Consolidated Financial Statements

Year Ended December 31, 2015

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March 10, 2016

Independent Auditor's Report

To the Shareholders of
K-Bro Linen Inc.

We have audited the accompanying consolidated financial statements of K-Bro Linen Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of K-Bro Linen Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Consolidated Statements of Financial Position

(thousands of Canadian dollars)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 13,744
Accounts receivable	17,155	14,560
Prepaid expenses and deposits	1,061	1,009
Linen in service (note 6)	11,279	9,794
	29,495	39,107
Property, plant and equipment (note 7)	88,141	66,319
Intangible assets (note 8)	4,931	6,756
Goodwill (note 9)	20,456	20,456
	$ 143,023	$ 132,638
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	$ 19,835	$ 16,346
Income taxes payable	191	243
Dividends payable to shareholders	799	796
	20,825	17,385
Long-term debt (note 11)	2,349	-
Unamortized lease inducements (note 13)	696	850
Deferred income taxes (note 14)	5,913	4,965
	$ 29,783	$ 23,200
SHAREHOLDERS' EQUITY		
Share capital	108,079	106,870
Contributed surplus	1,737	1,642
Retained earnings	3,424	926
	$ 113,240	$ 109,438
Contingencies and commitments (note 15)		
	$ 143,023	$ 132,638

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

Consolidated Statements of Earnings & Comprehensive Income

(thousands of Canadian dollars, except share and per share amounts)

Years ended December 31	**2015**	2014
Revenue	$ 144,537	$ 136,440
Expenses		
Wages and benefits	65,213	61,162
Linen (note 6)	15,041	14,438
Utilities	8,788	8,898
Delivery	7,001	6,246
Occupancy costs	5,183	4,800
Materials and supplies (note 27)	4,204	3,630
Repairs and maintenance	4,597	4,232
Corporate (note 27)	7,370	6,793
	117,397	110,199
EBITDA (note 22)	27,140	26,241
Other expenses		
Depreciation of property, plant and equipment (note 7)	7,573	6,817
Amortization of intangible assets (note 8)	2,009	2,121
Finance expense (note 12)	107	593
Loss on disposal of property, plant and equipment	190	47
	9,879	9,578
Earnings before income taxes	17,261	16,663
Current income tax expense	4,245	4,081
Deferred income tax expense	948	384
Income tax expense	5,193	4,465
Net earnings and Comprehensive income	12,068	12,198
Net earnings per share: (note 17)		
Basic	$ 1.52	$1.72
Diluted	$ 1.52	$1.72
Weighted average number of shares outstanding:		
Basic	7,920,609	7,090,937
Diluted	7,930,492	7,111,232

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

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars)

	Total Share Capital	Contributed surplus	Retained earnings	Total equity
As at January 1, 2015	$ 106,870	1,642	926	$ 109,438
Net earnings	-	-	12,068	12,068
Dividends declared (note 19)	-	-	(9,570)	(9,570)
Employee share based compensation expense	-	1,304	-	1,304
Shares vested during the year	1,209	(1,209)	-	-
As at December 31, 2015	$ 108,079	$ 1,737	$ 3,424	$ 113,240

	Total Share Capital	Contributed surplus	Retained earnings (deficit)	Total equity
As at January 1, 2014	$ 72,158	1,732	(2,774)	$ 71,116
Net earnings	-	-	12,198	12,198
Net proceeds from common shares issued (note 16)	33,523	-	-	33,523
Dividends declared (note 19)	-	-	(8,498)	(8,498)
Employee share based compensation expense	-	1,136	-	1,136
Cash settled employee share based compensation	-	(37)	-	(37)
Shares vested during the year	1,189	(1,189)	-	-
As at December 31, 2014	$ 106,870	1,642	926	$ 109,438

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

Consolidated Statements of Cash Flow

(thousands of Canadian dollars)

