Recipe Unlimited Corporation

Unaudited Condensed Consolidated Interim Financial Statements
For the 13 and 39 weeks ended September 26, 2021 and September 27, 2020

	For the 13 weeks ended		For the 39 weeks ended	
(in thousands of Canadian dollars, except where otherwise indicated)	**September 26, 2021**	**September 27, 2020**	**September 26, 2021**	**September 27, 2020**
Sales (note 6)	$ 263,257	$ 207,726	$ 604,046	$ 557,990
Franchise revenues (note 7)	44,881	35,622	105,793	95,652
Total gross revenue	**$ 308,138**	**$ 243,348**	**$ 709,839**	**$ 653,642**
Cost of inventories sold	(121,929)	(97,949)	(303,497)	(267,384)
Selling, general and administrative expenses (note 8)	(147,302)	(113,302)	(335,104)	(346,937)
Impairment, net of reversals, of restaurant assets and lease receivables (notes 13, 14, 15 and 26)	(6,884)	2,220	(5,929)	(61,465)
Restructuring and other (note 9)	(2,719)	(5,424)	(4,977)	(6,180)
Operating income (loss)	**$ 29,304**	**$ 28,893**	**$ 60,332**	**$ (28,324)**
Interest expense and other financing charges (note 10)	(12,908)	(15,065)	(40,186)	(45,340)
Interest and other finance income (note 10)	6,572	7,130	25,930	21,538
Loss on disposition of brand assets (note 5)	(3,288)	—	(3,288)	—
Share of earnings (loss) from investment in joint ventures (note 15)	57	814	37	1,015
Earnings (loss) before change in fair value and income taxes	**$ 19,737**	**$ 21,772**	**$ 42,825**	**$ (51,111)**
Change in fair value of non-controlling interest liability (note 20)	—	—	(454)	—
Change in fair value of Exchangeable Keg Partnership units and Keg Royalty Income Fund units	(2,069)	(12,079)	12,676	(41,974)
Earnings (loss) before income taxes	**$ 17,668**	**$ 9,693**	**$ 55,047**	**$ (93,085)**
Current income tax expense (note 11)	(2,780)	(94)	(7,676)	(6,973)
Deferred income tax recovery (expense) (note 11)	(1,727)	(4,429)	(1,905)	23,388
Net earnings (loss)	**$ 13,161**	**$ 5,170**	**$ 45,466**	**$ (76,670)**
Net earnings (loss) attributable to Shareholders of the Company	13,161	5,092	45,466	(76,214)
Non-controlling interest	—	78	—	(456)
	$ 13,161	**$ 5,170**	**$ 45,466**	**$ (76,670)**
Net earnings (loss) per share attributable to the Common Shareholders of the Company (note 23) (in dollars)				
Basic earnings (loss) per share	$ 0.23	$ 0.09	$ 0.80	$ (1.35)
Diluted earnings (loss) per share	$ 0.23	$ 0.09	$ 0.79	$ (1.35)

(in thousands of Canadian dollars, except where otherwise indicated)	For the 13 weeks ended September 26, 2021	For the 13 weeks ended September 27, 2020	For the 39 weeks ended September 26, 2021	For the 39 weeks ended September 27, 2020
Net earnings (loss)	**$ 13,161**	**$ 5,170**	**$ 45,466**	**$ (76,670)**
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (loss) gain, net of income taxes.	$ —	$ —	$ 2,836	$ —
Cumulative translation adjustment	171	(1,658)	(23)	(1,562)
Other comprehensive loss, net of income taxes	**$ 171**	**$ (1,658)**	**$ 2,813**	**$ (1,562)**
Total comprehensive income (loss)	**$ 13,332**	**$ 3,512**	**$ 48,279**	**$ (78,232)**

Recipe Unlimited Corporation
Unaudited Condensed Consolidated Interim Balance Sheets
As at September 26, 2021, December 27, 2020 and September 27, 2020

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Assets			
Current Assets			
Cash	$ 37,529	$ 40,539	$ 48,585
Accounts receivable (note 26)	107,088	106,272	76,349
Inventories (note 12)	60,408	44,921	43,649
Current taxes receivable	13,868	13,148	4,946
Prepaid expenses and other assets	7,179	7,184	7,015
Current portion of long-term receivables (note 13)	69,825	66,297	65,504
Total Current Assets	**$ 295,897**	**$ 278,361**	**$ 246,048**
Long-term receivables (note 13)	274,938	314,793	356,269
Property, plant and equipment (note 14)	486,258	538,276	564,787
Investment in the Keg Limited Partnership (note 27)	131,331	116,874	92,593
Brands and other assets (note 15)	582,962	606,807	611,930
Goodwill (note 16)	211,832	198,313	198,313
Deferred tax asset (note 11)	52,737	55,647	62,027
Total Assets	**$ 2,035,955**	**$ 2,109,071**	**$ 2,131,967**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	$ 142,395	$ 137,957	$ 150,841
Provisions (note 17)	3,232	2,725	2,346
Gift card liability	126,200	160,769	122,514
Income taxes payable	1,865	6,722	12,256
Current portion of long-term debt (note 18)	894	—	4,724
Current portion of lease liabilities (note 19)	111,908	119,754	121,500
Total Current Liabilities	**$ 386,494**	**$ 427,927**	**$ 414,181**
Long-term debt (note 18)	458,090	488,834	495,117
Note payable to The Keg Royalties Income Fund	57,000	57,000	57,000
Provisions (note 17)	3,777	3,733	7,100
Lease liabilities (note 19)	492,404	544,969	592,012
Other long-term liabilities (note 20)	48,374	58,906	62,015
Deferred gain on sale of The Keg Rights (note 27)	145,111	144,806	143,797
Deferred tax liability (note 11)	106,654	99,360	99,517
Total Liabilities	**$ 1,697,904**	**$ 1,825,535**	**$ 1,870,739**
Shareholders' Equity			
Common share capital (note 22)	$ 622,448	$ 616,898	$ 616,814
Contributed surplus	12,636	11,950	11,581
Merger reserve	(216,728)	(216,728)	(216,728)
Accumulated other comprehensive loss	(4,425)	(7,238)	(4,966)
Deficit	(75,880)	(121,346)	(145,473)
Total Shareholders' Equity	**$ 338,051**	**$ 283,536**	**$ 261,228**
Total Liabilities and Equity	**$ 2,035,955**	**$ 2,109,071**	**$ 2,131,967**

Commitments, contingencies and guarantees (note 25)

