Recipe Unlimited Corporation

Unaudited Condensed Consolidated Interim Financial Statements
For the 13 and 26 weeks ended June 26, 2022 and June 27, 2021

(in thousands of Canadian dollars, except where otherwise indicated)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Sales (note 6)	$ 289,834	$ 175,526	$ 523,508	$ 340,789
Franchise revenues (note 7)	46,739	32,108	85,706	60,912
Total gross revenue	**$ 336,573**	**$ 207,634**	**$ 609,214**	**$ 401,701**
Cost of inventories sold	(135,018)	(93,294)	(250,122)	(181,568)
Selling, general and administrative expenses (note 8)	(177,090)	(93,587)	(312,388)	(187,802)
Reversal of impairment of restaurant assets and lease receivables, net (notes 12 and 13)	1,408	937	4,178	955
Restructuring and other	(136)	(1,185)	(633)	(2,259)
Operating income	**$ 25,737**	**$ 20,505**	**$ 50,249**	**$ 31,027**
Interest expense and other financing charges (note 9)	(11,814)	(13,758)	(23,541)	(27,277)
Interest and other income (note 9)	6,617	13,339	12,860	19,357
Gain on disposition (note 5)	5,925	—	5,925	—
Share of (loss) earnings from investment in joint ventures (note 14)	(4)	(394)	7	(20)
Earnings before change in fair value and income taxes	**$ 26,461**	**$ 19,692**	**$ 45,500**	**$ 23,087**
Change in fair value of non-controlling interest liability (note 18)	—	—	—	(454)
Change in fair value of Exchangeable Keg Partnership units and Keg Royalty Income Fund units	(3,400)	3,925	4,193	14,746
Earnings before income taxes	**$ 23,061**	**$ 23,617**	**$ 49,693**	**$ 37,379**
Current income tax expense (note 10)	(1,678)	(2,466)	(3,818)	(4,896)
Deferred income tax expense (note 10)	(4,778)	(1,798)	(8,165)	(178)
Net earnings	**$ 16,605**	**$ 19,353**	**$ 37,710**	**$ 32,305**
Net earnings per share attributable to the Common Shareholders of the Company (note 20) (in dollars)				
Basic earnings per share	$ 0.28	$ 0.34	$ 0.64	$ 0.57
Diluted earnings per share	$ 0.28	$ 0.33	$ 0.64	$ 0.56

(in thousands of Canadian dollars, except where otherwise indicated)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Net earnings	**$ 16,605**	**$ 19,353**	**$ 37,710**	**$ 32,305**
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (loss) gain, net of income taxes	—	(530)	3,442	2,836
Items that may be reclassified subsequently to earnings:				
Cumulative translation adjustment	326	(99)	160	(194)
Other comprehensive income (loss), net of income taxes	326	(629)	3,602	2,642
Total comprehensive income	**$ 16,931**	**$ 18,724**	**$ 41,312**	**$ 34,947**

	Attributable to the Common Shareholders of the Company						
(in thousands of Canadian dollars, except where otherwise indicated)	**Number of shares** (in thousands)	**Share capital** (note 19)	**Merger reserve**	**Contributed surplus**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total equity**
Balance at December 26, 2021	58,827	$637,997	$(216,728)	$ 13,329	$ (3,016)	$ (78,635)	$ 352,947
Net earnings	—	—	—	—	—	37,710	37,710
Other comprehensive income	—	—	—	—	3,602	—	3,602
Stock options exercised	14	124	—	—	—	—	124
Stock-based compensation	—	—	—	605	—	—	605
	14	124	—	605	3,602	37,710	42,041
Balance at June 26, 2022	**58,841**	**$638,121**	**$(216,728)**	**$ 13,934**	**$ 586**	**$ (40,925)**	**$ 394,988**

	Attributable to the Common Shareholders of the Company						
(in thousands of Canadian dollars, except where otherwise indicated)	**Number of shares** (in thousands)	**Share capital** (note 19)	**Merger reserve**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Deficit**	**Total equity**
Balance at December 27, 2020	56,363	$616,898	$(216,728)	$ 11,950	$ (7,238)	$(121,346)	$ 283,536
Net earnings	—	—	—	—	—	32,305	32,305
Other comprehensive income	—	—	—	—	2,642	—	2,642
Stock options exercised	244	2,162	—	191	—	—	2,353
Stock-based compensation	—	—	—	207	—	—	207
	244	2,162	—	398	2,642	32,305	37,507
Balance at June 27, 2021	**56,607**	**$619,060**	**$(216,728)**	**$ 12,348**	**$ (4,596)**	**$ (89,041)**	**$ 321,043**

Recipe Unlimited Corporation
Unaudited Condensed Consolidated Interim Balance Sheets
As at June 26, 2022, December 26, 2021 and June 27, 2021

(in thousands of Canadian dollars)	As at June 26, 2022	As at December 26, 2021	As at June 27, 2021
Assets			
Current Assets			
Cash	$ 52,334	$ 42,192	$ 39,689
Accounts receivable (note 23)	80,344	96,379	85,996
Inventories (note 11)	73,041	64,346	56,123
Current taxes receivable	3,169	3,988	13,135
Prepaid expenses and other assets	8,997	7,637	7,382
Current portion of long-term receivables (note 12)	62,702	63,443	67,182
Total Current Assets	**$ 280,587**	**$ 277,985**	**$ 269,507**
Long-term receivables (note 12)	241,644	257,513	287,436
Property, plant and equipment (note 13)	478,852	502,206	519,372
Investment in the Keg Limited Partnership (note 24)	143,370	135,908	133,346
Brands and other assets (note 14)	574,079	586,705	585,357
Goodwill	236,307	236,540	212,305
Deferred tax asset	40,088	49,393	56,231
Non-current Assets	**$ 1,714,340**	**$ 1,768,265**	**$ 1,794,047**
Assets held for sale	—	—	46,059
Total Assets	**$ 1,994,927**	**$ 2,046,250**	**$ 2,109,613**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 146,738	$ 139,407	$ 127,411
Provisions (note 15)	3,300	3,006	2,019
Gift card liability	132,828	180,523	139,843
Income taxes payable	1,563	1,309	2,647
Current portion of long-term debt (note 16)	893	893	670
Current portion of lease liabilities (note 17)	107,273	110,947	114,869
Total Current Liabilities	**$ 392,595**	**$ 436,085**	**$ 387,459**
Long-term debt (note 16)	386,617	392,970	508,072
Note payable to The Keg Royalties Income Fund	57,000	57,000	57,000
Provisions (note 15)	3,467	4,574	4,320
Lease liabilities (note 17)	455,526	492,977	519,012
Other long-term liabilities (note 18)	50,021	57,192	59,266
Deferred gain on sale of The Keg Rights (note 24)	147,268	145,073	145,566
Deferred tax liability	107,445	107,432	105,897
Non-current Liabilities	**$ 1,207,344**	**$ 1,257,218**	**$ 1,399,133**
Liabilities directly associated with the assets held for sale	—	—	1,978
Total Liabilities	**$ 1,599,939**	**$ 1,693,303**	**$ 1,788,570**
Shareholders' Equity			
Common share capital (note 19)	$ 638,121	$ 637,997	$ 619,060
Contributed surplus	13,934	13,329	12,348
Merger reserve	(216,728)	(216,728)	(216,728)
Accumulated other comprehensive income (loss)	586	(3,016)	(4,596)
Deficit	(40,925)	(78,635)	(89,041)
Total Shareholders' Equity	**$ 394,988**	**$ 352,947**	**$ 321,043**
Total Liabilities and Equity	**$ 1,994,927**	**$ 2,046,250**	**$ 2,109,613**