Years ended December 31	2015	2014
OPERATING ACTIVITIES		
Net earnings	$ 12,068	$ 12,198
Depreciation of property, plant and equipment (note 7)	7,573	6,817
Amortization of intangible assets (note 8)	2,009	2,121
Lease inducements, net of amortization	(154)	(97)
Cash settled employee share based compensation	-	(37)
Employee share based compensation expense	1,304	1,136
Loss on disposal of property, plant and equipment	190	47
Deferred income taxes	948	384
	23,938	22,569
Change in non-cash working capital items (note 20)	(6,321)	1,340
Cash provided by operating activities	17,617	23,909
FINANCING ACTIVITIES		
Net proceeds (repayments) of revolving credit facility	2,349	(19,640)
Net proceeds from issuance of common shares (note 16)	-	33,072
Dividends paid to shareholders (note 19)	(9,567)	(8,382)
Cash (used in) provided by financing activities	(7,218)	5,050
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (note 7)	(23,981)	(15,522)
Proceeds from disposal of property, plant and equipment	22	311
Purchase of intangible assets (note 8)	(184)	(4)
Cash used in investing activities	(24,143)	(15,215)
Change in cash and cash equivalents during the year	(13,744)	13,744
Cash and cash equivalents, beginning of year	13,744	-
Cash and cash equivalents, end of year	$ -	$ 13,744
Supplementary cash flow information		
Interest paid	$ 282	$ 577
Income taxes paid	$ 4,297	$ 3,929

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, 2015 and 2014)

K-Bro Linen Inc. (the "Corporation" or “K-Bro”) is incorporated in Canada under the Business Corporations Act (Alberta). The Corporation and its wholly owned subsidiaries provide 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 provides services from nine processing facilities in eight major cities across Canada from Victoria, British Columbia to Québec City, Québec and two distribution centres in Saskatchewan.

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 10, 2016.

1 Basis of Presentation

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

2 Significant accounting policies

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

a) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments.

b) Principles of Consolidation

The consolidated financial statements include the Corporation, its wholly owned subsidiaries and the long-term incentive plan trust (notes 2(q) (ii)). All intercompany balances and transactions have been eliminated upon consolidation.

c) Cash and Cash Equivalents

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

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

d) Linen in Service

Linen in service is stated at cost less accumulated depreciation. The cost is based on the expenditures that are directly attributable to the acquisition of linen, 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 months.

e) Revenue Recognition

Revenue from linen management and laundry services is primarily based on written service agreements whereby the Corporation agrees to collect, launder, deliver and replenish linens. The Corporation recognizes revenue in the period in which the services are provided.

f) Property, Plant and 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 statement of earnings during the financial period in which they are incurred.

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 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 and are included as part of other gains and losses in the statement of earnings and comprehensive income.

g) Impairment of Financial Assets

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.

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. The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

i) Intangible Assets

Intangible assets are recorded at cost and include customer contracts in progress and related relationships, which are being amortized using the straight-line method over the remaining lives of the related contracts and relationships. Intangible assets which relate to computer software are amortized using the straight-line method over five years when put into service. These estimates are reviewed at least annually and are updated if expectations change as a result of changing client relationships or technological obsolescence.

j) Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in statement of earnings, 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.

k) 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.

l) 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.

m) Volume Rebates

Certain customers receive a rebate based on specified annual processing volumes. A rebate liability is recorded in the period it is expected that the customer will meet the specified annual volume levels.

n) 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 (notes 2(q) (ii)).

o) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of earnings within "finance expense".

p) Lease Inducements

Tenant allowances and lease inducements are deferred when credited or received and amortized on a straight-line basis as a reduction of rent expense over the term of the related lease. For lease contracts with escalating lease payments, total rent expense for the lease term is expensed on a straight-line basis over the lease term. The difference between rent expensed and amounts paid is recorded as an increase or deferral in unamortized lease inducements.

q) Employee Benefits

i) 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 4% 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.

ii) 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"). 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 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.

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 Trustee 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 trustee 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 trustee 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.

r) Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Transaction costs are recognized immediately in income or are capitalized, depending upon the nature of the transaction and the associated instrument.

Loans, receivables and other liabilities

Loans, receivables and other liabilities are accounted for at amortized cost using the effective interest method.

The Corporation has made the following classifications:

	Classification	Measurement
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

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.