	For the 13 weeks ended		For the 39 weeks ended	
(in thousands of Canadian dollars)	September 26 2021	September 27, 2020	September 26 2021	September 27, 2020
Cash from (used in)				
Operating Activities				
Net earnings (loss)	$ 13,161	$ 5,170	$ 45,466	$ (76,670)
Depreciation and amortization	23,788	26,461	72,351	80,622
Amortization of deferred gain	(455)	(446)	(1,366)	(1,337)
Net (gain) loss on disposal of property, plant and equipment and other assets	(37)	(4,265)	(1,308)	(3,579)
Loss on disposition of brand assets (note 5)	3,288	—	3,288	—
Net (gain) loss on early buyout/cancellation of equipment rental contracts	704	(139)	1,049	(425)
Impairment, net of reversals, of restaurant assets and lease receivables (notes 13, 14, and 15)	6,884	(8,389)	5,929	42,751
Net (gain) loss on settlement of lease liabilities (note 19)	(1,285)	(54)	(1,507)	369
Net interest expense on long-term debt and note payable to the Keg Royalties Income Fund (note 10)	6,177	6,350	19,567	18,638
Net interest expense on lease liabilities and receivables (note 10)	2,823	2,991	8,519	9,071
Remeasurement to fair value of pre-existing interests in acquirees (note 5)	—	—	(7,501)	—
Stock based compensation	288	92	495	964
Income taxes (paid) received	(4,238)	2,717	(13,308)	(11,734)
Change in restructuring provision	1,138	3,347	2,388	1,299
Change in deferred tax (note 11)	4,251	3,934	10,204	(24,102)
Change in fair value of Exchangeable Keg Partnership units and KRIF units	2,069	12,079	(12,676)	41,974
Change in fair value of non-controlling interest liability	—	—	454	—
Other non-cash items	(1,500)	2,932	(1,353)	(5,713)
Net change in non-cash operating working capital (note 24)	14,432	15,070	(4,389)	22,924
Cash flows from operating activities	**$ 71,488**	**$ 67,850**	**$ 126,302**	**$ 95,052**
Investing Activities				
Business acquisitions, net of cash assumed (note 5)	$ —	$ (10,343)	$ (19,321)	$ (11,552)
Purchase of property, plant and equipment	(6,141)	(8,837)	(17,398)	(25,095)
Proceeds on disposal of property, plant and equipment	—	4,451	1,833	4,531
Proceeds on early buyout of equipment rental contracts	—	—	—	1,688
Investment in joint ventures	—	—	—	580
Share of loss from investment in joint ventures	(57)	(814)	(37)	(1,015)
Additions to other assets	—	(59)	(5)	(1,150)
Lease payments received	17,729	22,769	57,531	68,113
Change in long-term receivables	(763)	154	(1,755)	(6,552)
Cash flows (used in) investing activities	**$ 10,768**	**$ 7,321**	**$ 20,848**	**$ 29,548**
Financing Activities				
Issuance of long-term debt (note 18)	$ —	$ 7,721	$ 33,000	$ 307,721
Repayment of long-term debt (note 18)	(50,000)	(222,997)	(63,000)	(283,999)
Deferred financing costs (note 18)	—	—	(666)	(266)
Issuance of subordinated voting common shares (note 22)	3,388	—	5,741	—
Share re-purchase (note 22)	—	—	—	(312)
Lease liabilities paid (note 19)	(35,744)	(36,916)	(107,551)	(105,910)
Change in lease liabilities due to rent concessions (note 19)	1,531	(1,851)	(647)	(8,667)
Interest paid on long-term debt and note payable	(3,598)	(3,731)	(17,080)	(18,145)
Dividends paid on subordinate and multiple voting common shares	—	—	—	(6,634)
Cash flows (used in) from financing activities	**$ (84,423)**	**$ (257,774)**	**$ (150,203)**	**$ (116,212)**
Change in cash during the period	**$ (2,167)**	**$ (182,603)**	**$ (3,053)**	**$ 8,388**
Foreign currency translation adjustment	7	103	43	(154)
Cash - Beginning of period	39,689	231,085	40,539	40,351
Cash - End of period	**$ 37,529**	**$ 48,585**	**$ 37,529**	**$ 48,585**

	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 23)	**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 (loss)	—	—	—	—	—	45,466	45,466
Other comprehensive income	—	—	—	—	2,813	—	2,813
Dividends	—	—	—	—	—	—	—
Share re-purchase (note 22)	—	—	—	—	—	—	—
Stock options exercised (note 22)	637	5,550	—	191	—	—	5,741
Stock-based compensation (note 21)	—	—	—	495	—	—	495
	637	5,550	—	686	2,813	45,466	54,515
Balance at September 26, 2021	**57,000**	**$622,448**	**$(216,728)**	**$ 12,636**	**$ (4,425)**	**$ (75,880)**	**$ 338,051**

	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 23)	**Merger reserve**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Deficit**	**Total equity**
Balance at December 29, 2019	56,378	$617,126	$(216,728)	$ 10,617	$ (3,404)	$ (62,625)	$ 344,986
Net earnings	—	—	—	—	—	(76,214)	(76,214)
Other comprehensive loss	—	—	—	—	(1,562)	—	(1,562)
Dividends	—	—	—	—	—	(6,634)	(6,634)
Share re-purchase (note 22)	(26)	(312)	—	—	—	—	(312)
Stock-based compensation (note 21)	—	—	—	964	—	—	964
	(26)	(312)	—	964	(1,562)	(82,848)	(83,758)
Balance at September 27, 2020	**56,352**	**$616,814**	**$(216,728)**	**$ 11,581**	**$ (4,966)**	**$ (145,473)**	**$ 261,228**

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 subordinate voting shares are listed on the Toronto Stock Exchange under the stock symbol "RECP".

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 condensed consolidated interim 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 2020 audited annual consolidated financial statements and accompanying notes, except for new accounting standards that have been adopted in 2021, as described in note 3.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors ("Board") on November 3, 2021.

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 certain investments in the Keg Limited Partnership 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 39 weeks ended September 26, 2021 and the key sources of estimation of 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 27, 2020.

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.

3 Significant accounting policies

Accounting standards implemented in 2021

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Amendments were made to address financial statement impacts when an existing interest rate benchmark such as LIBOR is replaced with an alternative reference rate and the implications for specific hedge accounting requirements, which require forward-looking analysis. The amendments also include additional disclosure requirements surrounding uncertainty arising from the interest rate benchmark reform. The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were adopted effective December 28, 2020 and resulted in no significant adjustment.

COVID-19-Related Rent Concession (Amendment to IFRS 16)

In May 2020, the IASB issued COVID-19-Related Rent Concession (Amendments to IFRS 16). The amendments permit lessees, as a practical expedient, to not assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The original amendment applied to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. However, since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, effective April 1, 2021, the IASB extended the practical expedient by one year, for affected lease payments due on or before June 30, 2022. For the 13 and 39 weeks ended September 26, 2021, the Company recorded $nil and $0.6 million of rent concessions for eligible corporate restaurants (in the form of rent reduction from landlords) as a reduction to selling, general and administrative expenses.

