	n/a
UK	VIU	15.4%	2.0%

Based on testing performed at December 31, 2023 and December 31, 2022, no impairment was determined to exist.

Recoverable amount

The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2022, where further assessment using the probability weighted discounted cash flows was required the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the recoverable amount of any CGU to break even or have an impairment. The table below summarizes the results of the impact on key assumptions to a reasonable change.

	Recoverable Amount December 31, 2022	Change in Pre-tax Discount Rate Increase of 1% December 31, 2022	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2022
Calgary	n/a	n/a	n/a
Edmonton	n/a	n/a	n/a
Vancouver 2	n/a	n/a	n/a
Vancouver 1	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Paranet	n/a	n/a	n/a
Villeray	n/a	n/a	n/a
UK	£50,261	-£4,201	-£4,458

Outlook

The Corporation's healthcare and hospitality segments continues to experience steady growth trends. For the healthcare segment, management expects activity levels to remain strong from continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels from both business and leisure travel reflecting historical seasonal trends.

The volatility we encountered from energy prices, local labour market shortages and cost inflation throughout the pandemic has stabilized. In early 2022, particularly in the UK, the Corporation faced significant volatility in energy costs due to geopolitical issues. In April 2022, to mitigate this instability, the Corporation locked in natural gas supply rates in the UK until December 2024.

The Corporation also faced temporary labour inefficiencies from unusually competitive labour markets. While labour markets have been stabilizing, certain regional markets continue to experience constrained labour availability. The Corporation is managing more challenging regional labour availability with complementary temporary foreign worker programs and has seen positive staffing support in this regard.

Throughout 2023, EBITDA margins have benefited from stronger client activity, price increases that we have secured to offset inflation-related costs, the completion of the AHS transition, operating efficiencies, and lower delivery costs. Going forward, management expects EBITDA margins to follow historical seasonal trends.

With continued momentum in existing operations, management has refocused attention on strategic acquisitions, such as the acquisitions of Villeray and Paranet, to accelerate growth in both North America and Europe, geographies which remain highly fragmented. K-Bro will look to leverage its strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities, should they arise. For further information about the impact of other economic factors on our business, see the "Summary of 2023 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:

($ Thousands of CDN dollars, except percentages and per share amounts)		Three Months Ended December 31,					
Category	**Indicator**	**Canadian Division 2023**	**UK Division 2023**	**2023**	**Canadian Division 2022**	**UK Division 2022**	**2022**
Growth	EBITDA[1]	51.2%	161.7%	**63.6%**	-0.6%	-13.9%	**-2.3%**
	Adjusted EBITDA[2]	39.0%	161.7%	**52.8%**	-0.6%	-13.9%	**-2.3%**
	Revenue	15.9%	19.4%	**16.7%**	13.3%	14.5%	**13.6%**
	Distributable cash flow[3]			**138.7%**			**-54.2%**
Profitability	EBITDA[1]	11,712	2,567	**14,279**	7,745	981	**8,726**
	EBITDA margin	18.6%	13.2%	**17.3%**	14.2%	6.0%	**12.3%**
	Adjusted EBITDA[2]	10,767	2,567	**13,334**	7,745	981	**8,726**
	Adjusted EBITDA margin	17.1%	13.2%	**16.2%**	14.2%	6.0%	**12.3%**
	Net earnings (loss)	3,341	908	**4,249**	822	(542)	**280**
Stability	Debt to total capital[4]			**29.4%**			**20.6%**
	Unutilized line of credit			**52,884**			**52,998**
	Cash on hand			**5,857**			**2,636**
	Payout ratio			**44.4%**			**106.9%**
	Dividends declared per share			**0.300**			**0.300**
Cost containment	Wages and benefits	40.2%	33.3%	**38.6%**	41.0%	35.4%	**39.7%**
	Utilities	6.0%	12.6%	**7.5%**	6.8%	14.3%	**8.5%**
	Delivery	11.8%	14.2%	**12.4%**	13.1%	16.1%	**13.8%**
	Expenses included in EBITDA	81.4%	86.8%	**82.7%**	85.8%	94.0%	**87.7%**

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

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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 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.

4 Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".

($ Thousands of CDN dollars, except percentages and per share amounts) Category	Indicator	Canadian Division 2023	UK Division 2023	2023	Canadian Division 2022	UK Division 2022	2022
			Year Ended December 31,				
Growth	EBITDA[1]	38.1%	193.4%	**55.7%**	-18.4%	32.6%	**-14.7%**
	Adjusted EBITDA[2]	35.2%	193.4%	**53.1%**	-18.4%	32.6%	**-14.7%**
	Revenue	13.7%	23.5%	**16.0%**	15.8%	57.8%	**23.5%**
	Distributable cash flow[3]			**65.4%**			**-28.8%**
Profitability	EBITDA[1]	44,699	12,107	**56,806**	32,365	4,127	**36,492**
	EBITDA margin	18.5%	15.2%	**17.7%**	15.3%	6.4%	**13.2%**
	Adjusted EBITDA[2]	43,754	12,107	**55,861**	32,365	4,127	**36,492**
	Adjusted EBITDA margin	18.1%	15.2%	**17.4%**	15.3%	6.4%	**13.2%**
	Net earnings (loss)	12,584	5,023	**17,607**	6,042	(2,136)	**3,906**
Stability	Debt to total capital[4]			**29.4%**			**20.6%**
	Unutilized line of credit			**52,884**			**52,998**
	Cash on hand			**5,857**			**2,636**
	Payout ratio			**39.8%**			**65.9%**
	Dividends declared per share			**1.200**			**1.200**
Cost containment	Wages and benefits	40.2%	33.3%	**38.5%**	41.2%	36.4%	**40.1%**
	Utilities	6.2%	12.7%	**7.8%**	6.4%	15.7%	**8.6%**
	Delivery	11.5%	13.8%	**12.1%**	12.8%	15.8%	**13.5%**
	Expenses included in EBITDA	81.5%	84.8%	**82.3%**	84.7%	93.6%	**86.8%**

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

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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 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.

4 Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".

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	2023				2022			
($ Thousands of CDN dollars, except percentages and per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	48,451	46,621	45,445	43,823	43,963	42,683	43,523	43,237
Hospitality revenue	34,013	40,271	35,300	26,960	26,708	30,945	27,367	18,197
Total revenue	82,464	86,892	80,745	70,783	70,671	73,628	70,890	61,434
Expenses included in EBITDA	68,185	69,199	66,244	60,450	61,945	62,607	61,207	54,372
EBITDA[1]	14,279	17,693	14,501	10,333	8,726	11,021	9,683	7,062
EBITDA as a % of revenue (EBITDA margin)	17.3%	20.4%	18.0%	14.6%	12.3%	15.0%	13.7%	11.5%
Adjusted EBITDA[2]	13,334	17,693	14,501	10,333	8,726	11,021	9,683	7,062
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	16.2%	20.4%	18.0%	14.6%	12.3%	15.0%	13.7%	11.5%
Depreciation and amortization	7,298	6,872	6,803	6,321	6,505	6,466	6,570	6,527
Finance expense	1,732	1,860	1,584	1,473	1,639	1,340	1,001	1,000
Earnings (loss) before income taxes	5,249	8,961	6,114	2,539	582	3,215	2,112	(465)
Income tax expense (recovery)	1,000	2,294	1,423	539	302	759	496	(19)
Net earnings (loss)	4,249	6,667	4,691	2,000	280	2,456	1,616	(446)
Net earnings (loss) as a % of revenue	5.2%	7.7%	5.8%	2.8%	0.4%	3.3%	2.3%	-0.7%
Basic earnings (loss) per share	0.399	0.627	0.438	0.187	0.026	0.230	0.152	(0.042)
Diluted earnings (loss) per share	0.396	0.622	0.436	0.186	0.026	0.228	0.151	(0.042)
Total assets	364,716	341,662	346,532	337,277	325,760	321,527	329,677	325,041
Total long-term financial liabilities	132,773	113,262	122,178	112,628	105,744	100,408	106,327	99,302
Funds provided by operations	7,817	22,758	1,122	9,308	1,049	11,530	3,838	9,713
Long-term debt (excludes lease liabilities)	70,247	55,162	63,598	53,713	45,166	39,141	45,224	36,615
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, and depreciation and amortization). See "Terminology".

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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

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)*	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	46,952	44,962	43,681	42,243	42,419	41,197	41,936	41,687
Hospitality revenue	16,138	18,417	15,480	13,256	12,032	13,870	11,347	7,547
Total revenue	63,090	63,379	59,161	55,499	54,451	55,067	53,283	49,234
Expenses included in EBITDA	51,378	50,455	48,456	46,141	46,707	46,037	45,212	41,715
EBITDA[1]	11,712	12,924	10,705	9,358	7,745	9,030	8,071	7,519
EBITDA as a % of revenue (EBITDA margin)	18.6%	20.4%	18.1%	16.9%	14.2%	16.4%	15.1%	15.3%
Adjusted EBITDA[2]	10,767	12,924	10,705	9,358	7,745	9,030	8,071	7,519
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	17.1%	20.4%	18.1%	16.9%	14.2%	16.4%	15.1%	15.3%
Net earnings	3,341	4,169	2,829	2,245	822	2,122	1,669	1,429
Net earnings as a % of revenue	5.3%	6.6%	4.8%	4.0%	1.5%	3.9%	3.1%	2.9%
Basic earnings per share	0.314	0.392	0.264	0.210	0.077	0.199	0.157	0.134
Diluted earnings per share	0.311	0.389	0.263	0.209	0.076	0.197	0.156	0.134

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

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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.