Commitments, contingencies and guarantees (note 22)

Recipe Unlimited Corporation
Unaudited Condensed Consolidated Interim Statements of Cash Flows
For the 13 and 26 weeks ended June 26, 2022 and June 27, 2021

(in thousands of Canadian dollars)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Cash from (used in)				
Operating Activities				
Net earnings	$ 16,605	$ 19,353	$ 37,710	$ 32,305
Depreciation and amortization	23,273	24,121	46,259	48,563
Amortization of deferred gain	(466)	(456)	(933)	(911)
Net gain on disposal of property, plant and equipment and other assets	(96)	(1,169)	(2,418)	(1,271)
Gain on disposition of restaurant and brand assets	(5,929)	—	(5,929)	—
Net loss on early buyout/cancellation of equipment rental contracts	46	—	574	345
Reversal of impairment of restaurant assets and lease receivables, net (notes 12 and 13)	(1,408)	(937)	(4,178)	(955)
Net loss (gain) on settlement of lease liabilities (note 17)	530	(147)	216	(222)
Net interest expense on long-term debt and note payable to the Keg Royalties Income Fund (note 9)	5,729	6,748	11,108	13,390
Share of loss (gain) from investment in joint ventures	4	20	(7)	20
Net interest expense on lease liabilities & receivables (note 9)	2,443	2,787	5,205	5,696
Remeasurement to fair value of pre-existing interests in acquirees	—	(7,501)	—	(7,501)
Stock based compensation	255	40	605	207
Income taxes paid	(1,649)	(2,655)	(2,777)	(9,070)
Change in restructuring provision	(57)	793	(228)	1,250
Income taxes (note 10)	6,456	4,264	11,983	5,074
Change in fair value of exchangeable Keg Partnership units and KRIF units	3,400	(3,925)	(4,193)	(14,746)
Change in fair value of non-controlling interest liability and contingent liability	—	—	—	454
Change in lease liability due to rent concessions (note 17)	411	544	(743)	(2,179)
Other non-cash items	(1,968)	(2,721)	911	1,028
Net change in non-cash operating working capital (note 21)	6,954	(6,929)	(33,333)	(18,821)
Cash flows from operating activities	**$ 54,533**	**$ 32,230**	**$ 59,832**	**$ 52,656**
Investing Activities				
Business acquisitions, net of cash assumed	$ —	$ (19,321)	$ (109)	$ (19,321)
Proceeds from divestitures	13,001	—	13,001	—
Purchase of property, plant and equipment	(9,612)	(7,203)	(16,129)	(11,257)
Proceeds on disposal of property, plant and equipment	30	1,833	2,398	1,833
Additions to brands and other assets	—	—	—	(5)
Lease payments received	12,393	22,893	19,458	39,802
Change in long-term receivables	—	(992)	—	(992)
Cash flows from (used in) investing activities	**$ 15,812**	**$ (2,790)**	**$ 18,619**	**$ 10,060**
Financing Activities				
Issuance of long-term debt (note 16)	$ —	$ 23,000	$ 15,000	$ 33,000
Repayment of long-term debt (note 16)	(20,223)	(13,000)	(20,446)	(13,000)
Deferred financing costs (note 16)	(1,281)	(207)	(1,281)	(666)
Issuance of subordinated voting common shares (note 19)	—	2,116	124	2,353
Lease liabilities paid	(24,644)	(35,877)	(50,374)	(71,807)
Interest paid on long-term debt and note payable	(8,822)	(9,757)	(11,304)	(13,482)
Cash flows used in financing activities	**$ (54,970)**	**$ (33,725)**	**$ (68,281)**	**$ (63,602)**
Change in cash during the period	**$ 15,375**	**$ (4,285)**	**$ 10,170**	**$ (886)**
Foreign currency translation adjustment	(120)	(170)	(28)	36
Cash - Beginning of period	37,079	44,144	42,192	40,539
Cash - End of period	**$ 52,334**	**$ 39,689**	**$ 52,334**	**$ 39,689**

1 Nature and description of the reporting entity

Recipe Unlimited Corporation is a Canadian Company incorporated under the Ontario Business Corporations Act and is a Canadian full service restaurant operator and franchisor. The Company's restaurant network operates across several countries including Canada, USA, Saudi Arabia, India and the UAE.

The Company’s subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol “RECP”. As part of the Company’s initial public offering (“IPO”) during fiscal 2015, the Company issued multiple voting shares to Fairfax Financial Holdings Limited and its affiliates (‘‘Fairfax’’) and to the Phelan family through Cara Holdings Limited and its affiliates (‘‘Cara Holdings’’, and together with Fairfax, the ‘‘Principal Shareholders’’). As at June 26, 2022, the Principal Shareholders hold 68.7% of the total issued and outstanding shares and have 97.9% of the voting control attached to all the shares.

The Company’s registered office is located at 199 Four Valley Drive, Vaughan, Canada L4K 0B8. Recipe Unlimited Corporation and its controlled subsidiaries are together referred to in these consolidated financial statements as “Recipe” or “the Company”.

2 Basis of Presentation

Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s 2021 audited annual consolidated financial statements and accompanying notes, except for new accounting standards that have been adopted in 2022, as described in note 3.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors (“Board”) on August 2, 2022.

Basis of preparation

The condensed consolidated interim financial statements were prepared on a historical cost basis, except for initial recording of net assets acquired on business combinations, certain financial instruments, liabilities associated with certain stock-based compensation, defined benefit plan assets and liabilities, and certain investments in the Keg Limited Partnership and Keg Royalty Income Fund units, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make various judgements, estimates and assumptions in applying the Company’s accounting policies that affect the reported amounts and disclosures made in the condensed consolidated interim financial statements and accompanying notes. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company’s accounting policies except those adopted during the 26 weeks ended June 26, 2022 and the key sources of estimation uncertainty were the same as those that applied to the Company’s audited annual consolidated financial statements as at and for the year ended December 26, 2021.

These judgements and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Within the context of these financial statements, a judgement is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount, and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the condensed consolidated interim financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Comparative information

Certain of the Company's prior year information was reclassified to conform with the current year's presentation.

3 Significant accounting policies

Accounting standards implemented in 2022

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37*). The amendments specify which costs are to be included as a cost of fulfilling a contract when determining whether a contract is onerous. The Company adopted this amendment for its annual period beginning December 27, 2021 and it did not have an impact on the condensed consolidated interim financial statements.

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

On May 14, 2020, the IASB issued *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)*. The amendments provide guidance on the accounting for sale proceeds and the related production costs for items a company produces and sells in the process of making an item of property, plant and equipment available for its intended use. Specifically, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss. The Company adopted this amendment for its annual period beginning December 27, 2021 and the amendments did not have an impact on the condensed consolidated interim financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

On May 14, 2020, the IASB issued *Reference to the Conceptual Framework (Amendments to IFRS 3)*. The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Company adopted this amendment for its annual period beginning December 27, 2021 and the amendment did not have an impact on the condensed consolidated interim financial statements.