3 Significant accounting policies adopted January 1, 2015

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

- IFRS 8, *Operating Segments*, requires the Corporation to disclose judgements made by management in aggregating segments, and a reconciliation of segment assets to the entity's assets when segment assets are reported. The adoption of the amendment to IFRS 8 did not result in any change to the method of recognizing segments for the Corporation.

4 New Standards and interpretations not yet adopted

The following standard has been issued but has not yet been applied in preparing the consolidated financial statements.

- IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 by the IASB and supersedes IAS 18, "Revenue", IAS 11 "Construction Contracts" and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 15 may have on the financial statements.

- IFRS 9, Financial Instruments, was issued in July 2014 by the IASB and supersedes IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. IFRS 9 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is in the process of evaluating the impact that IFRS 9 may have on the financial statements.

- IFRS 16, Leases, was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Corporation is in the process of evaluating the impact that IFRS 16 may have on the financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

5 Critical accounting estimates and judgments

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

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

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

Impairment of goodwill and non-financial assets

The Corporation reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The Corporation applies judgment in assessing the likelihood of renewal of significant contracts included in the intangible assets described in note 8. The Corporation has estimated the value in use and fair value of CGUs to which goodwill is allocated using discounted cash flow models that required assumptions about future cash flows, margins, and discount rates. Refer to note 9 for more details about methods and assumptions used in estimating net recoverable amount.

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.

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.

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

	2015	2014
Balance, beginning of year	$ 9,794	$ 8,647
Additions	16,526	15,585
Amortization charge	(15,041)	(14,438)
Balance, end of year	$ 11,279	$ 9,794

7 Property, plant and equipment

	Land	Buildings	Laundry Equipment[1]	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
Year ended, December 31, 2014									
Opening net book amount	$ 125	$ 1,074	$ 42,546	$ 268	$ 491	$ 380	$ 12,278	$ 810	$ 57,972
Additions	2,300	5,692	6,698	77	69	178	502	6	15,522
Disposals	-	-	(295)	-	(63)	-	-	-	(358)
Transfers	-	-	58	-	-	-	-	(58)	-
Depreciation charge	-	(90)	(4,750)	(71)	(80)	(234)	(1,592)	-	(6,817)
Closing net book amount	$ 2,425	$ 6,676	$ 44,257	$ 274	$ 417	$ 324	$ 11,188	$ 758	$ 66,319
At December 31, 2014									
Cost	$ 2,425	$ 7,092	$ 80,023	$ 848	$ 934	$ 2,203	$ 21,010	$ 758	$ 115,293
Accumulated depreciation	-	(416)	(35,766)	(574)	(517)	(1,879)	(9,822)	-	(48,974)
Net book amount	$ 2,425	$ 6,676	$ 44,257	$ 274	$ 417	$ 324	$ 11,188	$ 758	$ 66,319
Year ended, December 31, 2015									
Opening net book amount	$ 2,425	$ 6,676	$ 44,257	$ 274	$ 417	$ 324	$ 11,188	$ 758	$ 66,319
Additions	29	11,638	17,161	164	15	509	74	17	29,607
Disposals	-	-	(138)	-	(74)	-	-	-	(212)
Transfers	-	-	(1,857)	-	-	-	2,205	(348)	-
Depreciation charge	-	(350)	(5,107)	(97)	(92)	(294)	(1,633)	-	(7,573)
Closing net book amount	$ 2,454	$ 17,964	$ 54,316	$ 341	$ 266	$ 539	$ 11,834	$ 427	$ 88,141
At December 31, 2015									
Cost	$ 2,454	$ 18,730	$ 88,858	$ 640	$ 641	$ 1,071	$ 19,823	$ 427	$ 132,644
Accumulated depreciation	-	(766)	(34,542)	(299)	(375)	(532)	(7,989)	-	(44,503)
Net book amount	$ 2,454	$ 17,964	$ 54,316	$ 341	$ 266	$ 539	$ 11,834	$ 427	$ 88,141

[1] Included in laundry equipment are assets under development in the amount of $65 (2014 - $71). These assets are not available for service and accordingly are not presently being depreciated.

