YEAR ENDED
DECEMBER 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholders of K-Bro Linen Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of K-Bro Linen Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 Company 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.

Other information

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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 Company 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.

The engagement partner on the audit resulting in this independent auditor’s report is Anna Coghill.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

Edmonton, Alberta
March 19, 2020

Consolidated Statements of Financial Position

(thousands of Canadian dollars)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,301	$ 2,827
Accounts receivable	34,900	33,536
Income tax receivable	-	3,601
Prepaid expenses and deposits	4,334	4,228
Linen in service (note 7)	26,039	26,371
	70,574	70,563
Property, plant and equipment (note 8)	226,332	194,248
Intangible assets (note 9)	13,699	15,682
Goodwill (note 10)	41,454	41,736
	$ 352,059	$ 322,229
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,689	$ 34,682
Lease liabilities (note 14)	8,297	-
Income taxes payable	1,507	-
Dividends payable to shareholders	1,060	1,056
	39,553	35,738
Long-term debt (note 12)	62,494	70,203
Lease liabilities (note 14)	38,531	2,854
Provisions (note 11)	2,838	2,645
Deferred income taxes (note 15)	12,592	12,129
	$ 156,008	$ 123,569
SHAREHOLDERS' EQUITY		
Share capital	203,110	201,429
Contributed surplus	2,241	2,112
Deficit	(10,078)	(6,547)
Accumulated other comprehensive income	778	1,666
	$ 196,051	$ 198,660
Contingencies and commitments (note 16)		
	$ 352,059	$ 322,229

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

Approved by the Board of Directors

/s/Ross S. Smith

Ross S. Smith
Director

/s/ Matthew Hills

Matthew Hills
Director

Consolidated Statements of Earnings & Comprehensive Income

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

Years ended December 31	2019	2018
Revenue	$ 252,410	$ 239,534
Expenses		
Wages and benefits	99,562	99,992
Linen (note 7)	27,463	26,699
Utilities	16,427	14,991
Delivery	28,789	30,736
Occupancy costs	4,483	9,883
Materials and supplies	8,256	8,471
Repairs and maintenance	8,761	8,215
Corporate	11,104	11,030
Gain on disposal of property, plant and equipment	(8)	(64)
	204,837	209,953
EBITDA	47,573	29,581
Other expenses		
Depreciation of property, plant and equipment (note 8)	24,705	15,871
Amortization of intangible assets (note 9)	3,260	3,004
Finance expense (note 13)	5,802	3,315
	33,767	22,190
Earnings before income taxes	13,806	7,391
Current income tax expense (recovery)	1,722	(984)
Deferred income tax expense	1,178	2,206
Income tax expense	2,900	1,222
Net earnings	$ 10,906	$ 6,169
Other comprehensive income		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	(888)	1,738
Total comprehensive income	$ 10,018	$ 7,907
Net earnings per share (note 18) :		
Basic	$ 1.04	$ 0.59
Diluted	$ 1.03	$ 0.59
Weighted average number of shares outstanding:		
Basic	10,508,080	10,466,458
Diluted	10,571,347	10,500,014

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	Deficit	Accumulated other comprehensive income	Total equity
As at December 31, 2018	$ 201,429	$ 2,112	$ (6,547)	$ 1,666	$ 198,660
Change in accounting policy (note 3)	-	-	(1,730)	-	(1,730)
Restated total equity at January 1, 2019	201,429	2,112	(8,277)	1,666	196,930
Total comprehensive income	-	-	10,906	(888)	10,018
Dividends declared (note 20)	-	-	(12,707)	-	(12,707)
Employee share based compensation expense	-	1,810	-	-	1,810
Shares vested during the year	1,681	(1,681)	-	-	-
As at December 31, 2019	$ 203,110	$ 2,241	$ (10,078)	$ 778	$ 196,051

	Total Share Capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
As at January 1, 2018	$ 199,772	1,952	(65)	(72)	$ 201,587
Total comprehensive income	-	-	6,169	1,738	7,907
Dividends declared (note 20)	-	-	(12,651)	-	(12,651)
Employee share based compensation expense	-	1,817	-	-	1,817
Shares vested during the year	1,657	(1,657)	-	-	-
As at December 31, 2018	$ 201,429	$ 2,112	$ (6,547)	$ 1,666	$ 198,660