Government Grant

The Canadian Federal and Provincial governments have announced various assistance programs during the COVID-19 crisis, including:

- The Canada Emergency Wage Subsidy program (CEWS), which was made available to the Company and its franchise partners. During the 13 and 39 weeks ended September 26, 2021, the Company received $9.5 million and $47.8 million of wage subsidies for salaries paid to employees in corporate restaurants, food manufacturing and head office locations.

- The Canada Emergency Rent Subsidy (CERS) program, which provides direct rent relief to eligible applicants. During the 13 and 39 weeks ended September 26, 2021, the Company realized $0.9 million and $9.4 million of government rent subsidies.

- The Property Tax and Energy Cost Rebate programs introduced by the governments of Ontario, Alberta and British Columbia, 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 39 weeks ended September 26, 2021, the Company realized $1.2 million and $8.1 million of government property tax and energy cost rebates.

4 Future accounting standards not yet adopted

Sale or Contribution of assets between an investor and its associate or joint venture

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (JV). Specifically, under the existing consolidation standard the parent recognizes the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognizes the gain only to the extent of unrelated investors' interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognized when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognized when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company did not adopt these amendments in its financial statements for the annual period beginning December 30, 2019, as the effective date for these amendments has been deferred indefinitely.

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 (the 2020 amendments)*, to clarify the classification of liabilities as current or non-current. The 2020 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 2020 amendments also clarify how a company classifies a liability that 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 Company intends to adopt these amendments for annual periods beginning on or after December 25, 2022. The Company is currently assessing whether this will have a material impact on the consolidated financial statements.

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 intends to adopt this amendment for annual periods beginning on or after December 26, 2021. The Company does not expect the amendments to have a material impact on the consolidated 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 intends to adopt this amendment for annual periods beginning on or after December 26, 2021. The Company does not expect the amendments to 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, 2024. 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 disclosures; 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.

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 offset temporary differences. As a result, companies will need to recognized 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 Acquisitions and Divestitures

Acquisitions

The Company has accounted for all acquisitions using the acquisition method, with the results of the businesses acquired included in the condensed consolidated interim financial statements from the date of acquisition.

Original Joe's - see note 27 Related Parties

On January 1, 2021, the Company completed the purchase of the remaining interest of three Original Joe's joint ventures (OJ's Swift Restaurant Inc., OJ's Winnipeg St. Vital Restaurant Inc. and OJ's Winnipeg Kenaston Restaurant Inc.). The Company obtained control through a step acquisition that was completed on January 1, 2021 for OJ's Swift Restaurant Inc. The fair value of the Company's equity interest in OJ's Swift Restaurant Inc. immediately before January 1, 2021 was $1.9 million.

Control of the other two joint ventures had been previously acquired on November 27, 2016 and reported as part of the Company's consolidated financial results prior to the acquisition date and on January 1, 2021, the Company acquired the non-controlling interest of these two joint ventures for total consideration of $0.4 million.

(in thousands of Canadian dollars)

		January 1, 2021
Consideration		
Settlement of related party loans in return for acquired assets		3,318
Total Consideration	**$**	**3,318**
Net assets acquired		
Cash	$	6
Accounts Receivable		5
Prepaid Expenses		5
Inventories		64
Property, plant and equipment		97
Brands and other assets		5
Goodwill		3,311
Total Assets		3,493
Liabilities assumed		
Accounts payable and accrued liabilities		175
Total liabilities		175
Total	**$**	**3,318**

On April 21, 2021, the Company completed the purchase of the remaining 50% interest of an Original Joe's joint venture, Original Restaurant Group Limited. The fair value of the Company's equity interest in Original Restaurant Group Limited immediately before April 21, 2021 was $0.8 million. Immediately after the acquisition of Original Restaurant Group Limited, the Company and its former joint venture partner entered into a franchise agreement, where the former joint venture partner will operate all restaurant locations under Original Restaurant Group Limited as a franchisee. On April 22, 2021, the Company sold all of Original Restaurant Group Limited's fixed assets to its franchisee for total consideration of $0.9 million.

(in thousands of Canadian dollars)

		April 21, 2021
Consideration		
Pre-existing equity interest		605
Remeasurement to fair value of pre-existing equity interest		211
Total Consideration	**$**	**816**
Net assets acquired		
Accounts Receivable	$	2,974
Total Assets		2,974
Liabilities assumed		
Accounts payable and accrued liabilities		242
Loan payable		1,916
Total liabilities		2,158
Total	**$**	**816**

The remeasurement to fair value of the Company's pre-existing interest in the Original Restaurant Group Limited resulted in a gain of $0.2 million. The amount has been included in "interest and other finance income" (note 10).

Burger's Priest

On May 6, 2021, the Company completed the purchase of the remaining 50% non-controlling interest of New & Old Kings and Priests Restaurants Inc. ("Burger's Priest"). The Company obtained control through a step acquisition that was completed on May 6, 2021. The cash payment for the purchase was funded by a draw on the Company’s existing credit facility. The fair value of the Company's equity interest in Burger's Priest immediately before May 6, 2021 was $20.2 million.

(in thousands of Canadian dollars)

		May 6, 2021
Consideration		
Cash	$	19,700
Amount to be paid		300
Pre-existing equity interest		15,058
Remeasurement to fair value of pre-existing equity interest		5,190
Total Consideration	**$**	**40,248**
Net assets acquired		
Cash	$	1,283
Accounts Receivable		664
Prepaid Expenses		271
Inventories		422
Property, plant and equipment		17,020
Brands and other assets		23,779
Goodwill		17,867
Total Assets		61,306
Liabilities		
Accounts payable and accrued liabilities		4,333
Deferred tax liability		6,646
Lease obligations		10,079
Total liabilities		21,058
Total	**$**	**40,248**

The remeasurement to fair value of the Company's pre-existing interest in Burger's Priest resulted in a gain of $5.2 million. The amount has been included in "interest and other finance income" (note 10). The goodwill is attributable mainly to the synergies expected to be achieved from integrating Burger's Priest into the Company's existing processes.

Fresh Since 1999

The Company obtained control of Fresh Since 1999 through a step acquisition that was completed on May 6, 2021. Subsequent to the transaction, the Company holds 85.0% interest in Fresh Since 1999. The fair value of the Company's equity interest in Fresh Since 1999 immediately before May 6, 2021 was $2.1 million.

Fresh Since 1999 is the owner of the intellectual property related to the Fresh Since 1999 brand, and is the entity through which future Fresh Since 1999 restaurant locations and new concepts will be developed. The first Fresh Since 1999 location was opened in Ontario in December 2020, and the Company plans to open its second location in the third quarter of 2021. Fresh Since 1999 excludes all Fresh-branded locations that were opened prior to December 2020.