Annual improvements to IFRS Standards 2018-2020

On May 14, 2020, the IASB issued *Annual Improvements to IFRS Standards 2018–2020.* The pronouncement contains amendments to four IFRS as a result of the IASB's annual improvements project. The Company adopted these amendments for its annual period beginning December 27, 2021 and these amendments did not have an impact on the condensed consolidated interim financial statements.

4 Future accounting standards

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. The amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability which includes a counterparty conversion option. The amendments state that: (i). settlement of a liability includes transferring a company's own equity instruments to the counterparty, and (ii). when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. The 2020 amendments are subject to future developments and the IASB has proposed to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing whether the current amendments will have a material impact on the consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8).* The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing whether this will have a material impact on the consolidated financial statements.

Disclosure initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).* The amendments help companies provide useful accounting policy disclosures. The key amendments include: (1) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (2) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (3) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing whether this will have a material impact on the consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).* The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing whether this will have a material impact on the consolidated financial statements.

5 Divestiture

In June 2022, the Company completed the sale of substantially all of the assets comprising its Prime Pubs brand and restaurants ("Pubs") and its Milestones Whistler. The net assets sold were $7.7 million, including $11.1 million related to the Pubs brand intangible asset for cash proceeds of $13.0 million and a note receivable of $0.6 million.

The Company remains as a guarantor on the lease arrangements for certain divested Pubs locations and consequently has not derecognized those lease obligations and sublease receivables. The lease obligation balance, which represents the Company's full exposure in those lease arrangements, as well as the related lease receivable, will remain on the Company's balance sheet until landlord approvals to release the Company as guarantor are obtained. The acquirer of the Pubs brand assets has provided a letter of credit as partial security, as well as an unconditional guarantee from its parent company for any payments made by the Company to a landlord as a result of remaining on covenant for these leases.

6 Sales

Sales are made up of the direct sales of prepared food and beverage to customers at company-owned restaurants and from its catering division, sales of St-Hubert, Swiss Chalet, Montana's and The Keg branded and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants, and revenue from processing off-premise phone, web and mobile orders for franchised locations.

	For the 13 weeks ended		For the 26 weeks ended	
(in thousands of Canadian dollars)	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Sales at corporate restaurants	$ 185,989	$ 84,107	$ 326,577	$ 157,696
Food processing and distribution sales	94,855	86,364	184,143	172,821
Catering sales	6,867	950	8,109	2,074
Call centre service charge revenues	2,123	4,105	4,679	8,198
	$ 289,834	**$ 175,526**	**$ 523,508**	**$ 340,789**

7 Franchise revenues

The Company grants license agreements to independent operators ("franchisees"). As part of the license agreements, the franchisees pay franchise fees, marketing fund contributions, conversion fees for established locations, and other payments, which may include payments for royalties, equipment and property rents.

	For the 13 weeks ended		For the 26 weeks ended	
(in thousands of Canadian dollars)	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Royalty revenue	$ 27,649	$ 18,499	$ 50,693	$ 34,524
Marketing fund contributions	16,609	10,754	30,375	21,338
Other rental income	2,051	2,052	3,897	3,890
Franchise fees on new and renewal licenses	281	579	420	683
Income on equipment finance leases	137	209	256	435
Amortization of unearned conversion fees income	12	15	65	42
	$ 46,739	**$ 32,108**	**$ 85,706**	**$ 60,912**

8 Selling, general and administrative expenses

Included in operating income are the following selling, general and administrative expenses.

	For the 13 weeks ended		For the 26 weeks ended	
(in thousands of Canadian dollars)	June 26, 2022	June 27, 2021	June 26, 2022	June 27, 2021
Corporate restaurant expenses	$ 112,643	$ 56,679	$ 194,160	$ 105,271
Advertising fund transfers	16,609	10,754	30,375	21,338
The Keg royalty expense (note 24)	7,055	2,372	12,723	5,115
Franchise assistance and bad debt	249	426	355	1,281
Depreciation of property, plant and equipment	20,958	22,158	42,411	44,493
Amortization of other assets	860	1,006	1,395	2,037
Net gain on disposal of property, plant and equipment and other assets	(97)	(1,169)	(2,419)	(1,271)
Net loss (gain) on settlement of lease liabilities (note 17)	530	(147)	215	(222)
Other	18,283	1,508	33,173	9,760
	$ 177,090	**$ 93,587**	**$ 312,388**	**$ 187,802**

For the 13 and 26 weeks ended June 26, 2022, $1.0 million and $2.0 million (13 and 26 weeks ended June 27, 2021 - $1.0 million and $2.0 million) of depreciation related to property, plant and equipment has been included in cost of inventories sold as part of food processing and distribution.

Government Grants

The Company recognizes government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related selling, general and administrative expenses that the grant is intended to offset. Effective October 24, 2021 to May 7, 2022, the Tourism and Hospitality Recovery Program ("THRP") for wage and rent support apply to eligible organizations whose revenue primarily comes from tourism and hospitality activities and that have experienced a qualifying revenue decline due to the COVID-19 pandemic.

- THRP was made available to the Company and its franchise partners. THRP wage subsidy has replaced the closed Canada Emergency Wage Subsidy. During the 13 and 26 weeks ended June 26, 2022, the Company realized $0.1 million and $14.8 million (13 and 26 weeks ended June 27, 2021 - $20.1 million and $38.3 million) of wage subsidies for salaries paid to employees in corporate restaurants, food manufacturing and head office locations.

- THRP also provides direct rent relief to eligible applicants. THRP rent subsidy has replaced the Canada Emergency Rent Subsidy program. During the 13 and 26 weeks ended June 26, 2022, the Company realized $nil and $2.5 million (13 and 26 weeks ended June 27, 2021 - $4.4 million and $8.2 million) of government rent subsidies.

- The Property Tax and Energy Cost Rebate programs introduced by the government of Ontario provides direct property tax and utility cost rebates to business locations that were mandated to close or significantly restrict its services due to provincial public health measures. During the 13 and 26 weeks ended June 26, 2022, the Company realized $0.2 million and $1.9 million (13 and 26 weeks ended June 27, 2021 - $2.2 million and $6.9 million) of provincial government property tax and energy cost rebates.

9 Interest expense (income) and other financing charges (other income)

(in thousands of Canadian dollars)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Interest expense on long-term debt	$ 4,661	$ 5,679	$ 8,971	$ 11,252
Interest expense on note payable to The Keg Royalties Income Fund	1,069	1,069	$ 2,138	2,138
Interest on lease obligations (note 17)	5,808	6,340	$ 11,886	12,918
Financing costs	195	419	$ 374	669
Interest expense - other	81	251	$ 172	300
Interest expense and other financing charges	**$ 11,814**	**$ 13,758**	**$ 23,541**	**$ 27,277**
Interest income on Partnership units and KRIF units	(3,309)	(1,786)	$ (6,184)	(3,630)
Interest income	(115)	(500)	$ (168)	(1,004)
Remeasurement to fair value of pre-existing interests in an acquiree	—	(7,501)	—	(7,501)
Interest income on leases receivable (note 12)	(3,193)	(3,552)	$ (6,508)	(7,222)
Interest and other income	**$ (6,617)**	**$ (13,339)**	**$ (12,860)**	**$ (19,357)**
Total net interest expense and other financing charges	**$ 5,197**	**$ 419**	**$ 10,681**	**$ 7,920**

10 Income taxes

The Company’s income tax expense is comprised of the following:

(in thousands of Canadian dollars)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Current income tax expense				
Current period	$ 1,678	$ 2,466	$ 3,818	$ 4,896
	$ 1,678	**$ 2,466**	**$ 3,818**	**$ 4,896**
Deferred income tax expense (recovery)				
Benefit from previously unrecognized tax asset	$ —	$ —	$ —	$ (1,136)
Origination and reversal of temporary differences	4,778	1,798	8,165	1,314
	$ 4,778	**$ 1,798**	**$ 8,165**	**$ 178**
Net income tax expense [1]	**$ 6,456**	**$ 4,264**	**$ 11,983**	**$ 5,074**

[1] Net income tax expense for the 13 and 26 weeks ended June 26, 2022 and June 27, 2021 relates to income taxes from operations.