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)*	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	1,499	1,659	1,764	1,580	1,544	1,486	1,587	1,550
Hospitality revenue	17,875	21,854	19,820	13,704	14,676	17,075	16,020	10,650
Total revenue	19,374	23,513	21,584	15,284	16,220	18,561	17,607	12,200
Expenses included in EBITDA	16,807	18,744	17,788	14,309	15,239	16,570	15,995	12,657
EBITDA[1]	2,567	4,769	3,796	975	981	1,991	1,612	(457)
EBITDA as a % of revenue (EBITDA margin)	13.2%	20.3%	17.6%	6.4%	6.0%	10.7%	9.2%	-3.7%
Adjusted EBITDA[2]	2,567	4,769	3,796	975	981	1,991	1,612	(457)
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	13.2%	20.3%	17.6%	6.4%	6.0%	10.7%	9.2%	-3.7%
Net income (loss)	908	2,498	1,862	(245)	(542)	334	(53)	(1,875)
Net income (loss) as a % of revenue	4.7%	10.6%	8.6%	-1.6%	-3.3%	1.8%	-0.3%	-15.4%
Basic earnings (loss) per share	0.085	0.235	0.174	(0.023)	(0.051)	0.031	(0.005)	(0.176)
Diluted earnings (loss) per share	0.085	0.235	0.173	(0.023)	(0.050)	0.031	(0.005)	(0.175)

Quarterly Financial Information - UK Division *(in local currency Sterling £)* *(Thousands, except percentages and per share amounts)*	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	886	977	1,049	962	967	987	1,005	912
Hospitality revenue	10,570	12,877	11,787	8,341	9,200	11,327	10,153	6,267
Total revenue	11,456	13,854	12,836	9,303	10,167	12,314	11,158	7,179
Expenses included in EBITDA	9,939	11,042	10,578	8,711	9,553	10,994	10,134	7,448
EBITDA[1]	1,517	2,812	2,258	592	614	1,320	1,024	(269)
EBITDA as a % of revenue (EBITDA margin)	13.2%	20.3%	17.6%	6.4%	6.0%	10.7%	9.2%	-3.7%
Adjusted EBITDA[2]	1,517	2,812	2,258	592	614	1,320	1,024	(269)
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	13.2%	20.3%	17.6%	6.4%	6.0%	10.7%	9.2%	-3.7%
Net income (loss)	536	1,476	1,108	(151)	(341)	221	(32)	(1,103)
Net income (loss) as a % of revenue	4.7%	10.6%	8.6%	-1.6%	-3.3%	1.8%	-0.3%	-15.4%
Basic earnings (loss) per share	0.051	0.139	0.103	(0.014)	(0.032)	0.021	(0.003)	(0.104)
Diluted earnings (loss) per share	0.051	0.138	0.103	(0.014)	(0.032)	0.020	(0.003)	(0.103)

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

2 Adjusted EBITDA (as defined below) is defined as EBITDA (defined above) with the exclusion of 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.

REVENUE, EARNINGS & EBITDA

For the year ended December 31, 2023, K-Bro's consolidated revenue increased by 16.0% to $320.9 million from $276.6 million in the comparative period. This increase was primarily due to increased client activity in the hospitality segment, the impact of price increases across various markets to offset inflation-related costs and the acquisitions of Paranet and Villeray. In 2023, approximately 57.5% of K-Bro's consolidated revenue was generated from healthcare institutions, which is lower compared to 62.7% in 2022. The change in revenue mix is primarily related to the increased activity in the hospitality segment due to an uptick in leisure travel and the business travel recovery in certain markets.

Consolidated EBITDA increased in the year to $56.8 million from $36.5 million in 2022, which is a increase of 55.7%. The consolidated EBITDA margin increased to 17.7% in 2023 compared to 13.2% in 2022. The increase in margin is primarily related the impact of price increases implemented, as well as increased productivity and delivery route optimization coupled with lower fuel costs. The increase in EBITDA margin was also due to the gain on settlement of contingent consideration. This relates to the derecognition of contingent consideration for the Paranet acquisition since it will not be paid out. This gain is a non-cash item outside of core operations.

Consolidated adjusted EBITDA increased in the year to $55.9 million from $36.5 million in 2022, which is a increase of 53.1%. The consolidated EBITDA margin increased to 17.4% in 2023 compared to 13.2% in 2022. The increase in margin is primarily related the impact of price increases implemented, as well as increased productivity and delivery route optimization coupled with lower fuel costs.

Net earnings increased by $13.7 million or 350.8% from $3.9 million in 2022 to $17.6 million in 2023, and net earnings as a percentage of revenue increased by 4.1% to 5.5% in 2023 from 1.4% in 2022. The change in net earnings is primarily related to the flow through items in EBITDA discussed. In addition, the derecognition of contingent consideration for Paranet resulted in a non-recurring gain of $0.9 million.

OPERATING EXPENSES

Wages and benefits increased by $12.4 million to $123.4 million compared to $111.0 million in the comparative period of 2022, and as a percentage of revenue decreased by 1.6 percentage points to 38.5%. The decrease as a percentage of revenue is primarily related to the impact of price increases secured across various markets and labour efficiencies achieved.

Linen increased by $1.7 million to $33.0 million compared to $31.3 million in the comparative period of 2022, and as a percentage of revenue decreased by 1.0 percentage points to 10.3%. The decrease as a percentage of revenue is primarily related to the changes to the mix of linen and higher hospitality volumes processed compared to the prior year.

Utilities increased by $1.3 million to $25.1 million compared to $23.8 million in the comparative period of 2022, and as a percentage of revenue decreased by 0.8 percentage points to 7.8%. The decrease as a percentage of revenue is primarily related to the impact of price increases secured, the UK natural gas hedge which was put in place during Q2 2022.

Delivery increased by $1.4 million to $38.7 million compared to $37.3 million in the comparative period of 2022, and as a percentage of revenue decreased by 1.4 percentage points to 12.1%. The decrease as a percentage of revenue is primarily related to the optimization of high-frequency routes, resulting in delivery cost efficiencies as well as lower fuel prices.

Occupancy costs increased by $0.9 million to $5.4 million compared to $4.5 million in the comparative period of 2022, and as a percentage of revenue remained relatively constant at 1.7%. The increase in spending is largely related to increased facility rent as well as costs associated with the Granby facility transition to Villeray.

Materials and supplies increased by $1.2 million to $12.1 million compared to $10.9 million in the comparative period of 2022, and as a percentage of revenue remained relatively constant at 3.8%.

Repairs and maintenance increased by $2.4 million to $12.8 million compared to $10.4 million in the comparative period of 2022, and as a percentage of revenue remained relatively constant at 4.0%.

Corporate costs increased by $3.4 million to $14.4 million compared to $11.0 million in the comparative period of 2022, and as a percentage of revenue increased by 0.5 percentage points to 4.5%. The increase as a percentage of revenue is primarily related to financing costs, compliance related advisory and professional fees along with acquisition related costs for Villeray and Paranet.

Gain on settlement of contingent consideration relates to the derecognition of the contingent consideration for Paranet since it will not be paid out. The derecognition of this liability resulted in a non-recurring gain which is non-cash in nature.

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 2023, cash generated by operating activities was $41.0 million with a debt to total capitalization of 29.4%. The change in cash from operations is primarily due to the change in working capital items driven from timing of business activity, including the timing of cash receipts from customers.

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 unutilized balance of $52.9 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 long term basis in order to ensure that sufficient capital is available for future growth needs.

During 2023, cash used in financing activities was $3.7 million compared to $13.1 million in 2022. Financing activities consisted of net proceeds from the revolving credit facility, dividends paid to Shareholders, principal elements of lease payments, and the repurchase of shares under the Normal Course Issuer Bid.

During 2023, cash used in investing activities was $34.3 million compared to $11.4 million in 2022. The increase in investing activities is primarily related to the acquisitions of Villeray and Paranet. Investing activities are also related 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 Year				
($ Thousands of CDN dollars)	Total	2024	2025 to 2026	2027 to 2028	Subsequent
Long-term debt	70,247	-	-	70,247	-
Lease liabilities	58,914	11,811	18,104	13,635	15,364
Utility commitments	15,599	11,278	4,321	-	-
Linen purchase obligations	9,434	9,434	-	-	-
Property, plant and equipment commitments	9,396	9,396	-	-	-

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, 2023. 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,	
($ Thousands, except percentages)	2023	2022
Cash and cash equivalents	(5,857)	(2,636)
Long-term debt (excludes lease liabilities)	70,247	45,166
Shareholders' equity	174,431	176,542
Total capital	**238,821**	**219,072**
Debt to total capital (see *Terminology* for definition)	**29.4%**	**20.6%**

For the period ended December 31, 2023, the Corporation had a debt to total capital of 29.4%, unused revolving credit facility of $52.9 million and has not incurred any events of default under the terms of its credit facility.