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		2019		2018
OPERATING ACTIVITIES				
Net earnings	$	10,906	$	6,169
Depreciation of property, plant and equipment (note 8)		24,705		15,871
Amortization of intangible assets (note 9)		3,260		3,004
Lease inducements, net of amortization (note 14)		-		262
Accretion expense (note 11)		199		129
Employee share based compensation expense		1,810		1,817
Gain on disposal of property, plant and equipment		(8)		(64)
Settlement of provision (note 11)		-		(460)
Deferred income taxes		1,178		2,206
		42,050		28,934
Change in non-cash working capital items (note 21)		1,866		(11,380)
Cash provided by operating activities		43,916		17,554
FINANCING ACTIVITIES				
Net (repayment) proceeds of revolving debt		(7,709)		27,423
Principal elements of lease payments (note 14)		(6,691)		-
Dividends paid to shareholders		(12,703)		(12,646)
Cash (used in) provided by financing activities		(27,103)		14,777
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 8)		(12,942)		(36,527)
Proceeds from disposal of property, plant and equipment		51		397
Purchase of intangible assets (note 9)		(1,439)		(106)
Acquisition of business (note 6)		-		(4,700)
Cash used in investing activities		(14,330)		(40,936)
Change in cash and cash equivalents during the year		2,483		(8,605)
Effect of exchange rate changes on cash and cash equivalents		(9)		156
Cash and cash equivalents, beginning of year		2,827		11,276
Cash and cash equivalents, end of year	$	5,301	$	2,827
Supplementary cash flow information				
Interest paid	$	5,459	$	2,959
Income taxes paid	$	228	$	1,199

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

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

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

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

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

These audited annual consolidated financial statements (the “Consolidated Financial Statements”) were approved and authorized for issuance by the Board of Directors (“the Board”) on March 19, 2020.

1 Basis of Presentation

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

2 Significant accounting policies

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

a) Basis of Measurement

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

b) Principles of Consolidation

The consolidated financial statements include the Corporation, its wholly owned subsidiaries and the long-term incentive plan account (Note 2(o)). All 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, 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.

***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.

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.

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. 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 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.

j) Business Combinations

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

k) Goodwill

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

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

l) Earnings Per Share

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

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

m) Foreign Currency Translation

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

Translation of foreign entities

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

- Monetary and non-monetary assets and liabilities are translated at the spot exchange rate in effect at the reporting date;
- Revenue and expense items (including depreciation and amortization) are translated at average rates of exchange prevailing during the period, which approximate the exchange rates on the transaction dates;
- Impairment of assets are translated at the prevailing rate of exchange on the date of the impairment recognition, and;
- Exchange gains and losses that result from translation are recognized as a foreign currency translation difference in accumulated other comprehensive income (loss).

Translation of transactions and 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) Provision

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

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

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

o) Employee Benefits

Post-employment benefit obligations

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

Existing equity-based compensation plan of the Corporation

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

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

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

If a change of control occurs, all LTI Shares held by the Administrator in respect of unvested grants will vest immediately. LTI participants are entitled to receive dividends on all common shares granted under the LTI whether vested or unvested. In most circumstances,

unvested common shares held by the LTI Administrator for a participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those common shares will be disposed of by the Administrator to K-Bro for no consideration and such Common shares shall thereupon be cancelled. If a participant is terminated without cause, retires or resigns on a basis which constitutes constructive dismissal, the participant will be entitled to receive his or her unvested common shares on the regular vesting schedule under the LTI.

p) Financial Instruments

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

- Those to be measured subsequently at fair value (either through other comprehensive income or loss, or 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 22(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 and 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, 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, eg. 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 and 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 in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Corporation's financial statements and discloses the new accounting policies that have been applied from January 1, 2019.

The Corporation has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The average lessee's incremental borrowing rate applied to the Corporation's lease liabilities on January 1, 2019 for the Canadian division were 4.0% to 4.7%, and for the UK division were 3.7% to 3.8%.

		2019
Operating lease commitments disclosed as at December 31, 2018	**$**	**62,655**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**$**	**51,861**
Less: short-term leases recognised on a straight-line basis as expense		**(57)**
Less: low-value leases recognised on a straight-line basis as expense		**(111)**
Lease liability recognised as at January 1, 2019	**$**	**51,693**
Of which are:		
Current lease liabilities	$	8,921
Non-current lease liabilities		42,772
	$	51,693

The associated right-of-use assets for building leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no material onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019	**January 1, 2019**
Buildings	**$ 34,593**	$38,141
Vehicles	**6,310**	8,129
Total right-of-use assets	**$ 40,903**	$46,270

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

a. right-of-use assets – increased by $46,270
b. deferred tax assets – increased by $668
c. lease liabilities:
    i. lease liabilities increased by $51,693
    ii. unamortized lease inducements decreased by $2,854
    iii. current portion of unamortized lease inducements decreased by $171

The net impact on retained earnings on January 1, 2019 was a decrease of $1,730.