The statutory income tax rate for the period ended June 26, 2022 was 26.4% (June 27, 2021 – 26.3%).

11 Inventories

Inventories consist of food and packaging materials used in St-Hubert's and The Keg's food processing and distribution divisions and food and beverage items for use at the Company's corporately-owned locations and catering divisions. Inventories are stated at the lower of cost and estimated net realizable value of corporate restaurant inventory. Costs consist of the cost to purchase, direct labour, an allocation of variable and fixed manufacturing overheads, and other costs incurred in bringing the inventory to its present location reduced by vendor allowances. The cost of inventories is determined using the first-in, first-out method.

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Raw materials	$ 28,533	$ 22,404	$ 10,558
Work in progress	1,526	1,287	1,077
Finished goods	30,805	28,063	32,180
Food and beverage supplies	12,177	12,592	12,308
	$ 73,041	**$ 64,346**	**$ 56,123**

At June 26, 2022, the Company had a provision of $0.1 million to reflect inventories at the lower of cost and net realizable value (December 26, 2021 - less than $0.1 million and June 27, 2021 – $0.2 million).

12 Long-term receivables

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Lease receivables	$ 299,467	$ 314,791	$ 332,240
Franchise receivables	3,941	5,356	7,096
Due from related parties	892	648	15,035
Promissory notes	46	161	247
	$ 304,346	**$ 320,956**	**$ 354,618**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Current portion of long-term receivables	$ 62,702	$ 63,443	$ 67,182
Long-term receivables	241,644	257,513	287,436
	$ 304,346	**$ 320,956**	**$ 354,618**

Lease receivables

Lease receivables are related to the lease liabilities where the Company is on the real estate head lease of its franchised locations and a corresponding sublease contract is entered into between the Company and its franchisees. These subleases are all related to non-consolidated franchisees and are related to the long-term obligation of the franchisees to pay the Company over the term of the lease agreements excluding any unexercised renewal options, as they have not been determined to be certain to be exercised.

The lease receivable balance also includes the receivables relating to certain divested Milestones and Pubs locations where the Company remains as guarantor or is named on the head lease in those lease arrangements. The lease obligation balance, which represents the Company's full exposure in those lease arrangements, as well as the related lease receivables, will remain on the Company's balance sheet until landlord approvals to release the Company as guarantor are obtained. Consequently, the Company has not derecognized those lease obligations or the related sublease receivables assets.

Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9 *Financial Instruments*. An impairment loss (reversal) is recorded when the credit risk is assessed to have changed for the lease receivables. For the 13 and 26 weeks ended June 26, 2022, the Company recorded a net impairment loss reversal of $1.0 million and $3.3 million, respectively (for the 13 and 26 weeks ended June 27, 2021 - $0.4 million and $4.1 million net impairment loss reversal) on long-term lease receivables using the expected credit loss model.

Lease receivables have maturity dates ranging from 2022 to 2037 and bear an average effective interest rate of 3.7% to 5.0%.

Lease receivables (in thousands of Canadian dollars)	**For the 26 weeks ended June 26, 2022**	**For the 52 weeks ended December 26, 2021**	**For the 26 weeks ended June 27, 2021**
Balance, beginning of period	$ 314,791	$ 354,455	$ 354,455
Additions	1,291	2,853	968
Lease renewals and modifications	15,127	50,349	7,763
Lease terminations and assignments	(5,911)	(16,987)	—
Payments and amounts payable	(41,052)	(84,159)	(42,219)
Interest income	6,508	14,041	7,222
Impairment reversal (loss), net	3,327	(6,713)	4,051
Other adjustments	5,386	952	—
	$ 299,467	**$ 314,791**	**$ 332,240**

Franchise receivable

In prior years, the Company converted certain corporate restaurants to franchises and sold the restaurants to independent operators ("franchisees"). As part of these conversion agreements, certain franchisees entered into rental agreements to rent certain restaurant assets from the Company. Franchise receivables of $3.9 million (June 27, 2021 - $7.1 million) relates primarily to the long-term obligation of the franchisees to pay the Company over the term of the rental agreement which is equal to the term of the license agreement or the term to the expected buyout date assuming that the franchisee is more likely than not to acquire the rented assets from the Company.

Long-term franchise receivables are reviewed for impairment based on expected losses at each balance sheet date. An impairment loss (reversal) is recorded when the credit risk is assessed to have changed for the franchise receivables. For the 13 and 26 weeks ended June 26, 2022, the Company recorded $nil (for the 13 and 26 weeks ended June 27, 2021 - $nil) of impairment losses on long-term franchise receivables.

Franchise receivables have maturity dates ranging from 2022 to 2034 and bear average effective interest rates of 8% - 10%.

Provision for impairment

For the 13 and 26 weeks ended June 26, 2022, the Company recorded $1.0 million and $3.3 million net impairment loss reversal (13 and 26 weeks ended June 27, 2021 - net impairment loss reversal of $0.2 million and $3.5 million) on total long-term receivables.

(in thousands of Canadian dollars)	For the 26 weeks ended June 26, 2022	For the 52 weeks ended December 26, 2021	For the 26 weeks ended June 27, 2021
Balance, beginning of period	$ 50,573	$ 34,082	$ 34,738
Impairment loss related to lease receivables	1,179	16,412	—
Impairment reversal related to lease receivables	(4,506)	(9,871)	(4,222)
Impairment loss related to amounts receivables from equity investees (note 24)	—	9,778	555
Impairment loss related to equipment leases	—	172	171
Provision for impairment	**$ 47,246**	**$ 50,573**	**$ 31,242**

13 Property, plant and equipment

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Land	$ 35,320	$ 35,523	$ 35,523
Buildings	90,961	93,047	94,821
Equipment	66,554	68,857	69,723
Leasehold improvements	73,442	82,283	79,579
Construction in progress	11,902	7,938	14,662
Right-of-use assets	200,673	214,558	225,064
	$ 478,852	**$ 502,206**	**$ 519,372**

Impairment losses and reversals

For the 26 weeks ended June 26, 2022, the Company recorded an impairment loss of $0.2 million on property, plant and equipment (for the 26 weeks ended June 27, 2021 - $3.7 million, in respect of 12 cash generating units "CGUs"). An impairment loss is recorded when the carrying amount of the restaurant location exceeds its recoverable amount. The recoverable amount is based on the greater of the CGU’s fair value less costs to sell (“FVLCS”) and its value in use (“VIU”).

For the 26 weeks ended June 26, 2022, the Company recorded an impairment reversal of $0.6 million (for the 26 weeks ended June 27, 2021 - $1.2 million, in respect of 1 CGU).