As at December 31, 2023, the Corporation had net working capital of $41.4 million compared to its working capital position of $36.6 million at December 31, 2022. The increase in working capital is primarily attributable to the timing of cash receipts from customers and the timing of linen purchases, as well as the acquisition of Paranet and Villeray.

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	2023 Amount Per Share	2023 Total Amount (1)(3)(5)(7)	2022 Amount Per Share	2022 Total Amount (2)(4)(6)(8)
January	February 15	10,773,190	0.10000	1,077	0.10000	1,072
February	March 15	10,773,190	0.10000	1,077	0.10000	1,072
March	April 14	10,773,190	0.10000	1,077	0.10000	1,072
Q1			**0.30000**	**3,231**	**0.30000**	**3,216**
April	May 15	10,773,190	0.10000	1,077	0.10000	1,072
May	June 15	10,820,662	0.10000	1,082	0.10000	1,078
June	July 14	10,781,779	0.10000	1,078	0.10000	1,078
Q2			**0.30000**	**3,237**	**0.30000**	**3,228**
July	August 15	10,768,585	0.10000	1,078	0.10000	1,077
August	September 15	10,761,089	0.10000	1,077	0.10000	1,077
September	October 14	10,731,707	0.10000	1,073	0.10000	1,077
Q3			**0.30000**	**3,228**	**0.30000**	**3,234**
October	November 15	10,701,629	0.10000	1,070	0.10000	1,076
November	December 15	10,669,747	0.10000	1,067	0.10000	1,076
December	January 13	10,635,473	0.10000	1,063	0.10000	1,076
Q4			**0.30000**	**3,200**	**0.30000**	**3,227**
YTD			**1.20000**	**12,896**	**1.20000**	**12,905**

1 The total amount of dividends declared was $0.10000 per share for a total of $1,077,319 per month for January - March 2023; when rounded in thousands, $3,231 of dividends were declared in Q1 2023.

2 The total amount of dividends declared was $0.10000 per share for a total of $1,071,881 per month for January - March 2022; when rounded in thousands, $3,216 of dividends were declared in Q1 2022.

3 The total amount of dividends declared was $0.10000 per share for a total of $1,077,319 for April 2023, $1,082,066 for May 2023, and $1,078,178 for June 2023. When rounded in thousands, $3,237 of dividends were declared in Q2 2023.

4 The total amount of dividends declared was $0.10000 per share for a total of $1,071,881 for April 2022, $1,077,514 for May 2022, and $1,077,514 for June 2022. When rounded in thousands, $3,228 of dividends were declared in Q2 2022.

5 The total amount of dividends declared was $0.10000 per share for a total of $1,076,859 for July 2023, $1,076,109 for August 2023, and $1,073,171 for September 2023. When rounded in thousands, $3,228 of dividends were declared in Q3 2023.

6 The total amount of dividends declared was $0.10000 per share for a total of $1,077,417 for July 2022, $1,077,318 for August 2022, and $1,077,318 for September 2022. When rounded in thousands, $3,234 of dividends were declared in Q3 2022.

7 The total amount of dividends declared was $0.10000 per share for a total of $1,070,163 for October 2023, $1,066,975 for November 2023, and $1,063,547 for December 2023. When rounded in thousands, $3,201 of dividends were declared in Q4 2023.

8 The total amount of dividends declared was $0.10000 per share for a total of $1,077,319 per month for October - December 2022; when rounded in thousands, $3,227 of dividends were declared in Q4 2022.

For the year ended December 31, 2023, the Corporation declared a $1.200 per Common Share dividend compared to $3.037 per Common Share of Distributable Cash Flow (see "Terminology"). The actual payout ratio was 39.8%.

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 Accounting Standards, is presented as follows:

($ Thousands of CDN dollars, except percentages and per share amounts)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by operating activities	7,817	22,758	1,122	9,308	1,049	11,530	3,838	9,713
Deduct (add):								
Net changes in non-cash working capital items[1]	(3,448)	8,344	(11,615)	606	(4,994)	1,204	(4,929)	3,098
Share-based compensation expense	410	438	443	505	410	438	428	512
Maintenance capital expenditures[2]	1,103	379	1,143	936	706	520	1,078	690
Principle elements of lease payments	2,547	2,360	2,340	2,144	1,908	1,834	1,821	1,834
Distributable cash flow	**7,205**	**11,237**	**8,811**	**5,117**	**3,019**	**7,534**	**5,440**	**3,579**
Dividends declared	3,200	3,228	3,237	3,231	3,227	3,234	3,228	3,216
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio[3]	44.4%	28.7%	36.7%	63.1%	106.9%	42.9%	59.3%	89.9%
Weighted average shares outstanding during the period, basic	10,510	10,645	10,706	10,707	10,675	10,659	10,650	10,641
Weighted average shares outstanding during the period, diluted	10,588	10,729	10,760	10,733	10,751	10,750	10,716	10,703
Trailing-twelve months ("TTM")								
Distributable cash flow	32,370	28,184	24,481	21,110	19,572	23,148	23,502	25,675
Dividends	12,896	12,923	12,929	12,920	12,905	12,894	12,875	12,859
Payout ratio[3]	39.8%	45.9%	52.8%	61.2%	65.9%	55.7%	54.8%	50.1%

1 Net change 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.

Outstanding Shares

As at December 31, 2023, the Corporation had 10,635,473 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2023 were 10,663,949 and 10,733,256, respectively (10,657,742 and 10,735,269, respectively, for the comparative 2022 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2022 fiscal year, on April 13, 2023 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of $1.8 million (2022 – $1.8 million) to be paid as Common Shares issued from

treasury. As at December 31, 2023, the value of the Common Shares held by the LTI custodian was $2.5 million (December 31, 2022 – $1.9 million) which was comprised of 76,900 in unvested Common Shares (December 31, 2022 – 64,552) with a nil aggregate cost (December 31, 2022 – $nil).

As at March 21, 2024 there were 10,583,007 Common Shares issued and outstanding including 76,900 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, 2023, the Corporation incurred fees totaling $72,000 compared to $72,000 for the same period of fiscal 2022.

Critical Accounting Estimates

The preparation of the financial statements, in conformity with IFRS Accounting Standards, requires K-Bro to make estimates and assumptions that affect the reported amounts 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. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future. Further to those areas discussed in the Corporation's 2022 audited financial statements and annual MD&A, determining the lease term and incremental borrowing rates under IFRS 16 requires critical judgments as well as assumptions that have been incorporated into any asset impairment testing models.

ECONOMIC CONDITIONS

Since 2020, due to changing government restrictions to mitigate the ongoing COVID-19 pandemic, supply chain disruption, geopolitical events impacting key inputs such as natural gas, electricity and diesel and inflationary impacts to labour and materials the Corporation has faced varying degrees of financial impact within Canada and the UK. The COVID-19 pandemic has also contributed to unusually competitive labour markets, causing inefficiencies in attracting, training and retaining employees. While the Corporation anticipates labour markets will stabilize, the timing remains uncertain and until such time as labour markets stabilize the Corporation will continue to be impacted financially by these conditions.

The Corporation's Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates which are beyond the Corporation's control. Increases in interest rates, both domestically and internationally, could negatively affect the Corporation's cost of financing its operations and investments. 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 pandemic, geopolitical events and rising interest rates on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

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.

($ Thousands of CDN dollars)	Three Months Ended December 31, 2023	2022	Years Ended December 31, 2023	2022
Net earnings	4,249	280	17,607	3,906
Add:				
Income tax expense	1,000	302	5,256	1,538
Finance expense	1,732	1,639	6,649	4,980
Depreciation of property, plant and equipment	7,043	6,120	26,669	23,766
Amortization of intangible assets	255	385	625	2,302
EBITDA	**14,279**	**8,726**	**56,806**	**36,492**

NON-GAAP MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is a measure which has been reported in order to assist in the comparison of historical EBITDA to current results. "Adjusted EBITDA" is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations.

Three Months Ended December 31,

($ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2023	UK Division 2023	2023	Canadian Division 2022	UK Division 2022	2022
EBITDA	11,712	2,567	**14,279**	7,745	981	**8,726**
Deduct non-recurring items:						
Gain on settlement of contingent consideration	(945)	-	**(945)**	-	-	**-**
Adjusted EBITDA	10,767	2,567	**13,334**	7,745	981	**8,726**

Years Ended December 31,

($ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2023	UK Division 2023	2023	Canadian Division 2022	UK Division 2022	2022
EBITDA	44,699	12,107	**56,806**	32,365	4,127	**36,492**
Deduct non-recurring items:						
Gain on settlement of contingent consideration	(945)	-	**(945)**	-	-	**-**
Adjusted EBITDA	43,754	12,107	**55,861**	32,365	4,127	**36,492**

DISTRIBUTABLE CASH FLOW

Distributable cash flow is a measure used by management to evaluate the Corporation's performance. While the closest IFRS Accounting Standards 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, re-investment 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 long term 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, and debt to total capital are not calculations based on IFRS Accounting Standards and are not considered an alternative to IFRS Accounting Standards measures in measuring K-Bro's performance. Distributable cash flow, and payout ratio do not have standardized meanings in IFRS Accounting Standards and are therefore not likely to be comparable with similar measures used by other issuers.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2023, the Corporation has not entered into any off balance sheet arrangements.