(in thousands of Canadian dollars)

		May 6, 2021
Consideration		
Cash	$	2,000
Remeasurement to fair value of pre-existing equity interest		2,100
Total Consideration	**$**	**4,100**
Net assets acquired		
Cash	$	275
Accounts Receivable		29
Prepaid Expenses		30
Inventories		30
Property, plant and equipment		3,693
Brands and other assets		2,406
Goodwill		3,328
Total Assets		9,791
Liabilities		
Accounts payable and accrued liabilities		99
Deferred tax liability		637
Lease obligations		2,481
Loan payable		1,731
Total liabilities		4,948
Non-controlling interest		(743)
Total	**$**	**4,100**

The remeasurement to fair value of the Company's pre-existing interest in Fresh Since 1999 resulted in a gain of $2.1 million. The amount has been included in "interest and other finance income" (note 10). The goodwill is attributable mainly to the synergies expected to be achieved from integrating Fresh Since 1999 into the Company's existing processes.

Divestiture of Milestones

On September 26, 2021, the Company completed the sale of substantially all of the assets comprising its Milestones restaurant brand ("Milestones"). The net assets sold from the Milestones brand were $42.3 million and a net loss of $3.3 million was recognized. As at September 26, 2021, the Company's account receivable balance included the expected cash proceeds of $39.0 million related to the divestiture of Milestones. The expected cash proceeds were collected fully subsequent to September 26, 2021.

The Company remains as a guarantor on the lease arrangements for certain divested Milestones locations and consequently has not derecognized those lease obligations and sublease receivables assets. 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 Milestones 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 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 39 weeks ended	
(in thousands of Canadian dollars)	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Sales at corporate restaurants	$ 166,576	$ 118,093	$ 324,272	$ 303,599
Food processing and distribution sales	89,958	85,328	262,779	239,303
Catering sales	3,408	1,217	5,482	5,590
Call centre service charge revenues	3,315	3,088	11,513	9,498
	$ 263,257	**$ 207,726**	**$ 604,046**	**$ 557,990**

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 39 weeks ended	
(in thousands of Canadian dollars)	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Royalty revenue	$ 26,442	$ 18,567	$ 60,966	$ 51,618
Marketing fund contributions	15,815	14,329	37,153	36,571
Other rental income	2,201	2,071	6,091	5,600
Franchise fees on new and renewal licenses	183	381	866	973
Income on equipment finance leases	215	227	650	724
Amortization of unearned conversion fees income	25	47	67	166
	44,881	**35,622**	**$ 105,793**	**$ 95,652**

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 39 weeks ended	
(in thousands of Canadian dollars)	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Corporate restaurant expenses	$ 98,263	$ 70,559	$ 203,534	$ 207,972
Advertising fund transfers	15,815	14,329	37,153	36,571
The Keg royalty expense	6,091	4,296	11,206	10,754
Franchise assistance and bad debt	(29)	1,887	1,252	3,365
Depreciation of property, plant and equipment (note 14)	21,737	24,371	66,230	74,315
Amortization of other assets (note 15)	1,091	1,066	3,128	3,214
Net gain on disposal of property, plant and equipment and other assets	(37)	(4,265)	(1,308)	(3,579)
Net (gain) loss on settlement of lease liabilities (note 19)	(1,285)	(54)	(1,507)	369
Other	5,656	1,113	15,416	13,956
	$ 147,302	**$ 113,302**	**$ 335,104**	**$ 346,937**

For the 13 and 39 weeks ended September 26, 2021, $1.0 million and $3.0 million (September 27, 2020 - $1.0 million and $3.1 million) of depreciation related to property, plant and equipment has been included in cost of inventories sold as part of food processing and distribution.

9 Restructuring and other

Restructuring costs consist of plans to consolidate and eliminate certain home office and brand operations positions related to Recipe's acquisitions, comprised primarily of severance costs and lease settlement costs. Restructuring costs also consist of closure costs related to repositioning certain brands.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at September 26, 2021. The beginning net liability balance for the prior year was updated and a reclassification was made to the Right-of-Use asset and Long-term receivables balances to conform with current year's presentation.

(in thousands of Canadian dollars)	For the 13 weeks ended September 26, 2021	For the 13 weeks ended September 27, 2020	For the 39 weeks ended September 26, 2021	For the 39 weeks ended September 27, 2020
Net liability, beginning of period	$ 11,382	$ 12,349	$ 10,130	$ 14,397
Cost recognized				
Employee termination benefits	1,222	2,340	2,226	4,756
Site closing costs and other	1,497	3,084	2,751	1,424
	$ 2,719	**$ 5,424**	**$ 4,977**	**$ 6,180**
Cash payments				
Employee termination benefits	379	2,077	1,385	3,860
Site closing costs and other	1,205	—	1,205	1,021
	$ 1,584	**2,077**	**$ 2,590**	**$ 4,881**
Net liability, end of period	**$ 12,517**	**$ 15,696**	**$ 12,517**	**$ 15,696**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27 2020	September 27, 2020
Employee termination benefits:			
Accounts payable and accrued liabilities	$ 3,116	$ 2,524	$ 2,903
Site closing costs and other are recorded as a reduction to:			
Provisions (current)	$ 1,201	$ 437	—
Provisions (long-term)	$ 1,307	$ 407	3,264
Property, plant and equipment	$ 6,893	$ 6,762	9,529
	$ 12,517	**$ 10,130**	**$ 15,696**

10 Net interest expense and other financing charges

	For the 13 weeks ended		For the 39 weeks ended	
(in thousands of Canadian dollars)	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Interest expense and other financing charges				
Interest expense on long-term debt	$ 5,109	$ 6,349	$ 16,361	$ 18,638
Interest expense on note payable to The Keg Royalties Income Fund	1,068	1,069	3,206	3,206
Interest on lease obligations (note 19)	6,267	7,162	19,185	22,156
Financing costs	221	229	889	745
Interest expense - other	243	256	545	595
Net interest expense and other financing charges	**12,908**	**15,065**	**40,186**	**45,340**
Interest income on Partnership units and KRIF	(2,928)	(2,272)	(6,559)	(6,187)
Interest income	(200)	(687)	(1,204)	(2,266)
Remeasurement to fair value of pre-existing interests in acquirees (note 5)	—	—	(7,501)	—
Interest income on lease receivable	(3,444)	(4,171)	(10,666)	(13,085)
Interest and other finance income	**(6,572)**	**(7,130)**	**(25,930)**	**(21,538)**
	$ 6,336	**$ 7,935**	**$ 14,256**	**$ 23,802**