When determining the VIU of a restaurant location, the Company employs a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant asset within the CGU or the remaining lease term of the location. Sales forecasts for cash flows are based on actual operating results, operating budgets and long-term growth rates that were consistent with strategic plans presented to the Company’s Board and ranged between 0% and 3%.

14 Brands and other assets

Brands and other assets including re-acquired franchise rights are recorded at their fair value at the date of acquisition. The Company assesses each intangible asset and other assets for legal, regulatory, contractual, competitive or other factors to determine if the useful life is definite. Brands are measured at cost less net accumulated impairment losses and are not amortized as they are considered to have an indefinite useful life. Customer relationships are amortized on a straight-line basis over their estimated useful lives.

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Brands	$ 518,971	$ 529,831	$ 525,813
Customer Relationships	53,789	55,563	58,276
Investment in joint ventures (note 24)	1,319	1,311	1,268
	$ 574,079	**$ 586,705**	**$ 585,357**

As part of the Pubs divestiture, $11.0 million of brand asset was disposed (see note 5).

15 Provisions

Provisions are recognized when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the liability. Provisions are reviewed on a regular basis and adjusted to reflect management's best current estimates. Due to the judgmental nature of these items, future settlements may differ from amounts recognized.

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Asset retirement obligations	$ 4,321	$ 4,768	$ 4,487
Other	2,446	2,812	1,851
	$ 6,767	**$ 7,580**	**$ 6,338**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Provisions-current	$ 3,300	$ 3,006	$ 2,019
Provisions-long-term	3,467	4,574	4,320
	$ 6,767	**$ 7,580**	**$ 6,339**

16 Long-term debt

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Private debt	$ 250,000	$ 250,000	$ 250,000
Term credit facility - revolving	107,323	112,323	227,323
The Keg credit facilities	33,830	34,277	34,500
	391,153	396,600	511,823
Less: financing costs	3,643	2,737	3,081
	$ 387,510	**$ 393,863**	**$ 508,742**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Current portion of long-term debt	893	893	670
Long-term portion of long-term debt	386,617	392,970	508,072
	$ 387,510	**$ 393,863**	**$ 508,742**

Private debt

On May 1, 2019, the Company issued $250.0 million First Lien 10 year Senior Secured Notes by way of a private placement (the "Notes"). The Notes bear interest from their date of issue at a rate of 4.72% per annum, payable semi-annually and maturing on May 1, 2029. As at June 26, 2022, $250.0 million (December 26, 2021 - $250.0 million; June 27, 2021 - $250.0 million) was outstanding under the Notes.

Term credit facility

On April 14, 2022, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the sixth amended and restated credit agreement, is comprised of a revolving credit facility in the amount of $550.0 million with an accordion feature of up to $250.0 million. The $550.0 million revolving facility includes a $400.0 million tranche that would have matured on May 1, 2024 and a $150.0 million tranche that would have matured on May 1, 2022, with each tranche now maturing on May 3, 2027 and May 1, 2025, respectively. The $250.0 million accordion feature is applicable to either tranche. Financing costs of $1.3 million were paid for this amendment. In addition, the financial covenants that had previously been adjusted for the impact of COVID-19 pandemic and related operating restrictions, have since returned to pre-COVID-19 pandemic terms.

As at June 26, 2022, $107.3 million (December 26, 2021 - $112.3 million, June 27, 2021 - $227.3 million) was drawn under the term credit facility. For the 26 weeks ended June 26, 2022, the effective interest rate was 4.21% representing bankers acceptance rate of 0.92% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 1.59%. As at June 26, 2022, the effective interest rate was 4.31%, representing bankers acceptance rate of 1.67% plus 1.70% borrowing spread, standby fees and the amortization of deferred financing fees of 0.94%.

The Company is also required to pay a standby fee of between 0.20% and 0.46% per annum on the undrawn portion of the $550.0 million revolving facility. As of June 26, 2022, the standby fee rate was 0.34%.

The Keg Credit Facilities

The Company has a revolving credit facility with a syndicate of lenders comprised of a $55.0 million revolving facility no set term of repayments and a $5.0 million revolving demand operating facility, maturing on June

30, 2024. As at June 26, 2022, $22.0 million of this facility has been drawn (December 26, 2021 - $22.0 million; June 27, 2021 - $22.0 million).

On September 29, 2020, Keg Restaurants Ltd. ("KRL") borrowed $12.5 million under BDC Co-Lending Program ("BCAP Loan") from its existing banking syndicate and the BDC jointly. This amount was borrowed to help fund the cash flow needs which have been negatively impacted by the unexpected impact of COVID-19. The BCAP Loan is a non-revolving facility with a five-year term, requires interest only payments for the first year, and bears interest at the prime rate plus 1.5%. Commencing on October 1, 2021, KRL is required to make monthly principal repayment of $74,000 for the remainder of the BCAP Loan term. KRL has the option to repay any principal amount of this loan at any time, without bonus, premium, or penalty. As of June 26, 2022, $11.8 million remains outstanding on the BCAP Loan (December 26, 2021 - $12.3 million; June 27, 2021 - $12.5 million).

KRL has a revolving demand operating facility of up to $5.0 million with a Canadian chartered bank, which matures on June 30, 2024 and bears interest at a rate between bank prime and bank prime plus 0.75%, based on certain financial criteria. As at June 26, 2022, KRL meets the criteria for interest at bank prime plus 0.75%. This credit facility is available for general corporate purposes including working capital, overdrafts and letters of credit. As at June 26, 2022, $2.0 million of this facility has been used to issue letters of credit, and $3.0 million remains available. As at June 26, 2022, the letters of credit have not been drawn on.

As at June 26, 2022, the Company was in compliance with financial covenants.

Debt repayments

The five-year schedule of repayment of long-term debt is as follows:

(in thousands of Canadian dollars)	2022	2023	2024	2025	2026	Thereafter
Private Debt	$ —	$ —	$ —	$ —	$ —	$ 250,000
Revolving Credit Facility	—	—	—	—	—	$ 107,323
Keg Credit Facilities	—	893	22,893	10,044	—	—
Total (1)	**$ —**	**$ 893**	**$ 22,893**	**$ 10,044**	**$ —**	**$ 357,323**

(1) The total does not reflect any interest payments.

17 Leases

At the initial commencement date, the Company's lease liabilities are measured at the present value of the future lease payments using the Company's incremental borrowing rate. After initial recognition, the lease liabilities are measured at amortized cost using the effective interest method.