New Accounting Pronouncements Adopted

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2023.

- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. This change did not have an impact on our financial results and is not expected to have a material impact in the future.
- Amendments to IAS 12, Accounting Policies, relates to a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. This change did not have an impact on our financial results and is not expected to have a material impact in the future.
- Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies, related to the disclosure of material rather than significant accounting policies. This change was applied to accounting policy disclosure within Note 2.
- Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors, related to the definition of accounting estimates. This change did not have an impact on our financial results and is not expected to have a material impact in the future.

Recent Accounting Pronouncements

New standards, interpretations, or amendments that have been issued, or are not yet effective, have not been further described or early adopted, where no material impact is expected on the Corporation's consolidated financial statements.

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years.

- Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent, clarifying requirements for the classification of liabilities as non-current.
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, clarifying the measurement of a lease liability by the seller in a sale and leaseback transaction.

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. The Corporation will continue to assess the impacts, if any, the amendments to existing standards will have on our consolidated financial statements, but we currently do not expect any material impacts.

Critical Risks & Uncertainties

As at December 31, 2023, there are no material changes in the Corporation's risks or risk management activities since December 31, 2022. 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: 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.

The Corporation's operating results may be subject to increased risk due to current geopolitical instability that could have an impact on key input prices, such as natural gas. This uncertainty has become more pronounced with the conflict in the Ukraine which began in late February 2022 and has resulted in significant volatility in natural gas supply rates. We expect to mitigate some of these cost increases with price increases to our customers through price escalation measures although there could be some lag.

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.sedarplus.ca***.

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 period ended December 31, 2023, 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 period ended December 31, 2023, 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, 2023, 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.

LIMITATION ON SCOPE OF DESIGN

K-Bro has limited the scope of design of DCP and our Internal Controls over Financial Reporting (ICFR) to exclude controls, policies and procedures of Paranet acquired on March 1, 2023 and Villeray acquired on November 1, 2023. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

Paranet *($ Thousands, except percentages)*	As at December 31, 2023
Current assets	2,774
Non-current assets	13,115
Current liabilities	1,094
Non-current liabilities	2,869

Villeray *($ Thousands, except percentages)*	As at December 31, 2023
Current assets	2,352
Non-current assets	15,230
Current liabilities	1,257
Non-current liabilities	2,803

Paranet *($ Thousands, except percentages)*	As at December 31, 2023
Revenue	7,819
Expense	8,579
Income from Operations	(760)

Villeray *($ Thousands, except percentages)*	As at December 31, 2023
Revenue	1,602
Expense	1,902
Income from Operations	(300)

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.sedarplus.ca***; 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.sedarplus.ca***, le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR »).

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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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- 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, comprising material accounting policy information 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.

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103rd Avenue North West, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T.: +1 780 441 6700, F.: +1 780 441 6776, Fax to mail: ca_edmonton_main_fax@pwc.com

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

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, 2023. 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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill – UK Division *Refer to note 9 – Goodwill, note 26 – Impairment of assets, note 2 – Material accounting policies and note 5 – Critical accounting estimates and judgments to the consolidated financial statements.* The Corporation had goodwill of $48.9 million as at December 31, 2023 of which $17.9 million related to the UK division. Management reviews goodwill at least annually or more frequently if events or changes in circumstances indicate a potential impairment. 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 cash generating unit (CGU) on a pro rata basis, as determined by the carrying amount of each asset in the CGU. The recoverable amount for the CGU was assessed using an earnings multiple approach. The key assumption utilized was the implied multiple. Based on testing performed as at December 31, 2023, no impairment was determined to exist. We considered this a key audit matter due to (i) the significance of the goodwill and (ii) the significant judgments and estimates made by management in determining the recoverable amount of CGUs, 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.	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill, which included the following: – Tested the appropriateness of the approach used and the mathematical accuracy of the earnings multiple calculation; and – Tested the assumption of the implied earnings multiple. • Tested the disclosures made in the consolidated financial statements.

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 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 Accounting Standards, 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 21, 2024

Consolidated Statements of Financial Position

($ Thousands of CDN dollars)	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	5,857	2,636
Accounts receivable	50,306	37,761
Income tax receivable	-	1,917
Prepaid expenses and deposits	7,443	6,386
Linen in service (note 6)	35,288	31,383
	98,894	**80,083**
Assets classified as held for sale (note 7)	718	696
	99,612	**80,779**
Property, plant and equipment (note 7)	206,798	203,185
Intangible assets (note 8)	9,406	4,428
Goodwill (note 9)	48,900	37,368
	364,716	**325,760**
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	38,166	32,505
Provisions (note 10)	206	279
Share repurchase liability (note 16)	3,967	-
Lease liabilities (note 13)	12,023	9,615
Income taxes payable	2,086	-
Dividends payable to shareholders	1,064	1,075
	57,512	**43,474**
Long-term debt (note 11)	70,247	45,166
Lease liabilities (note 13)	41,275	44,042
Provisions (note 10)	2,964	2,382
Deferred income taxes (note 14)	18,287	14,154
	190,285	**149,218**
SHAREHOLDERS' EQUITY		
Share capital	206,453	208,463
Share repurchase deficit	(6,586)	-
Contributed surplus	2,252	2,323
Deficit	(27,521)	(32,232)
Accumulated other comprehensive loss	(167)	2,012
	174,431	**176,542**
Contingencies and commitments (note 15)		
	364,716	**325,760**

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

Approved by the Board of Directors

Elise Rees, Director

Matthew Hills, Director

Consolidated Statements of Earnings & Comprehensive Income

($ Thousands of CDN dollars, except share and per share amounts)	Years Ended December 31, 2023	2022
REVENUE	**320,884**	**276,623**
Expenses		
Wages and benefits	123,394	110,957
Delivery	38,748	37,326
Linen (note 6)	32,982	31,337
Utilities	25,124	23,754
Corporate	14,412	11,014
Materials and supplies	12,141	10,936
Repairs and maintenance	12,758	10,419
Occupancy costs	5,432	4,535
Gain on settlement of contingent consideration (note 27)	(945)	-
Remeasurement expense (gain)	32	(147)
	264,078	**240,131**
EBITDA	**56,806**	**36,492**
Other expenses		
Depreciation of property, plant and equipment (note 7)	26,669	23,766
Amortization of intangible assets (note 8)	625	2,302
Finance expense (note 12)	6,649	4,980
	33,943	**31,048**
Earnings before income taxes	**22,863**	**5,444**
Current income tax expense	4,002	1,441
Deferred income tax expense	1,254	97
Income tax expense (note 14)	**5,256**	**1,538**
Net earnings	**17,607**	**3,906**
Other comprehensive income (loss)		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	1,845	(2,648)
Total comprehensive income	**19,452**	**1,258**
Net earnings per share (note 17)**:**		
Basic	1.65	0.37
Diluted	1.64	0.36
Weighted average number of shares outstanding:		
Basic	10,663,949	10,657,742
Diluted	10,733,256	10,735,269

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	Share Repurchase Deficit	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
As at December 31, 2022	**208,463**	**-**	**2,323**	**(32,232)**	**(2,012)**	**176,542**
Total comprehensive income	-	-	-	17,607	1,845	19,452
Dividends declared (note 19)	-	-	-	(12,896)	-	(12,896)
Employee share based compensation expense (note 25)	-	-	1,796	-	-	1,796
Repurchase of shares (note 16)	(3,877)	(2,619)	-	-	-	(6,496)
Share repurchase liability (note 16)	-	(3,967)	-	-	-	(3,967)
Shares vested during the year	1,867	-	(1,867)	-	-	-
As at December 31, 2023	**206,453**	**(6,586)**	**2,252**	**(27,521)**	**(167)**	**174,431**

($ Thousands of CDN dollars)	Total Share Capital	Share Repurchase Deficit	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
As at December 31, 2021	**206,660**	**-**	**2,338**	**(23,233)**	**636**	**186,401**
Total comprehensive loss	-	-	-	3,906	(2,648)	1,258
Dividends declared (note 19)	-	-	-	(12,905)	-	(12,905)
Employee share based compensation expense (note 25)	-	-	1,788	-	-	1,788
Shares forfeited during the year	(62)	-	62	-	-	-
Shares vested during the year	1,865	-	(1,865)	-	-	-
As at December 31, 2022	**208,463**	**-**	**2,323**	**(32,232)**	**(2,012)**	**176,542**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flow