(i) Impact on segment disclosures and earnings per share

Segment EBITDA, segment assets and segment liabilities for December 31, 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment EBITDA	Segment assets	Segment liabilities
Canadian Division	$ 5,791	$ 29,768	$ 31,978
UK Division	3,089	11,135	11,213
	$ 8,880	**$ 40,903**	**$ 43,191**

Basic and diluted earnings per share for the year ended December 31, 2019 decreased by 0.04 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Corporation relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

4 New Standards and interpretations not yet adopted

New standards, interpretations or amendments that have been issued but are not yet effective have not been early adopted by the Corporation, and no material impact is expected on the Corporation’s consolidated financial statements.

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 consolidated 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 9. The Corporation has estimated the fair value of CGUs to which goodwill is allocated based on value in use using discounted cash flow models that required assumptions about future cash flows, margins, and discount rates and the earnings multiple approach that utilizes Board approved budgets and implied multiples. The implied multiple is calculated by utilizing multiples of comparable public companies. Judgment is required in determining the appropriate comparable companies. Refer to Note 10 for more details amount methods and assumptions used in estimated net recoverable

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.

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.

Provisions

The Corporation is required to restore the leased premises of its 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 11 for more details about estimation and judgments for this provision.

Business Combinations

In a business combination the Corporation acquires assets and assumes liabilities of an acquired business. Judgement is required to determine the fair values assigned to the tangible and intangible assets acquired and liabilities assumed in the acquisition. Determining fair values involves a variety of assumptions, including revenue growth rates, expected operating income and discount rates. During a measurement period, not to exceed one year, adjustments of the initial estimates may be required to finalize the fair value of assets acquired and liabilities assumed.

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.

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 Business Acquisitions

Linitek

On October 3, 2018, the Corporation completed the acquisition of 9306145 Canada Corp. operating as Linitek (the "Acquisition"), a private laundry and linen services company operating in Calgary, Alberta. The Acquisition was completed through an asset purchase agreement consisting of existing fixed assets, contracts and employee base. The contracts acquired are in the Alberta hospitality sector, which complements the existing business of the Corporation. The Acquisition has been accounted for using the acquisition method, as per the criteria in IFRS 3 for identification of a business combination, whereby the purchase consideration was allocated to the fair values of the net assets acquired.

The Corporation financed the cash portion of the Acquisition and transaction costs from existing loan facilities.

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

		2018
Cash consideration	$	4,700
Net assets acquired:		
Property, plant & equipment		931
Lease provision		(117)
Intangible assets		1,186
Goodwill		2,700
	$	4,700

1) For the year ended December 31, 2018, $111 in professional fees associated with the acquisition has been included in Corporate expenses.

Intangible assets acquired are made up of $1,186 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 be fully deductible for tax purposes.

7 Linen in service

		2019		2018
Balance, beginning of year	$	26,371	$	21,456
Additions		27,307		31,393
Amortization charge		(27,463)		(26,699)
Effect of movement in exchange rates		(176)		221
Balance, end of year	$	26,039	$	26,371

