

2024



K·BRO

ANNUAL REPORT

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DEPEN



WE ARE

D A B L E

PRESIDENT'S MESSAGE

2024 was a year of significant growth for K-Bro, and we also strengthened our strategic position. Both our Canadian and UK businesses had strong financial results. Our balance sheet remained strong, and after financing \$56.9mm of acquisitions entirely with our credit line we finished the year with a modest debt/EBITDA ratio of 2.2 x on a proforma basis excluding leases.

Most importantly, we expect 2025 to be a year of continuing growth and increased profitability, and we remain actively involved in assessing potential acquisitions that are strategically complementary and accretive to our existing businesses.

Our 2024 highlights included:

- Revenue of \$373.6mm, a 16.4% increase from \$320.9mm in 2023
- EBITDA of \$69.0mm, a 21.5% increase from \$56.8mm in 2023
- An increase in EBITDA margins to 18.5% from 17.7% in 2023
- Basic EPS of \$1.78, a 8.0% increase from 2023

We completed two acquisitions for a total of \$56.9mm, in addition to the two we completed in 2023. We closed on our \$11.8mm CM acquisition in June, strengthening our position in the Montréal market and providing us with significantly more healthcare and hospitality capacity. We added significant volume and capacity in our UK business when we closed on our \$45.1mm acquisition of Shortridge in April.

This is an exciting time for K-Bro, and we look forward to an even more exciting 2025. We will continue to work hard to provide excellent service to our many customers, a healthy and fulfilling career for our 3,200 employees in Canada and the UK, and strong results for our shareholders.

We wish you a good 2025.



Linda McCurdy



CHAIRMAN'S MESSAGE



We are pleased to share our 2024 Annual Report with you. It was a year of significant improvement in financial performance, both from organic growth and from two significant acquisitions in Montréal and the UK. We grew our revenue and profitability, increased our margins, completed two strategic acquisitions, and positioned ourselves for a successful 2025. It is an exciting time for K-Bro.

I speak on behalf of our Board and company in expressing appreciation for your confidence, and we will work hard to continue to earn it every day. We always remain focused on doing what is best for our customers, employees and shareholders, and we look forward to a bright 2025 and beyond.

Michael Percy



ROW 1: SEAN CURTIS, KRISTIE PLAQUIN, MICHAEL PERCY, ELISE REES ROW 2: STEVEN MATYAS,
MATTHEW HILLS, RYO UTAHARA, TREVOR RYE ROW 3: SCOTT INGLIS, MICHAEL JONES,
LUCY RENAUT, NICOLAS LEGAULT ROW 4: DIMITRI HAMM, BARB LEWIS, KEVIN STEPHENSON
ROW 5: JAMES EWART, ANDREW MACKEEN, JEFF GANNON, LINDA MCCURDY

OFFICERS & DIRECTORS

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

We operate 18 facilities and three distribution centers, including eleven facilities and two distributions centers in Canada, and seven facilities and one distribution center in the UK (Scotland and the North of England).

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

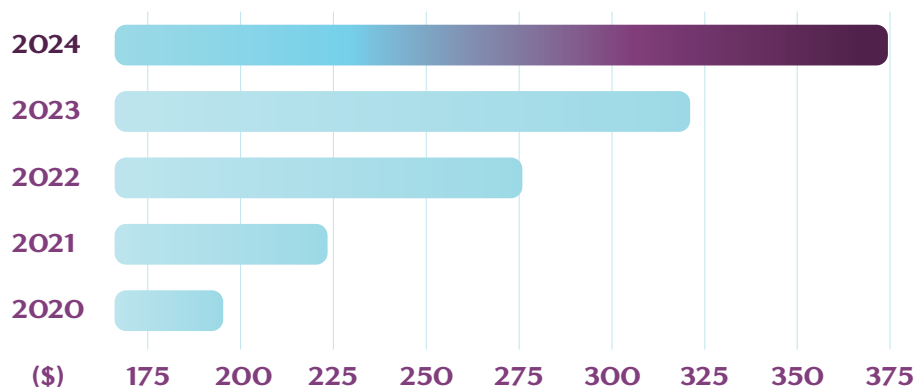
K-Bro provides the vital products and services that help people heal, travel, live, and play. We're helping hospitals and extended care centers care for the young, old and vulnerable in environmentally responsible ways. Our responsibility also extends to ensuring that we have a safe culture at K-Bro.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



FINANCIAL HIGHLIGHTS

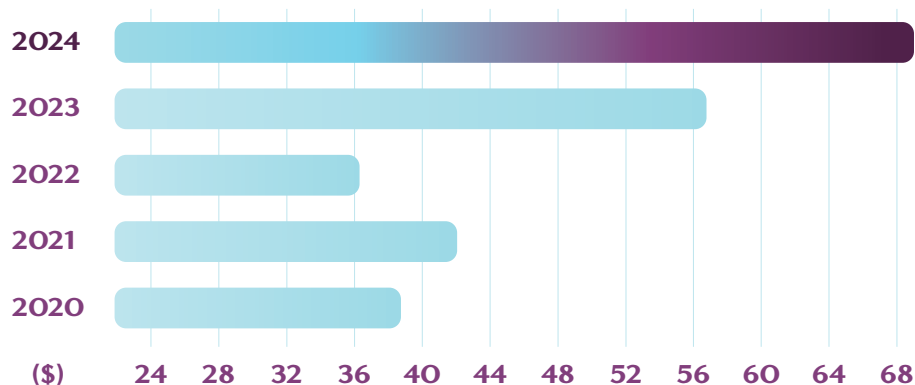
The following unaudited financial data has been derived from K-Bro's consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP. The information set forth below should be read in conjunction with the Management's Discussion & Analysis, Consolidated Financial Statements and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

REVENUE UP
16.4%



(In millions of Canadian dollars) Years ended December 31

EBITDA UP
21.5%



(In millions of Canadian dollars) Years ended December 31

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



Years ended December 31,

	2024	2023	2022	2021	2020
Income Statement Data					
Revenue	373,609	320,884	276,623	223,992	196,591
EBITDA	69,020	56,806	36,492	42,791	38,244
EBITDA (%)	18.5	17.7	13.2	19.1	19.5
Net earnings	18,708	17,607	3,906	8,692	3,782
Net earnings per share (Diluted)	1.77	1.64	0.37	0.81	0.36
Balance Sheet Data					
Working capital	54,102	41,382	36,635	30,271	27,922
Long-term debt	123,778	70,247	45,166	37,973	40,657
Other Financial Data					
Distributable cash per share	3.78	3.04	1.81	2.57	2.94
Payout ratio (%)	32.0	39.8	65.9	46.8	40.9
Price to earnings multiple (12 months trailing)	21.4	20.1	73.8	42.2	93.0
Price to EBITDA multiple (12 months trailing)	5.8	6.2	8.0	8.5	10.8
Return on shareholders' equity (ROE)(%)	9.9	10.1	2.2	4.7	2.3
Total shareholder return, YTD (%)	18.4	25.3	16.7	9.2	4.5
Total shareholder return, 5 yrs (%)	12.6	7.3	0.4	2.7	6.7
Market capitalization	402,872	350,971	294,108	366,616	416,078
Share price:					
High	40.02	35.7	36.0	47.2	46.4
Low	31.30	27.0	27.6	33.4	23.7
Close	37.88	33.0	27.3	34.2	39.0

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



MANAGEMENT'S **DISCUSSION & ANALYSIS**

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MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the audited consolidated Financial Statements of K-Bro Linen Inc. ("the Corporation") for the years ended December 31, 2024 and 2023 (the "2024 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2024, June 30, 2024 and September 30, 2024. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc., Buanderie C.M. Inc, Fishers Topco Ltd., and Shortridge Ltd. are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of March 20, 2025.

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

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

These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this MD&A. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including (a) the possibility of undisclosed material liabilities, disputes or contingencies, (b) challenges or delays in achieving synergy and integration targets, (c) the diversion of management's time and focus from other business concerns and (d) the use of resources that may be needed in other parts of our business; (ii) K-Bro's competitive environment; (iii) utility costs, minimum wage legislation and labour costs; (iv) K-Bro's dependence on long-term contracts with the associated renewal risk and the risks associated with maintaining short term contracts; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Québec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability and terms of future financing; (x) textile demand; (xi) availability and access to labour; (xii) rising wage rates in all jurisdictions the Corporation operates and (xiii) interest rate and foreign currency risk. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) expected impact of labour cost initiatives; (iii) frequency of one-time costs impacting quarterly and annual financial results; (iv) interest and foreign exchange rates; and (v) the level of capital expenditures. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Forward looking information included in this MD&A includes the expected annual healthcare revenues

to be generated from the Corporation's contracts with new customers, calculation of costs, including one-time costs impacting the quarterly financial results, anticipated future capital spending and statements with respect to future expectations on margins and volume growth.

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

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

INTRODUCTION

Core Business

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

The Corporation's operations in Canada include eleven processing facilities and two distribution centres 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 two distinctive brands, Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017 and Shortridge Ltd. ("Shortridge"), which was acquired by K-Bro on April 30, 2024.

Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North of England. The company operates in five cities, in Scotland and the North of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

Shortridge is headquartered in North West England, with laundry processing sites in Lillyhall and Dumfries and a distribution centre in Darlington. Shortridge, established in 1845, specialises in providing high quality laundry services to local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants.

Industry & Market

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

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

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

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

Industry Characteristics & Trends

STRATEGY

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

Generally Stable Industry with Moderate Cyclicalities – As evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms in the hospitality industry. The potential for step-changes in volumes and revenues that align with contractual arrangements exists within this industry. Service relationships are generally formalized through contracts in the healthcare sector that are typically long term (from five to ten years), while contracts in the hospitality sector usually range from two to five years.

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

Fragmentation – Regional healthcare and hospitality markets remain fragmented within the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to complete acquisitions. Management evaluates M&A opportunities on an ongoing basis and looks to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

Customers & Product Mix

K-Bro's Canadian customers include some of the largest healthcare institutions and hospitality providers in Canada. In the UK, Fishers' customers include some of the largest hotel chains operating in Scotland and Shortridge's customers include local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants.

Healthcare customers include acute care hospitals and long-term care facilities, primarily in Canada. K-Bro's larger hospitality customers in Canada have historically generated between 0.3 million and 3 million pounds of linen per year. Most healthcare customers have historically generated between 0.5 million pounds of linen per year for a hospital and up to approximately 80 million pounds of linen per year for a Canadian healthcare region.

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

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

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

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

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

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

Extend Core Services to New Markets – Management has demonstrated its ability to successfully expand K-Bro's business into new markets from its established bases. Since 2005, K-Bro has entered four new geographic markets across Canada, and in late 2017 entered into the UK market. In April 2024, K-Bro further expanded its UK footprint through the acquisition of Shortridge Ltd. ("Shortridge") a high-quality hospitality laundry provider based in the North West of England expanding K-Bro's geographic footprint in the UK (see "Summary of 2024 Results and Key Events"). These new markets have contributed significantly to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality institutions continue to increase their focus on core services and confront pressures for capital and cost savings.

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

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

FOURTH QUARTER OVERVIEW

Net earnings for the fourth quarter of 2024 were \$4.2 million or \$0.40 per Common Share (basic). Cash flow from operating activities was \$11.0 million and distributable cash flow¹ (see "Terminology") was \$9.8 million. Consolidated revenue for the fourth quarter of 2024 increased to \$95.4 million or by 15.7% compared to 2023, primarily related to the acquisitions of Shortridge and C.M. in Q2 2024 and the impact of full implementation of negotiated price adjustments.

Adjusted EBITDA² (see "Terminology") increased in the fourth quarter 2024 to \$17.4 million or by 16.6% compared to \$14.9 million in 2023. Adjusted EBITDA margin² remained consistent at 18.2% in 2024 compared to 18.1% in 2023. Without adjusting items, EBITDA (see "Terminology") increased in the fourth quarter 2024 to \$18.0 million or by 26.1% compared to \$14.3 million in 2023. On a consolidated basis, EBITDA margin in the fourth quarter increased to 18.9% in 2024 compared to 17.3% in 2023.

For the Canadian division, Adjusted EBITDA margin (see "Terminology") in the fourth quarter decreased to 18.0% in 2024 compared to 18.9% in 2023 due to the timing of corporate costs in Q4 2024. Without adjusting items, the EBITDA margin in the fourth quarter increased to 18.8% in 2024 from 18.6% in 2023. The increase in EBITDA margin is primarily related to higher fourth quarter 2023 adjusting items including transaction, transition and syndication costs.

For the UK division, Adjusted EBITDA margin (see "Terminology") in the fourth quarter increased to 18.9% in 2024 from 15.5% in 2023. EBITDA margin (see "Terminology") in the fourth quarter also increased to 18.9% in 2024 from 13.2% in 2023. The improvement in Adjusted EBITDA and EBITDA margin is primarily related to the acquisition of Shortridge in April 2024, delivery and labour cost efficiencies, and the impact of price increases implemented in 2023.

¹ Distributable cash flow is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

² Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.



SELECTED ANNUAL FINANCIAL INFORMATION

Years Ended December 31,

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

	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023	Canadian Division 2022	UK Division 2022	2022
Revenue	264,422	109,187	373,609	241,129	79,755	320,884	212,035	64,588	276,623
EBITDA ⁽¹⁾	47,951	21,069	69,020	44,699	12,107	56,806	32,365	4,127	36,492
Adjusted EBITDA ⁽²⁾	50,482	21,577	72,059	45,473	12,550	58,023	32,654	4,127	36,781
Net earnings (loss)	9,493	9,215	18,708	12,584	5,023	17,607	6,042	(2,136)	3,906
Net earnings (loss) per share:									
Basic	0.904	0.879	1.783	1.180	0.471	1.651	0.567	(0.200)	0.366
Diluted	0.899	0.872	1.771	1.172	0.468	1.640	0.563	(0.199)	0.364
Adjusted net earnings (loss) ⁽³⁾	12,024	9,723	21,747	13,358	5,466	18,824	6,331	(2,136)	4,195
Adjusted net earnings (loss) per share:									
Basic	1.145	0.929	2.074	1.256	0.514	1.770	0.594	(0.200)	0.393
Diluted	1.135	0.921	2.056	1.249	0.511	1.760	0.590	(0.199)	0.391
Total assets			438,150			364,716			325,760
Long-term debt (excludes lease liabilities)			123,778			70,247			45,166
Weighted average number of shares outstanding:									
Basic			10,483,395			10,663,949			10,657,742
Diluted			10,562,521			10,733,256			10,735,269

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

2 Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

3 Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

SUMMARY OF 2024 RESULTS & KEY EVENTS

Net earnings were \$18.7 million or \$1.78 per Common Share (basic) and Adjusted Net earnings were \$21.7 million or \$2.07 per Common Share (basic). Cash flow from operating activities was \$50.0 million and distributable cash flow was \$39.6 million. Revenue increased in fiscal 2024 to \$373.6 million or by 16.4% compared to 2023. Consolidated revenue for the fourth quarter of 2024 increased to \$95.4 million or by 15.7% compared to 2023, primarily related to the acquisitions of Shortridge and C.M. in 2024 and the impact of price increases implemented.