11 Income taxes

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

(in thousands of Canadian dollars)	For the 13 weeks ended September 26, 2021	For the 13 weeks ended September 27, 2020	For the 39 weeks ended September 26, 2021	For the 39 weeks ended September 27, 2020
Current income tax expense				
Current period	$ 2,685	$ 4,576	$ 7,581	$ 11,455
Adjustments for prior years	95	(4,482)	95	(4,482)
	$ 2,780	**$ 94**	**$ 7,676**	**$ 6,973**
Deferred income tax expense (recovery)				
Benefit from previously unrecognized tax asset	$ —	$ (19)	$ (1,136)	$ (19)
Origination and reversal of temporary differences	2,505	50	3,819	(27,767)
Adjustments for prior years	(778)	4,398	(778)	4,398
	$ 1,727	**$ 4,429**	**$ 1,905**	**$ (23,388)**
Net income tax expense (recovery)	**$ 4,507**	**$ 4,523**	**$ 9,581**	**$ (16,415)**

Recognized deferred tax assets and liabilities

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Opening balance	$ (43,713)	$ (61,592)	$ (61,592)
Deferred income tax recovery (expense)	(1,905)	17,275	23,388
Burger Priest and Fresh Since 1999 Acquisitions	(7,276)	—	—
Income taxes recognized in other comprehensive income	(998)	1,095	530
Other	(25)	(491)	184
Deferred Tax Asset (Liabilities)	**$ (53,917)**	**$ (43,713)**	**$ (37,490)**

12 Inventories

Inventories consist of food and packaging materials used in St-Hubert's and The Keg's food processing and distribution division 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)	September 26, 2021	December 27, 2020	September 27, 2020
Raw materials	$ 12,231	$ 7,041	$ 7,568
Work in progress	1,241	1,067	1,100
Finished goods	35,328	26,254	23,425
Food and beverage supplies	11,608	10,559	11,556
	$ 60,408	**$ 44,921**	**$ 43,649**

13 Long-term receivables

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Lease receivables	$ 337,473	$ 354,455	$ 395,466
Franchise receivables	5,738	7,623	8,007
Due from related parties	1,352	18,666	17,830
Promissory notes	200	346	470
Total long term receivables	**$ 344,763**	**$ 381,090**	**$ 421,773**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Current portion of long-term receivables	$ 69,825	$ 66,297	$ 65,504
Long-term receivables	274,938	314,793	356,269
	$ 344,763	**$ 381,090**	**$ 421,773**

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 related to non-consolidated franchisees and are related to the long-term obligation of the franchisee sub-tenants 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 locations where the Company remained as guarantor 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 receivable, 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 and sublease receivables assets.

Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivables. For the 13 and 39 weeks ended September 26, 2021, the Company recorded an impairment loss reversal of $1.5 million and $2.6 million, respectively (13 and 39 weeks ended September 27, 2020 - impairment loss reversal of $10.2 million and impairment loss of $16.7 million, respectively) on long-term lease receivables using the expected credit loss model.

Lease receivables have maturity dates ranging from 2021 to 2037 and bear an average effective interest rate of 3.7% to 4.4%.

(in thousands of Canadian dollars)	**For the 39 weeks ended September 26, 2021**	**For the 52 weeks ended December 27, 2020**	**For the 39 weeks ended September 27, 2020**
Balance, beginning of period	$ 354,455	$ 455,245	$ 455,245
Additions	2,360	1,075	1,833
Lease renewals and modifications, terminations and other adjustments	30,270	(22,948)	10,107
Interest income	10,666	17,029	13,085
Impairment gain/(loss)	2,586	(5,834)	(16,691)
Payments and amounts payable	(62,864)	(90,112)	(68,113)
	$ 337,473	**$ 354,455**	**$ 395,466**

Franchise receivables

In prior years, the Company converted certain corporate restaurants to franchise 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 $5.7 million (September 27, 2020 - $8.0 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 is recorded when the credit risk is assessed to have increased for the lease receivables. For the 13 and 39 weeks ended September 26, 2021, the Company recorded $nil (13 and 39 weeks ended September 27, 2020 - $nil) of impairment loss on long-term franchise receivables.

Franchise receivables have maturity dates ranging from 2021 to 2034 and bear an average effective interest rate of 8% - 10%.

Provision for impairment

For the 13 and 39 weeks ended September 26, 2021, the Company recorded $4.1 million and $0.6 million impairment loss (13 and 39 weeks ended September 27, 2020 - impairment loss reversal of $10.2 million and impairment loss of $16.7 million) on total long-term receivable.

The Company has recorded a provision for impairment against long-term receivables of $35.4 million as at September 26, 2021:

(in thousands of Canadian dollars)	For the 39 weeks ended September 26, 2021	For the 52 weeks ended December 27, 2020	For the 39 weeks ended September 27, 2020
Balance, beginning of period	$ 34,738	$ 29,616	$ 29,616
Impairment (reversal) loss related to lease receivable	(2,757)	5,834	16,691
Impairment loss related to equity investees	3,233	577	577
Write-offs	—	(722)	(722)
Adjustments	—	(567)	(567)
Impairment loss related to equipment leases	171	—	—
Provision for impairment	**$ 35,385**	**$ 34,738**	**$ 45,595**

14 Property, plant and equipment

	As at and for the 39 weeks ended September 26, 2021						
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Right-of-Use Assets	Construction-in-progress	Total
Cost							
Balance, beginning of year	$ 35,789	$ 115,734	$ 256,120	$ 241,903	$ 340,520	$ 9,860	$ 999,926
Additions	—	13	2,928	2,497	838	11,960	18,236
Acquisitions (note 5)	—	—	3,584	4,568	12,560	—	20,712
Lease renewals and modifications	—	—	—	—	(8,595)	—	(8,595)
Foreign exchange translation	—	—	(162)	(396)	(133)	—	(691)
Disposals and adjustments	(266)	(848)	(22,577)	(29,471)	1,722	—	(51,440)
Transfer to/(from) construction-in-progress	—	13	5,471	8,200	—	(13,684)	—
Balance as at September 26, 2021	$ 35,523	$ 114,912	$ 245,364	$ 227,301	$ 346,912	$ 8,136	$ 978,148
Accumulated depreciation and impairment losses							
Balance, beginning of year	$ —	$ 19,027	$ 177,407	$ 149,546	$ 115,670	$ —	$ 461,650
Depreciation expense	—	2,758	18,159	18,357	29,949	—	69,223
Impairment loss	—	—	475	434	4,212	—	5,121
Reversal of impairment losses	—	—	—	—	(1,239)	—	(1,239)
Foreign exchange translation	—	—	(142)	(349)	(63)	—	(554)
Disposals and adjustments	—	(781)	(18,624)	(22,906)	—	—	(42,311)
Balance as at September 27, 2020	$ —	$ 21,004	$ 177,275	$ 145,082	$ 148,529	$ —	$ 491,890
Carrying amount as at September 26, 2021	$ 35,523	$ 93,908	$ 68,089	$ 82,219	$ 198,383	$ 8,136	$ 486,258
December 27, 2020	$ 35,789	$ 96,707	$ 78,713	$ 92,357	$ 224,850	$ 9,860	$ 538,276
September 27, 2020	$ 35,789	$ 97,600	$ 79,600	$ 104,278	$ 236,483	$ 11,037	$ 564,787