8 Property, plant and equipment

	Land	Buildings	Laundry Equipment[1]	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
Year ended, December 31, 2018									
Opening net book amount	$ 4,023	$ 20,235	$ 113,129	$ 245	$ 208	$ 371	$ 32,750	$ 707	$ 171,668
Additions [3]	-	152	20,979	273	77	979	14,318	526	37,304
Acquisition of business [4]	-	-	712	-	138	81	-	-	931
Disposals	-	-	(310)	-	(23)	-	-	-	(333)
Transfers	-	(257)	-	-	-	-	257	-	-
Depreciation charge	-	(1,129)	(10,654)	(132)	(76)	(473)	(3,407)	-	(15,871)
Effect of movement in exchange rates	44	108	396	1	-	-	-	-	549
Closing net book amount	$ 4,067	$ 19,109	$ 124,252	$ 387	$ 324	$ 958	$ 43,918	$ 1,233	$ 194,248
At December 31, 2018									
Cost	$ 4,067	$ 22,980	$ 179,727	$ 975	$ 872	$ 2,755	$ 59,679	$ 1,233	$ 272,288
Accumulated depreciation	-	(3,871)	(55,475)	(588)	(548)	(1,797)	(15,761)	-	(78,040)
Net book amount	$ 4,067	$ 19,109	$ 124,252	$ 387	$ 324	$ 958	$ 43,918	$ 1,233	$ 194,248
Year ended, December 31, 2019									
Opening net book amount	$ 4,067	$ 19,109	$ 124,252	$ 387	$ 324	$ 958	$ 43,918	$ 1,233	$ 194,248
Adjustment for change in accounting policy (note 3)	-	38,141	-	-	8,129	-	-	-	46,270
Restated opening net book amount	$ 4,067	$ 57,250	$ 124,252	$ 387	$ 8,453	$ 958	$ 43,918	$ 1,233	$ 240,518
Additions [3]	-	580	7,283	69	1,551	328	423	623	10,857
Disposals	-	-	(5)	-	(38)	-	-	-	(43)
Depreciation charge	-	(5,251)	(11,635)	(146)	(3,366)	(578)	(3,729)	-	(24,705)
Effect of movement in exchange rates	(24)	(55)	(191)	(1)	(22)	-	(2)	-	(295)
Closing net book amount	$ 4,043	$ 52,524	$ 119,704	$ 309	$ 6,578	$ 708	$ 40,610	$ 1,856	$ 226,332
At December 31, 2019									
Cost	$ 4,043	$ 61,656	$ 186,714	$ 1,043	$ 10,513	$ 3,083	$ 60,099	$ 1,856	$ 329,007
Accumulated depreciation	-	(9,132)	(67,010)	(734)	(3,935)	(2,375)	(19,489)	-	(102,675)
Net book amount	$ 4,043	$ 52,524	$ 119,704	$ 309	$ 6,578	$ 708	$ 40,610	$ 1,856	$ 226,332

(1) Included in laundry equipment are assets under development in the amount of $103 (2018 - $1,582). These assets are not available for service and accordingly are not presently being depreciated.

(2) Total property, plant and equipment additions include amounts in accounts payable of $2,037 (2018 - $6,127).

(3) Additions include amounts from the Canadian Division of $5,461 (2018 - $34,421) and from the UK Division of $5,396 (2018 - $2,883).

(4) Includes amounts related to property, plant and equipment assets of the acquired business which are included in the reportable segment for the Canadian division.

9 Intangible assets

	Healthcare Relationships	Hospitality Relationships	Computer Software	Brand	Total
Year ended, December 31, 2018					
Opening net book amount	$ 1,464	$ 11,275	$ -	$ 4,240	$ 16,979
Additions	-	104	-	-	104
Acquisition of business [1]	-	1,186	-	-	1,186
Amortization charge	(481)	(2,523)	-	-	(3,004)
Effect of movement in exchange rates	-	297	-	120	417
Closing net book amount	$ 983	$ 10,339	$ -	$ 4,360	$ 15,682
At December 31, 2018					
Cost	$ 19,200	$ 21,502	$ 927	$ 4,360	$ 45,989
Accumulated amortization	(18,217)	(11,163)	(927)	-	(30,307)
Net book amount	$ 983	$ 10,339	$ -	$ 4,360	$ 15,682
Year ended, December 31, 2019					
Opening net book amount	$ 983	$ 10,339	$ -	$ 4,360	$ 15,682
Additions [2]	-	1,439	-	-	1,439
Amortization charge	(453)	(2,807)	-	-	(3,260)
Effect of movement in exchange rates	-	(96)	-	(66)	(162)
Closing net book amount	$ 530	$ 8,875	$ -	$ 4,294	$ 13,699
At December 31, 2019					
Cost	$ 19,200	$ 22,845	$ 927	$ 4,294	$ 47,266
Accumulated amortization	(18,670)	(13,970)	(927)	-	(33,567)
Net book amount	$ 530	$ 8,875	$ -	$ 4,294	$ 13,699

(1) Includes amounts related to intangible assets of the acquired business which are included in the reportable segment for the Canadian division.
(2) Includes amounts related to intangible assets purchased from a private laundry and linen services company incorporated in Scotland and operating in Aberdeen which are included in the reportable segment for the UK division.