($ Thousands of CDN dollars)	Years Ended December 31, 2023	2022
OPERATING ACTIVITIES		
Net earnings	**17,607**	**3,906**
Depreciation of property, plant and equipment (note 7)	26,669	23,766
Amortization of intangible assets (note 8)	625	2,302
Accretion expense (note 10)	80	39
Employee share based compensation expense	1,796	1,788
Remeasurement expense	32	(147)
Gain on settlement of contingent consideration (note 27)	(945)	-
Deferred income tax expense	1,254	97
	47,118	**31,751**
Change in non-cash working capital items (note 20)	(6,113)	(5,621)
Cash provided by operating activities	**41,005**	**26,130**
FINANCING ACTIVITIES		
Net proceeds from revolving debt (note 11)	25,081	7,193
Repurchase of shares (note 16)	(6,496)	-
Principle elements of lease payments	(9,391)	(7,397)
Dividends paid to shareholders	(12,911)	(12,903)
Cash used in financing activities	**(3,717)**	**(13,107)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,493)	(11,370)
Proceeds from disposal of property, plant and equipment	1	33
Purchase of intangible assets (note 8)	(493)	(88)
Acquisition of businesses, net of cash (note 27, 28)	(22,278)	-
Cash used in investing activities	**(34,263)**	**(11,425)**
Change in cash and cash equivalents during the year	3,025	1,598
Effect of exchange rate changes on cash and cash equivalents	196	(72)
Cash and cash equivalents, beginning of year	2,636	1,110
Cash and cash equivalents, end of year	**5,857**	**2,636**
Supplementary cash flow information		
Interest paid	6,318	4,600
Income taxes paid	-	4,962

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, 2023 and 2022)

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 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 ten processing facilities and two distribution centres under two distinctive brands, including K-Bro Linen Systems Inc. and Buanderie HMR, 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, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North of England. The company operates in five cities in Scotland and the North 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 audited annual consolidated financial statements (the "Consolidated Financial Statements") were approved and authorized for issuance by the Board of Directors ("the Board") on March 21, 2024.

1. BASIS OF PRESENTATION

These Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The preparation of financial statements in conformity with IFRS Accounting Standards 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. MATERIAL 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 intercompany balances and transactions have been eliminated upon consolidation.

C) CASH & CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits with banks, and 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 derecognized. 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 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 (loss), or though 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.

3. CHANGES & UPDATES IN ACCOUNTING POLICIES

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2023.

- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. This change did not have an impact on our financial results and is not expected to have a material impact in the future.
- Amendments to IAS 12, Accounting Policies, relates to a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. This change did not have an impact on our financial results and is not expected to have a material impact in the future.
- Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies, related to the disclosure of material rather than significant accounting policies. This change was applied to accounting policy disclosure within Note 2.
- Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors, related to the definition of accounting estimates. This change did not have an impact on our financial results and is not expected to have a material impact in the future.

4. NEW STANDARDS & INTERPRETATIONS NOT YET ADOPTED

New standards, interpretations, or amendments that have been issued, or are not yet effective, have not been further described or early adopted, where no material impact is expected on the Corporation's consolidated financial statements.

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years.

- Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent, clarifying requirements for the classification of liabilities as non-current.
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, clarifying the measurement of a lease liability by the seller in a sale and leaseback transaction.

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. The Corporation will continue to assess the impacts, if any, the amendments to existing standards will have on our consolidated financial statements, but we currently do not expect any material impacts.

5. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The preparation of the Corporation's consolidated financial statements, in conformity with IFRS Accounting Standards, 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.

Economic Conditions

Since 2020, due to changing government restrictions to mitigate the ongoing COVID-19 pandemic, supply chain disruption, geopolitical events impacting key inputs such as natural gas, electricity and diesel and inflationary impacts to labour and materials the Corporation has faced varying degrees of financial impact within Canada and the UK. The COVID-19 pandemic has also contributed to unusually competitive labour markets, causing inefficiencies in attracting, training and retaining employees. While labour markets have been stabilizing, certain regional markets continue to experience constrained labour availability.

The Corporation's Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates which are beyond the Corporation's control. Increases in interest rates, both domestically and internationally, could negatively affect the Corporation's cost of financing its operations and investments.

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 pandemic, geopolitical events and rising interest rates 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 JUDGMENT

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.

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)	2023	2022
Balance, beginning of year	**31,383**	**31,340**
Additions	36,547	31,946
Amortization charge	(32,982)	(31,337
Effect of movement in exchange rates	340	(566)
Balance, end of year	**35,288**	**31,383**

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, 2022				
Opening net book amount	4,039	58,210	108,062	222	7,904	298	33,045	1,746	213,526
Additions[2][3][4]	-	59	10,357	106	8,477	292	128	119	19,538
Change in asset retirement obligation	-	-	-	-	-	-	(434)	-	(434)
Disposals	-	-	(13)	-	(3,473)	-	-	-	(3,486)
Transfers	-	-	7	(7)	-	-	-	-	-
Depreciation charge	-	(5,977)	(10,876)	(93)	(3,076)	(267)	(3,477)	-	(23,766)
Assets classified as held for sale[5]	(652)	(44)	-	-	-	-	-	-	(696)
Effect of movement in exchange rates	(75)	(530)	(652)	(8)	(214)	-	(16)	(2)	(1,497)
Closing net book amount	**3,312**	**51,718**	**106,885**	**220**	**9,618**	**323**	**29,246**	**1,863**	**203,185**
					At December 31, 2022				
Cost	3,312	77,804	208,434	1,303	22,322	3,688	59,873	1,863	378,599
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(25,879)	(99,436)	(1,083)	(12,699)	(3,351)	(30,627)	-	(173,075)
Net book amount	**3,312**	**51,718**	**106,885**	**220**	**9,618**	**323**	**29,246**	**1,863**	**203,185**
					Year Ended, December 31, 2023				
Opening net book amount	3,312	51,718	106,885	220	9,618	323	29,246	1,863	203,185
Additions[2][3][4]	-	549	10,371	63	4,561	320	9	230	16,103
Change in asset retirement obligation	-	-	-	-	-	-	171	-	171
Acquisition of businesses (note 27, 28)	-	3,671	8,432	24	333	42	801	-	13,303
Disposals	-	-	(41)	-	(204)	-	-	-	(245)
Depreciation charge	-	(6,573)	(11,838)	(100)	(4,289)	(380)	(3,489)	-	(26,669)
Effect of movement in exchange rates	26	284	418	6	202	-	14	-	950
Closing net book amount	**3,338**	**49,649**	**114,227**	**213**	**10,221**	**305**	**26,752**	**2,093**	**206,798**
					At December 31, 2023				
Cost	3,338	82,314	226,667	1,381	27,268	3,969	60,866	2,093	407,896
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(32,458)	(110,326)	(1,169)	(17,042)	(3,650)	(34,114)	-	(198,759)
Net book amount	**3,338**	**49,649**	**114,228**	**212**	**10,221**	**305**	**26,752**	**2,093**	**206,798**

1 Included in laundry equipment are assets under development in the amount of $651 (2022 - $181). 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 accrued liabilities of $356 (2022 - $697).

3 Additions include amounts from the Canadian Division of $11,060 (2022 - $10,598) and from the UK Division of $5,043 (2022 - $8,940).

4 Includes ROUA additions from the Canadian Division of $2,012 (2022 - $1,691), comprised of buildings of $0 (2022 - $0) and vehicles of $2,012 (2022 - $1,691). From the UK Division, ROUA additions were $2,963 (2022 - $6,800), comprised of buildings of $551 (2022 - $0) and vehicles of $2,412 (2022 - $6,800). This has resulted in corresponding increases to the lease liabilities in the amount of $2,012 (2022 - $1,691) for the Canadian Division and $2,963 (2022 - $6,800) for the UK Division.

5 Assets classified as held for sale are comprised of land and a building in Cupar, Scotland. The asset is currently marketed for sale, and it is anticipated to be sold during fiscal 2024.

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, 2022		
Opening net book amount	38	2,325	343	4,283	6,989
Additions	-	-	88	-	88
Amortization charge	(36)	(2,181)	(85)	-	(2,302)
Effect of movement in exchange rates	-	(144)	-	(203)	(347)
Closing net book amount	**2**	**-**	**346**	**4,080**	**4,428**
			At December 31, 2022		
Cost	19,200	22,715	1,375	4,080	47,370
Accumulated amortization	(19,198)	(22,715)	(1,029)	-	(42,942)
Net book amount	**2**	**-**	**346**	**4,080**	**4,428**
			Year Ended, December 31, 2023		
Opening net book amount	2	-	346	4,080	4,428
Additions	-	-	493	-	493
Acquisition of businesses (note 27, 28)	-	4,980	-	-	4,980
Amortization charge	(2)	(493)	(130)	-	(625)
Effect of movement in exchange rates	-	-	-	130	130
Closing net book amount	**-**	**4,487**	**709**	**4,210**	**9,406**
			At December 31, 2023		
Cost	19,200	27,695	1,868	4,210	52,973
Accumulated amortization	(19,200)	(23,208)	(1,159)	-	(43,567)
Net book amount	**-**	**4,487**	**709**	**4,210**	**9,406**

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:

($ Thousands of CDN dollars, except share and per share amounts)	Calgary	Edmonton	Vancouver 2	Vancouver 1	Victoria	Paranet	Villeray	Canadian Division	UK Division	Total
Gross amount of goodwill	8,082	4,346	3,413	2,630	3,208	-	-	21,679	18,100	39,779
Changes due to movement in exchange rates	-	-	-	-	-	-	-	-	(711)	(711)
Accumulated impairment	-	-	-	-	(1,700)	-	-	(1,700)	-	(1,700)
Balance at January 1, 2023	**8,082**	**4,346**	**3,413**	**2,630**	**1,508**	**-**	**-**	**19,979**	**17,389**	**37,368**
Goodwill acquired (note 27, 28)						5,205	5,779	10,984	-	10,984
Changes due to movement in exchange rates	-	-	-	-	-	-	-	-	548	548
Balance at December 31, 2023	**8,082**	**4,346**	**3,413**	**2,630**	**1,508**	**5,205**	**5,779**	**30,963**	**17,937**	**48,900**

10. PROVISIONS

The Corporation's provision includes a current provision of $206 (2022 - $279) to recognize restructuring costs, and a long-term provision of $2,964 (2022 - $2,382) 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, 2023 to be $3,772 (2022 - $3,203). Management has estimated the present value of this obligation at December 31, 2023 to be $2,964 (2022 - $2,382 using an inflation rate of 2.51% (2022 – 2.00%) and pre-tax weighted average risk-free interest rate of 3.05% to 3.91% (2022 - 3.30% to 4.07%) 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 2028 to 2039.