Adjusted EBITDA (see "Terminology") increased in 2024 to \$72.1 million or by 24.2% compared to \$58.0 million in 2023. On a consolidated basis, Adjusted EBITDA margin increased from 18.1% in 2023 to 19.3% in 2024.

EBITDA (see "Terminology") increased in 2024 to \$69.0 million or by 21.5% compared to \$56.8 million in 2023. On a

consolidated basis, EBITDA margin increased from 17.7% in 2023 to 18.5% in 2024.

For the Canadian division, the Adjusted EBITDA margin remained relatively consistent at 19.1% in 2024 compared to 18.9% in 2023. EBITDA margin decreased to 18.1% in 2024 from 18.5% in 2023. The decrease in margin is primarily related to adjusting items (see "Terminology"), including higher syndication and transition costs incurred in 2024 compared to 2023.

For the UK division, the Adjusted EBITDA margin increased to 19.8% in 2024 from 15.7% in 2023. The EBITDA margin for the UK division increased to 19.3% in 2024 from 15.2%. The improvement in Adjusted EBITDA and EBITDA margin is primarily related to the acquisition of Shortridge in April 2024, delivery and labour cost efficiencies, and the impact of price increases implemented in 2023.

Key Events in Our Markets Are Summarized Below

BUSINESS ACQUISITION - PARANET

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

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

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

(\$ Thousands, except percentages)

Cash consideration	11,074
Contingent consideration	945
Total purchase price	12,019

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

(\$ Thousands, except percentages)

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

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

² Includes provision of \$219 for asset retirement obligation

The intangible assets acquired are made up of \$2,450 for the customer contracts along with related relationships and customer lists. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill is not deductible for tax purposes. As at March 31, 2024, the purchase price allocation is no longer provisional and has been finalized for Paranet.

Contingent Consideration

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

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

BUSINESS ACQUISITION - VILLERAY

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

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

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

(\$ Thousands, except percentages)

Cash consideration	11,204
Contingent consideration	500
Total purchase price	11,704

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

(\$ Thousands, except percentages)

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

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

² Includes provision of \$97 for asset retirement obligation.

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

Contingent Consideration

In the event that a certain EBITDA target was achieved by Villeray for the twelve month period ended October 31, 2024, additional undiscounted consideration ranging from \$500 to \$1,000 would have been payable in cash during the first quarter of 2025. At the end of September 2024, the former owner-operator of Villeray retired from the business and was replaced by a new Montréal General Manager. Although ongoing employment of the former owner-operator was not a condition required for payment of contingent consideration, amid the leadership transition, the Corporation determined that the target was not achieved. Therefore, no payment will be made.

During the first two quarters of 2024, the estimated fair value of the possible payment was classified as contingent consideration. The fair value of the contingent consideration was estimated by considering the probability-adjusted future expected cash flows in regards to Villeray achieving the target that would result in consideration being paid. The impact of discounting these future cash flows was not considered because the impact would be nominal. Given that the EBITDA target was not achieved for the twelve month period ended October 31, 2024, the contingent consideration amount of \$500 has been derecognized and a gain on settlement of contingent consideration has been recorded in Consolidated Statement of Earnings and Comprehensive Income for the year ended December 31, 2024.

Acquisition Related Costs

For the year ended December 31, 2024, \$108 in professional fees associated with the Villeray Acquisition has been included in Corporate expenses.

BUSINESS ACQUISITION - SHORTRIDGE

On April 30, 2024 the Corporation completed the acquisition of 100% of the share capital of Shortridge Ltd. ("Shortridge Acquisition"), a private hospitality laundry provider based in the North West of England, expanding K-Bro's geographic footprint in the UK. The Shortridge Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, contracts and an employee base. The contracts acquired are in the hospitality sector in England and Scotland, which complements the existing business of the Corporation. Based on the Corporation's evaluation of the Shortridge Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Shortridge Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

At the time the financial statements were authorized for issue, and due to the timing of the Acquisition, the Corporation has not yet completed the accounting for the Shortridge Acquisition. This includes the accounting for the amounts attributable to property, plant and equipment, intangible assets and the associated goodwill.

The Corporation financed the Shortridge Acquisition and transaction costs from the syndicated revolving credit facility.

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

(\$ Thousands, except percentages)

Cash consideration	35,788
Contingent consideration	9,275
Total purchase price⁽¹⁾	45,063

¹ This is presented net of cash acquired. Cash acquired was \$3,878.

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

(\$ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	2,698
Prepaid expenses and deposits	912
Linen in service	1,943
Accounts payable and accrued liabilities	(5,134)
Lease liabilities	(57)
Deferred income taxes	8
Property, plant and equipment ⁽¹⁾	8,986
Intangible assets	15,181
Net identifiable assets acquired	24,537
Goodwill	20,526
Net assets acquired	45,063

¹ Includes ROUA from the UK Division of \$57 related to buildings.

The intangible assets acquired are made up of \$13,149 related to customer relationships and \$2,032 related to the brand. 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 is not deductible for tax purposes.

Contingent Consideration

The contingent consideration consists of amounts related to achieving certain profitability and operational targets.

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

An amount of \$7,684 was initially funded in cash on April 30, 2024 to be held in trust with a third party escrow agent until certain conditions were met. For the contingent consideration, it was determined that the profitability target was met at September 30, 2024. As such, \$3,415 of contingent

consideration was released from escrow in Q4 2024. In the event that certain operational targets are achieved by Shortridge, the additional undiscounted consideration will be released from escrow or paid in cash before December 31, 2025. The remaining \$1,591 will be payable in cash.

The fair value of the contingent consideration of \$9,275 was estimated by considering the probability-adjusted future expected cash flows in regards to Shortridge achieving the targets that would result in consideration being paid.

Acquisition Related Costs

For the year ended December 31, 2024, \$508 in professional fees associated with the Shortridge Acquisition has been included in Corporate expenses.

Revenue and Profit Information

The acquired business contributed revenues of \$17,471 to the Corporation for the period from April 30, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma revenue for the year ended December 31, 2024 would have been \$379,591.

The acquired business contributed net earnings of \$1,999 to the Corporation for the period from April 30, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma net earnings for the year ended December 31, 2024 would have been \$19,145.

BUSINESS ACQUISITION - BUANDERIE C.M.

On June 21, 2024 the Corporation completed the acquisition of 100% of the share capital of Buanderie C.M. Inc. ("C.M. Acquisition"), a private laundry and linen operator located in Montréal serving the healthcare market. The acquisition will enable K-Bro to operate with two facilities in Montréal to service its growing healthcare and hospitality business. Based on the Corporation's evaluation of the C.M. Acquisition and the criteria in the identification of a business combination established in IFRS 3, the C.M. Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

At the time the financial statements were authorized for issue, and due to the timing of the Acquisition, the Corporation has not yet completed the accounting for the C.M. Acquisition. This includes the accounting for the amounts attributable to property, plant and equipment, intangible assets and the associated goodwill.

The Corporation financed the C.M. Acquisition and transaction costs from the syndicated revolving credit facility.

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

(\$ Thousands, except percentages)

Cash consideration	11,795
Total purchase price⁽¹⁾	11,795

¹ This is presented net of cash acquired. Cash acquired was \$224.

The assets and liabilities recognized as a result of the C.M. Acquisition are as follows:

(\$ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	742
Prepaid expenses and deposits	20
Linen in service	201
Accounts payable and accrued liabilities	(377)
Deferred income taxes	(851)
Property, plant and equipment	7,055
Intangible assets	1,800
Net identifiable assets acquired	8,590
Goodwill	3,205
Net assets acquired	11,795

The intangible assets acquired are made up of \$1,800 related to customer relationships. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill is not deductible for tax purposes.

Acquisition Related Costs

For the year ended December 31, 2024, \$683 in professional fees associated with the C.M. Acquisition has been included in Corporate expenses.

Revenue and Profit Information

The acquired business contributed revenues of \$3,967 to the Corporation for the period from June 21, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma revenue for the year ended December 31, 2024 would have been \$377,223.

The acquired business contributed net earnings of \$226 to the Corporation for the period from June 21, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma net earnings for the year ended December 31, 2024 would have been \$18,525.

NORMAL COURSE ISSUER BID

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase

up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

On May 16, 2024, the Corporation announced the renewal of its normal course issuer bid (NCIB) to purchase up to 754,247 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 7,542,474 shares at May 7, 2024 during the twelve-month period commencing May 21, 2024 and ending May 20, 2025.

For the year ended December 31, 2024, the Corporation repurchased and cancelled 113,614 common shares (2023 - 199,062) for \$3,950 (2023 - \$6,496) under the NCIB, net of transaction costs of \$1 which were recorded in share capital. The average share price was \$34.77, with prices ranging from \$31.93 to \$36.80.

To date, the Corporation has repurchased and cancelled a total of 312,676 common shares for \$10,446 under the NCIB.

No financial liability existed as at December 31, 2024 (2023 - \$3,967) relating to automatic share repurchases during the blackout period.

REVOLVING CREDIT FACILITY

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

On March 26, 2024, the Corporation entered into a three-year committed Syndicated Credit Facility Agreement from March 26, 2024 to March 25, 2027. The agreement consists of a \$175,000 revolving credit facility plus a \$75,000 accordion. The revolving credit facility is collateralized by a general security agreement, bears interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only. The additional interest margin can range between 0.25% to 1.75% dependent upon the calculated Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at December 31, 2024 the combined interest rate was 6.20%.

The Corporation's incremental borrowing rate under its existing credit facility is determined by the Canadian prime rate plus an applicable margin based on the ratio of Funded Debt to EBITDA as defined in the credit agreement.

CAPITAL INVESTMENT PLAN

For fiscal 2025, the Corporation's planned capital spending is expected to be in the range of \$10.0 to \$12.0 million on a consolidated basis. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK. We will continue to assess capital needs within our facilities and prioritize projects that have shorter term paybacks as well as those that are required to maintain efficient and reliable operations.

ECONOMIC CONDITIONS

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

Evolving global and Canadian foreign policies, geopolitical events and economic conditions may impact inflation, energy pricing, labour availability, supply chain efficiency, trade policies, tariffs and/or other items, which may have a direct or indirect impact on the Corporation's business.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the

Corporation's consolidated financial statements related to potential impacts of geopolitical events and changing interest rates on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

IMPAIRMENT OF ASSETS

The Corporation performed its annual impairment assessment for goodwill for the Canadian division and for the UK division as at December 31, 2024 and December 31, 2023 in accordance with its policy described in Note 2(k) and Note 2(h). The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple or discounted cash flow approach. The earnings multiple approach was used in the case of CGUs that exhibited stable operations. A discounted cash flow approach was used in the case of CGUs that were recently acquired and were undergoing significant integration related activities.

Testing Methodology

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

	Testing Methodology December 31, 2024	Pre-tax Discount Rate December 31, 2024	Terminal Value Growth Rate December 31, 2024
Calgary	FVLCD	n/a	n/a
Edmonton	FVLCD	n/a	n/a
Vancouver 2	FVLCD	n/a	n/a
Vancouver 1	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Québec City	VIU	12.7%	3.0%
Montréal 1	VIU	12.2%	3.0%
Montréal 2	FVLCD	n/a	n/a
UK 1	FVLCD	n/a	n/a
UK 2	FVLCD	n/a	n/a

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

For the years ended December 31, 2024 and 2023, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 8.40 (2023 – 9.70) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

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

The key assumptions used in the model reflect past experience and expectations for these CGUs and those with similar characteristics. The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts for the next five years with a terminal value assigned to the fifth year based on the Company's plans to operate the CGUs.

Conclusion

a) Based on testing performed at December 31, 2024 and December 31, 2023, no impairment was determined to exist.

b) The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2024, where discounted cash flow testing was used, the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.



	Recoverable Amount December 31, 2024	Change in Pre-tax Discount Rate Increase of 1% December 31, 2024	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2024
Calgary	n/a	n/a	n/a
Edmonton	n/a	n/a	n/a
Vancouver 2	n/a	n/a	n/a
Vancouver 1	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Québec City	\$23,486	-\$2,715	-\$2,715
Montréal 1	\$18,849	-\$2,600	-\$2,084
Montréal 2	n/a	n/a	n/a
UK 1	n/a	n/a	n/a
UK 2	n/a	n/a	n/a

OUTLOOK

The Corporation's healthcare and hospitality segments continue to experience steady volume trends. For the healthcare segment, management expects steady increases to activity levels supported by a continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels from both business and leisure travel reflecting historical seasonal trends.

The volatility K-Bro encountered from energy prices, local labour market shortages and cost inflation throughout the pandemic has stabilized and Adjusted EBITDA margins have stabilized. Going forward, management expects Adjusted EBITDA margins will remain at similar levels, following historical seasonal trends. The Corporation continues to monitor evolving global and Canadian foreign policies, geopolitical events and economic conditions, which could have a direct or indirect impact on the business.

In 2024, the Corporation modified its definition of Adjusted EBITDA. As K-Bro actively pursues its growth opportunities, the Corporation will continue to incur certain transaction, transition, syndication/structural financing costs. In this context, management believes Adjusted EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations. Adjusting items are detailed in the tables within "Terminology".

With continued momentum in existing operations, management has refocused attention on strategic acquisitions, such as the acquisitions of C.M., Shortridge, Villeray and Paraneet, to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented. K-Bro will look to leverage its strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities, should they arise. For further information about the impact of other economic factors on our business, see the "Summary of 2024 Results and Key Events".