Lease liabilities

(in thousands of Canadian dollars)	For the 26 weeks ended June 26, 2022	For the 52 weeks ended December 26, 2021	For the 26 weeks ended June 27, 2021
Balance, beginning of period	$ 603,924	$ 669,769	$ 664,723
Acquisitions	—	—	12,560
Additions	2,305	34,952	1,401
Lease renewals and modifications	19,520	49,830	23,767
Lease terminations and assignments	(6,633)	(27,802)	(7,241)
Net loss (gain) on settlement of lease liability	215	(2,594)	(222)
Change in lease liability due to rent concessions	(743)	(3,207)	(2,178)
Other adjustments	(284)	(716)	319
Interest expense	11,886	25,215	12,918
Foreign translation adjustment	70	(23)	(359)
Payments	(67,461)	(141,500)	(71,807)
Balance, end of period	**$ 562,799**	**$ 603,924**	**$ 633,881**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	June 26, 2022	December 26, 2021	June 27, 2021
Current portion of lease liabilities	$ 107,273	$ 110,947	$ 114,869
Lease liabilities	455,526	492,977	519,012
	$ 562,799	**$ 603,924**	**$ 633,881**

18 Other long-term liabilities

(in thousands of Canadian dollars)		June 26, 2022		December 26, 2021		June 27, 2021
Accrued pension and other benefit plans	$	13,610	$	18,657	$	21,089
Non-controlling interest liability		17,364		17,276		20,819
Contingent liability		8,350		8,852		3,389
Deferred income		5,995		7,052		7,570
Deferred rental income		1,163		1,345		2,159
Other long-term liabilities		235		338		2,192
Deferred share units		1,908		1,467		1,536
Restricted share units		3,075		3,815		3,275
	$	**51,700**	**$**	**58,802**	**$**	**62,029**
Liabilities directly associated with assets held for sale		—		—		(838)
	$	**51,700**	**$**	**58,802**	**$**	**61,191**

Recorded in the consolidated balance sheets as follows:

		June 26, 2022		December 26, 2021		June 27, 2021
Accounts payable and accrued liabilities	$	1,679	$	1,610	$	1,925
Other long-term liabilities		50,021		57,192		59,266
	$	**51,700**	**$**	**58,802**	**$**	**61,191**

Accrued pension and other benefit plans

The change in the accrued pension and other benefit plans from December 26, 2021 was primarily a result of an increase in the interest rate assumptions used to discount the Company's defined benefit plan obligations and changes in the market value of the corresponding pension assets during the 26 weeks ended June 26, 2022.

Non-controlling interest liability

In connection with the Original Joe's transaction, a non-controlling interest liability relates to the expected earn-out liability, on a discounted basis, to purchase the remaining 10.8% ownership of Original Joe's Franchise Group Inc. based on meeting certain targets over a period of time. As at June 26, 2022, the Company has recorded $17.4 million (June 27, 2021 - $20.8 million) related to non-controlling interest liability.

Contingent liabilities

Contingent liabilities include contingent consideration in connection with the acquisitions of Fresh Since 1999 and Marigold & Onions representing amounts payable to the former shareholders contingent on certain targets and conditions being met.

For the 13 and 26 weeks ended June 26, 2022, the Company paid $nil and $0.5 million (13 and 26 weeks ended June 27, 2021 - $nil) and recorded $nil additions (13 and 26 weeks ended June 27, 2021 - $nil) related to contingent liabilities.

Deferred income

Unearned franchise and conversion fee income

At June 26, 2022, the Company had deferred $2.1 million (December 26, 2021 - $2.5 million; June 27, 2021 - $2.3 million) of initial franchise fees and conversion fees received from franchisees that will be recognized over the remaining term of the respective franchise agreements.

Sale-leaseback transactions

At June 26, 2022, the Company had deferred $0.9 million (December 26, 2021 - $1.2 million; June 27, 2021 - $1.4 million) related to gains realized on sale-leaseback transactions.

Covenancy fees

The Company collects covenancy fees from franchisees on subtenant leases. At June 26, 2022, the Company had unearned covenancy fees of $3.1 million (December 26, 2021 - $3.3 million; June 27, 2021 - $3.3 million).

Deferred rental income

In prior years, the Company converted certain corporate restaurants to franchises and sold the restaurants to independent operators (“franchisees”). As part of these conversion agreements, certain franchisees entered into rental agreements to rent certain restaurant assets from the Company. The $1.2 million balance at June 26, 2022 (December 26, 2021 - $1.3 million; June 27, 2021 - $2.2 million) represents the unearned revenue associated with the rental agreements calculated as the present value of the minimum lease payments using an interest rate implicit in the rental agreement.

Restricted share units ("RSUs")

Cash settled RSUs are granted at the beginning of each year and are earned only if certain performance conditions are met. Annual RSU grants vest after 3 years and will be settled for cash. For the 13 and 26 weeks ended June 26, 2022, the Company recognized an expense of $0.7 million and of $1.0 million (13 and 26 weeks ended June 27, 2021 - $1.0 million and $1.9 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $3.1 million as at June 26, 2022 (December 26, 2021 - $3.8 million; June 27, 2021 - $3.3 million).

19 Share capital

The Company's authorized share capital consists of an unlimited number of two classes of issued and outstanding shares: Subordinate Voting Shares and Multiple Voting Shares (together the ''Shares''). The Multiple Voting Shares are held by the Principal Shareholders, either directly or indirectly. Multiple Voting Shares may only be issued to the Principal Shareholders. The Subordinate Voting Shares and the Multiple Voting Shares are substantially identical with the exception of the voting, pre-emptive and conversion rights attached to the Multiple Voting Shares. Each Subordinate Voting Share is entitled to one vote and each Multiple Voting Share is entitled to 25 votes on all matters. The Multiple Voting Shares are convertible into Subordinate Voting Shares on a one-for-one basis at any time at the option of the holders thereof and automatically in certain other circumstances. The holders of Subordinate Voting Shares benefit from ''coattail'' provisions that give them certain rights in the event of a take-over bid for the Multiple Voting Shares.

Holders of Multiple Voting Shares and Subordinate Voting Shares will be entitled to receive dividends out of the assets of the Company legally available for the payment of dividends at such times and in such amount and form as the Board may determine. The Company will pay dividends thereon on a pari passu basis, if, as and when declared by the Board.

As at June 26, 2022, there were 34,054,824 Multiple Voting Shares and 24,786,198 Subordinate Voting Shares issued and outstanding (June 27, 2021 - 34,054,824 Multiple Voting Shares and 22,551,879 Subordinate Voting Shares).

The following table provides a summary of changes to the Company's share capital:

	Number of Common Shares (in thousands)			**Share Capital (in thousands of dollars)**		
	Multiple voting common shares	**Subordinate voting common shares**	**Total Common Shares**	**Multiple voting common shares**	**Subordinate voting common shares**	**Total Share Capital**
Balance at June 27, 2021	34,055	22,552	**56,607**	$ 183,297	$ 435,763	**$ 619,060**
Balance at December 26, 2021	34,055	24,772	**58,827**	183,297	454,700	**637,997**
Balance at June 26, 2022	34,055	24,786	**58,841**	183,297	454,824	**638,121**

20 Earnings per share ("EPS")

Basic earnings per share amounts are calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of shares issued during the period. Diluted earnings per share amounts are calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of shares issued during the period.