10 Goodwill

The Corporation performed its annual assessment for goodwill impairment for the Canadian division and for the UK division as at December 31, 2019 in accordance with its policy described in Note 2(k). Goodwill has been allocated to the following CGUs:

	2019	2018
Calgary	$ 8,082	$ 8,082
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
Canadian division	$ 23,156	$ 23,156

	2019	2018
UK division	$ 18,100	$ 18,100
Changes due to movement in exchange rates	198	480
UK division	$ 18,298	$ 18,580
Goodwill	$ 41,454	$ 41,736

Key assumptions used in impairment test

To calculate the recoverable amount for the CGUs management uses the higher of the fair value less costs of disposal and value in use. The recoverable amount was determined using either a discounted cash flow approach or an earnings multiple approach. The Corporation references Board approved budgets and cash flow forecasts, trailing twelve-month EBITDA, implied multiples and appropriate discount rates in the valuation calculations. The implied multiple is calculated by utilizing the average multiples of comparable public companies. For the significant Canadian CGU's, the Corporation used implied average forward multiples that ranged from 11.9 to 12.2 to calculate the recoverable amounts. For the UK division, the implied average forward multiples ranged from 11.9 to 12.2 to calculate the recoverable amount.

The fair value of calculations are categorized as Level 3 fair value based on the unobservable inputs.

11 Provisions

The Corporation's provision includes lease provisions and obligations to restore leased premises of its leased plants. A 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, 2019 to be $3,063 (2018 -$3,150). Management has estimated the present value of this obligation at December 31, 2019 to be $2,838 (2018 - $2,645) using an inflation rate of 1.90% (2018 – 1.72%) and pre-tax weighted average risk-free interest rate of 1.68% to 1.76% (2018 - 1.85% to 2.13%) 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 2020 to 2033.

Management estimates the provision based on 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. As at December 31, 2019, if actual costs were to differ by 10% from management's estimate the obligation would be an estimated $284 (2018 - $265) 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:

		2019		2018
Balance, beginning of year	**$**	**2,645**	$	2,393
Additions		**-**		450
Acquisition of business		**-**		117
Accretion expense		**199**		129
Changes due to movement in exchange rates		**(6)**		16
Settlement		**-**		(460)
Balance, end of year	**$**	**2,838**	$	2,645

12 Long-term debt

		Prime Rate Loan[1]
At January 1, 2018	$	42,780
Net proceeds from debt		27,423
Closing balance at December 31, 2018	$	70,203
At January 1, 2019	**$**	**70,203**
Net repayment of debt		**(7,709)**
Closing balance at December 31, 2019	**$**	**62,494**

(1) Prime rate loan, collateralized by a general security agreement, bears interest at prime plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on July 31, 2022 (December 31, 2018 – July 31, 2021). The additional interest margin can range between 0.0% to 1.25% dependent upon the calculated Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.5x. As at December 31, 2019 the combined interest rate was 4.5% (December 31, 2018 – 4.7%).

During 2019, the Corporation completed amendments to its existing revolving credit facility, which extended the agreement to July 31, 2022 and made changes to the definitions within the agreement to clarify that all financial covenants would be tested on a pre-IFRS 16 basis.

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, 2019 and December 31, 2018.

The Corporation has a revolving credit facility of up to $100,000 plus a $25,000 accordion of which $63,644 is utilized (including letters of credit totaling $1,150) as at December 31, 2019. 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.

13 Finance expense

	2019	2018
Interest on long-term debt	**$ 3,302**	$ 2,793
Lease interest expense	**2,070**	-
Accretion expense	**199**	129
Other charges, net	**231**	393
	$ 5,802	$ 3,315

14 Leases

a) Amounts recognized in the balance sheet

The balance sheet reflects the following amounts relating to leases:

Right-of-use assets	December 31, 2019	January 1, 2019 (1)
Buildings	$ 34,593	$ 38,141
Equipment	6,310	8,129
	$ 40,903	$ 46,270

Lease liabilities	December 31, 2019	January 1, 2019 (1)
Buildings	$ 40,357	$ 43,564
Equipment	6,471	8,129
Total lease liabilities	46,828	51,693
Less, current portion of lease liabilities	(8,297)	(8,921)
Long term lease liabilities	$ 38,531	$ 42,772

1) In the previous year, the Corporation only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Corporation's borrowings. For adjustments recognized on adoption of IFRS 16 on January 1, 2019, please refer to Note 3.