RESULTS OF OPERATIONS

Key Performance Drivers

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

		Three Months Ended December 31,					
(\$ Thousands of CDN dollars, except percentages and per share amounts)		Canadian Division	UK Division		Canadian Division	UK Division	
Category	Indicator	2024	2024	2024	2023	2023	2023
Growth	EBITDA ⁽¹⁾	8.5%	106.3%	26.1%	51.2%	161.7%	63.6%
	Adjusted EBITDA ⁽²⁾	1.7%	75.9%	16.6%	53.7%	206.8%	70.9%
	Revenue	6.9%	44.5%	15.7%	15.9%	19.4%	16.7%
	Distributable cash flow ⁽³⁾			35.4%			138.7%
Profitability	EBITDA ⁽¹⁾	12,704	5,295	17,999	11,712	2,567	14,279
	EBITDA margin	18.8%	18.9%	18.9%	18.6%	13.2%	17.3%
	Adjusted EBITDA ⁽²⁾	12,110	5,295	17,405	11,913	3,010	14,923
	Adjusted EBITDA margin	18.0%	18.9%	18.2%	18.9%	15.5%	18.1%
	Net earnings	2,380	1,858	4,238	3,341	908	4,249
	Adjusted net earnings ⁽⁴⁾	1,786	1,858	3,644	3,542	1,351	4,893
Stability	Debt to total capital ⁽⁵⁾			40.7%			29.4%
	Unutilized line of credit			46,200			52,884
	Cash on hand			9,423			5,857
	Payout ratio ⁽⁶⁾			32.5%			44.4%
	Dividends declared per share			0.300			0.300
Cost containment	Wages and benefits	39.8%	33.8%	38.0%	40.2%	33.3%	38.6%
	Utilities	6.0%	11.3%	7.5%	6.0%	12.6%	7.5%
	Delivery	11.5%	13.9%	12.2%	11.8%	14.2%	12.4%
	Expenses included in EBITDA	81.2%	81.1%	81.1%	81.4%	86.8%	82.7%

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

² Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

³ Distributable cash flow is a non-GAAP measure. Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

⁴ Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

⁵ Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".

⁶ The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

Years Ended December 31,

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

Category	Indicator	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Growth	EBITDA ⁽¹⁾	7.3%	74.0%	21.5%	38.1%	193.4%	55.7%
	Adjusted EBITDA ⁽²⁾	11.0%	71.9%	24.2%	81.7%	193.4%	58.2%
	Revenue	9.7%	36.9%	16.4%	13.7%	23.5%	16.0%
	Distributable cash flow ⁽³⁾			22.4%			65.4%
Profitability	EBITDA ⁽¹⁾	47,951	21,069	69,020	44,699	12,107	56,806
	EBITDA margin	18.1%	19.3%	18.5%	18.5%	15.2%	17.7%
	Adjusted EBITDA ⁽²⁾	50,482	21,577	72,059	45,473	12,550	58,023
	Adjusted EBITDA margin	19.1%	19.8%	19.3%	18.9%	15.7%	18.1%
	Net earnings	9,493	9,215	18,708	12,584	5,023	17,607
	Adjusted net earnings ⁽⁴⁾	12,024	9,723	21,747	12,358	5,466	18,824
Stability	Debt to total capital ⁽⁵⁾			40.7%			29.4%
	Unutilized line of credit			46,200			52,884
	Cash on hand			9,423			5,857
	Payout ratio ⁽⁶⁾			32.0%			39.8%
	Dividends declared per share			1,200			1,200
Cost containment	Wages and benefits	40.1%	33.0%	38.1%	40.2%	33.3%	38.5%
	Utilities	5.9%	11.2%	7.5%	6.2%	12.7%	7.8%
	Delivery	11.5%	13.1%	12.0%	11.5%	13.8%	12.1%
	Expenses included in EBITDA	81.9%	80.7%	81.5%	81.5%	84.8%	82.3%

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

2 Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

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

4 Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

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

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



Quarterly Financial Information - Consolidated

Historically, the Corporation's financial and operating results, particularly in respect of Fishers, are stronger in the second and third quarters as a result of seasonality and the associated higher hospitality volumes. Other fluctuations in net income from quarter-to-quarter can also be attributed to hiring and labour cost trends, timing of linen purchases, utility costs, timing of repairs and maintenance expenditures, business development, capital spending patterns and changes in corporate tax rates and income tax expenses.

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

Quarterly Financial Information - Consolidated (\$ Thousands of CDN dollars, except percentages and per share amounts)	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	50,918	49,398	47,955	47,488	48,451	46,621	45,445	43,823
Hospitality revenue	44,528	55,071	45,512	32,739	34,013	40,271	35,300	26,960
Total revenue	95,446	104,469	93,467	80,227	82,464	86,892	80,745	70,783
Expenses included in EBITDA	77,447	81,626	76,894	68,622	68,185	69,199	66,244	60,450
EBITDA ⁽¹⁾	17,999	22,843	16,573	11,605	14,279	17,693	14,501	10,333
EBITDA as a % of revenue (EBITDA margin)	18.9%	21.9%	17.7%	14.5%	17.3%	20.4%	18.0%	14.6%
Adjusted EBITDA ⁽²⁾	17,405	22,972	18,247	13,435	14,923	18,057	14,578	10,465
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	18.2%	22.0%	19.5%	16.7%	18.1%	20.8%	18.1%	14.8%
Depreciation and amortization	9,432	8,911	8,029	7,307	7,298	6,872	6,803	6,321
Finance expense	3,173	3,322	2,884	1,923	1,732	1,860	1,584	1,473
Earnings before income taxes	5,394	10,610	5,660	2,375	5,249	8,961	6,114	2,539
Income tax expense	1,156	2,481	1,125	569	1,000	2,294	1,423	539
Net earnings	4,238	8,129	4,535	1,806	4,249	6,667	4,691	2,000
Net earnings as a % of revenue	4.4%	7.8%	4.9%	2.3%	5.2%	7.7%	5.8%	2.8%
Basic earnings per share	0.401	0.778	0.432	0.172	0.399	0.627	0.438	0.187
Diluted earnings per share	0.398	0.771	0.431	0.171	0.396	0.622	0.436	0.186
Adjusted net earnings ⁽³⁾	3,644	8,258	6,209	3,636	4,893	7,031	4,768	2,132
Adjusted basic earnings per share ⁽³⁾	0.344	0.791	0.594	0.345	0.466	0.660	0.445	0.199
Adjusted diluted earnings per share ⁽³⁾	0.340	0.783	0.590	0.343	0.463	0.655	0.443	0.199
Total assets	438,150	452,077	444,380	361,859	364,716	341,662	346,532	337,277
Total long-term financial liabilities	190,418	203,863	202,050	128,584	132,773	113,262	122,178	112,628
Funds provided by operations	11,011	18,384	7,863	12,692	7,817	22,758	1,122	9,308
Long-term debt (excludes lease liabilities)	123,778	135,875	134,789	65,727	70,247	55,162	63,598	53,713
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300

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

² Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

³ Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Quarterly Financial Information - Canadian Division

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

Quarterly Financial Information - Canadian Division

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

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	49,360	47,662	46,370	46,008	46,952	44,962	43,681	42,243
Hospitality revenue	18,083	21,948	18,299	16,692	16,138	18,417	15,480	13,256
Total revenue	67,443	69,610	64,669	62,700	63,090	63,379	59,161	55,499
Expenses included in EBITDA	54,739	55,229	53,682	52,821	51,378	50,455	48,456	46,141
EBITDA ⁽¹⁾	12,704	14,381	10,987	9,879	11,712	12,924	10,705	9,358
EBITDA as a % of revenue (EBITDA margin)	18.8%	20.7%	17.0%	15.8%	18.6%	20.4%	18.1%	16.9%
Adjusted EBITDA ⁽²⁾	12,110	14,510	12,244	11,618	11,913	13,288	10,782	9,490
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	18.0%	20.8%	18.9%	18.5%	18.9%	21.0%	18.2%	17.1%
Net earnings	2,380	3,659	1,775	1,679	3,341	4,169	2,829	2,245
Net earnings as a % of revenue	3.5%	5.3%	2.7%	2.7%	5.3%	6.6%	4.8%	4.0%
Basic earnings per share	0.225	0.350	0.169	0.160	0.314	0.392	0.264	0.210
Diluted earnings per share	0.224	0.347	0.169	0.159	0.311	0.389	0.263	0.209
Adjusted net earnings ⁽³⁾	1,786	3,788	3,032	3,418	3,542	4,533	2,906	2,377
Adjusted basic earnings per share ⁽³⁾	0.167	0.363	0.290	0.325	0.337	0.426	0.271	0.222
Adjusted diluted earnings per share ⁽³⁾	0.165	0.359	0.288	0.323	0.335	0.422	0.270	0.221

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

² Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

³ Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Quarterly Financial Information - UK Division

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

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

(Thousands, except percentages and per share amounts)

		2024				2023		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	1,558	1,736	1,585	1,480	1,499	1,659	1,764	1,580
Hospitality revenue	26,445	33,123	27,213	16,047	17,875	21,854	19,820	13,704
Total revenue	28,003	34,859	28,798	17,527	19,374	23,513	21,584	15,284
Expenses included in EBITDA	22,708	26,397	23,212	15,801	16,807	18,744	17,788	14,309
EBITDA ⁽¹⁾	5,295	8,462	5,586	1,726	2,567	4,769	3,796	975
EBITDA as a % of revenue (EBITDA margin)	18.9%	24.3%	19.4%	9.8%	13.2%	20.3%	17.6%	6.4%
Adjusted EBITDA ⁽²⁾	5,295	8,462	6,003	1,817	3,010	4,769	3,796	975
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	18.9%	24.3%	20.8%	10.4%	15.5%	20.3%	17.6%	6.4%
Net earnings (loss)	1,858	4,470	2,760	127	908	2,498	1,862	(245)
Net earnings (loss) as a % of revenue	6.6%	12.8%	9.6%	0.7%	4.7%	10.6%	8.6%	-1.6%
Basic earnings (loss) per share	0.176	0.428	0.263	0.012	0.085	0.235	0.174	(0.023)
Diluted earnings (loss) per share	0.174	0.424	0.262	0.012	0.085	0.233	0.173	(0.023)
Adjusted basic earnings (loss) per share ⁽³⁾	1,858	4,470	3,177	218	1,351	2,498	1,862	(245)
Adjusted basic earnings (loss) per share ⁽³⁾	0.176	0.428	0.304	0.021	0.129	0.235	0.174	(0.023)
Adjusted diluted earnings (loss) per share ⁽³⁾	0.174	0.424	0.302	0.021	0.128	0.233	0.173	(0.023)

Quarterly Financial Information - UK Division (in local currency Sterling £)

(Thousands, except percentages and per share amounts)

		2024				2023		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	870	978	918	865	886	977	1,049	962
Hospitality revenue	14,757	18,671	15,757	9,383	10,570	12,877	11,787	8,341
Total revenue	15,627	19,649	16,675	10,248	11,456	13,854	12,836	9,303
Expenses included in EBITDA	12,670	14,881	13,440	9,238	9,939	11,042	10,578	8,711
EBITDA ⁽¹⁾	2,957	4,768	3,235	1,010	1,517	2,812	2,258	592
EBITDA as a % of revenue (EBITDA margin)	18.9%	24.3%	19.4%	9.9%	13.2%	20.3%	17.6%	6.4%
Adjusted EBITDA ⁽²⁾	2,957	4,768	3,476	1,064	1,779	2,812	2,258	592
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	18.9%	24.3%	20.8%	10.4%	15.5%	20.3%	17.6%	6.4%
Net earnings (loss)	1,038	2,519	1,597	76	536	1,476	1,108	(151)
Net earnings (loss) as a % of revenue	6.6%	12.8%	9.6%	0.7%	4.7%	10.6%	8.6%	-1.6%
Basic earnings (loss) per share	0.101	0.241	0.153	0.007	0.051	0.139	0.103	(0.014)
Diluted earnings (loss) per share	0.100	0.239	0.152	0.007	0.051	0.138	0.103	(0.014)
Adjusted basic earnings (loss) per share ⁽³⁾	1,038	2,519	1,838	130	798	1,476	1,108	(151)
Adjusted basic earnings (loss) per share ⁽³⁾	0.101	0.241	0.176	0.012	0.076	0.139	0.103	(0.014)
Adjusted diluted earnings (loss) per share ⁽³⁾	0.101	0.239	0.175	0.012	0.075	0.138	0.103	(0.014)

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

2 Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

3 Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Revenue, Earnings & EBITDA

For the year ended December 31, 2024, K-Bro's consolidated revenue increased by 16.4% to \$373.6 million from \$320.9 million in the comparative period. This increase was primarily due to the acquisitions of Shortridge and C.M. in 2024, the impact of price increases implemented, and the acquisitions of Paranet and Villeray during 2023 with a full year of operations in 2024. In 2024, approximately 52.4% of K-Bro's consolidated revenue was generated from health-care institutions, which is lower compared to 57.5% in 2023. The change in revenue mix is primarily related to the Shortridge acquisition within the hospitality segment, as well as continued strong activity in hospitality.

Consolidated Adjusted EBITDA (see "Terminology") increased in the year to \$72.1 million from \$58.0 million in 2023, which is an increase of 24.2%. The consolidated adjusted EBITDA margin increased to 19.3% in 2024 compared to 18.1% in 2023. Adjusting items include transaction, transition, syndication/structural financing costs, restructuring costs, gains on settlement of contingent consideration and other non-operating gains, as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased year-to-date to \$69.0 million from \$56.8 million in 2023, which is an increase of 21.5%. The consolidated EBITDA margin increased to 18.5% in 2024 compared to 17.7% in 2023. The margin was impacted positively by price increases implemented and the EBITDA contribution from the acquisition of Shortridge on April 30, 2024.

Adjusted net earnings (see "Terminology") increased on a year-to-date basis to \$21.7 million from \$18.8 million in 2023. Adjusting items include transaction, transition, syndication/structural financing costs, restructuring costs, gains on settlement of contingent consideration and other non-operating gains, as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by \$1.1 million on a year-to-date basis or 6.3% from \$17.6 million in 2023 to \$18.7 million in 2024, and net earnings as a percentage of revenue decreased by 0.5% to 5.0% in 2024 from 5.5% in 2023. The decrease in net earnings as a percentage of revenue is primarily related to an increase in amortization and depreciation due to Shortridge, C.M., Paranet and Villeray assets acquired, higher interest costs due to increased borrowing related to acquisitions, as well as the adjusting items as detailed in "Terminology".

Operating Expenses

Wages and benefits increased by \$18.8 million to \$142.2 million compared to \$123.4 million in the comparative period of 2023, and as a percentage of revenue decreased by 0.4 percentage points to 38.1%. The decrease as a percentage of revenue is primarily related to the integration of the Corporation's acquisition targets.

Linen increased by \$3.2 million to \$36.2 million compared to \$33.0 million in the comparative period of 2023, and as a percentage of revenue decreased by 0.6 percentage points to 9.7%. The decrease as a percentage of revenue is primarily related to the changes to the mix of linen and higher hospitality volumes processed compared to the prior year.

Utilities increased by \$2.8 million to \$27.9 million compared to \$25.1 million in the comparative period of 2023, and as a percentage of revenue decreased by 0.3 percentage points to 7.5%. The decrease as a percentage of revenue is primarily related to the impact of price increases secured across various markets.