The following table sets forth the calculation of basic and diluted earnings per share ("EPS") attributable to Common Shareholders:

	13 weeks ended June 26, 2022			**13 weeks ended June 27, 2021**		
	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**
	(in thousands of Canadian dollars)	(in thousands)		(in thousands of Canadian dollars)	(in thousands)	
Basic	$ 16,605	58,841	**$ 0.28**	$ 19,353	56,607	**$ 0.34**
Diluted	$ 16,605	59,053	**$ 0.28**	$ 19,353	58,160	**$ 0.33**

	26 weeks ended June 26, 2022			**26 weeks ended June 27, 2021**		
	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**
	(in thousands of Canadian dollars)	(in thousands)		(in thousands of Canadian dollars)	(in thousands)	
Basic	$ 37,710	58,841	**$ 0.64**	$ 32,305	56,491	**$ 0.57**
Diluted	$ 37,710	59,057	**$ 0.64**	$ 32,305	57,857	**$ 0.56**

The weighted average number of shares used in the calculation of basic and diluted earnings per share:

	For the 13 weeks ended		**For the 26 weeks ended**	
	June 26, 2022	**June 27, 2021**	**June 26, 2022**	**June 27, 2021**
Common shares	58,841,022	56,606,703	58,841,022	56,491,216
Effect of stock options issued	212,389	1,553,656	215,865	1,365,807
	59,053,411	**58,160,359**	**59,056,887**	**57,857,023**

21 Cash flows

The changes in non-cash working capital components, are as follows:

(in thousands of Canadian dollars)	For the 13 weeks ended June 26, 2022	For the 13 weeks ended June 27, 2021	For the 26 weeks ended June 26, 2022	For the 26 weeks ended June 27, 2021
Accounts receivable	$ 8,428	$ 228	$ 16,586	$ 20,148
Inventories	(6,221)	(11,067)	(8,665)	(11,202)
Income taxes receivable (payable)	(1,685)	(66)	(2,746)	(4,062)
Prepaid expenses and other assets	511	137	(1,360)	(198)
Accounts payable and accrued liabilities	12,809	(1,257)	7,574	(11,743)
Gift card liability	(11,630)	(568)	(47,695)	(20,926)
Income taxes paid	1,649	2,655	2,777	9,070
Change in interest payable	3,093	3,009	196	92
Net change in non-cash operating working capital	**$ 6,954**	**$ (6,929)**	**$ (33,333)**	**$ (18,821)**

22 Commitments, contingencies and guarantees

The Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business including, but not limited to, labour and employment, regulatory, franchisee related and environmental claims. For certain locations that were part of the divestitures of the Milestones and Pubs brands, the Company continues to be a guarantor in the lease arrangements. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, commodity, government subsidies and capital taxes and as a result of these audits may receive assessments and reassessments.

Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to these condensed consolidated interim financial statements.

The Company has outstanding letters of credit amounting to $2.7 million (June 27, 2021 - $0.3 million), primarily related to KRL as part of its normal course of business and are covered by its operating credit facility described in note 16.

Indemnification provisions

In addition to the above guarantees, the Company has also provided and the Company receives customary indemnifications in the normal course of business and in connection with business dispositions and acquisitions. These indemnifications include items relating to taxation, litigation or claims that may be suffered by a counterparty as a consequence of the transaction. Until such times as events take place and/or claims are made under these provisions, it is not possible to reasonably determine the amount of liability under these arrangements. Historically, the Company has not made significant payments relating to these types of indemnifications.

23 Financial instruments and risk management

Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, primarily franchisees, joint ventures, and retail customers of the Company's food manufacturing operations. The Company performs ongoing credit evaluations of new and existing customers', primarily franchisees, financial condition and reviews the collectability of its trade and long-term accounts receivable in order to mitigate any possible credit losses.

The following is an aging of the Company's accounts receivable, net of the allowance for uncollectible accounts, as at June 26, 2022, December 26, 2021, and June 27, 2021:

(in thousands of Canadian dollars)					**June 26, 2022**
	Current	**> 30 days past due**	**> 60 days past due**		**Total**
Accounts receivable (net of allowance)	**$ 68,058**	**$ 8,313**	**$ 3,973**		**$ 80,344**
Balance as at December 26, 2021	$ 88,055	$ 6,358	$ 1,966		$ 96,379
Balance as at June 27, 2021	$ 66,761	$ 6,171	$ 13,064		$ 85,996

There are no significant impaired accounts receivables that have not been provided for in the allowance. As at June 26, 2022, the Company has an allowance of $4.4 million (December 26, 2021 - $5.9 million; June 27, 2021 - $12.1 million). The Company believes that the allowance sufficiently covers any credit risk related to the accounts receivable balances past due. The remaining amounts past due were not classified as impaired as the past due status was reasonably expected to be remedied.

Fair value of financial instruments

The fair value of derivative financial instruments is the estimated amount that the Company would receive or pay to terminate the instrument at the reporting date. The fair values have been determined by reference to prices provided by counterparties. The fair values of all derivative financial instruments are recorded in other long-term liabilities on the consolidated balance sheets.

There were no transfers between classes of the fair value hierarchy during the 13 and 26 weeks ended June 26, 2022.

The following describes the fair value determinations of financial instruments:

Long-term debt

Fair value (Level 2) is based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. As at June 26, 2022, the fair value of the debt associated with the Company's current financing of $391.2 million (excluding unamortized financing costs) is approximately $354.2 million.

Note payable to The Keg Royalties Income Fund

The Company's subsidiary, KRL has the option at any time to transfer its 5,700,000 Class C Partnership units to The Keg Holdings Trust ("KHT"), a subsidiary of The Keg Royalties Income Fund, in consideration for the assumption by KHT of an amount of the note payable equal to $10.00 for each Class C unit transferred. If KRL transferred all 5,700,000 Class C Partnership units, the entire $57,000,000 note payable to the Fund would be extinguished. The carrying amount of the note payable is equivalent to its fair value as at June 26, 2022.

Other financial instruments

Other financial instruments of the Company consist of cash, accounts receivable, franchise receivables, due from related parties, and accounts payable and accrued liabilities. The carrying amount for these financial instruments approximates fair value due to the short term maturity of these instruments and/or the use of at market interest rates.

24 Related parties

Shareholders

As at June 26, 2022, the Principal Shareholders hold 68.7% of the total issued and outstanding shares and have 97.9% of the voting control attached to all the shares. Cara Holdings holds 21.7% of the total issued and outstanding shares, representing 36.4% voting control. Fairfax holds 47.0% of the total issued and outstanding shares, representing 61.5% voting control.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Recipe's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for 26 weeks ended June 26, 2022 and June 27, 2021.

The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Insurance Provider

Certain of Recipe's insurance policies are held by a company that is a subsidiary of Fairfax. As at June 26, 2022, no payments were outstanding.

Investment in The Keg Partnership (the "Partnership") and The Keg Royalties Income Fund ("KRIF")

The Company's equity investment in the Partnership is represented by the investment in The Keg GP Ltd ("KGP"). The value of the equity investment in the Partnership is nominal as substantially all of the cash flows from the Partnership are attributable to the Class C units, and the Class A, B and D Partnership units ("Exchangeable Partnership units" or "Exchangeable units").

Investment in The Keg Royalties Income Fund

The KRIF units held by the Company are measured at fair value through profit or loss. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings. During the 13 and 26 weeks ended June 26, 2022, the Company purchased nil KRIF units (13 and 26 weeks ended June 27, 2021 - nil).

	June 26, 2022		**December 26, 2021**		**June 27, 2021**	
(in thousands of Canadian dollars)	**# of units**	**Fair Value**	**# of units**	**Fair Value**	**# of units**	**Fair Value**
Class A Partnership units	905,944	$ 13,952	905,944	$ 13,290	905,944	$ 13,000
Class B Partnership units	176,700	2,721	176,700	2,592	176,700	2,536
Class D Partnership units	4,242,386	65,333	4,020,766	58,985	3,970,272	56,973
Exchangeable unit investment in the Partnership	5,325,030	$ 82,006	5,103,410	$ 74,867	5,052,916	$ 72,509
Class C unit investment in the Partnership	5,700,000	57,000	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership	**11,025,030**	**$139,006**	**10,803,410**	**$131,867**	**10,752,916**	**$129,509**
Investment in KRIF units	250,000	3,850	250,000	3,668	250,000	3,588
Distributions earned on KRIF units	—	514	—	373	—	249
	11,275,030	**$143,370**	**11,053,410**	**$135,908**	**11,002,916**	**$133,346**

Exchangeable Unit Investment in the Partnership

The Exchangeable unit investment in the Partnership is comprised of the Exchangeable Partnership units held by the Company, and measured at fair value through profit or loss. The closing market price of a Fund unit as at June 26, 2022 was $15.40 (December 26, 2021 - $14.67; June 27, 2021 - $14.35).