Impairment losses

For the 39 weeks ended September 26, 2021, the Company recorded $5.1 million (39 weeks ended September 27, 2020 - $24.5 million) of impairment losses on property, plant and equipment in respect of 12 cash generating units ("CGUs") (39 weeks ended September 27, 2020 - 76 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"). 100% (September 27, 2020 - 46%) of impaired CGUs had carrying values greater than their FVLCS. None (September 27, 2020 - 54%) of impaired CGUs had carrying values greater than their VIU.

For the 39 weeks ended September 26, 2021, the Company recorded $1.2 million of impairment loss reversals (39 weeks ended September 27, 2020 - $7.5 million).

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%. The estimate of the VIU of the relevant CGUs was determined using an after-tax discount rate of 3.7% to 11.7% at September 26, 2021 (September 27, 2020 - 3.7% to 12%).

15 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. Re-acquired franchise rights and other assets are amortized on a straight-line basis over their estimated useful lives, averaging approximately five years.

	As at and for the 39 weeks ended September 26, 2021			
(in thousands of Canadian dollars)	**Brands**	**Other assets**	**Investment in joint ventures** (note 27)	**Total**
Cost				
Balance, beginning of year	$ 530,516	$ 92,070	$ 18,636	$ 641,222
Additions from business acquisitions	5	—	—	5
Additions	—	—	—	—
Disposal	—	(75)	(1,332)	(1,407)
Share of gain	—	—	374	374
Adjustments and transfers	(224)	—	10	(214)
Balance as at March 28, 2021	**$ 530,297**	**$ 91,995**	**$ 17,688**	**$ 639,980**
Additions from business acquisitions (Note 5)	26,185	—	—	26,185
Additions	—	—	—	—
Disposal	—	75	1,332	1,407
Share of gain	—	—	(394)	(394)
Adjustments and transfers	219	6	(17,358)	(17,133)
Balance as at June 27, 2021	**$ 556,701**	**$ 92,076**	**$ 1,268**	**$ 650,045**
Additions from business acquisitions (Note 5)	5	—	—	5
Additions	—	—	—	—
Disposal	(27,048)	(7,649)	—	(34,697)
Share of gain	—	—	57	57
Adjustments and transfers	—	(106)	(1)	(107)
Balance as at September 26, 2021	**$ 529,658**	**$ 84,321**	**$ 1,324**	**$ 615,303**
Accumulated amortization				
Balance, beginning of year	$ 3,839	$ 30,576	$ —	$ 34,415
Amortization	—	1,031	—	1,031
Other	—	(189)	—	(189)
Adjustments and transfers	—	(36)	—	(36)
Balance as at March 28, 2021	**$ 3,839**	**$ 31,382**	**$ —**	**$ 35,221**

Amortization	—	1,041	—	1,041
Disposal	—	—	—	—
Impairment	—	—	—	—
Other	—	335	—	335
Balance as at June 27, 2021	**$ 3,839**	**$ 32,758**	**$ —**	**$ 36,597**
Amortization	—	1,056	—	1,056
Disposal	—	(6,712)	—	(6,712)
Impairment	1,400	—	—	1,400
Other	—	—	—	—
Balance as at September 26, 2021	**$ 5,239**	**$ 27,102**	**$ —**	**$ 32,341**
Carrying amount as at September 26, 2021	**$ 524,419**	**$ 57,219**	**$ 1,324**	**$ 582,962**
December 27, 2020	$ 526,677	$ 61,494	$ 18,636	$ 606,807
September 27, 2020	$ 530,515	$ 63,385	$ 18,030	$ 611,930

16 Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill represents the excess of the purchase price of a business acquired over the fair value of the underlying net assets acquired at the date of acquisition. Goodwill is allocated at the date of the acquisition to a group of cash generating units that are expected to benefit from the synergies of the business combination, but no higher than an operating segment. Goodwill is not amortized and is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

(in thousands of Canadian dollars)	For the 39 weeks ended September 26, 2021	For the 52 weeks ended December 27, 2021	For the 39 weeks ended September 27, 2020
Cost			
Balance, beginning of period	$ 198,313	$ 198,313	$ 198,313
Additions from business acquisitions (note 5)	24,533	—	—
Disposals (note 5)	(11,014)	—	—
Balance, end of period	**$ 211,832**	**$ 198,313**	**$ 198,313**

17 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)	For the 39 weeks ended September 26, 2021 Asset retirement obligations	Other	Total
Balance, beginning of year	$ 4,283	$ 2,175	$ 6,458
Additions	294	543	837
Accretion	177	—	177
Payments	(15)	(695)	(710)
Adjustments	(902)	1,149	247
Balance as at September 26, 2021	**$ 3,837**	**$ 3,172**	**$ 7,009**
December 27, 2020	$ 4,283	$ 2,175	$ 6,458
September 27, 2020	$ 4,607	$ 4,839	$ 9,446

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Provisions-current	$ 3,232	$ 2,725	$ 2,346
Provisions-long-term	3,777	3,733	7,100
	$ 7,009	**$ 6,458**	**$ 9,446**

18 Long-term debt

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Private debt	$ 250,000	$ 250,000	$ 250,000
Term credit facility - revolving	177,323	207,323	229,323
The Keg credit facilities	34,500	34,500	23,724
	461,823	491,823	503,047
Less: financing costs	2,839	2,989	3,206
	$ 458,984	**$ 488,834**	**$ 499,841**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Current portion of long-term debt	$ 894	$ —	$ 4,724
Long-term portion of long-term debt	458,090	488,834	495,117
	$ 458,984	**$ 488,834**	**$ 499,841**

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 rank pari passu in right of payment with the lenders under the Company's amended and restated credit agreement ("Term Credit Facility"), are secured on a first lien basis on the assets that secure the Company's New Credit Facility, and are guaranteed by all material subsidiaries and holding companies of the Company on the same basis as the New Credit Facility. 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 September 26, 2021, there were $250.0 million (December 27, 2020 - $250.0 million; September 27, 2020 - $250.0 million) of Notes outstanding.