Delivery increased by \$6.0 million to \$44.7 million compared to \$38.7 million in the comparative period of 2023, and as a percentage of revenue remained relatively constant at 12.0%.

Occupancy costs increased by \$1.0 million to \$6.4 million compared to \$5.4 million in the comparative period of 2023, and as a percentage of revenue remained constant at 1.7%. The increase in spending is largely related to higher facility operating costs.

Materials and supplies increased by \$1.7 million to \$13.8 million compared to \$12.1 million in the comparative period of 2023, and as a percentage of revenue remained relatively constant at 3.7%.

Repairs and maintenance increased by \$3.0 million to \$15.8 million compared to \$12.8 million in the comparative period of 2023, and as a percentage of revenue remained relatively constant at 4.2%.

Corporate costs increased by \$4.8 million to \$19.2 million compared to \$14.4 million in the comparative period of 2023, and as a percentage of revenue increased by 0.6 percentage points to 5.1%. The increase as a percentage of revenue is primarily related to transition and transaction costs, including legal professional and consulting fee expenditures related to acquisitions, as well as syndication costs for the Corporation's credit facility. These costs are considered to be adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) and are further detailed within the "Terminology" section.

The gain on settlement of contingent consideration of \$0.5 million in 2024 relates to the derecognition of the contingent consideration for Villeray since it will not be paid out. In 2023, the gain on settlement of contingent consideration of \$0.9 million related to the derecognition of the contingent consideration for Paraneet since it was not paid out. The derecognition of these liabilities resulted in non-cash gains which management does not consider indicative of ongoing operating performance and are classified as adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted). This is further detailed within the “Terminology” section.

Other income increased by \$1.1 million to \$1.1 million in 2024 from nil in 2023. This increase is primarily related to a reimbursement from a supplier in Q4 related to a negotiated contract settlement. The supplier reimbursement is an adjusting item for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) as it is non-recurring in nature and outside of the normal course of operations. This is further detailed within the “Terminology” section.

Depreciation of property, plant and equipment and amortization of intangible assets represents the expense related to the appropriate matching of the Corporation’s long-term assets to the estimated useful life and period of economic benefit of those assets. Depreciation and amortization are higher on a year-to-date basis due to Shortridge, Paraneet, Villeray and C.M. assets acquired.

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

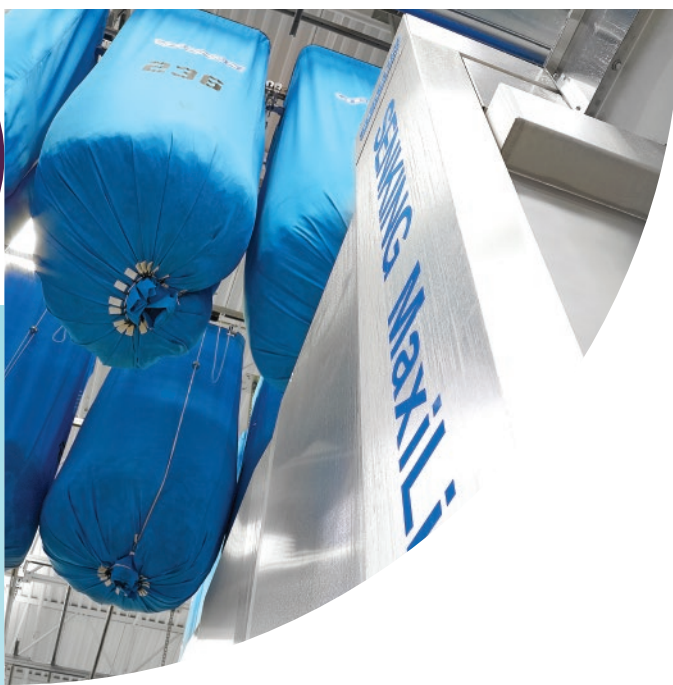
LIQUIDITY & CAPITAL RESOURCES

In 2024, cash generated by operating activities was \$50.0 million with a debt to total capitalization of 40.7%. The change in cash from operations is primarily due to the change in working capital items driven from timing of business activity, along with increased earnings from operations due to the business acquisitions completed.

The Corporation’s capital structure includes working capital, a committed syndicated credit facility and share capital. We continuously monitor actual and forecast cash flows and monitor the availability on our syndicated credit facility. Management believes the unutilized balance of \$46.2 million with respect to its syndicated credit facility is sufficient for the Corporation’s operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and long-term basis in order to ensure that sufficient capital is available for future growth needs.

During 2024, cash generated by financing activities was \$26.2 million compared to cash used in financing activities of \$3.7 million in 2023. Financing activities consisted of net proceeds from the revolving credit facility, dividends paid to Shareholders, principal elements of lease payments, and the repurchase of shares under the Normal Course Issuer Bid.

During 2024, cash used in investing activities was \$73.2 million compared to \$34.3 million in 2023. The increase in investing activities is primarily related to the acquisitions of Shortridge and C.M. Investing activities are also related to the purchase of plant equipment.



Contractual Obligations

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

(\$ Thousands of CDN dollars)	Total	Payments Due by Year			
		2025	2026 to 2027	2028 to 2029	Subsequent
Long-term debt	123,778	-	123,778	-	-
Interest on long-term debt	17,267	7,674	9,593	-	-
Lease liabilities	63,876	13,088	21,061	15,513	14,214
Utility commitments	17,226	11,714	5,512	-	-
Linen purchase obligations	8,111	8,111	-	-	-
Property, plant and equipment commitments	4,426	4,426	-	-	-



The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2024. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

Financial Position

Years Ended December 31,

(\$ Thousands, except percentages)	2024	2023
Cash and cash equivalents	(9,423)	(5,857)
Long-term debt (excludes lease liabilities)	123,778	70,247
Shareholders' equity	189,411	174,431
Total capital	303,766	238,821
Debt to total capital (see <i>Terminology</i> for definition)	40.7%	29.4%

For the period ended December 31, 2024, the Corporation had a debt to total capital of 40.7%, unused revolving credit facility of \$46.2 million and has not incurred any events of default under the terms of its credit facility.

As at December 31, 2024, the Corporation had net working capital of \$54.1 million compared to its working capital position of \$41.4 million at December 31, 2023. The increase in working capital is primarily attributable to the timing of cash receipts from customers, as well as the acquisitions of Shortridge and C.M.

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

DIVIDENDS

Fiscal Period	Payment Date	# of Shares Outstanding	2024		2023	
			Amount Per Share	Total Amount (1)(3)(5)(7)	Amount Per Share	Total Amount (2)(4)(6)(8)
January	February 15	10,608,493	0.10000	1,061	0.10000	1,077
February	March 15	10,592,301	0.10000	1,059	0.10000	1,077
March	April 14	10,570,919	0.10000	1,057	0.10000	1,077
Q1			0.30000	3,177	0.30000	3,231
April	May 15	10,534,347	0.10000	1,053	0.10000	1,077
May	June 14	10,578,364	0.10000	1,058	0.10000	1,082
June	July 15	10,578,364	0.10000	1,058	0.10000	1,078
Q2			0.30000	3,169	0.30000	3,237
July	August 15	10,578,364	0.10000	1,058	0.10000	1,078
August	September 13	10,578,364	0.10000	1,058	0.10000	1,077
September	October 15	10,578,364	0.10000	1,058	0.10000	1,073
Q3			0.30000	3,174	0.30000	3,228
October	November 15	10,578,364	0.10000	1,058	0.10000	1,070
November	December 13	10,578,364	0.10000	1,058	0.10000	1,067
December	January 15	10,578,364	0.10000	1,058	0.10000	1,063
Q4			0.30000	3,174	0.30000	3,200
YTD			1.20000	12,694	1.20000	12,896

1 The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,849 for January 2024, \$1,059,230 for February 2024, and \$1,057,092 for March 2024. When rounded in thousands, \$3,177 of dividends were declared in Q1 2024.

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

3 The total amount of dividends declared was \$0.10000 per share for a total of \$1,053,435 for April 2024, \$1,057,836 for May 2024, and \$1,057,836 for June 2024. When rounded in thousands, \$3,169 of dividends were declared in Q2 2024.

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

5 The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for July - September 2024; when rounded in thousands, \$3,174 of dividends were declared in Q3 2024.

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

7 The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for October - December 2024; when rounded in thousands, \$3,174 of dividends were declared in Q4 2024.

8 The total amount of dividends declared was \$0.10000 per share for a total of \$1,070,163 for October 2023, \$1,066,975 for November 2023, and \$1,063,547 for December 2023. When rounded in thousands, \$3,200 of dividends were declared in Q4 2023.

For the year ended December 31, 2024, the Corporation declared a \$1.200 per Common Share dividend compared to \$3.750 per Common Share of Distributable Cash Flow (see "Terminology"). The actual payout ratio was 32.0%.

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

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

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

DISTRIBUTABLE CASH FLOW

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

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

	2024				2023			
(\$ Thousands of CDN dollars, except percentages and per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by operating activities	11,011	18,384	7,863	12,692	7,817	22,758	1,122	9,308
Deduct (add):								
Net changes in non-cash working capital items ⁽¹⁾	(2,108)	603	(6,093)	3,192	(3,448)	8,344	(11,615)	606
Share-based compensation expense	418	443	546	508	410	438	443	505
Maintenance capital expenditures ⁽²⁾	267	464	1,064	387	1,103	379	1,143	936
Principle elements of lease payments	2,679	2,670	2,668	2,631	2,547	2,360	2,340	2,144
Distributable cash flow	9,755	14,204	9,678	5,974	7,205	11,237	8,811	5,117
Dividends declared	3,174	3,174	3,169	3,177	3,200	3,228	3,237	3,231
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio ⁽³⁾	32.5%	22.3%	32.7%	53.2%	44.4%	28.7%	36.7%	63.1%
Weighted average shares outstanding during the period, basic	10,232	10,446	10,435	10,527	10,510	10,645	10,706	10,707
Weighted average shares outstanding during the period, diluted	10,316	10,539	10,502	10,590	10,588	10,729	10,760	10,733
Trailing-twelve months ("TTM")								
Distributable cash flow	39,611	37,061	34,094	33,227	32,370	28,184	24,481	21,110
Dividends	12,694	12,720	12,774	12,842	12,896	12,923	12,929	12,920
Payout ratio ⁽³⁾	32.0%	34.3%	37.5%	38.6%	39.8%	45.9%	52.8%	61.2%

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

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

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

OUTSTANDING SHARES

As at December 31, 2024, the Corporation had 10,578,364 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2024 were 10,483,395 and 10,562,521, respectively (10,663,949 and 10,733,256, respectively, for the comparative 2023 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2023 fiscal year, on April 9, 2024 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of \$2.0 million (2023 – \$1.8 million) to be paid as Common Shares issued from treasury. As at December 31, 2024, the value of the Common Shares held by the LTI custodian was \$2.9 million (December 31, 2023 – \$2.5 million) which was comprised of 77,325 in unvested Common Shares (December 31, 2023 – 76,900) with a nil aggregate cost (December 31, 2023 – \$nil).

As at March 20, 2025 there were 10,578,364 Common Shares issued and outstanding including 77,325 Common Shares issued but held as unvested treasury shares.

RELATED PARTY TRANSACTIONS

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by Mr. Matthew Hills, a member of the Board of Directors. The amounts charged are recorded at their exchange amounts and are on arm's length terms. For the year ended December 31, 2024, the Corporation incurred fees totaling \$0 compared to \$72,000 for the same period of fiscal 2023.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements, in conformity with IFRS Accounting Standards, requires K-Bro to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future. Further to those areas discussed in the Corporation's 2024 audited financial statements and annual MD&A, determining the lease term and incremental borrowing rates under IFRS 16 requires critical judgments as well as assumptions that have been incorporated into any asset impairment testing models.

ECONOMIC CONDITIONS

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

Evolving global and Canadian foreign policies, geopolitical events and economic conditions may impact inflation, energy pricing, labour availability, supply chain efficiency, trade policies, tariffs and/or other items, which may have a direct or indirect impact on the Corporation's business.

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

TERMINOLOGY

EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) comprises revenues less operating costs before financing costs, capital asset and intangible asset amortization, and income taxes.

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

	Three Months Ended December 31,		Years Ended December 31,	
(\$ Thousands of CDN dollars)	2024	2023	2024	2023
Net earnings	4,238	4,249	18,708	17,607
Add:				
Income tax expense	1,156	1,000	5,331	5,256
Finance expense	3,173	1,732	11,302	6,649
Depreciation of property, plant and equipment	8,324	7,043	30,434	26,669
Amortization of intangible assets	1,108	255	3,245	625
EBITDA	17,999	14,279	69,020	56,806

Non-GAAP Measures

ADJUSTED EBITDA

K-Bro reports Adjusted EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. We believe Adjusted EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations before taking into account management's financing decisions as well as costs of acquiring tangible and intangible capital assets. The Corporation has modified its definition for Adjusted EBITDA and has updated its comparative quarters to reflect the modified definition.

"Adjusted EBITDA" is EBITDA (defined above) with the addition or deduction of certain amounts incurred which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration and any other non-recurring transactions.

The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.



Three Months Ended December 31,

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

	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
EBITDA	12,704	5,295	17,999	11,712	2,567	14,279
Adjusting items:						
Transaction Costs ⁽¹⁾	-	-	-	476	443	919
Syndication/Structural Finance Costs ⁽²⁾	-	-	-	161	-	161
Transition Costs ⁽³⁾	63	-	63	509	-	509
Restructuring Costs ⁽⁴⁾	250	-	250	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	-	-	-	(945)	-	(945)
Non-recurring gain ⁽⁶⁾	(907)	-	(907)	-	-	-
Adjusted EBITDA	12,110	5,295	17,405	11,913	3,010	14,923

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

Years Months Ended December 31,

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

	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
EBITDA	47,951	21,069	69,020	44,699	12,107	56,806
Adjusting items:						
Transaction Costs ⁽¹⁾	822	508	1,330	1,049	443	1,492
Syndication/Structural Finance Costs ⁽²⁾	1,892	-	1,892	161	-	161
Transition Costs ⁽³⁾	974	-	974	509	-	509
Restructuring Costs ⁽⁴⁾	250	-	250	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	(500)	-	(500)	(945)	-	(945)
Non-recurring gain ⁽⁶⁾	(907)	-	(907)	-	-	-
Adjusted EBITDA	50,482	21,577	72,059	45,473	12,550	58,023

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

ADJUSTED NET EARNINGS & ADJUSTED EARNINGS PER SHARE

Adjusted Net Earnings and Adjusted Earnings per Share are non-GAAP measures. These non-GAAP measures are defined to exclude certain amounts which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration and any other non-recurring transactions. The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.