[2] The company retired fully depreciated assets with a cost of $11,233 during the year.

8 Intangible assets

	Healthcare Contracts	Hospitality Contracts	Computer Software	Total
Year ended, December 31, 2014				
Opening net book amount	$ 5,705	$ 2,980	$ 188	$ 8,873
Additions	-	-	4	4
Amortization charge	(1,042)	(892)	(187)	(2,121)
Closing net book amount	$ 4,663	$ 2,088	$ 5	$ 6,756
At December 31, 2014				
Cost	$ 19,200	$ 8,366	$ 927	$ 28,493
Accumulated amortization	(14,537)	(6,278)	(922)	(21,737)
Net book amount	$ 4,663	$ 2,088	$ 5	$ 6,756
Year ended, December 31, 2015				
Opening net book amount	**$ 4,663**	**$ 2,088**	**$ 5**	**$ 6,756**
Additions	**-**	**184**	**-**	**184**
Amortization charge	**(1,113)**	**(891)**	**(5)**	**(2,009)**
Closing net book amount	**$ 3,550**	**$ 1,381**	**$ -**	**$ 4,931**
At December 31, 2015				
Cost	**$ 19,200**	**$ 8,550**	**$ 927**	**$ 28,677**
Accumulated amortization	**(15,650)**	**(7,169)**	**(927)**	**(23,746)**
Net book amount	**$ 3,550**	**$ 1,381**	**$ -**	**$ 4,931**

9 Goodwill

The Corporation performed its annual assessment for goodwill impairment as at December 31, 2015 in accordance with its policy described in Note 2(l). Goodwill has been allocated to the following CGUs:

	2015	2014
Calgary	**$ 5,382**	$ 5,382
Edmonton	**4,346**	4,346
Vancouver 2	**3,413**	3,413
Victoria	**3,208**	3,208
Vancouver 1	**2,630**	2,630
Montréal	**823**	823
Québec	**654**	654
Total	**$ 20,456**	$ 20,456

In assessing goodwill for impairment at December 31, 2015, the Corporation determined that: the assets and liabilities of the CGUs evaluated have not changed significantly from the prior year at December 31, 2014; the estimated recoverable amounts of the CGUs exceeded their carrying amounts

by a significant amount; no events or circumstances have changed; and the likelihood of an impairment in goodwill is remote.

In performing our analysis, estimated recoverable amounts were determined based on the value in use of the CGUs using available cash flow budgets that made maximum use of observable markets for inputs and outputs, including actual historical performance. For periods beyond the budgeted period, cash flows were extrapolated using growth rates that did not exceed the long-term averages for the business. Key assumptions included a weighted average growth rate of 3% (2014 – 3%) and a pre-tax discount rate of 12% (2014 – 14%) for all CGUs.

The fair value of each CGU was in excess of its carrying amount. Significant CGUs include Edmonton, Calgary, Vancouver 1 and 2, and for these CGUs the fair value significantly exceeds the carrying amount. Based on sensitivity analysis, no reasonably possible change in key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount. The total recoverable amount for all CGU's exceeded their carrying amount by $197,539.

The recoverable amount for the CGUs that were in excess of their carrying values was 238% of the carrying value of the applicable CGUs based on a weighted average.

Based on sensitivity analysis, no reasonably possible change in growth rate assumptions would cause the recoverable amount of any CGU to have a significant change from its current valuation. A 1% change in the discount rate would not have a significant impact on the recoverable amounts of CGUs. The recoverable amount of each CGU is sensitive to changes in market conditions and could result in material changes in the carrying value of intangible assets in the future.

10 Provisions

The Corporation has recognized provisions as at December 31, 2015 to recognize estimated obligations resulting from operations. The carrying amount of the provisions is estimated at the end of the reporting period based on best available information.