Additions to the right of-of-use assets during the 2019 financial year were $2,013.

b) Amounts recognized in the statement of earnings

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

Depreciation charge of right-of-use assets	December 31, 2019
Buildings	$ 4,097
Equipment	3,268
	$ 7,365
Interest expense (included in finance expense)	$ 2,070
Expense relating to short-term leases (included in delivery and corporate expenses)	57
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	38
The total cash outflow for leases in 2019	$ 8,856

c) Reconciliation of expected lease liabilities

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

15 Income taxes

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

		2019		2018
Current tax:				
Current tax (recovery) on profits for the year	$	1,722	$	(984)
Total current tax		1,722		(984)
Deferred tax:				
Origination and reversal of temporary differences		1,501		2,241
Impact of substantively enacted rates and other		(323)		(35)
Total deferred tax	$	1,178	$	2,206

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:

		2019		2018
Earnings before income taxes	$	13,806	$	7,391
Non (deductible)/taxable expenses		(209)		(1,189)
Income subject to tax		13,597		6,202
Income tax at statutory rate of 26.74% (2018 - 26.9%)		3,636		1,668
Difference between Canadian and foreign tax rates		(195)		(61)
Impact of substantively enacted rates and other		(541)		(385)
Income tax expense	$	2,900	$	1,222

Notes to the Consolidated Financial Statements

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

	2019	2018
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ (12,085)	$ (1,846)
Deferred tax asset to be recovered within 12 months	-	(484)
	(12,085)	(2,330)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	20,545	10,283
Deferred tax liability to be recovered within 12 months	4,132	4,176
	24,677	14,459
Deferred tax liabilities, net	$ 12,592	$ 12,129

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	**Lease Liabilities**	**Provisions**	**Offering costs and other**	**Total**
At January 1, 2018	$ -	$ (500)	$ (1,963)	$ (2,463)
Charged (credited) to the statement of earnings	-	(30)	169	139
Related to movements in exchange rates	-	-	(6)	(6)
At December 31, 2018	$ -	$ (530)	$ (1,800)	$ (2,330)
Charged (credited) to the statement of earnings	777	(33)	1,269	2,013
Change in accounting policy	(11,774)	-	-	(11,774)
Related to movements in exchange rates	2	-	4	6
At December 31, 2019	**$ (10,995)**	**$ (563)**	**$ (527)**	**$ (12,085)**

Deferred tax liabilities	**Linen in service**	**Property, plant and equipment**	**Intangible assets and Goodwill**	**LTIPand other**	**Total**
At January 1, 2018	$ 3,832	$ 5,331	$ 3,138	$ -	$ 12,301
Acquisition of business	-	-	17	-	17
Charged (credited) to the statement of earnings	344	2,127	(421)	-	2,050
Related to movements in exchange rates	-	21	70	-	91
At December 31, 2018	$ 4,176	$ 7,479	$ 2,804	$ -	$ 14,459
Charged (credited) to the statement of earnings	(44)	(806)	(416)	431	(835)
Change in accounting policy	-	11,106	-	-	11,106
Related to movements in exchange rates	-	(11)	(42)	-	(53)
At December 31, 2019	**$ 4,132**	**$ 17,768**	**$ 2,346**	**$ 431**	**$ 24,677**

16 Contingencies and commitments

a) Contingencies

The Corporation has standby letters of credit issued as part of normal business operations in the amount of $1,150 (December 31, 2018 – $1,150) which will remain outstanding for an indefinite period of time.

Grievances for unspecified damages were lodged against the Corporation in relation to labour 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

2020	$	6,401
2021		4,224
2022		-
2023		-
2024		-
Subsequent		-
	$	10,625

Linen purchase commitments

At December 31, 2019, the Corporation was committed to linen expenditure obligations in the amount of $9,821 (December 31, 2018 – $9,314) to be incurred within the next year.

Property, plant and equipment commitments

At December 31, 2019, the Corporation was committed to capital expenditure obligations in the amount of $641 (December 31, 2018 – $1,622) to be incurred within the next year.

17 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

	2019	2018
Balance, beginning of year	10,559,936	10,508,502
Common shares issued under LTI	44,446	51,434
Balance, end of year	10,604,382	10,559,936
Unvested common shares held in trust for LTI	64,924	63,346

18 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.