(\$ Thousands of CDN dollars, except percentages and per share amounts)	Three Months Ended December 31,					
	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Net Earnings	2,380	1,858	4,238	3,341	908	4,249
Adjusting items:						
Transaction Costs ⁽¹⁾	-	-	-	476	443	919
Syndication/Structural Finance Costs ⁽²⁾	-	-	-	161	-	161
Transition Costs ⁽³⁾	63	-	63	509	-	509
Restructuring Costs ⁽⁴⁾	250	-	250	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	-	-	-	(945)	-	(945)
Non-recurring gain ⁽⁶⁾	(907)	-	(907)	-	-	-
Adjusted Net Earnings	1,786	1,858	3,644	3,542	1,351	4,893

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

(\$ Thousands of CDN dollars, except percentages and per share amounts)	Years Months Ended December 31,					
	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Net Earnings	9,493	9,215	18,708	12,584	5,023	17,607
Adjusting items:						
Transaction Costs ⁽¹⁾	822	508	1,330	1,049	443	1,492
Syndication/Structural Finance Costs ⁽²⁾	1,892	-	1,892	161	-	161
Transition Costs ⁽³⁾	974	-	974	509	-	509
Restructuring Costs ⁽⁴⁾	250	-	250	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	(500)	-	(500)	(945)	-	(945)
Non-recurring gain ⁽⁶⁾	(907)	-	(907)	-	-	-
Adjusted Net Earnings	12,024	9,723	21,747	13,358	5,466	18,824

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

(\$ Thousands of CDN dollars, except percentages and per share amounts)	Three Months Ended December 31,					
	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Basic Earnings per Share	0.225	0.176	0.401	0.314	0.085	0.399
Adjusting items:						
Transaction Costs ⁽¹⁾	-	-	-	0.048	0.044	0.092
Syndication/Structural Finance Costs ⁽²⁾	-	-	-	0.016	-	0.016
Transition Costs ⁽³⁾	0.006	-	0.006	0.049	-	0.049
Restructuring Costs ⁽⁴⁾	0.025	-	0.025	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	-	-	-	(0.090)	-	(0.090)
Non-recurring gain ⁽⁶⁾	(0.088)	-	(0.088)	-	-	-
Adjusted Basic Earnings per Share	0.168	0.176	0.344	0.337	0.129	0.466

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

(\$ Thousands of CDN dollars, except percentages and per share amounts)	Years Months Ended December 31,					
	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Basic Earnings per Share	0.904	0.879	1.783	1.180	0.471	1.651
Adjusting items:						
Transaction Costs ⁽¹⁾	0.078	0.050	0.128	0.102	0.043	0.145
Syndication/Structural Finance Costs ⁽²⁾	0.180	-	0.180	0.015	-	0.015
Transition Costs ⁽³⁾	0.093	-	0.093	0.048	-	0.048
Restructuring Costs ⁽⁴⁾	0.024	-	0.024	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	(0.048)	-	(0.048)	(0.089)	-	(0.089)
Non-recurring gain ⁽⁶⁾	(0.086)	-	(0.086)	-	-	-
Adjusted Basic Earnings per Share	1.145	0.929	2.074	1.256	0.514	1.770

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

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3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

Three Months Ended December 31,						
(\$ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Diluted Earnings per Share	0.224	0.174	0.398	0.311	0.085	0.396
Adjusting items:						
Transaction Costs ⁽¹⁾	-	-	-	0.046	0.043	0.089
Syndication/Structural Finance Costs ⁽²⁾	-	-	-	0.016	-	0.016
Transition Costs ⁽³⁾	0.006	-	0.006	0.050	-	0.050
Restructuring Costs ⁽⁴⁾	0.025	-	0.025	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	-	-	-	(0.088)	-	(0.088)
Non-recurring gain ⁽⁶⁾	(0.089)	-	(0.089)	-	-	-
Adjusted Diluted Earnings per Share	0.166	0.174	0.340	0.335	0.128	0.463

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

Years Months Ended December 31,						
(\$ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Diluted Earnings per Share	0.899	0.872	1.771	1.172	0.468	1.640
Adjusting items:						
Transaction Costs ⁽¹⁾	0.077	0.049	0.126	0.102	0.043	0.145
Syndication/Structural Finance Costs ⁽²⁾	0.179	-	0.179	0.016	-	0.016
Transition Costs ⁽³⁾	0.090	-	0.090	0.047	-	0.047
Restructuring Costs ⁽⁴⁾	0.023	-	0.023	-	-	-
Gain on settlement of contingent consideration ⁽⁵⁾	(0.047)	-	(0.047)	(0.088)	-	(0.088)
Non-recurring gain ⁽⁶⁾	(0.086)	-	(0.086)	-	-	-
Adjusted Diluted Earnings per Share	1.135	0.921	2.056	1.249	0.511	1.760

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

2 Relates to costs incurred for initial syndication of the Corporation's Credit Agreement.

3 Relates to transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

Distributable Cash Flow

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

Payout Ratio

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

Debt to Total Capital

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

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

Off Balance Sheet Arrangements

As at December 31, 2024, the Corporation has not entered into any off balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2024. These changes did not have a material impact on our financial results and are not expected to have a material impact in the future.

- Amendments to IAS 1, Non-current liabilities with covenants, clarifying that that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date and introducing additional disclosures about covenants on non-current liabilities.
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, clarifying the measurement of a lease liability by the seller in a sale and leaseback transaction.
- IFRIC agenda decision on IFRS 8, Disclosure of Revenues and Expenses for Reportable Segments, clarifying the requirements to disclose certain specified items of profit or loss reviewed by the Chief Operating Decision Maker (CODM).



RECENT ACCOUNTING PRONOUNCEMENTS

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

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

- Amendments to IAS 21, Lack of Exchangeability, including guidance about the determination of the exchange rate and disclosure when a currency is not exchangeable.
- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and the timing of derecognition of financial liabilities.
- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, specifying new presentation requirements for subtotals and totals within the Statement of Profit or Loss and disclosure requirements for management-defined performance measures.

The Corporation has not adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation's consolidated financial statements. The Corporation will continue to assess the impacts, if any, the amendments to existing standards will have on our consolidated financial statements, but we currently do not expect any material impacts.

CRITICAL RISKS & UNCERTAINTIES

As at December 31, 2024, there are no material changes in the Corporation's risks or risk management activities since December 31, 2023. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Common Shares are subject to a number of risks. These risk factors include: dependence on long-term contracts and the associated renewal risk thereof; the effects of market volatility and uncertainty; potential future tax changes; the Corporation's competitive environment and increased competition; our ability to acquire and successfully integrate and operate additional businesses; utility costs; the labour markets; the fact that our credit facility imposes numerous covenants and encumbers assets; and, environmental matters.

The Corporation's operating results may be subject to increased risk due to current geopolitical instability that could have an impact on key input prices, such as natural gas. This uncertainty has become more pronounced with the conflict in the Ukraine which began in late February 2022 and has resulted in significant volatility in natural gas supply rates.

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

CONTROLS & PROCEDURES

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

Disclosure Controls & Procedures

The Corporation has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements of K-Bro was properly recorded, processed, summarized and reported to the Board of Directors and the Audit Committee. The Corporation's CEO and CFO have evaluated the effectiveness of these disclosure controls and procedures for the period ended December 31, 2024, and the CEO and CFO have concluded that these controls were operating effectively.

Internal Controls Over Financial Reporting

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR"). Consequently the CEO and CFO confirm that the additions to these controls that occurred during the period ended December 31, 2024, did not materially affect, or are reasonably likely to materially affect, the Corporation's ICFR. Based upon their evaluation of these controls for the period ended December 31, 2024, the CEO and CFO have concluded that these controls were operating effectively.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute,

assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instance of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that managements' assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or, (ii) the impact of isolated errors.

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

LIMITATION ON SCOPE OF DESIGN

K-Bro has limited the scope of design of DCP and our Internal Controls over Financial Reporting (ICFR) to exclude controls, policies and procedures of Shortridge acquired April 30, 2024 and C.M. acquired June 21, 2024. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

Shortridge (\$ Thousands, except percentages)	As at December 31, 2024
Current assets	9,579
Non-current assets	44,830
Current liabilities	4,464
Non-current liabilities	(49)

C.M. (\$ Thousands, except percentages)	As at December 31, 2024
Current assets	1,890
Non-current assets	11,511
Current liabilities	305
Non-current liabilities	851

Shortridge (\$ Thousands, except percentages)	Year Ended December 31, 2024
Revenue	17,471
Expense	15,472
Net Earnings	1,999

C.M. (\$ Thousands, except percentages)	Year Ended December 31, 2024
Revenue	3,967
Expense	3,741
Income from Operations	226

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

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



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 Corporation) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill – UK 1</p> <p><i>Refer to note 9 – Goodwill, note 26 – Impairment of assets, note 2 – Material accounting policies and note 5 – Critical accounting estimates and judgments to the consolidated financial statements.</i></p> <p>The Corporation has goodwill of \$75.0 million, as at December 31, 2024, of which \$19.2 million of the goodwill is related to UK 1. Management tests goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount firstly to the recorded goodwill, then to the other assets in the cash generating unit (CGU) on a pro rata basis, as determined by the carrying amount of each asset in the CGU. The recoverable amount for the CGU was assessed using an earnings multiple approach (FVLCD). The key assumption utilized was the implied multiple, which was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU. Based on testing performed as at December 31, 2024, no impairment was determined to exist.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"> • Evaluated how management determined the recoverable amounts of the goodwill related to UK 1, which included the following: <ul style="list-style-type: none"> – Tested the appropriateness of the approach used and the mathematical accuracy of the FVLCD, earnings multiple calculation; – Involved professionals with specialized skills and knowledge in the field of valuation to assist in evaluating the appropriateness of the FVLCD approach, assessing the reasonability of the implied earnings multiples based on comparative market data as well as the reasonability of the recoverable amount of the CGU; – Tested the underlying data used in the FVLCD calculations; and – Tested the disclosures made in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>We considered this a key audit matter due to</p> <ul style="list-style-type: none"> (i) the significance of the goodwill balance and (ii) the significant judgment by management in determining the recoverable amount of the CGU, including the use of significant assumptions, including the implied earnings multiples. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant assumptions. Professionals with skill and knowledge in the field of valuation assisted us in performing our procedures. 	

Other information

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

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

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

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

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

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



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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
March 20, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(\$ Thousands of CDN dollars)

	December 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	9,423	5,857
Accounts receivable	56,420	50,306
Prepaid expenses and deposits	7,844	7,443
Linen in service (note 6)	38,736	35,288
	112,423	98,894
Assets classified as held for sale (note 7)	1,107	718
	113,530	99,612
Property, plant and equipment (notes 7, 13)	224,825	206,798
Intangible assets (note 8)	24,747	9,406
Goodwill (note 9)	75,048	48,900
	438,150	364,716
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	42,822	38,166
Provisions (note 10)	456	206
Share repurchase liability (note 16)	-	3,967
Lease liabilities (note 13)	12,237	12,023
Income taxes payable	1,747	2,086
Dividends payable to shareholders	1,059	1,064
	58,321	57,512
Long-term debt (note 11)	123,778	70,247
Lease liabilities (note 13)	42,900	41,275
Provisions (note 10)	3,058	2,964
Deferred income taxes (note 14)	20,682	18,287
	248,739	190,285
SHAREHOLDERS' EQUITY		
Share capital	206,010	206,453
Share repurchase deficit	(4,356)	(6,586)
Contributed surplus	2,397	2,252
Deficit	(21,507)	(27,521)
Accumulated other comprehensive income (loss)	6,867	(167)
	189,411	174,431
	438,150	364,716
Contingencies and commitments (note 15)		

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

Approved by the
Board of Directors

H. Elise Rees

Elise Rees
Director

Matthew Hills

Matthew Hills
Director

CONSOLIDATED STATEMENTS OF EARNINGS & COMPREHENSIVE INCOME

Years Ended December 31,

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

	2024	2023
REVENUE	373,609	320,884
Expenses		
Wages and benefits	142,192	123,394
Delivery	44,713	38,748
Linen (note 6)	36,241	32,982
Utilities	27,878	25,124
Corporate	19,179	14,412
Materials and supplies	13,799	12,141
Repairs and maintenance	15,786	12,758
Occupancy costs	6,372	5,432
Gain on settlement of contingent consideration (notes 27, 28)	(500)	(945)
Other (income) expense (note 31)	(1,071)	32
	304,589	264,078
Earnings before interest, taxes, depreciation and amortization (EBITDA)	69,020	56,806
Other expenses		
Depreciation of property, plant and equipment (note 7)	30,434	26,669
Amortization of intangible assets (note 8)	3,245	625
Finance expense (note 12)	11,302	6,649
	44,981	33,943
Earnings before income taxes	24,039	22,863
Current income tax expense	3,762	4,002
Deferred income tax expense	1,569	1,254
Income tax expense (note 14)	5,331	5,256
Net earnings	18,708	17,607
Other comprehensive income		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	7,034	1,845
Total comprehensive income	25,742	19,452
Net earnings per share (note 17):		
Basic	1.78	1.65
Diluted	1.77	1.64
Weighted average number of shares outstanding:		
Basic	10,483,395	10,663,949
Diluted	10,562,521	10,733,256

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$ Thousands of CDN dollars)

	Total Share Capital	Share Repurchase Deficit	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
As at December 31, 2023	206,453	(6,586)	2,252	(27,521)	(167)	174,431
Total comprehensive income	-	-	-	18,708	7,034	25,742
Dividends declared (note 19)	-	-	-	(12,694)	-	(12,694)
Employee share based compensation expense (note 25)	-	-	1,915	-	-	1,915
Repurchase of shares (note 16)	(2,213)	(1,737)	-	-	-	(3,950)
Change in share repurchase liability (note 16)	-	3,967	-	-	-	3,967
Shares vested during the year	1,770	-	(1,770)	-	-	-
As at December 31, 2024	206,010	(4,356)	2,397	(21,507)	6,867	189,411

(\$ Thousands of CDN dollars)

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

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



CONSOLIDATED STATEMENTS OF CASH FLOW

Years Ended December 31,

(\$ Thousands of CDN dollars)

	2024	2023
OPERATING ACTIVITIES		
Net earnings	18,708	17,607
Depreciation of property, plant and equipment (note 7)	30,434	26,669
Amortization of intangible assets (note 8)	3,245	625
Accretion expense (note 10)	56	80
Employee share based compensation expense	1,915	1,796
Other (income) expense (note 31)	(1,071)	32
Gain on settlement of contingent consideration (notes 27, 28)	(500)	(945)
Deferred income tax expense	1,569	1,254
	54,356	47,118
Change in non-cash working capital items (note 20)	(4,406)	(6,113)
Cash provided by operating activities	49,950	41,005
FINANCING ACTIVITIES		
Net proceeds from revolving debt (note 11)	53,531	25,081
Repurchase of shares (note 16)	(3,950)	(6,496)
Principle elements of lease payments (note 13)	(10,648)	(9,391)
Dividends paid to shareholders	(12,699)	(12,911)
Cash provided by (used in) financing activities	26,234	(3,717)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,835)	(11,493)
Proceeds from disposal of property, plant and equipment	1,353	1
Purchase of intangible assets (note 8)	(495)	(493)
Acquisition of businesses, net of cash (notes 27, 28, 29, 30)	(55,267)	(22,278)
Cash used in investing activities	(73,244)	(34,263)
Change in cash during the year	2,940	3,025
Effect of exchange rate changes on cash	626	196
Cash, beginning of year	5,847	2,636
Cash, end of year	9,423	5,857
Supplementary cash flow information		
Interest paid	11,066	6,318
Income taxes paid	5,241	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Canadian dollars except share and per share amounts, Years ended December 31, 2024 and 2023)

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

The Corporation's operations in Canada include eleven processing facilities and two distribution centres in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria. The processing facilities operate under the brands of K-Bro Linen Systems Inc. ("K-Bro"), Buanderie HMR, Paraneet, Villeray and C.M.