The following table provides a continuity schedule of all recorded provisions:

	2015	2014
Balance, beginning of year	**$ 262**	$ 250
Additions	**-**	350
Payments	**(262)**	(338)
Balance, end of year	**$ -**	$ 262

11 Long-term debt

		Bankers Acceptances[1]		Prime Rate Loan[2]		Total Long Term
At January 1, 2014	$	4,000	$	15,640	$	19,640
Repayment of debt		(4,000)		(15,640)		(19,640)
Closing balance at December 31, 2014		-		-		-
Current portion of long-term debt		-		-		-
Non-current portion of long-term debt	$	-	$	-	$	-
At January 1, 2015	**$**	**-**	**$**	**-**	**$**	**-**
Net proceeds from debt		**-**		**2,349**		**2,349**
Repayment of debt		**-**		**-**		**-**
Closing balance at December 31, 2015		**-**		**2,349**		**2,349**

(1) Bankers' Acceptances bear interest at 30 day BA rates plus 1.25% depending on certain financial ratios.

(2) Prime rate loan, collateralized by a general security agreement, bear interest at prime plus 0.0% to 1.0% depending on certain financial ratios, monthly repayment of interest only, maturing on July 31, 2018. As at December 31, 2015, the combined interest rate was 2.7%.

The Corporation has a revolving credit facility of up to $50,000 of which $3,999 is utilized (including letters of credit totaling $1,650 per Note 15(a)) as at December 31, 2015. The agreement is a committed facility maturing on July 31, 2018. 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, 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

	2015	2014
Interest on long-term debt	$ 70	$ 578
Other charges, net	37	15
	$ 107	$ 593

13 Unamortized lease inducements

	2015	2014
Balance, beginning of year	$ 993	$ 1,090
Amortization charge	(154)	(97)
	839	993
Less current portion, included in accrued liabilities	(143)	(143)
	$ 696	$ 850

14 Income taxes

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

	2015	2014
Current tax:		
Current tax on profits for the year	$ 4,245	$ 4,081
Total current tax	4,245	4,081
Deferred tax:		
Origination and reversal of temporary differences	708	543
Impact of substantively enacted rates and other	240	(159)
Total deferred tax	$ 948	$ 384

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:

	2015	2014
Earnings before income taxes	$ 17,261	$ 16,663
Non-deductible expenses	1,667	1,403
Income subject to tax	18,928	18,066
Income tax at statutory rate of 26.2% (2014 - 25.6%)	4,953	4,624
Impact of substantively enacted rates and other	240	(159)
Income tax expense	$ 5,193	$ 4,465

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

	2015	2014
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12	$ (357)	$ (471)
Deferred tax asset to be recovered within 12 months	(94)	(90)
	(451)	(561)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	3,441	3,115
Deferred tax liability to be recovered within 12 months	2,923	2,411
	6,364	5,526
Deferred tax liabilities, net	$ 5,913	$ 4,965

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:

Deferred tax assets	**Accounts payable and accrued liabilities**	**Offering costs and other**	**Total**
At January 1, 2014	$ (141)	$ (81)	$ (222)
Charged (credited) to the statement of earnings	141	(480)	(339)
At December 31, 2014	$ -	$ (561)	$ (561)
Charged (credited) to the statement of earnings	-	110	110
At December 31, 2015	**$ -**	**$ (451)**	**$ (451)**

Deferred tax liabilities	Linen in service	Property, plant and equipment	Intangible assets and Goodwill	Total
At January 1, 2014	$ 2,153	$ 1,479	$ 1,622	$ 5,254
Charged (credited) to the statement of earnings	258	317	(303)	272
At December 31, 2014	$ 2,411	$ 1,796	$ 1,319	$ 5,526
Charged (credited) to the statement of earnings	**512**	**636**	**(310)**	**838**
At December 31, 2015	**$ 2,923**	**$ 2,432**	**$ 1,009**	**$ 6,364**

15 Contingencies and commitments

a) Contingencies – Letters of credit

The Corporation has standby letters of credit issued as part of normal business operations in the amount of $1,650 (2014 – $1,650) which will remain outstanding for an indefinite period of time.

b) Commitments

i. Operating leases and utility commitments

At December 31, 2015, the Corporation was committed to minimum lease payments for operating leases on buildings and equipment and estimated natural gas and electricity commitments for the next five calendar years and thereafter are as follows:

2016	**$ 6,367**
2017	**5,259**
2018	**3,863**
2019	**2,295**
2020	**2,035**
Subsequent	**10,191**
	$ 30,010

ii. Linen purchase commitments

At December 31, 2015, the Corporation was committed to linen expenditure obligations in the amount of $5,254 (2014 – $4,322) to be incurred within the next year.

iii. Property, plant and equipment commitments

At December 31, 2015, the Corporation was committed to capital expenditure obligations in the amount of $3,675 (2014 – $21,741) to be incurred within the next year.