Included in the total 4,242,386 Class D units, are 139,097 notional Class D units that KRL recognized during the 2020 and 2021 fiscal years in exchange for adding net sales to the Royalty Pool on January 1, 2020 and January 1, 2021. Interest income on these notional Class D units have been accrued in the statement of comprehensive income (loss), but no cash distributions will be paid to KRL on these Class D units until such time as the final sales determination is made, and the Class D units are issued to KRL on December 25, 2022, to be effective January 1, 2020 and January 1, 2021, respectively.

Other

As at June 26, 2022, long-term receivables include a non-interest bearing demand note due from a former employee in the amount $0.2 million (December 26, 2021 - $0.2 million; June 27, 2021 - $0.8 million).

As at June 26, 2022, the Company has a $2.9 million royalty fee payable, to KRIF (December 26, 2021 - $2.6 million; June 27, 2021 - $1.3 million) and a $0.3 million interest payable amount due to KRIF on the Keg Loan (December 26, 2021 and June 27, 2021 - $0.3 million) included in accounts payable and accrued liabilities.

As at June 26, 2022, the Company has $1.4 million in distributions receivable from the Partnership (December 26, 2021 - $1.3 million; June 27, 2021 - $0.8 million) related to its ownership of the Class C and Exchangeable Partnership units. These amounts were received from the Partnership when due, subsequent to the above periods.

The Company incurs royalty expense with respect to the license and royalty agreement between the Company and the Partnership. As a result of the common directors on the board of the Company and on the board of The Keg GP, the general partner of the Partnership, the royalty expense is a related party transaction. The Company incurred royalty expense of $7.1 million and $12.7 million for the 13 and 26 weeks ended June 26, 2022 (13 and 26 weeks ended June 27, 2021 – $2.4 million and $5.1 million).

The Company also records investment income on its investment in Exchangeable units of the Partnership, Class C units of the Partnership, and investment in KRIF units which is presented as interest income on Partnership and Fund units in the statements of earnings and comprehensive income. During the 13 and 26 weeks ended June 26, 2022, the Company recorded investment income of $3.3 million and $6.1 million related to these units (13 and 26 weeks ended June 27, 2021 – $1.9 million and $3.6 million).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. As at June 26, 2022 there was a related party demand loan of $0.3 million (June 27, 2021 - $11.5 million) which is secured by restaurant assets of the joint venture company. The demand loan bears interest at 5% and has no specific repayment terms. The Company had term loans with related parties but these were settled in 2021. For the 13 and 26 weeks ended June 26, 2022, the Company charged interest of less than $0.1 million (13 and 26 weeks ended June 27, 2021 - $0.3 million) on the term loan and demand loan.

The Company charges joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at June 26, 2022 the accounts receivable balance included $0.4 million (June 27, 2021 - less than $0.1 million) due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties in accordance with the franchise agreement.

The Company's investment in joint ventures are increased by the proportionate share of income earned. For the 13 and 26 weeks ended June 26, 2022, an increase of less than $0.1 million (13 and 26 weeks ended June 27, 2021 - $0.1 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of (loss) earnings from investment in joint ventures on the statement of earnings.

All entities above are related by virtue of being under joint control with, or significant influence by, the Company.

25 Segmented information

Recipe divides its operations into the following four business segments: corporate restaurants, franchise restaurants, retail and catering, and central operations.

The Corporate restaurant segment includes the operations of the company-owned restaurants, the proportionate results from the Company's joint venture restaurants from the Original Joe's investment, which generate revenues from the direct sale of prepared food and beverages to consumers.

Franchised restaurants represent the operations of its franchised restaurant network operating under the Company's several brand names from which the Company earns royalties calculated at an agreed upon percentage of franchise and joint venture restaurant sales. Recipe provides financial assistance to certain franchisees and the franchise royalty income reported is net of any assistance being provided.

Retail and catering represent sales of St-Hubert, Swiss Chalet, Montana's and The Keg branded products; and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants. Catering represents sales and operating expenses related to the Company's catering divisions which operate under the names of The Pickle Barrel and Marigolds & Onions.

Central operations includes sales from call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants; income generated from the lease of buildings and certain equipment to franchisees; and the collection of new franchise and franchise renewal fees. Central operations also includes corporate (non-restaurant) expenses which include head office people and non-people overhead expenses, finance and IT support, occupancy costs, and general and administrative support services offset by vendor purchase allowances and government subsidies. The Company has determined that the allocation of corporate (non-restaurant) revenues and expenses which include finance and IT support, occupancy costs, and general and administrative support services would not reflect how the Company manages the business and has not allocated these revenues and expenses to a specific segment.

The CEO and the CFO are the chief operating decision makers and they regularly review the operations and performance by segment. The CEO and CFO review operating income as a key measure of performance for each segment and to make decisions about the allocation of resources. The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	For the 13 weeks ended		For the 26 weeks ended	
(in thousands of Canadian dollars)	**June 26, 2022**	**June 27, 2021**	**June 26, 2022**	**June 27, 2021**
Gross revenue				
Sales	$ 186,588	$ 87,840	$ 327,744	$ 167,393
Proportionate share of equity accounted joint venture sales	(599)	(3,733)	(1,167)	(9,697)
Sales at corporate restaurants	**$ 185,989**	**$ 84,107**	**$ 326,577**	**$ 157,696**
Franchise revenues	27,672	17,661	50,692	34,543
Proportionate share of equity accounted joint venture royalty revenue	(23)	838	1	(19)
Royalty revenue	**$ 27,649**	**$ 18,499**	**$ 50,693**	**$ 34,524**
Retail & Catering	101,722	87,314	192,252	174,895
Central	4,592	6,945	9,252	13,206
Non-allocated revenue	16,621	10,769	30,440	21,380
Total gross revenue	**$ 336,573**	**$ 207,634**	**$ 609,214**	**$ 401,701**
Operating income (loss)				
Corporate restaurants	$ 9,862	$ (8,580)	$ 17,905	$ (13,013)
Franchise restaurants	27,406	17,271	50,337	33,286
Retail & Catering	2,872	5,032	6,471	11,551
Central	(25,068)	(7,334)	(49,911)	(26,657)
Proportionate share of equity accounted joint venture results included in corporate and franchise segment	27	(63)	43	682
Non-allocated costs	10,638	14,179	25,404	25,178
	$ 25,737	**$ 20,505**	**$ 50,249**	**$ 31,027**
Depreciation and amortization				
Corporate restaurants	$ 7,964	$ 11,460	$ 15,551	$ 19,001
Retail & Catering	1,406	1,375	2,803	2,870
Central	13,459	11,286	27,461	26,692
	$ 22,829	**$ 24,121**	**$ 45,815**	**$ 48,563**
Capital expenditures				
Corporate restaurants	$ 7,848	$ 5,725	$ 12,612	$ 8,454
Retail & Catering	172	224	212	251
Central	1,589	1,254	3,302	2,552
	$ 9,609	**$ 7,203**	**$ 16,126**	**$ 11,257**