The Corporation's operations in the UK include two distinctive brands, Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017 and Shortridge Ltd. ("Shortridge"), which was acquired by K-Bro on April 30, 2024.

Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North of England. The company operates in five cities, in Scotland and the North of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

Shortridge is headquartered in North West England, with laundry processing sites in Lillyhall and Dumfries and a distribution centre in Darlington. Shortridge, established in 1845, specialises in providing high quality laundry services to local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants.

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 20, 2025.

1. Basis of Presentation

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

2. Material accounting policies

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

A) BASIS OF MEASUREMENT

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

B) PRINCIPLES OF CONSOLIDATION

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

C) CASH

Cash includes cash on hand and demand deposits held with financial institutions. Cash is 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 it 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 & EQUIPMENT

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

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

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

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

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

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

G) INTANGIBLE ASSETS

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

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

Asset	Rate
Customer relationships (Healthcare and Hospitality)	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 and goodwill are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount firstly to the recorded goodwill, then to the other assets in the CGU on a pro rata basis, as determined by the carrying amount of each asset in the CGU. The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

I) INCOME TAXES

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

The current income tax provision is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position 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 Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

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

J) BUSINESS COMBINATIONS

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

K) GOODWILL

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

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

L) EARNINGS PER SHARE

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

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

M) FOREIGN CURRENCY TRANSLATION

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

Translation of Foreign Entities

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

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

Translation of Transactions & Balances

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

- Monetary assets and liabilities are translated at the exchange rate in effect at the reporting date;
- Non-monetary items are translated at historical exchange rates; and

- Revenue and expense items are translated at the average rates of exchange, except depreciation and amortization, which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized within “finance expense” in the consolidated statements of earnings & comprehensive income.

N) PROVISIONS

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

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

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

O) EMPLOYEE BENEFITS

Post-Employment Benefit Obligations

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

Existing Equity-based Compensation Plan of the Corporation

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

of the LTI are recorded as compensation expense over the relevant service period, being the year to which the LTI relates and the vesting period of the shares.

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

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

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

P) FINANCIAL INSTRUMENTS

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

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

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

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

The Corporation's financial assets consist of cash and 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 Statement of Financial Position 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 a 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 Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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

Q) IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

R) THE CORPORATION'S LEASING ACTIVITIES & HOW THESE ARE ACCOUNTED FOR

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

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

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

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

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

To determine the incremental borrowing rate, the Corporation:

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

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

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

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

(i) Variable Lease Payments

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

(ii) Extension & Termination Options

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

3. Changes & Updates in Accounting Policies

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2024. These changes did not have a material impact on our financial results and are not expected to have a material impact in the future.

- Amendments to IAS 1, Non-current liabilities with covenants, clarifying that that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date and introducing additional disclosures about covenants on non-current liabilities.
- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback, clarifying the measurement of a lease liability by the seller in a sale and leaseback transaction.
- IFRIC agenda decision on IFRS 8, Disclosure of Revenues and Expenses for Reportable Segments, clarifying the requirements to disclose certain specified items of profit or loss reviewed by the Chief Operating Decision Maker (CODM).

4. New Standards & Interpretations Not Yet Adopted

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

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

- Amendments to IAS 21, Lack of Exchangeability, including guidance about the determination of the exchange rate and disclosure when a currency is not exchangeable.
- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and the timing of derecognition of financial liabilities.
- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, specifying new presentation requirements for subtotals and totals within the Statement of Profit or Loss and disclosure requirements for management-defined performance measures.

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

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

5. Critical Accounting Estimates & Judgments

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

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

Economic Conditions

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

Evolving global and Canadian foreign policies, geopolitical events and economic conditions may impact inflation, energy pricing, labour availability, supply chain efficiency, trade policies, tariffs, and/or other items, which may have a direct or indirect impact on the Corporation's business.

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

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

AREAS OF SIGNIFICANT JUDGMENT

Impairment of Goodwill & Non-Financial Assets

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

The Corporation applies judgment in:

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

Segment Identification

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

Lease Term

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

AREAS OF ESTIMATION UNCERTAINTY

Incremental Borrowing Rate

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

Amortization of Property, Plant & Equipment, & Intangible Assets

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

Linen in Service

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

Provisions

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

Impairment of Goodwill & Non-Financial Assets

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

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

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

6. Linen in service

(\$ Thousands of CDN dollars)		
	2024	2023
Balance, beginning of year	35,288	31,383
Acquisition of businesses (notes 27, 28, 29, 30)	2,144	970
Additions	36,527	35,577
Amortization charge	(36,241)	(32,982)
Effect of movement in exchange rates	1,018	340
Balance, end of year	38,736	35,288

7. Property, Plant & Equipment

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

	Land	Buildings	Laundry Equipment ⁽¹⁾	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
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Year Ended, December 31, 2023

Opening net book amount	3,312	51,718	106,885	220	9,618	323	29,246	1,863	203,185
Additions ⁽²⁾⁽³⁾⁽⁴⁾	-	549	10,371	63	4,561	320	9	230	16,103
Change in asset retirement obligation	-	-	-	-	-	-	171	-	171
Acquisition of businesses (notes 27, 28)	-	3,671	8,432	24	333	42	801	-	13,303
Disposals	-	-	(41)	-	(204)	-	-	-	(245)
Depreciation charge	-	(6,573)	(11,838)	(100)	(4,289)	(380)	(3,489)	-	(26,669)
Effect of movement in exchange rates	26	284	419	5	202	-	14	-	950
Closing net book amount	3,338	49,649	114,228	212	10,221	305	26,752	2,093	206,798

At December 31, 2023

Cost	3,338	82,314	226,667	1,381	27,268	3,969	60,866	2,093	407,896
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(32,458)	(110,326)	(1,169)	(17,042)	(3,650)	(34,114)	-	(198,759)
Net book amount	3,338	49,649	114,228	212	10,221	305	26,752	2,093	206,798

Year Ended, December 31, 2024

Opening net book amount	3,338	49,649	114,228	212	10,221	305	26,752	2,093	206,798
Additions ⁽²⁾⁽³⁾⁽⁴⁾	-	5,700	16,772	64	7,080	772	399	104	30,891
Change in asset retirement obligation	-	-	-	-	-	-	8	-	8
Acquisition of businesses (notes 29, 30)	1,216	5,809	7,556	51	1,377	32	-	-	16,041
Disposals	-	-	(249)	-	(560)	-	-	(41)	(850)
Assets classified as held for sale ⁽⁵⁾	(55)	(283)	-	-	-	-	-	-	(338)
Depreciation charge	-	(7,423)	(13,985)	(99)	(4,998)	(437)	(3,492)	-	(30,434)
Effect of movement in exchange rates	75	693	1,330	10	572	1	28	-	2,709
Closing net book amount	4,574	54,145	125,652	238	13,692	673	23,695	2,156	224,825

At December 31, 2024

Cost	4,574	94,690	250,672	1,478	36,554	4,777	61,303	2,156	456,204
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(40,338)	(122,907)	(1,240)	(22,857)	(4,090)	(37,608)	-	(229,040)
Net book amount	4,574	54,145	125,652	238	13,692	673	23,695	2,156	224,825

¹ Included in laundry equipment are assets under development in the amount of \$2,019 (2023 - \$651). These assets are not available for service and accordingly are not presently being depreciated.

² Total property, plant and equipment additions are inclusive of amounts incurred in the period that are yet to be paid, with amounts remaining in accounts payable and accrued liabilities of \$345 (2023 - \$356).

³ Additions include amounts from the Canadian Division of \$20,042 (2023 - \$11,060) and from the UK Division of \$10,849 (2023 - \$5,043).

⁴ Includes ROUA additions from the Canadian Division of \$7,019 (2023 - \$2,012), comprised of buildings of \$5,105 (2023 - \$0) and vehicles of \$1,914 (2023 - \$2,012). From the UK Division, ROUA additions were \$5,048 (2023 - \$2,963), comprised of buildings of \$596 (2023 - \$551) and vehicles of \$4,452 (2023 - \$2,412). This has resulted in corresponding increases to the lease liabilities in the amount of \$7,019 (2023 - \$2,012) for the Canadian Division and \$5,048 (2023 - \$2,963) for the UK Division.

⁵ Assets classified as held for sale includes an amount from the Canadian Division of \$338. This is comprised of land and a building in Granby, Québec. Upon the acquisition of Villeray on November 1, 2023, Granby volumes were consolidated into Villeray, resulting in the facility being put up for sale. The sale is expected to be completed in Q2 2025.

8. Intangible Assets

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

	Healthcare Relationships	Hospitality Relationships	Computer Software	Brand	Total
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Year Ended, December 31, 2023

Opening net book amount	2	-	346	4,080	4,428
Additions	-	-	493	-	493
Acquisition of businesses (notes 27, 28)	-	4,980	-	-	4,980
Amortization charge	(2)	(493)	(130)	-	(625)
Effect of movement in exchange rates	-	-	-	130	130
Closing net book amount	-	4,487	709	4,210	9,406

At December 31, 2023

Cost	19,200	27,695	1,868	4,210	52,973
Accumulated amortization	(19,200)	(23,208)	(1,159)	-	(43,567)
Net book amount	-	4,487	709	4,210	9,406

Year Ended, December 31, 2024

Opening net book amount	-	4,487	709	4,210	9,406
Additions	-	-	495	-	495
Acquisition of businesses (notes 29, 30)	1,800	13,149	-	2,032	16,981
Amortization charge	-	(2,992)	(253)	-	(3,245)
Effect of movement in exchange rates	-	698	-	412	1,110
Closing net book amount	1,800	15,342	951	6,654	24,747

At December 31, 2024

Cost	21,000	41,542	2,363	6,654	71,559
Accumulated amortization	(19,200)	(26,200)	(1,412)	-	(46,812)
Net book amount	1,800	15,342	951	6,654	24,747



9. Goodwill

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

Goodwill has been allocated to the following CGUs:

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

	Calgary	Edmonton	Vancouver 2	Vancouver 1	Victoria	Québec City	Montréal 1	Montréal 2	Canadian Division	UK 1	UK 2	UK Division	Total
Gross amount of goodwill	8,082	4,346	3,413	2,630	3,208	-	-	-	21,679	18,100	-	18,100	39,779
Goodwill acquired (notes 27, 28)	-	-	-	-	-	5,205	5,779	-	10,984	-	-	-	10,984
Changes due to movement in exchange rates	-	-	-	-	-	-	-	-	-	(163)	-	(163)	(163)
Balance at January 1, 2024	8,082	4,346	3,413	2,630	1,508	5,205	5,779	-	30,963	17,937	-	17,937	48,900
Goodwill acquired (notes 29, 30)	-	-	-	-	-	-	-	3,205	3,205	-	20,526	20,526	23,731
Changes due to movement in exchange rates	-	-	-	-	-	-	-	-	-	1,272	1,145	2,417	2,417
Balance at December 31, 2024	8,082	4,346	3,413	2,630	1,508	5,205	5,779	3,205	34,168	19,209	21,671	40,880	75,048

10. Provisions

The Corporation's provision includes a current provision of \$456 (2023 - \$206) to recognize restructuring costs, and a long-term provision of \$3,058 (2023 - \$2,964) that is comprised of lease provisions and obligations to restore leased premises of its leased plants.

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

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

these obligations at December 31, 2024 to be \$3,902 (2023 - \$3,772). Management has estimated the present value of this obligation at December 31, 2024 to be \$3,058 (2023 - \$2,964) using an inflation rate of 2.55% (2023 - 2.51%) and pre-tax weighted average risk-free interest rate of 2.92% to 3.12% (2023 - 3.05% to 3.91%) dependent upon length of the lease term, which reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2028 to 2039.

As at December 31, 2024, if actual costs were to differ by 10% from management's estimate the obligation would be an estimated \$351 (2023 - \$317) higher or lower. It is possible the estimated costs could change and changes to these estimates could have a significant effect on the Corporation's consolidated financial statements.

The Corporation recorded the following provision activity during the year:

(\$ Thousands of CDN dollars)

Asset Retirement Obligations

Restructuring Costs

Total

For Year Ended, December 31, 2024

Balance, beginning of year	2,964	206	3,170
Charges against provisions	56	-	56
Adjustments	8	250	258
Changes due to movement in exchange rates	30	-	30
Balance, end of year	3,058	456	3,514
Current portion	-	456	456
Non-current portion	3,058	-	3,058

For Year Ended, December 31, 2023

Balance, beginning of year	2,382	279	2,661
Acquisition of businesses (notes 27, 28)	316	-	316
Charges against provisions	80	-	80
Adjustments/settlement	173	(73)	100
Changes due to movement in exchange rates	13	-	13
Balance, end of year	2,964	206	3,170
Current portion	-	206	206
Non-current portion	2,964	-	2,964

11. Long-term Debt

(\$ Thousands of CDN dollars)

Prime Rate Loan⁽¹⁾

At January 1, 2023	45,166
Net proceeds from debt	25,081
Closing balance at December 31, 2023	70,247

At January 1, 2024	70,247
Net proceeds from debt	53,531
Closing balance at December 31, 2024	123,778

¹ The revolving credit facility is collateralized by a general security agreement, bears interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on July 31, 2027. The additional interest margin can range between 0.0% to 1.75% dependent upon the calculated Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at December 31, 2024 the combined interest rate was 6.20% (December 31, 2023 - 7.70%).