As at December 31, 2023, if actual costs were to differ by 10% from management's estimate the obligation would be an estimated $317 (2022 - $266) 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	Total
	For Year Ended, December 31, 2023		
Balance, beginning of year	2,382	279	2,661
Acquisition of businesses (note 27, 28)	316	-	316
Charges against provisions	80	-	80
Adjustments/settlement	173	(73)	100
Changes due to movement in exchange rates	13	-	13
Balance, end of year	**2,964**	**206**	**3,170**
Current portion	-	206	206
Non-current portion	2,964	-	2,964
	For Year Ended, December 31, 2022		
Balance, beginning of year	2,811	703	3,514
Charges against provisions	39	-	39
Adjustments/settlement	(434)	(424)	(858)
Changes due to movement in exchange rates	(34)	-	(34)
Balance, end of year	**2,382**	**279**	**2,661**
Current portion	-	279	279
Non-current portion	2,382	-	2,382

11. LONG-TERM DEBT

($ Thousands of CDN dollars)	Prime Rate Loan[1]
At January 1, 2022	37,973
Net repayment of debt	(7,193)
Closing balance at December 31, 2022	**45,166**
At January 1, 2023	45,166
Net proceeds from debt	25,081
Closing balance at December 31, 2023	**70,247**

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, 2027. 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 3.25x. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at December 31, 2023 the combined interest rate was 7.70% (December 31, 2022 – 6.95%).

On August 31, 2023, the Corporation completed an amendment to its existing revolving credit facility to extend the agreement from July 31, 2026 to July 31, 2027, as previously amended on July 18, 2022. In addition, the agreement expanded the revolving credit facility from $100,000 to $125,000 plus a $25,000 accordion.

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, 2023 and December 31, 2022.

The Corporation has a revolving credit facility of up to $125,000 plus a $25,000 accordion of which $72,116 is utilized (including letters of credit totaling $1,869) as at December 31, 2023. 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)	2023	2022
Interest on long-term debt	4,230	1,757
Lease interest expense	2,068	2,070
Accretion expense	80	39
Other charges, net	271	1,114
	6,649	**4,980**

13. LEASES

A) AMOUNTS RECOGNIZED IN THE BALANCE SHEET

The balance sheet reflects the following amounts relating to leases:

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2023	December 31, 2022
Right-of-use assets		
Buildings	36,267	37,348
Equipment	9,878	9,429
	46,145	**46,777**
Lease liabilities		
Buildings	43,079	43,992
Equipment	10,219	9,665
Total lease liabilities	**53,298**	**53,657**
Less, current portion of lease liabilities	(12,023)	(9,615)
Long term lease liabilities	**41,275**	**44,042**
Additions to the right-of-use assets during the financial year		
Acquisition of businesses (note 27, 28)	3,882	-
Buildings	551	-
Equipment	4,424	8,491
	8,857	**8,491**

B) AMOUNTS RECOGNIZED IN THE STATEMENT OF EARNINGS

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

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2023	December 31, 2022
Depreciation charge of right-of-use assets		
Buildings	5,492	4,913
Equipment	4,181	2,990
	9,673	**7,903**
Interest expense (included in finance expense)	2,068	2,070
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	15	26
The total cash outflow for leases	**11,474**	**9,493**

C) RECONCILIATION OF EXPECTED LEASE LIABILITIES

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2023	December 31, 2022
Lease liabilities		
Balance at January 1,	53,657	56,939
Right-of-use asset additions	8,857	8,491
Right-of-use asset disposals	(213)	(3,679)
Interest expense	2,068	2,070
Cash payment of lease payments	(11,459)	(9,467)
Effect of movement in exchange rates	388	(697)
Total lease liabilities	**53,298**	**53,657**

14. INCOME TAXES

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

($ Thousands of CDN dollars, except share and per share amounts)	2023	2022
Current tax:		
Current tax expense on profits for the year	4,002	1,441
Total current tax expense	**4,002**	**1,441**
Deferred tax:		
Origination and reversal of temporary differences	1,336	144
Impact of substantively enacted rates and other	(82)	(47)
Total deferred tax expense	**1,254**	**97**

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, except share and per share amounts)	2023	2022
Earnings before income taxes	**22,863**	**5,444**
Non-taxable items	(1,774)	(933)
Income subject to tax	**21,089**	**4,511**
Income tax at statutory rate of 25.46% (2022 - 25.39%)	5,370	1,146
Difference between Canadian and foreign tax rates	(217)	351
Impact of substantively enacted rates and other	103	41
Income tax expense	**5,256**	**1,538**

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

($ Thousands of CDN dollars, except share and per share amounts)	2023	2022
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(15,596)	(16,904)
	(15,596)	**(16,904)**
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	28,091	25,608
Deferred tax liability to be recovered within 12 months	5,792	5,450
	33,883	**31,058**
Deferred tax liabilities, net	**18,287**	**14,154**

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:

($ Thousands of CDN dollars, except share and per share amounts)	Lease Liabilities	Provisions	Offering Costs & Other	Total
Deferred tax assets:				
At January 1, 2022	(14,445)	(559)	(2,232)	(17,236)
Charged (credited) to the statement of earnings	716	57	(683)	90
Related to movements in exchange rates	154	-	88	242
At December 31, 2022	**(13,575)**	**(502)**	**(2,827)**	**(16,904)**
Acquisition of business	-	-	(169)	(169)
Charged (credited) to the statement of earnings	164	(145)	1,643	1,662
Related to movements in exchange rates	(102)	-	(83)	(185)
At December 31, 2023	**(13,513)**	**(647)**	**(1,436)**	**(15,596)**

($ Thousands of CDN dollars, except share and per share amounts)	Linen in Service	Property, Plant & Equipment	Intangible Assets & Goodwill	LTIP & Other	Total
Deferred tax liabilities:					
At January 1, 2022	5,326	24,234	1,444	332	31,336
Charged (credited) to the statement of earnings	124	311	(428)	-	7
Related to movements in exchange rates	-	(198)	(87)	-	(285)
At December 31, 2022	**5,450**	**24,347**	**929**	**332**	**31,058**
Acquisition of business	194	1,638	1,232	-	3,064
Charged (credited) to the statement of earnings	148	(651)	86	9	(408)
Related to movements in exchange rates	-	137	32	-	169
At December 31, 2023	**5,792**	**25,471**	**2,279**	**341**	**33,883**

The Company has $5,123 of UK trading loss carry-forwards, the benefit of which has been reflected in these financial statements. For tax purposes, these losses are deductible against future UK profits. These losses do not expire.

15. CONTINGENCIES & COMMITMENTS

A) CONTINGENCIES

The Corporation has standby letters of credit issued as part of normal business operations in the amount of $1,869 (December 31, 2022 – $1,836) 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.

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)*

2024	11,278
2025	2,826
2026	1,495
2027	-
2028	-
Subsequent	-
	15,599

Linen Purchase Commitments

At December 31, 2023, the Corporation was committed to linen expenditure obligations in the amount of $9,434 (December 31, 2022 – $10,161) to be incurred within the next year.

Property, Plant & Equipment Commitments

At December 31, 2023, the Corporation was committed to capital expenditure obligations in the amount of $9,396 (December 31, 2022 – $2,341) 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, 2023, the Corporation held trust funds on deposit in the amount of $966 (2022 – $964).

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

($ Thousands of CDN dollars, except share and per share amounts)	2023	2022
Balance, beginning of year	10,773,190	10,719,778
Common shares issued under LTI	61,345	55,362
Common shares forfeited under LTI	-	(1,950)
Common shares repurchased	(199,062)	-
Balance, end of year	**10,635,473**	**10,773,190**
Unvested common shares held in trust for LTI	**76,900**	**64,552**

C) NORMAL COURSE ISSUER BID

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

During the year ended December 31, 2023, the Corporation repurchased and cancelled 199,062 common shares (2022 – nil) for $6,496 under the NCIB, net of transaction costs of $1 which were recorded in share capital. The average share price was $32.63, with prices ranging from $30.48 to $35.53.