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

	2015	2014
Balance, beginning of year	7,959,735	7,095,343
Common shares issued under LTI	25,978	24,892
Common share issuance under equity offering	-	839,500
Balance, end of year	7,985,713	7,959,735
Unvested common shares held in trust for LTI	39,716	45,368

The Corporation issued 839,500 common shares on December 9, 2014 (10.5% of total share capital issued) as a part of an equity offering. The common shares issued have the same rights as the other shares in issue. The fair market value of the shares issued amounted to $34,839 ($41.50/share). The related transaction costs amounting to $1,316 have been netted against the deemed proceeds.

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.

	2015	2014
Net earnings	$ 12,068	$ 12,198
Weighted average number of shares outstanding (thousands)	7,921	7,091
Net earnings per share, basic	$ 1.52	$ 1.72

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

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.

	2015	2014
Basic weighted average shares for the year	**7,920,609**	7,090,937
Dilutive effect of LTI shares	**9,883**	20,295
Fully diluted weighted average shares for the year	**7,930,492**	7,111,232

	2015	2014
Net earnings	**$ 12,068**	$ 12,198
Weighted average number of shares outstanding (thousands)	**7,930**	7,111
Net earnings per share, diluted	**$ 1.52**	$ 1.72

18 Long-Term Incentive Plan

A trust was formed to hold equity grants issued under the terms of the LTI on behalf of the participants (the "LTIP Trust"). The Corporation is neither a trustee of the LTIP Trust nor a direct participant of the LTI; however, under certain circumstances the Corporation may be the beneficiary of forfeited Common shares held by the LTIP Trust. The Corporation has control over the LTIP Trust as it is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the LTIP Trust. Therefore the Corporation has consolidated the LTIP Trust. 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 Trust are paid to LTI participants. Unvested Common shares held by the LTIP Trust are shown as a reduction of shareholders' equity.

	2015		2014	
	Unvested	**Vested**	Unvested	Vested
Balance, beginning of year	**45,368**	**311,479**	63,604	268,351
Issued during year	**18,298**	**7,680**	24,311	9,965
Cancelled during year	**-**	**-**	(9,384)	-
Vested during year	**(23,950)**	**23,950**	(33,163)	33,163
Balance, end of year	**39,716**	**343,109**	45,368	311,479

The cost of the 39,716 (2014 – 45,368) unvested Common shares held by the LTIP Trust at December 31, 2015 was nil (2014 - nil).

19 Dividends to shareholders

During the year ended December 31, 2015, the Corporation declared total dividends to shareholders of $9,570 or $1.20 per share (2014 - $8,498 or $1.18 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

	2015	2014
Accounts receivable	$ (2,595)	$ 905
Linen in service	(1,485)	(1,147)
Prepaid expenses and deposits	(52)	(92)
Accounts payable and accrued liabilities	(2,137)	1,522
Income taxes payable	(52)	152
	$ (6,321)	$ 1,340

Accounts payable and accrued liabilities exclude $5,626 in the Consolidated Statement of Cash Flows, which represent property, plant and equipment, committed to and accrued for at year end.

21 Financial instruments

a) Fair value

The Corporation's financial instruments at December 31, 2015 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and long-term debt. The carrying value of accounts receivable, accounts payable and accrued 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

(i) 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 is not significantly exposed to foreign currency risk as all revenues are received in Canadian

dollars and minimal expenses are incurred in foreign currencies. 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 the net liability at year end, the sensitivity to a 100 basis point movement in US to CAD currency rates would result in an impact of $11 to the net balance.