² The syndicated revolving credit facility had drawdowns of \$66,694, repayments of \$12,500 and net outflows of \$663 as a result of operating activities for the year ended December 31, 2024. (For the year ended December 31, 2023, the revolving credit facility had net outflows from operating activities of \$25,081).

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

On March 26, 2024, the Corporation entered into a three-year committed Syndicated Credit Facility Agreement from March 26, 2024 to March 25, 2027. The agreement consists of a \$175,000 revolving credit facility plus a \$75,000 accordion.

Under the credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at December 31, 2024 and December 31, 2023.

The Corporation has a revolving credit facility of up to \$175,000 plus a \$75,000 accordion of which \$128,800 is utilized (including letters of credit totaling \$5,022) as at December 31, 2024. 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, SOFR and CORRA 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 and the impact of discounting is not significant.

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

12. Finance expense

(\$ Thousands of CDN dollars)

	2024	2023
Interest on long-term debt	8,603	4,230
Lease interest expense	2,440	2,068
Accretion expense	56	80
Other charges, net	203	271
	11,302	6,649

13. Leases

A) AMOUNTS RECOGNIZED IN STATEMENT OF FINANCIAL POSITION

Within property, plant and equipment (Note 7) in the Statement of Financial Position, the following amounts related to right of use assets, lease liabilities have been separately presented:

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

	December 31, 2024	December 31, 2023
Right-of-use assets		
Buildings	36,282	36,267
Equipment	11,605	9,878
	47,887	46,145
Lease liabilities		
Buildings	42,953	43,079
Equipment	12,184	10,219
Total lease liabilities	55,137	53,298
Less, current portion of lease liabilities	(12,237)	(12,023)
Long term lease liabilities	42,900	41,275
Additions to the right-of-use assets during the financial year		
Acquisition of businesses (notes 27, 28, 29)	57	3,882
Buildings	5,701	551
Equipment	6,366	4,424
	12,124	8,857



B) AMOUNTS RECOGNIZED IN THE STATEMENT OF EARNINGS

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

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

	December 31, 2024	December 31, 2023
Depreciation charge of right-of-use assets		
Buildings	6,143	5,492
Equipment	4,558	4,181
	10,701	9,673
Interest expense (included in finance expense)	2,440	2,068
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	11	15
The total cash outflow for leases	13,099	11,474

C) RECONCILIATION OF EXPECTED LEASE LIABILITIES

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

	December 31, 2024	December 31, 2023
Lease liabilities		
Balance at January 1,	53,298	53,657
Right-of-use asset additions	12,124	8,857
Right-of-use asset disposals	(574)	(213)
Interest expense	2,440	2,068
Cash payment of lease payments	(13,088)	(11,459)
Effect of movement in exchange rates	937	388
Total lease liabilities	55,137	53,298

14. Income Taxes

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

(\$ Thousands of CDN dollars, except share and per share amounts)	2024	2023
Current tax:		
Current tax expense on profits for the year	3,762	4,002
Total current tax expense	3,762	4,002
Deferred tax:		
Origination and reversal of temporary differences	1,527	1,336
Impact of substantively enacted rates and other	42	(82)
Total deferred tax expense	1,569	1,254

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

(\$ Thousands of CDN dollars, except share and per share amounts)	2024	2023
Earnings before income taxes	24,039	22,863
Earnings before income tax multiplied by statutory rate of 25.52% (2023 - 25.46%)	6,135	5,821
Effects of:		
Non-taxable items	(769)	(451)
Difference between Canadian and foreign tax rates	(476)	(217)
Impact of substantively enacted rates and other	441	103
Income tax expense	5,331	5,256

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

(\$ Thousands of CDN dollars, except share and per share amounts)	2024	2023
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(17,753)	(15,596)
	(17,753)	(15,596)
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	32,395	28,091
Deferred tax liability to be recovered within 12 months	6,040	5,792
	38,435	33,883
Deferred tax liabilities, net	20,682	18,287

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

(\$ Thousands of CDN dollars, except share and per share amounts)	Lease Liabilities	Provisions	Offering Costs & Other	Total
Deferred tax assets:				
At January 1, 2023	(13,575)	(502)	(2,827)	(16,904)
Acquisition of businesses (notes 27, 28)	-	-	(169)	(169)
Charged (credited) to the statement of earnings	164	(145)	1,643	1,662
Related to movements in exchange rates	(102)	-	(83)	(185)
At December 31, 2023	(13,513)	(647)	(1,436)	(15,596)
Acquisition of businesses (notes 29, 30)	-	-	(1,591)	(1,591)
(Credited) charged to the statement of earnings	(254)	(24)	115	(163)
Related to movements in exchange rates	(230)	-	(173)	(403)
At December 31, 2024	(13,997)	(671)	(3,085)	(17,753)

(\$ Thousands of CDN dollars, except share and per share amounts)	Linen in Service	Property, Plant & Equipment	Intangible Assets & Goodwill	LTIP & Other	Total
Deferred tax liabilities:					
At January 1, 2023	5,450	24,347	929	332	31,058
Acquisition of businesses (notes 27, 28)	194	1,638	1,232	-	3,064
Charged (credited) to the statement of earnings	148	(651)	86	9	(408)
Related to movements in exchange rates	-	137	32	-	169
At December 31, 2023	5,792	25,471	2,279	341	33,883
Acquisition of businesses (notes 29, 30)	51	1,959	444	(20)	2,434
Charged (credited) to the statement of earnings	189	1,657	(124)	10	1,732
Related to movements in exchange rates	-	291	75	20	386
At December 31, 2024	6,032	29,378	2,674	351	38,435

The Company has \$1,936 of UK trading loss carry-forwards, the benefit of which has been reflected in these financial statements. For tax purposes, these losses are deductible against future UK profits. These losses do not expire.

15. Contingencies & Commitments

A) CONTINGENCIES

The Corporation has standby letters of credit issued as part of normal business operations in the amount of \$5,022 (December 31, 2023 – \$1,869) which will remain outstanding for an indefinite period of time.

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

B) COMMITMENTS

Utility Commitments

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

Utility commitments (\$ Thousands of CDN dollars)

2025	11,714
2026	5,512
2027	-
2028	-
2029	-
Subsequent	-
	17,226

Linen Purchase Commitments

At December 31, 2024, the Corporation was committed to linen expenditure obligations in the amount of \$8,111 (December 31, 2023 – \$9,434) to be incurred within the next year.

Property, Plant & Equipment Commitments

At December 31, 2024, the Corporation was committed to capital expenditure obligations in the amount of \$4,426 (December 31, 2023 – \$9,396) to be incurred within the next year.

Trust Funds on Deposit

The Corporation maintains funds in trust for a customer to facilitate both parties in achieving their shared objectives. These funds are not available for the Corporation's general operating activities and, as such, have not been recorded in the accompanying Consolidated Statements of Financial Position. As at December 31, 2024, the Corporation held trust funds on deposit in the amount of \$1,116 (2023 – \$966).

16. Share Capital

A) AUTHORIZED

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

B) ISSUED

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

	2024	2023
Balance, beginning of year	10,635,473	10,773,190
Common shares issued under LTI	56,505	61,345
Common shares repurchased	(113,614)	(199,062)
Balance, end of year	10,578,364	10,635,473
Unvested common shares held in trust for LTI	77,325	76,900

C) NORMAL COURSE ISSUER BID

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

On May 16, 2024, the Corporation announced the renewal of its normal course issuer bid (NCIB) to purchase up to 754,247 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 7,542,474 shares at May 7, 2024 during the twelve-month period commencing May 21, 2024 and ending May 20, 2025.

For the year ended December 31, 2024, the Corporation repurchased and cancelled 113,614 common shares (2023 - 199,062) for \$3,950 (2023 - \$6,496) under the NCIB, net of transaction costs of \$1 which were recorded in share capital. The average share price was \$34.77, with prices ranging from \$31.93 to \$36.80.

To date, the Corporation has repurchased and cancelled a total of 312,676 common shares for \$10,446 under the NCIB.

No financial liability existed as at December 31, 2024 (2023 - \$3,967) relating to automatic share repurchases during the blackout period.

17. Earnings Per Share

A) BASIC

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

<i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>	2024	2023
Net earnings	18,708	17,607
Weighted average number of shares outstanding (thousands)	10,483	10,664
Net earnings per share, basic	1.78	1.65

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.

<i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>	2024	2023
Basic weighted average shares for the year	10,483,395	10,663,949
Dilutive effect of LTI shares	79,126	69,307
Diluted weighted average shares for the year	10,562,521	10,733,256
Net earnings	18,708	17,607
Weighted average number of shares outstanding (thousands)	10,563	10,733
Net earnings per share, diluted	1.77	1.64

18. Long-term Incentive Plan

An account was formed to hold equity grants issued under the terms of the LTI on behalf of the participants (the "LTIP Account") and under certain circumstances the Corporation may be the beneficiary of forfeited Common shares held by the LTIP Account. The Corporation has control over the LTIP Account as it is exposed, or has rights, to variable returns and has the ability to affect those returns through its power

over the LTIP Account. Therefore, the Corporation has consolidated the LTIP Account. Compensation expense is recorded by the Corporation in the period earned. Dividends paid by the Corporation with respect to unvested Common shares held by the LTIP Account are paid to LTI participants. Unvested Common shares held by the LTIP Account are shown as a reduction of shareholders' equity.

(\$ Thousands of CDN dollars)	2024 Unvested	2024 Vested	2023 Unvested	2023 Vested
Balance, beginning of year	76,900	712,149	64,552	663,152
Issued during year	37,598	18,907	41,680	19,665
Vested during year	(37,173)	37,173	(29,332)	29,332
Balance, end of year	77,325	768,229	76,900	712,149

The cost of the 77,325 (2023 – 76,900) unvested Common shares held by the LTIP Account at December 31, 2024 was \$0 (2023 - \$0).

19. Dividends to Shareholders

During the year ended December 31, 2024, the Corporation declared total dividends to shareholders of \$12,694 or \$1.200 per share (2023 - \$12,896 or \$1.200 per share).

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

20. Net Change in Non-Cash Working Capital Items

	Years Ended, December 31,	
(\$ Thousands of CDN dollars, except share and per share amounts)	2024	2023
Accounts receivable	(1,760)	(9,978)
Linen in service	(319)	(2,616)
Prepaid expenses and deposits	873	(632)
Accounts payable and other liabilities ⁽¹⁾	(731)	3,110
Income taxes payable / receivable	(2,469)	4,003
	(4,406)	(6,113)

¹ Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, net change in the current provision (note 10) related to restructure costs for 2024 - \$250 and in 2023 - (\$73), but exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to and paid for during 2024 (\$11) and 2023 (\$341).

21. Financial Instruments

A) FAIR VALUE

The Corporation's financial instruments at December 31, 2024 and 2023 consist of cash, 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, 2024, 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 \$6, respectively, on net earnings.

Based on financial instrument balances as at December 31, 2024, a strengthening or weakening of \$0.01 of the Canadian dollar to the Sterling pound (£), with all other variables held constant could have an unfavorable or favorable impact of approximately \$132, 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 \$1,238 (2023 - \$702) 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 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 is minimized by ensuring these financial assets are held with Canadian chartered banks and Standard Chartered Bank United Kingdom.

Cash

While cash is also subject to the impairment requirements of IFRS 9, there was no identified impairment.

Accounts Receivable

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

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, 2024 or January 1, 2024 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate of the countries in which it provides services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2024 and 2023 was determined as follows for trade receivables:

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

December 31, 2024	Gross	Allowance	Net
Current	40,014	-	40,014
1 to 60 days	11,476	-	11,476
61 to 90 days	3,968	-	3,968
Greater than 90 days	1,216	254	962
	56,674	254	56,420

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

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

	Years Ended, December 31,	
	2024	2023
(\$ Thousands of CDN dollars, except share and per share amounts)		
Opening loss allowance at January 1,	178	144
Adjustments made during the year	126	16
Acquisition of business	-	29
Write-offs	(53)	(12)
Effect of movements in exchange rates	3	1
Balance, end of year	254	178

E) LIQUIDITY RISK

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

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

	Payments Due by Year				
	Total	2025	2026 to 2027	2028 to 2029	Subsequent
(\$ Thousands of CDN dollars)					
Long-term debt	123,778	-	123,778	-	-
Interest on long-term debt	17,267	7,674	9,593	-	-
Lease liabilities	63,876	13,088	21,061	15,513	14,214
Utility commitments	17,226	11,714	5,512	-	-
Linen purchase obligations	8,111	8,111	-	-	-
Property, plant and equipment commitments	4,426	4,426	-	-	-

The Corporation has a syndicated credit facility with a maturity date of March 25, 2027 (Note 11). The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to maintain and grow the current levels of cash flows from operations. The Corporation may be unable to extend the maturity date of the credit facility.

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

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

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

22. Capital Management

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

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

The Corporation pays a dividend which reduces its ability to internally finance growth and expansion. However, the availability of the Corporation's revolving line of credit provides sufficient access to capital to allow K-Bro to take advantage of acquisition opportunities. The merits of the dividend are periodically evaluated by the Board.

The Corporation monitors its capital structure and financing requirements using non-GAAP financial metrics required under its Credit Facility debt covenants, consisting of Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. The Funded Debt, Credit Facility EBITDA, and Total Fixed Charge Coverage are defined under the terms of the Credit Facility (see Note 11) and do not have any standardized meaning prescribed under IFRS

Accounting Standards. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions will vary due to the timing of Material Transactions as defined under the terms of the Credit Facility.

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

	Years Ended, December 31,	
	2024	2023
(\$ Thousands of CDN dollars, except share and per share amounts)		
Long-term debt, including current portion	123,778	70,247
Issued and outstanding letters of credit	5,022	1,869
Shareholders' equity	189,411	174,431
	318,211	246,547
Less: Cash	(9,423)	(5,857)
	308,788	240,690

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

23. Related Party Transactions

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

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

During 2024 and 2023, remuneration to directors and key management personnel was as follows:

	Years Ended, December 31,	
	2024	2023
(\$ Thousands of CDN dollars)		
Salaries and retainer fees	1,964	1,879
Short-term bonus incentives	1,180	1,082
Post-employment benefits	70	66
Share-based payments	1,552	1,446
	4,766	4,473

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by a Director. The amounts charged are recorded at their exchange amounts and are subject to normal trade terms. For the year ended December 31, 2024, the Corporation incurred such fees totaling \$0 (2023– \$72).