The Corporation recorded a financial liability of $3,967 related to the NCIB due to the automatic share repurchase plan for purchases that could be made from January 1 to March 22, 2024. During the blackout period, no changes can be made as it pertains to the automated share repurchase plan.

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.

($ Thousands of CDN dollars, except share and per share amounts)	2023	2022
Net earnings	17,607	3,906
Weighted average number of shares outstanding (thousands)	10,664	10,658
Net earnings per share, basic	**1.65**	**0.37**

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.

($ Thousands of CDN dollars, except share and per share amounts)	2023	2022
Basic weighted average shares for the year	10,663,949	10,657,742
Dilutive effect of LTI shares	69,307	77,527
Diluted weighted average shares for the year	**10,733,256**	**10,735,269**
Net earnings	17,607	3,906
Weighted average number of shares outstanding (thousands)	10,733	10,735
Net earnings per share, diluted	**1.64**	**0.36**

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.

($ Thousands of CDN dollars)	2023 Unvested	2023 Vested	2022 Unvested	2022 Vested
Balance, beginning of year	64,552	663,152	78,632	595,660
Issued during year	41,680	19,665	37,172	18,190
Forfeited during year	-	-	(1,950)	-
Vested during year	(29,332)	29,332	(49,302)	49,302
Balance, end of year	**76,900**	**712,149**	**64,552**	**663,152**

The cost of the 76,900 (2022 – 64,552) unvested Common shares held by the LTIP Account at December 31, 2023 was $0 (2022 - $0).

19. DIVIDENDS TO SHAREHOLDERS

During the year ended December 31, 2023, the Corporation declared total dividends to shareholders of $12,896 or $1.200 per share (2022 - $12,905 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, except share and per share amounts)	Years Ended, December 31, 2023	2022
Accounts receivable	(9,978)	(1,248)
Linen in service	(2,616)	(536)
Prepaid expenses and deposits	(632)	(2,037)
Accounts payable and other liabilities[1]	3,110	1,713
Income taxes payable / receivable	4,003	(3,513)
	(6,113)	**(5,621)**

1 Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, net change in the current provision (note 10) related to restructure costs for 2023 - ($73) and in 2022 - ($424), 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 2023 ($341) and 2022 ($176).

21. FINANCIAL INSTRUMENTS

A) FAIR VALUE

The Corporation's financial instruments at December 31, 2023 and 2022 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, 2023, 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 $3, respectively, on net earnings.

Based on financial instrument balances as at December 31, 2023, a strengthening or weakening of $0.01 of the Canadian dollar to the Sterling pound (£), with all other variables held constant could have an unfavorable or favorable impact of approximately $110, 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 $702 (2022 - $452) 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, there was no identified impairment.

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, 2023 or January 1, 2023 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, 2023 and 2022 was determined as follows for trade receivables:

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

December 31, 2023	Gross	Allowance	Net
Current	34,638	-	34,638
1 to 60 days	11,731	-	11,731
61 to 90 days	3,598	-	3,598
Greater than 90 days	517	178	339
	50,484	**178**	**50,306**

December 31, 2022	Gross	Allowance	Net
Current	27,986	-	27,986
1 to 60 days	8,145	-	8,145
61 to 90 days	1,324	-	1,324
Greater than 90 days	450	144	306
	37,905	**144**	**37,761**

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:

	Years Ended, December 31,	
($ Thousands of CDN dollars, except share and per share amounts)	**2023**	**2022**
Opening loss allowance at January 1,	144	143
Adjustments made during the year	16	(10)
Acquisition of business	29	-
(Write-offs) Recoveries	(12)	11
Effect of movements in exchange rates	1	-
Balance, end of year	178	144

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:

	Payments Due by Year				
($ Thousands of CDN dollars)	Total	2024	2025 to 2026	2027 to 2028	Subsequent
Long-term debt	70,247	-	-	70,247	-
Lease liabilities	58,914	11,811	18,104	13,635	15,364
Utility commitments	15,599	11,278	4,321	-	-
Linen purchase obligations	9,434	9,434	-	-	-
Property, plant and equipment commitments	9,396	9,396	-	-	-

The Corporation has a credit facility with a maturity date of July 31, 2027 (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 Accounting Standards. 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.

($ Thousands of CDN dollars, except share and per share amounts)	Years Ended, December 31, 2023	2022
Long-term debt, including current portion	70,247	45,166
Issued and outstanding letters of credit	1,869	1,836
Shareholders' equity	174,431	176,542
	246,547	**223,544**
Less: Cash and cash equivalents	(5,857)	(2,636)
	240,690	**220,908**

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.

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 2023 and 2022, remuneration to directors and key management personnel was as follows:

($ Thousands of CDN dollars)	Years Ended, December 31, 2023	2022
Salaries and retainer fees	1,879	1,802
Short-term bonus incentives	1,082	1,007
Post-employment benefits	66	63
Share-based payments	1,446	1,399
	4,473	**4,271**

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 year ended December 31, 2023, the Corporation incurred such fees totaling $72 (2022– $72).

24. EXPENSES BY NATURE

($ Thousands of CDN dollars)	Years Ended, December 31, 2023	2022
Wages and benefits	145,535	130,971
Linen	32,982	31,337
Utilities	25,124	23,754
Delivery	23,083	23,050
Materials and supplies	16,263	13,522
Occupancy costs	5,624	4,727
Repairs and maintenance	12,758	10,419
Other expenses	2,709	2,351
	264,078	**240,131**

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 ten 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 four sites which are located in 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 and Calgary, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and is contractually committed to July 31, 2032. In Vancouver, the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2031. For the year ended December 31, 2023, from these three major customers the Corporation has recorded revenue of $135,736 (2022 – $130,360), representing 42.3% (2022 – 47.1%) of total revenue.

($ Thousands of CDN dollars)	2023		2022	
Healthcare	177,838	55.4%	167,239	60.5%
Hospitality	63,291	19.7%	44,796	16.2%
Canadian division	**241,129**	**75.1%**	**212,035**	**76.7%**
Healthcare	6,502	2.1%	6,167	2.2%
Hospitality	73,253	22.8%	58,421	21.1%
UK division	**79,755**	**24.9%**	**64,588**	**23.3%**
Total segment revenue	**320,884**	**100.0%**	**276,623**	**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, except share and per share amounts)	Canadian Division	UK Division	Total
2023			
Net earnings	12,584	5,023	**17,607**
EBITDA	44,699	12,107	**56,806**

	Canadian Division	UK Division	Total
2022			
Net earnings (loss)	6,042	(2,136)	**3,906**
EBITDA	32,365	4,127	**36,492**

The Canadian division net earnings includes non-cash employee share based compensation expense of $1,796 (2022 – $1,788).

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, except share and per share amounts)

At December 31, 2023	Canadian Division	UK Division	Total
Total assets	278,983	85,733	**364,716**
Other:			
Cash and cash equivalents	-	(5,857)	**(5,857)**
Total segment assets	**278,983**	**79,876**	**358,859**

At December 31, 2022	Canadian Division	UK Division	Total
Total assets	249,604	76,156	**325,760**
Other:			
Cash and cash equivalents	(27)	(2,609)	**(2,636)**
Total segment assets	**249,577**	**73,547**	**323,124**

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 except share and per share amounts)

At December 31, 2023	Canadian Division	UK Division	Total
Total liabilities	165,348	24,937	**190,285**
Other:			
Long-term debt (note 11)	(70,247)	-	(70,247)
Total segment liabilities	**95,101**	**24,937**	**120,038**

At December 31, 2022	Canadian Division	UK Division	Total
Total liabilities	127,038	22,180	**149,218**
Other:			
Long-term debt (note 11)	(45,166)	-	(45,166)
Total segment liabilities	**81,872**	**22,180**	**104,052**

26. IMPAIRMENT OF ASSETS

The Corporation performed its annual impairment assessment for goodwill for the Canadian division and for the UK division as at December 31, 2023 and December 31, 2022 in accordance with its policy described in Note 2(k) and Note 2(h). The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple approach. If the results of the earnings multiple approach indicated a possible impairment, a further assessment using a discounted cash flow to determine the value-in use was performed.

Earnings multiple approach (Fair value less costs to dispose, "FVLCD")

For the years ended December 31, 2023 and 2022, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 9.70 (2022 - 10.60) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

Based on the assessments performed for the year ended December 31, 2023, no CGU had a recoverable amount that was less than the carrying value of the CGU. A further assessment using a discounted cash flow to determine the value-in-use was not performed due to the headroom from FVLCD determined using an earnings multiple approach.

Discounted cash flow (Value-in-use, "VIU")

Where the results of the FVLCD approach indicated there was a possible impairment, a further assessment using a discounted cash flow was performed to determine the VIU of each VGU identified.

For the year ended December 31, 2022, the Corporation used probability weighted discounted cash flows and the assumptions for those cash flows were the Corporation's board approved budgets, cash flow forecasts, trailing twelve-month EBITDA, the pre-tax discount rate and terminal value growth rate.

The probability weighted approach used for the year ended December 31, 2022 was evaluated based on an equally weighted probability of a continued one-year downturn in sales to the worst case scenario of a two year downturn in sales. The scenarios estimated a decline of 8% to 12 % for 2023, 7% for 2024 with sales returning to normalized levels thereafter with sales growth estimates used 2%. These represent the Corporation's best estimate of cash flows over the forecast period.