	2019	2018
Net earnings	$ 10,906	$ 6,169
Weighted average number of shares outstanding (thousands)	10,508	10,466
Net earnings per share, basic	$ 1.04	$ 0.59

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.

	2019	2018
Basic weighted average shares for the year	10,508,080	10,466,458
Dilutive effect of LTI shares	63,267	33,556
Diluted weighted average shares for the year	10,571,347	10,500,014

	2019	2018
Net earnings	$ 10,906	$ 6,169
Weighted average number of shares outstanding (thousands)	10,571	10,500
Net earnings per share, diluted	$ 1.03	$ 0.59

19 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.

	2019		2018	
	Unvested	Vested	Unvested	Vested
Balance, beginning of year	63,346	451,104	54,880	408,135
Issued during year	30,122	14,324	34,802	16,633
Vested during year	(28,544)	28,544	(26,336)	26,336
Balance, end of year	64,924	493,972	63,346	451,104

The cost of the 64,924 (2018 – 63,346) unvested Common shares held by the LTIP Account at December 31, 2019 was nil (2018 - nil).

20 Dividends to shareholders

During the Years ended December 31, 2019, the Corporation declared total dividends to shareholders of $12,707 or $1.200 per share (2018 - $12,651 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.

21 Net change in non-cash working capital items

	Years Ended December 31,	
	2019	2018
Accounts receivable	**$ (1,514)**	$ (3,571)
Linen in service	**174**	(4,695)
Prepaid expenses and deposits	**(136)**	(876)
Accounts payable and accrued liabilities [(1)]	**(1,765)**	(62)
Income taxes payable / receivable	**5,107**	(2,176)
	$ 1,866	$ (11,380)

(1) Accounts payable and accrued liabilities exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to but not yet paid of $-4,090 (2018 - $328).

22 Financial instruments

a) Fair value

The Corporation’s financial instruments at December 31, 2019 and 2018 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, 2019, 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, 2019, a strengthening or weakening of $0.01 of the Canadian dollar to the Sterling pounds £, with all other variables held constant could have an unfavorable or favorable impact of approximately $36, 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 $625 to net earnings.

Other price risk

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

d) Credit risk

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

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

Cash and cash equivalents

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

Accounts receivable

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 60 months before December 31, 2019 or January 1, 2019 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 provide 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, 2019 and 2018 was determined as follows for trade receivables:

December 31, 2018		Gross		Allowance		Net
Current	$	24,540	$	-	$	24,540
1 to 60 days		7,208		-		7,208
61 to 90 days		1,139		-		1,139
Greater than 90 days		754		105		649
	$	33,641	$	105	$	33,536

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

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:

		2019		2018
Opening loss allowance at January 1,	**$**	**105**	$	368
Adjustments made during the year		**105**		(10)
Write-offs		**(114)**		(262)
Effect of movements in exchange rates		**(2)**		9
Balance, end of year	**$**	**94**	$	105

e) Liquidity risk

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

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

(thousands)	Payments due by Period					
		Total	**< 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**> 5 Years**
Long-term debt	$	62,494	-	62,494	-	-
Lease liabilities	$	63,004	8,207	13,784	10,450	30,563
Utility commitments	$	10,625	6,401	4,224	-	-
Linen purchase obligations	$	9,821	9,821	-	-	-
Property, plant and equipment commitments	$	641	641	-	-	-

The Corporation has a credit facility with a maturity date of July 31, 2022 (Note 12). 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.

23 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 12) and do not have any standardized meaning prescribed under IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions will vary due to the timing of Material Transactions as defined under the terms of the Credit Facility.

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

	Years Ended December 31, 2019	2018
Long-term debt, including current portion	$ 62,494	$ 70,203
Issued and outstanding letters of credit	1,150	1,150
Shareholders' equity	196,051	198,660
	259,695	270,013
Less: Cash and cash equivalents	(5,301)	(2,827)
	$ 254,394	$ 267,186

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.

24 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 2019 and 2018, remuneration to directors and key management personnel was as follows:

	2019	2018
Salaries and retainer fees	$ 1,882	$ 1,836
Short-term bonus incentives	967	935
Post-employment benefits	64	63
Share-based payments	1,446	1,438
	$ 4,359	$ 4,272

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by a Director. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the Years ended December 31, 2019, the Corporation incurred such fees totaling $138 (2018– $138).