24. Expenses by Nature

	Years Ended, December 31,	
	2024	2023
(\$ Thousands of CDN dollars)		
Wages and benefits	168,451	145,535
Linen	36,241	32,982
Utilities	27,878	25,124
Delivery	26,094	23,083
Materials and supplies	20,271	16,263
Repairs and maintenance	15,786	12,758
Occupancy costs	6,564	5,624
Other expenses	3,304	2,709
	304,589	264,078

25. Segmented Information

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

1. Canadian division - provides laundry and linen services to the healthcare and hospitality sectors through eleven 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 seven sites which are located in Cupar, Perth, Newcastle, Livingston, Coatbridge, Lillyhall and Dumfries.

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, certain expenses and assets on a monthly basis.

SEGMENT REVENUE

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

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

In Edmonton and Calgary, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and is contractually committed to July 31, 2032. In Vancouver, the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2031. For the year ended December 31, 2024, from these three major customers the Corporation has recorded revenue of \$142,919 (2023 – \$135,736), representing 38.3% (2023 – 42.3%) of total revenue.

(\$ Thousands of CDN dollars)		2024		2023	
Healthcare		189,400	50.6%	177,838	55.5%
Hospitality		75,022	20.1%	63,291	19.7%
Canadian division		264,422	70.7%	241,129	75.2%
Healthcare		6,359	1.8%	6,502	2.0%
Hospitality		102,828	27.5%	73,253	22.8%
UK division		109,187	29.3%	79,755	24.8%
Total segment revenue		373,609	100.0%	320,884	100.0%

SEGMENT NET EARNINGS & EBITDA

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

(\$ Thousands of CDN dollars, except share and per share amounts)	Canadian Division	UK Division	Total
2024			
Net earnings	9,493	9,215	18,708
EBITDA	47,951	21,069	69,020
	Canadian Division	UK Division	Total
2023			
Net earnings	12,584	5,023	17,607
EBITDA	44,699	12,107	56,806

2024 (\$ Thousands of CDN dollars, except share and per share amounts)	Canadian Division	UK Division	Total
REVENUE	264,422	109,187	373,609
Expenses			
Wages and benefits	106,130	36,062	142,192
Delivery	30,423	14,290	44,713
Linen (note 6)	23,501	12,740	36,241
Utilities	15,669	12,209	27,878
Corporate	15,919	3,260	19,179
Materials and supplies	9,504	4,295	13,799
Repairs and maintenance	12,515	3,271	15,786
Occupancy costs	4,058	2,314	6,372
Gain on settlement of contingent consideration (notes 27, 28)	(500)	-	(500)
Other (income) expense (note 31)	(748)	(323)	(1,071)
EBITDA	47,951	21,069	69,020
Depreciation of property, plant and equipment (note 7)	22,809	7,625	30,434
Amortization of intangible assets (note 8)	1,429	1,816	3,245
Finance expense (note 12)			11,302
Current income tax expense			3,762
Deferred income tax expense			1,569
Net Earnings			18,708

2023 <i>(\$ Thousands of CDN dollars, except share and per share amounts)</i>	Canadian Division	UK Division	Total
REVENUE	241,129	79,755	320,884
Expenses			
Wages and benefits	96,855	26,539	123,394
Delivery	27,771	10,977	38,748
Linen (note 6)	22,998	9,984	32,982
Utilities	15,001	10,123	25,124
Corporate	12,072	2,340	14,412
Materials and supplies	8,696	3,445	12,141
Repairs and maintenance	10,367	2,391	12,758
Occupancy costs	3,568	1,864	5,432
Gain on settlement of contingent consideration (notes 27, 28)	(945)	-	(945)
Other (income) expense (note 31)	47	(15)	32
EBITDA	44,699	12,107	56,806
Depreciation of property, plant and equipment (note 7)	20,830	5,839	26,669
Amortization of intangible assets (note 8)	625	-	625
Finance expense (note 12)			6,649
Current income tax expense			4,002
Deferred income tax expense			1,254
Net Earnings			17,607

The Canadian division net earnings includes non-cash employee share based compensation expense of \$1,915 (2023 – \$1,796).

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 is not considered to be a segment asset but is managed by the treasury function.

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

At December 31, 2024	Canadian Division	UK Division	Total
Total assets	288,773	149,377	438,150
Other:			
Cash	(9)	(9,414)	(9,423)
Total segment assets	288,764	139,963	428,727

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

SEGMENT LIABILITIES

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

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

At December 31, 2024	Canadian Division	UK Division	Total
Total liabilities	215,486	33,253	248,739
Other:			
Long-term debt (note 11)	(123,778)	-	(123,778)
Total segment liabilities	91,708	33,253	124,961

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

26. Impairment of Assets

The Corporation performed its annual impairment assessment for goodwill for the Canadian division and for the UK division as at December 31, 2024 and December 31, 2023 in accordance with its policy described in Note 2(k) and Note 2(h). The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple or discounted cash flow approach. The earnings multiple approach was used in the case of CGUs that exhibited stable operations. A discounted cash flow approach was used in the case of CGUs that were recently acquired and were undergoing significant integration related activities.

Testing Methodology

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

	Testing Methodology December 31, 2024	Pre-tax Discount Rate December 31, 2024	Terminal Value Growth Rate December 31, 2024
Calgary	FVLCD	n/a	n/a
Edmonton	FVLCD	n/a	n/a
Vancouver 2	FVLCD	n/a	n/a
Vancouver 1	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Québec City	VIU	12.7%	3.0%
Montréal 1	VIU	12.2%	3.0%
Montréal 2	FVLCD	n/a	n/a
UK 1	FVLCD	n/a	n/a
UK 2	FVLCD	n/a	n/a

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

For the years ended December 31, 2024 and 2023, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 8.40 (2023 – 9.70) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

Discounted cash flow (Value-in-use, “VIU”)

The key assumptions used in the model reflect past experience and expectations for these CGUs and those with similar characteristics. The terminal value growth rate is based on management’s best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic

performance and future economic forecasts for the next five years with a terminal value assigned to the fifth year based on the Company’s plans to operate the CGUs.

Conclusion

- a) Based on testing performed at December 31, 2024 and December 31, 2023, no impairment was determined to exist.
- b) The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2024, where discounted cash flow testing was used, the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.

	Recoverable Amount December 31, 2023	Change in Pre-tax Discount Rate Increase of 1% December 31, 2023	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2023
Calgary	n/a	n/a	n/a
Edmonton	n/a	n/a	n/a
Vancouver 2	n/a	n/a	n/a
Vancouver 1	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Québec City	\$23,486	-\$2,715	-\$2,174
Montréal 1	\$18,849	-\$2,600	-\$2,084
Montréal 2	n/a	n/a	n/a
UK 1	n/a	n/a	n/a
UK 2	n/a	n/a	n/a



27. Business Acquisition - Paranet

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

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

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

(\$ Thousands, except percentages)

Cash consideration	11,074
Contingent consideration	945
Total purchase price	12,019

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

(\$ Thousands, except percentages)

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

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

² Includes provision of \$219 for asset retirement obligation

The intangible assets acquired are made up of \$2,450 for the customer contracts along with related relationships and customer lists. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill is not deductible for tax purposes. As at March 31, 2024, the purchase price allocation is no longer provisional and has been finalized for Paranet.

A) CONTINGENT CONSIDERATION

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

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

28. Business Acquisition - Villeray

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

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

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

(\$ Thousands, except percentages)

Cash consideration	11,204
Contingent consideration	500
Total purchase price	11,704

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

(\$ Thousands, except percentages)

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

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

² Includes provision of \$97 for asset retirement obligation

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

A) CONTINGENT CONSIDERATION

In the event that a certain EBITDA target was achieved by Villeray for the twelve month period ended October 31, 2024, additional undiscounted consideration ranging from \$500 to \$1,000 would have been payable in cash during the first quarter of 2025. At the end of September 2024, the former owner-operator of Villeray retired from the business and was replaced by a new Montréal General Manager. Although ongoing employment of the former owner-operator was not a condition required for payment of contingent consideration, amid the leadership transition, the Corporation determined that the target was not achieved. Therefore, no payment will be made.

During the first two quarters of 2024, the estimated fair value of the possible payment was classified as contingent consideration. The fair value of the contingent consideration was estimated by considering the probability-adjusted future expected cash flows in regards to Villeray achieving the target that would result in consideration being paid. The impact of discounting these future cash flows was not considered because the impact would be nominal. Given that the EBITDA target was not achieved for the twelve month period ended October 31, 2024, the contingent consideration amount of \$500 has been derecognized and a gain on settlement of contingent consideration has been recorded in Consolidated Statement of Earnings and Comprehensive Income for the year ended December 31, 2024.

B) ACQUISITION RELATED COSTS

For the year ended December 31, 2024, \$108 in professional fees associated with the Villeray Acquisition has been included in Corporate expenses.

29. Business Acquisition – Shortridge

On April 30, 2024 the Corporation completed the acquisition of 100% of the share capital of Shortridge Ltd. ("Shortridge Acquisition"), a private hospitality laundry provider based in the North West of England, expanding K-Bro's geographic footprint in the UK. The Shortridge Acquisition was completed through a share purchase agreement consisting of existing working capital, fixed assets, contracts and an employee base. The contracts acquired are in the hospitality sector in England and Scotland, which complements the existing business of the Corporation. Based on the Corporation's evaluation of the Shortridge Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Shortridge Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

At the time the financial statements were authorized for issue, and due to the timing of the Acquisition, the Corporation has not yet completed the accounting for the Shortridge Acquisition. This includes the accounting for the amounts attributable to property, plant and equipment, intangible assets and the associated goodwill.

The Corporation financed the Shortridge Acquisition and transaction costs from the syndicated revolving credit facility.

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

(\$ Thousands, except percentages)

Cash consideration	35,788
Contingent consideration	9,275
Total purchase price⁽¹⁾	45,063

¹ This is presented net of cash acquired. Cash acquired was \$3,878.

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

(\$ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	2,698
Prepaid expenses and deposits	912
Linen in service	1,943
Accounts payable and accrued liabilities	(5,134)
Lease liabilities	(57)
Deferred income tax asset	8
Property, plant and equipment ⁽¹⁾	8,986
Intangible assets	15,181
Net identifiable assets acquired	24,537
Goodwill	20,526
Net assets acquired	45,063

¹ Includes ROUA from the UK Division of \$57 related to buildings

The intangible assets acquired are made up of \$13,149 related to customer relationships and \$2,032 related to the brand. 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 is not deductible for tax purposes.

A) CONTINGENT CONSIDERATION

The contingent consideration consists of amounts related to achieving certain profitability and operational targets.

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

An amount of \$7,684 was initially funded in cash on April 30, 2024 to be held in trust with a third party escrow agent until certain conditions were met. For the contingent

consideration, it was determined that the profitability target was met at September 30, 2024. As such, \$3,415 of contingent consideration was released from escrow in Q4 2024. In the event that certain operational targets are achieved by Shortridge, the additional undiscounted consideration will be released from escrow or paid in cash before December 31, 2025. The remaining \$1,591 will be payable in cash.

The fair value of the contingent consideration of \$9,275 was estimated by considering the probability-adjusted future expected cash flows in regards to Shortridge achieving the targets that would result in consideration being paid.

B) ACQUISITION RELATED COSTS

For the year ended December 31, 2024, \$508 in professional fees associated with the Shortridge Acquisition has been included in Corporate expenses.

C) REVENUE AND PROFIT INFORMATION

The acquired business contributed revenues of \$17,471 to the Corporation for the period from April 30, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma revenue for the year ended December 31, 2024 would have been \$379,591.

The acquired business contributed net earnings of \$1,999 to the Corporation for the period from April 30, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma net earnings for the year ended December 31, 2024 would have been \$19,145.

30. Business Acquisition – Buanderie C.M.

On June 21, 2024 the Corporation completed the acquisition of 100% of the share capital of Buanderie C.M. Inc. ("C.M. Acquisition"), a private laundry and linen operator located in Montréal serving the healthcare market. The acquisition will enable K-Bro to operate with two facilities in Montréal to service its growing healthcare and hospitality business. Based on the Corporation's evaluation of the C.M. Acquisition and the criteria in the identification of a business combination established in IFRS 3, the C.M. Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

At the time the financial statements were authorized for issue, and due to the timing of the Acquisition, the Corporation has not yet completed the accounting for the C.M. Acquisition. This includes the accounting for the amounts attributable to property, plant and equipment, intangible assets and the associated goodwill.

The Corporation financed the C.M. Acquisition and transaction costs from the syndicated revolving credit facility.

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

(\$ Thousands, except percentages)

Cash consideration	11,795
Total purchase price⁽¹⁾	11,795

¹ This is presented net of cash acquired. Cash acquired was \$224.

The assets and liabilities recognized as a result of the C.M. Acquisition are as follows:

(\$ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	742
Prepaid expenses and deposits	20
Linen in service	201
Accounts payable and accrued liabilities	(377)
Deferred income taxes	(851)
Property, plant and equipment	7,055
Intangible assets	1,800
Net identifiable assets acquired	8,590
Goodwill	3,205
Net assets acquired	11,795

The intangible assets acquired are made up of \$1,800 related to customer relationships. The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill is not deductible for tax purposes.

A) ACQUISITION RELATED COSTS

For the year ended December 31, 2024, \$683 in professional fees associated with the C.M. Acquisition has been included in Corporate expenses.

B) REVENUE AND PROFIT INFORMATION

The acquired business contributed revenues of \$3,967 to the Corporation for the period from June 21, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma revenue for the year ended December 31, 2024 would have been \$377,223.

The acquired business contributed net earnings of \$226 to the Corporation for the period from June 21, 2024 to December 31, 2024. If the Acquisition had occurred on January 1, 2024, consolidated pro-forma net earnings for the year ended December 31, 2024 would have been \$18,525.

30. Other Income

Other income for the year ended December 31, 2024 primarily relates to a reimbursement from a supplier related to a negotiated contract settlement. For the year ended December 31, 2024, other income was \$1,071 as compared to (\$32) for the year ended December 31, 2023.

31. 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 14, and April 15, 2025, to Shareholders of record on January 31, February 28, and March 31, 2025, respectively.

CORPORATE INFORMATION

Board of Directors

ELISE REES

Audit Committee Chair
FCA, FCPA, ICD.D.

MATTHEW HILLS, MBA**STEVEN MATYAS, BSC**

Compensation
Committee Chair

LINDA MCCURDY, MBA

President & CEO
K-Bro Linen Systems Inc.

MICHAEL PERCY, PHD

Board Chair

Executive Officers

LINDA MCCURDY, MBA

President & CEO

SEAN CURTIS

Senior VP & COO

KRISTIE PLAQUIN, CPA, CA

Chief Financial Officer

**TRANSFER AGENT
& REGISTRAR**

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Calgary, Alberta

AUDITORS

Pricewaterhouse
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LEGAL COUNSEL

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