(ii) 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 $23 to the net balance.

(iii) 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's financial assets that are exposed to credit risk consist of accounts receivable. The Corporation, in the normal course of business, is exposed to credit risk from its customers. The allowance for doubtful accounts and past due receivables are reviewed by management at each balance sheet reporting date. Any amounts greater than 60 days are considered overdue and all impaired amounts have been fully allowed for as at December 31, 2015.

The Corporation updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of accounts receivable balances of each customer taking into account historic collection trends, the contractual relationship with the customer and the nature of the customer which in many cases is a publicly funded health care entity.

Management believes that the risks associated with concentrations of credit risk with respect to accounts receivable are limited due to the nature of the customers and the generally short payment terms.

The aging of the Corporation's receivables and related allowance for doubtful accounts are:

December 31, 2014		Gross		Allowance		Net
Current	$	11,636	$	-	$	11,636
31-60 days		2,794		-		2,794
Greater than 60 days		161		31		130
	$	14,591	$	31	$	14,560

December 31, 2015		Gross		Allowance		Net
Current	**$**	**12,861**	**$**	**-**	**$**	**12,861**
31-60 days		**3,875**		**-**		**3,875**
Greater than 60 days		**449**		**30**		**419**
	$	**17,185**	**$**	**30**	**$**	**17,155**

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:

		2015		2014
Balance, beginning of year	**$**	**31**	$	37
Adjustment made during the year		**(1)**		16
Write-offs		**-**		(22)
Balance, end of year	**$**	**30**	$	31

e) Liquidity risk

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

The Corporation has a credit facility with a maturity date of July 31, 2018 (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.

Management, to reduce liquidity risk, 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 views its capital resources as the aggregate of its debt, shareholders' equity and amounts available under its credit facility. In general, the overall capital of the Corporation is evaluated and determined in the context of its financial objectives and its strategic plan.

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its growth and expansion strategy, while taking a conservative approach towards financial leverage and management of financial risk. The Corporation's capital is composed of shareholders' equity and long-term debt. The Corporation's primary uses of capital are to finance its growth strategies and capital expenditure programs. The Corporation currently funds these requirements from internally-generated cash flows and interest bearing debt.

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 primary measures used by the Corporation to monitor its financial leverage are the ratios of Funded Debt to EBITDA (earnings before income taxes, depreciation and amortization) and Fixed Charge Coverage. EBITDA is an additional GAAP measure as prescribed by IFRS and has been presented in the manner in which the chief operating decision maker assesses performance.

The Corporation manages a Funded Debt to EBITDA ratio calculated as follows:

	2015	2014
Long-term debt, including current portion	$ 2,349	$ -
Issued and outstanding letters of credit	1,650	1,650
Funded debt	3,999	1,650
Net earnings for the trailing twelve months	12,068	12,198
Add:		
Income tax expense	5,193	4,465
Finance expense	107	593
Depreciation of property, plant and equipment	7,573	6,817
Amortization of intangible assets	2,009	2,121
Loss on disposal of property, plant and equipment	190	47
EBITDA	$ 27,140	$ 26,241
Funded debt to EBITDA	0.15x	0.06x

The Corporation manages a Fixed Charge Coverage calculated on a trailing twelve-month basis as follows:

	2015	2014
EBITDA	$ 27,140	$ 26,241
Finance expense	107	593
Dividends to shareholders	9,570	8,498
	$ 9,677	$ 9,091
Fixed charge coverage	2.8x	2.9x

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 and General Manager, Vice-President and Chief Financial Officer and three employees acting in the capacity of Vice-President and General Manager.

During 2015 and 2014, remuneration to directors and key management personnel was as follows:

	2015	2014
Salaries and retainer fees	$ 1,814	$ 1,790
Short-term bonus incentives	885	902
Post-employment benefits	55	57
Share-based payments	1,156	1,067
	$ 3,910	$ 3,816

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by a Director. The amounts charged are included as salaries and retainer fees. For the year ended December 31, 2015, the Corporation incurred such fees totaling $138 (2014 – $138).