25 Expenses by nature

	2019	2018
Wages and benefits	$ **118,851**	$ 118,347
Linen	**27,463**	26,699
Utilities	**16,427**	14,991
Delivery	**15,567**	18,197
Materials and supplies	**10,172**	10,485
Occupancy costs	**4,675**	10,075
Repairs and maintenance	**8,761**	8,215
Other expenses	**2,921**	2,944
	$ **204,837**	$ 209,953

26 Segmented information

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

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

2. UK division - provides laundry and linen services primarily to the hospitality sector, with other sectors including healthcare, manufacturing and pharmaceutical, through six sites which are located in Cupar, Perth, Newcastle, Livingston and Coatbridge.

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

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

Segment revenue

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

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

In Edmonton, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and this contract expires on March 31, 2023. In Calgary, the major customer is contractually committed to February 28, 2020, in Vancouver the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2025. For the Years ended December 31, 2019, from these four major customers the Corporation has recorded revenue of $102,460 (2018 – $98,979), representing 40.6% (2018 – 41.3%) of total revenue.

	2019			2018		
Healthcare	$	132,620	52.6%	$	128,933	53.8%
Hospitality		54,004	21.4%		50,956	21.3%
Canadian division	$	186,624	74.0%	$	179,889	75.1%
Healthcare	$	6,404	2.5%	$	6,379	2.7%
Hospitality		59,382	23.5%		53,266	22.2%
UK division	$	65,786	26.0%	$	59,645	24.9%
Total segment revenue	$	252,410	100.0%	$	239,534	100.0%

Segment net earnings and 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.

2019	Canadian division	UK division	Total
Net earnings	$ 7,787	$ 3,119	**$ 10,906**
EBITDA	$ 35,843	$ 11,730	**$ 47,573**

2018	Canadian division	UK division	Total
Net earnings	$ 2,701	$ 3,468	**$ 6,169**
EBITDA	$ 21,370	$ 8,211	**$ 29,581**

The Canadian division net earnings includes non-cash employee share based compensation expense of $1,810 (2018 – $1,817).

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. See Note 3 for details about the impact of the change in accounting policy on the current period segment disclosures.

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

At December 31, 2018	Canadian division	UK division	Total
Total assets	$ 244,768	$ 77,461	**$ 322,229**
Other:			
Cash and cash equivalents	-	(2,827)	**(2,827)**
Total segment assets	**$ 244,768**	**$ 74,634**	**$ 319,402**

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. See Note 3 for details about the impact of the change in accounting policy on the current period segment disclosures.

At December 31, 2019	Canadian division	UK division	Total
Total liabilities	$ 132,156	$ 23,852	**$ 156,008**
Other:			
Long-term debt (note 12)	(62,494)	-	**(62,494)**
Total segment liabilities	**$ 69,662**	**$ 23,852**	**$ 93,514**

At December 31, 2018	Canadian division	UK division	Total
Total liabilities	$ 111,044	$ 12,525	**$ 123,569**
Other:			
Long-term debt (note 12)	(70,203)	-	**(70,203)**
Total segment liabilities	**$ 40,841**	**$ 12,525**	**$ 53,366**

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 14, March 13 and April 15, 2020 to Shareholders of record on January 31, February 29, and March 31, 2020 respectively.

b) Alberta Healthcare Contract Extension

On March 1, 2020, the Corporation was awarded a 1 year extension to provide laundry and linen services to Alberta Health Services Calgary. The contract extends the existing relationship between the Corporation and Alberta Health Services Calgary.

c) Coronavirus Disease 2019 ("COVID-19 ")

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had, and is expected to continue to have, a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy. In recent weeks, we have seen significantly reduced hotel occupancy rates compared to historical levels. More recently, demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights. Accordingly, hospitality volume in all of our Canadian and UK markets have slowed to historically low levels. To date, we have seen a slight increase in our healthcare business as the result of increased demand for certain products caused by COVID-19.

The extent of such negative effects on our hospitality business and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. If hotels continue to experience significantly reduced occupancy rates for an extended period, our 2020 consolidated results of operations will be significantly impacted. The extent to which the outbreak affects our earnings will depend in part on our ability to implement various measures intended to reduce expenses, including consolidating production capacity and laying off additional workers. Earnings in the hospitality segment will continue to be particularly affected if we continue to experience further reductions in travel. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, which could have an adverse effect on our business prospects and results of operations.