The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.

The calculation of the recoverable amount using the probability weighted discounted future cash flows was based on the following key assumptions:

	Testing Methodology December 31, 2022	Pre-tax Discount Rate December 31, 2022	Terminal Value Growth Rate December 31, 2022
Calgary	FVLCD	n/a	n/a
Edmonton	FVLCD	n/a	n/a
Vancouver 2	FVLCD	n/a	n/a
Vancouver 1	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Paranet	n/a	n/a	n/a
Villeray	n/a	n/a	n/a
UK	VIU	15.4%	2.0%

Based on testing performed at December 31, 2023 and December 31, 2022, no impairment was determined to exist.

Recoverable amount

The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2022, where further assessment using the probability weighted discounted cash flows was required the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.

	Recoverable Amount December 31, 2022	Change in Pre-tax Discount Rate Increase of 1% December 31, 2022	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2022
Calgary	n/a	n/a	n/a
Edmonton	n/a	n/a	n/a
Vancouver 2	n/a	n/a	n/a
Vancouver 1	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Paranet	n/a	n/a	n/a
Villeray	n/a	n/a	n/a
UK	£50,261	-£4,201	-£4,458

27. BUSINESS ACQUISITION - PARANET

On March 1, 2023 the Corporation completed the acquisition of 100% of the share capital of Buanderie Para-Net ("Paranet") operating as Paranet (the "Paranet Acquisition"), a private laundry and linen services company operating in Québec City, Québec. The Paranet Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, contracts and an employee base. The contracts acquired are in the Québec healthcare and hospitality sector, which complements the existing business of the Corporation. Based on the Corporation's evaluation of the Paranet Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Paranet Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The Corporation financed the Paranet Acquisition and transaction costs from existing loan facilities.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)	2023
Cash consideration	11,074
Contingent consideration	945
Total purchase price	**12,019**

The assets and liabilities recognized as a result of the Paranet Acquisition are as follows:

($ Thousands, except percentages)	2023
Net Assets Acquired:	
Accounts receivable	1,317
Prepaid expenses and deposits	137
Linen in service	970
Accounts payable and accrued liabilities[2]	(1,552)
Lease liabilities	(1,176)
Deferred income taxes	(1,474)
Property, plant and equipment[1,2]	6,142
Intangible assets	2,450
Net identifiable assets acquired	**6,814**
Goodwill	5,205
Net assets acquired	**12,019**

1 Includes ROUA from the Canadian Division of $1,176 comprised of buildings of $964 and vehicles of $212

2 Includes provision of $219 for asset retirement obligation

The provisional intangible assets acquired are made up of $2,450 for the customer contracts along with related relationships and customer lists. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

A) CONTINGENT CONSIDERATION

In the event that a certain EBITDA target was achieved by Paranet for the twelve month period ended August 31, 2023, additional undiscounted consideration of up to $1,890 would have been payable in cash during the fourth quarter of 2023. While performance was in-line with expectations, the target was not achieved; therefore, no payment was made.

During the first three quarters of 2023, the estimated fair value of the possible payment was classified as contingent consideration. The fair value of the contingent consideration was estimated by considering the probability-adjusted future expected cash flows in regards to Paranet achieving the target that would result in consideration being paid. The impact of discounting these future cash flows was not considered because the impact would be nominal. Given that the EBITDA target was not achieved for the twelve month period ended August 31, 2023, the contingent consideration amount of $945 has been derecognized and a gain on settlement of contingent consideration has been recorded in Consolidated Statement of Earnings and Comprehensive Income for the twelve months ended December 31, 2023.

B) ACQUISITION RELATED COSTS

For the twelve months ended December 31, 2023, $274 in professional fees associated with the Paranet Acquisition has been included in Corporate expenses.

C) REVENUE & PROFIT INFORMATION

The acquired business contributed revenues of $7,819 to the Corporation for the period from March 1, 2023 to December 31, 2023. If the Paranet Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the period ended December 31, 2023 would have been $322,209.

The acquired business contributed a net deficit of ($316) to the Corporation for the period from March 1, 2023 to December 31, 2023. If the Paranet Acquisition had occurred on January 1, 2023, consolidated pro-forma net income for the period ended December 31, 2023 would have been $17,591.

These amounts have been calculated using Paranet's results and adjusting them for differences in the accounting policies between the Corporation and Paranet as it pertains to property, plant and equipment. The Corporation follows the requirements of IFRS Accounting Standards whereas Paranet previously reported under Canadian Accounting

Standards for Private Enterprises (ASPE), the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023, together with the consequential tax effects.

28. BUSINESS ACQUISITION - VILLERAY

On November 1, 2023, the Corporation completed the acquisition of 100% of the share capital of Buanderie Villeray and its affiliate Buanderie La Relance (the "Villeray Acquisition"), a private laundry and linen services company incorporated in Canada and operating in Montréal, Québec. The Villeray Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, customer relationships and an employee base. Villeray operates in the hospitality and healthcare sector, which complements the existing business of the Corporation. As part of the transaction, the Corporation closed its Granby facility and consolidated existing volumes into Villeray. Based on the Corporation's evaluation of the Villeray Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Villeray Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The Corporation financed the Villeray Acquisition and transaction costs from existing loan facilities.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)	2023
Cash consideration	11,204
Contingent consideration	500
Total purchase price	**11,704**

The assets and liabilities recognized as a result of the Villeray Acquisition are as follows:

($ Thousands, except percentages)	2023
Net Assets Acquired:	
Accounts receivable	907
Prepaid expenses and deposits	187
Income tax receivable	69
Accounts payable and accrued liabilities[2]	(807)
Lease liabilities	(2,706)
Deferred income taxes	(1,416)
Property, plant and equipment[1,2]	7,161
Intangible assets	2,530
Net identifiable assets acquired	**5,925**
Goodwill	5,779
Net assets acquired	**11,704**

1 Includes ROUA from the Canadian Division of $2,706 related to buildings

2 Includes provision of $97 for asset retirement obligation

The provisional intangible assets acquired are made up of $2,530 related to customer relationships. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

A) CONTINGENT CONSIDERATION

The estimated fair value of payment has been classified as contingent consideration by exercising significant judgment as to whether it should be classified as such, or as renumeration to the former owner, who will be employed subsequent to the close of the transaction. The Corporation has determined by considering all relevant factors included in the agreements as it pertains to employment terms, valuation of the business, and other relevant terms that the additional consideration is most appropriately reflected as contingent consideration.

In the event that a certain EBITDA target is achieved by Villeray for the twelve month period ended October 31, 2024, additional undiscounted consideration ranging from $500 to $1,000 will be payable in cash during the first quarter of 2025. The potential undiscounted amount payable within the agreement will only be paid should the EBITDA target be achieved. Should the EBITDA target not be achieved, no payment will be made.

The fair value of the contingent consideration of $500 was estimated by considering the probability-adjusted future expected cash flows in regards to Villeray achieving the target that would result in consideration being paid. The impact of discounting those future cash flows was not considered because the impact would be nominal.

Since the estimated future cash flows and probability of achieving the EBITDA target are an unobservable input, the fair value of the contingent consideration is classified as a level 3 fair value measurement.

B) ACQUISITION RELATED COSTS

For the year ended December 31, 2023, $414 in professional fees associated with the Villeray Acquisition has been included in Corporate expenses.

C) REVENUE & PROFIT INFORMATION

The acquired business contributed revenues of $1,602 to the Corporation for the period from November 1, 2023 to December 31, 2023. If the Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the year ended December 31, 2023 would have been $329,021. If both the Paranet Acquisition and Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma revenue for the year ended December 31, 2023 would have been $330,346.

The acquired business contributed a net deficit of ($201) to the Corporation for the period from November 1, 2023 to December 31, 2023, inclusive of Granby transition related costs. If the Villeray Acquisition had occurred on January 1, 2023, consolidated pro-forma net income for the period ended December 31, 2023 would have been $17,721.

These amounts have been calculated using Villeray's results and adjusting them for differences in the accounting policies between the Corporation and Villeray as it pertains to property, plant and equipment. The Corporation follows the requirements of IFRS Accounting Standards whereas Villeray previously reported under Canadian Accounting Standards for Private Enterprises (ASPE), the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023, together with the consequential tax effects.

29. 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 15, March 15, and April 15, 2024, to Shareholders of record on January 31, February 29, and March 31, 2024, respectively.

Corporate Information

BOARD OF DIRECTORS

ELISE REES
Audit Committee Chair
FCA, FCPA, ICD.D.

MATTHEW HILLS, MBA

STEVEN MATYAS, BSC
Compensation Committee Chair

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

MICHAEL PERCY, PHD
Board Chair

EXECUTIVE OFFICERS

LINDA MCCURDY, MBA
President & CEO

SEAN CURTIS
Senior VP & COO

KRISTIE PLAQUIN, CPA, CA
Chief Financial Officer

TRANSFER AGENT & REGISTRAR
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Calgary, Alberta

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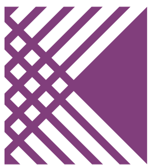
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