24 Expenses by nature

	2015	2014
Wages and benefits	$ 69,796	$ 65,414
Linen	15,041	14,438
Utilities	8,788	8,898
Delivery	7,001	6,246
Materials and supplies	5,581	5,775
Occupancy costs	5,375	5,002
Repairs and maintenance	4,597	4,232
Other expenses	1,218	194
	$ 117,397	$ 110,199

25 Segmented information

The Chief Executive Officer is the corporation's chief operating decision-maker. Management has determined the operating segments based on information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Corporation provides laundry and linen services to the healthcare and hospitality sectors through nine operating divisions located in Vancouver, Victoria, Calgary, Edmonton, Regina, Toronto, Montréal, and Québec City. Management has assessed that the services offered and the economic characteristics associated with these divisions are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in Canada.

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.

In Edmonton, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and this contract expires on March 31, 2023 and in Calgary, the major customer is contractually committed to February 28, 2018. In Vancouver the major customer is contractually committed to March 1, 2027. For the year ended December 31, 2015, the Corporation has recorded revenue of $62,481 (2014 – $61,489) from these three major customers, representing 43% (2014 – 45%) of total revenue.

	2015		2014	
Healthcare	$ 98,940	68.5%	$ 92,887	68.1%
Hospitality	45,597	31.5%	43,553	31.9%
	$ 144,537	100.0%	$ 136,440	100%

26 Subsequent Events

a) Dividends

The Corporation's Board of Directors declared an eligible dividend of $0.10 per Common share of the Corporation payable on each of February 12, March 15 and April 15, 2016 to Shareholders of record on January 31, February 29, and March 31, 2016 respectively.

b) New Toronto Facility

On February 5, 2016, the Corporation signed a letter of intent ("LOI") with respect to a commercial building lease agreement. The LOI which proposes a 15 year lease, estimated to begin on December 1, 2016, provides the Corporation with approximately 86,448 square feet of space in a building located in Mississauga, Ontario. Base annual rent is initially set at approximately $54 per month. Total base rent payable over the lease period is $10,595. The Corporation has three options to extend the term of the lease for each option for an additional five year period with respect to the entire premises.

On March 8, 2016, the Corporation entered into an agreement for the purchase of plant equipment for the new Toronto facility, for an estimated cost of $18,053. The Corporation intends to have the plant equipment installed and operational before the end of 2016.

c) Montreal Plant Equipment Purchase

On February 23, 2016, the Corporation entered into an agreement for the purchase of a new Tunnel for the Montreal facility, for an estimated cost of $753. The Corporation intends to replace an existing tunnel with this purchase, and to have the new tunnel installed and operational before the end of 2016.

d) Changes to Vancouver Contract

The Corporation's contracts for three institutions with the Vancouver Coastal Health Authority and five institutions with the Fraser Health Authority expired on November 15, 2015. On March 2, 2016 the Corporation was awarded a contract to provide laundry and linen services for 23 healthcare facilities in Vancouver and the surrounding area. The new contract, which is for 10 years with renewal options for an additional 10 years, extends the existing relationship between the Corporation and Fraser Health Authority, Provincial Health Services Authority, and Vancouver Coastal Health Authority and is a result of a competitive RFS process.

27 Statements of Earnings & Comprehensive Income - reclassification

The Corporation has made a reclassification that affects some of the costs related to materials and supplies and corporate costs. The reason is to give a true and fair view based off the intended nature of the costs, which have been emphasized with the strategic growth of the Corporation. In order to maintain comparability, the financial statements for 2014 and 2015 have been adjusted. The reclassification does not affect EBITDA or net earnings.

	2015		
	Before Reclassification	Reclassification	After Reclassification
Materials and supplies	$ 5,198	$ (994)	$ 4,204
Corporate	6,376	994	7,370
Total	$ 11,574	$ -	$ 11,574

	2014		
	Before Reclassification	Reclassification	After Reclassification
Materials and supplies	$ 4,474	$ (844)	$ 3,630
Corporate	5,949	844	6,793
Total	$ 10,423	$ -	$ 10,423