Term credit facility

On May 1, 2019, the Company amended and extended the terms of its existing syndicated bank credit facility. The New Credit Facility, the fifth 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 matures on May 1, 2024 and a $150.0 million tranche that matures on May 1, 2022. The $250.0 million accordion feature is applicable to either tranche and it has been upsized from $50.0 million under the Company's previous credit facility.

The interest rate applied on amounts drawn by the Company under its new credit facility is the effective bankers' acceptance rate or prime rate plus a spread. The spread is based on the Company's total funded net debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio, as defined in the new credit agreement, measured using EBITDA for the four most recently completed fiscal quarters.

As at September 26, 2021, $177.3 million (December 27, 2020 - $207.3 million; September 27, 2020 - $229.3 million) was drawn under the amended and extended credit facilities. For the 39 weeks ended September 26, 2021, the effective interest rate was 3.73% representing bankers acceptance rate of 0.66% plus 2.00% borrowing spread, standby fees and the amortization of deferred financing fees of 1.07%. As at September 26, 2021, the effective interest rate was 3.01%, representing bankers acceptance rate of 0.25% plus 2.00% borrowing spread, standby fees and the amortization of deferred financing fees of 0.76%.

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. The standby fee, like the interest rate, is based on the Company's total funded net debt to EBITDA ratio. As of September 26, 2021 the standby fee rate was 0.40%.

February 2021 amendments to the term credit facility and private debt

The terms of the Company's syndicated bank credit facility and private debt require that it comply with certain financial covenants including a maximum leverage ratio and a minimum interest coverage ratio. The leverage ratio is determined by dividing total funded net debt by annualized EBITDA ("Leverage Ratio"), each as defined in the facility agreements. The interest coverage ratio is determined by dividing annualized EBITDA plus net rent expense, by total cash interest expense plus net rent expense ("Interest Coverage Ratio"), as defined in the facility agreements.

In early 2021, the Company remained in compliance with all financial covenants. However, the ongoing COVID-19 pandemic and associated operating restrictions imposed by the government was expected to have a negative impact on the Company's 2021 first and second quarter EBITDA results, which may have challenged the Company's compliance with the 2021 quarterly financial covenants, in particular the Leverage Ratio. As a result, the Company amended the terms of its bank credit facility and private notes on February 18, 2021.

As part of the amendments the definitions of annualized EBITDA used for the purpose of calculating the Leverage Ratio and Interest Coverage Ratio was temporarily amended and will remain in effect through the end of the second quarter of 2022. In addition, the maximum Leverage Ratio was increased to 4.0 times EBITDA through the end of the fourth quarter of 2021 (thereafter will return to the pre-amendment level of 3.5 times annualized EBITDA).

As at September 26, 2021, the Company was in compliance with the amended financial covenants.

The Keg Credit Facilities

On September 28, 2013, Keg Restaurants Ltd. ("KRL") entered into an amended multi-option credit agreement with its Canadian banking syndicate for the expansion of restaurant operations. The revolving credit and term loan facilities, with a syndicate of two Canadian banks, are available to finance the construction of certain new corporate restaurants and major renovations in Canada.

On November 29, 2019, the Company renegotiated the terms of its credit agreement with its existing banking syndicate to modify it from a revolving credit/term loan facility to an all revolving facility, increased the size of the facility to $60.0 million, reduced the interest rate and extended the maturity date. The credit facility is now comprised of a $55.0 million revolving facility with no set term of repayments and a $5.0 million revolving demand operating facility. The Company's credit facility bears interest at a rate between bank prime and bank prime plus 0.75%, based on certain financial criteria, rather than at bank prime plus 0.25% to bank prime plus 1.0%. On June 24, 2021, the maturity date was extended from July 4, 2022 to June 30, 2024.

On June 26, 2020, December 22, 2020, and again on June 24, 2021, KRL entered into an amended and re-stated credit agreement with its Canadian banking syndicate. The amendments eliminate certain financial covenants and revise others until March 27, 2022. A new financial covenant requires KRL's liquidity to not be less than certain specified values until September 26, 2021, tested on a quarterly basis. The interest rate on the bank debt was increased from its existing level of bank prime to bank prime plus 0.75% effective June 29, 2020 until September 26, 2021. The June 24, 2021 amendment extended the maturity date of the facility from July 4, 2022 to June 30, 2024.

As at September 26, 2021, $22.0 million of this facility has been drawn (December 27, 2020 - $22.0 million; September 27, 2020 - $19.0 million).

The above credit facilities are secured by a general security agreement and hypothecation over KRL's Canadian and US assets and a pledge of all equity interests in the Partnership. As at September 26, 2021, KRL was in compliance with all covenants associated with these facilities.

On September 29, 2020, 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 term 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 repayments 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.

The movement in long-term debt from December 27, 2020 to September 26, 2021 is as follows:

(in thousands of Canadian dollars)	Private Debt	Term Credit Facility	Keg Credit Facilities	Total
Principal balance at December 27, 2020	$ 250,000	$ 207,323	$ 34,500	$ 491,823
Less unamortized deferred Financing costs	(1,543)	(1,241)	(205)	(2,989)
Balance at December 27, 2020	$ 248,457	$ 206,082	$ 34,295	$ 488,834
Changes from financing cash flows				
Issuance of borrowings	—	10,000	—	10,000
Addition to deferred financing costs	(149)	(310)	—	(459)
Balance due to changes from financing cash flows as at March 28, 2021	**$ 248,308**	**$ 215,772**	**$ 34,295**	**$ 498,375**
Non-cash movements				
Amortization of deferred financing costs	49	193	34	276
Balance at March 28, 2021	**$ 248,357**	**$ 215,965**	**$ 34,329**	**$ 498,651**
Repayment of borrowings	—	(13,000)	—	(13,000)
Issuance of borrowings	—	23,000	—	23,000
Addition to deferred financing costs	(18)	(18)	(172)	(208)
Balance due to changes from financing cash flows as at June 27, 2021	$ 248,339	$ 225,947	$ 34,157	$ 508,443
Non-cash movements				
Amortization of deferred financing costs	52	204	44	300
Balance at June 27, 2021	**$ 248,391**	**$ 226,151**	**$ 34,201**	**$ 508,743**
Repayment of borrowings	—	(50,000)	—	(50,000)
Addition to deferred financing costs	—	—	(1)	(1)
Balance due to changes from financing cash flows as at September 26, 2021	$ 248,391	$ 176,151	$ 34,200	$ 458,742
Non-cash movements				
Amortization of deferred financing costs	52	168	22	242
Balance at September 26, 2021	**$ 248,443**	**$ 176,319**	**$ 34,222**	**$ 458,984**

The movement in long-term debt from December 29, 2019 to September 27, 2020 is as follows:

(in thousands of Canadian dollars)	Private Debt	Term Credit facility	Keg credit facilities	Total
Balance at December 29, 2019	$ 250,000	$ 210,325	$ 19,000	$ 479,325
Less Financing costs	(1,625)	(1,771)	(187)	(3,583)
	248,375	208,554	18,813	475,742
Changes from financing cash flows				
Issuance of borrowings	—	(5,000)	—	(5,000)
Repayment of borrowings	—	300,000	—	300,000
Balance due to changes from financing cash flows as at March 29, 2020	$ 248,375	$ 503,554	$ 18,813	$ 770,742
Non-cash movements				
Amortization of deferred financing costs	44	168	20	232
Balance at March 29, 2020	248,419	503,722	18,833	770,974
Repayment of borrowings	—	(56,002)	—	(56,002)
Issuance of borrowings	—	—	—	—
Addition to deferred financing costs	(100)	(166)	—	(266)
Balance due to changes from financing cash flows as at June 28, 2020	$ 248,319	$ 447,554	$ 18,833	$ 714,706
Non-cash movements				
Amortization of deferred financing costs	45	175	(51)	169
Balance at September 27, 2020	**$ 248,364**	**$ 447,729**	**$ 18,782**	**$ 714,875**
Repayment of borrowings	—	(220,000)	(2,997)	(222,997)
Issuance of borrowings	—	—	3,000	3,000
Addition to deferred financing costs	—	—	4,721	4,721
Balance due to changes from financing cash flows as at September 27, 2020	$ 248,364	$ 227,729	$ 23,506	$ 499,599
Non-cash movements				
Amortization of deferred financing costs	46	178	18	242
Balance at September 27, 2020	**$ 248,410**	**$ 227,907**	**$ 23,524**	**$ 499,841**

Debt repayments

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

(in thousands of Canadian dollars)	2021	2022	2023	2024	2025	Thereafter
Private Debt	—	—	—	—	—	$ 250,000
Revolving Credit Facility	—		—	$ 177,323	—	—
Keg Credit Facilities	$ 893	$ 893	$ 893	$ 22,893	$ 8,929	—
Total [1]	**$ 893**	**$ 893**	**$ 893**	**$ 200,216**	**$ 8,929**	**$ 250,000**

[1] The total does not reflect any interest payments.

19 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.

(in thousands of Canadian dollars)	For the 39 weeks ended September 26 2021	For the 52 weeks ended December 27 2020	For the 39 weeks ended September 27, 2020
Balance, beginning of period	$ 664,723	$ 768,449	$ 768,449
Acquisitions (note 5)	12,560	—	—
Additions	3,212	12,265	12,652
Lease renewals and modifications	33,018	42,823	28,052
Lease terminations	(19,827)	(32,241)	(3,546)
Net (gain) loss on settlement of lease liability	(1,507)	1,149	369
Change in lease liability due to rent concessions	(647)	(16,171)	(8,667)
Other adjustments	1,240	1,370	(333)
Interest expense	19,185	29,188	22,156
Foreign translation adjustment	(94)	(84)	290
Payments and amounts payable	(107,551)	(142,025)	(105,910)
Balance, end of period	**$ 604,312**	**$ 664,723**	**$ 713,512**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Current portion of lease liabilities	$ 111,908	$ 119,754	$ 121,500
Lease liabilities	492,404	544,969	592,012
	$ 604,312	**$ 664,723**	**$ 713,512**

20 Other long-term liabilities

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Non-controlling interest liability	$ 11,828	$ 20,365	$ 22,483
Accrued pension and other benefit plans	20,928	25,192	23,003
Deferred income	7,174	8,281	9,056
Contingent liability	3,389	3,389	7,000
Deferred rental income	1,341	2,591	2,718
Other long-term liabilities	397	604	680
Deferred share units	1,506	1,346	799
Restricted share units	3,540	1,421	745
	$ 50,103	**$ 63,189**	**$ 66,484**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	September 26, 2021	December 27, 2020	September 27, 2020
Accounts payable and accrued liabilities	$ 1,729	$ 4,283	$ 4,469
Other long-term liabilities	48,374	58,906	62,015
	$ 50,103	**$ 63,189**	**$ 66,484**

Accrued pension and other benefit plans

The Company sponsors a number of pension plans, including a registered funded defined benefit pension plan, a multi-employer pension plan, a defined contribution plan and other supplemental unfunded unsecured arrangements providing pension benefits in excess of statutory limits. The defined benefit plans are non-contributory and these benefits are, in general, based on career average earnings subject to limits.

For the 13 and 39 weeks ended September 26, 2021, the Company recorded expenses of $0.4 million and $0.8 million (13 and 39 weeks ended September 27, 2020 - $0.2 million and $0.6 million) related to pension benefits, respectively.

The Company's pension plans are subject to changes in actuarial assumptions, including changes in discount rates. As at September 26, 2021, the Company estimates that the discount rates applicable to its pension plans have increased to 2.74% - 3.34% from 2.15% - 2.75% as at December 27, 2020. For the 13 and 39 weeks ended September 26, 2021, the estimated change in discount rates resulted in an after tax actuarial gain/loss of $nil and an after tax actuarial gain of $2.8 million, which was recorded in other comprehensive income.

Non-controlling interest liability

In connection with the Original Joe’s transaction, a non-controlling interest liability representing 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 September 26, 2021, the Company's has recorded $11.8 million (December 27, 2020 - $20.4 million; September 27, 2020 - $22.5 million) related to non-controlling interest liability.

Contingent liability

In connection with The Keg and the Marigolds and Onions acquisitions, a contingent liability in the amount of $3.4 million has been recorded as at September 26, 2021 (December 27, 2020 - $3.4 million; September 27, 2020 - $7.0 million), representing amounts payable to the former shareholders contingent on certain targets and conditions being met. For the 13 and 39 weeks ended September 26, 2021, there were no changes to the amounts recorded (13 and weeks ended September 27, 2020 - $nil) related to the contingent liability.

Deferred income

Unearned franchise and conversion fee income

At September 26, 2021, the Company had deferred $2.2 million (December 27, 2020 - $2.6 million; September 27, 2020 - $3.1 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 September 26, 2021, the Company had deferred $1.2 million (December 27, 2020 - $1.7 million; September 27, 2020 - $1.8 million) related to previous gains realized on sale-leaseback transactions.

Covenancy fees

The Company collects covenancy fees from franchisees on subtenant leases. At September 26, 2021, the Company had unearned covenancy fees of $3.2 million (December 27, 2020 - $3.5 million; September 27, 2020 - $4.0 million) in connection with recording a lease receivable on transition to IFRS 16 (see note 3 and 13).

Unearned Revenue

The Company earns sales incentives which includes rebates and promotional programs based on achievement of specified volume or growth in volume levels and other agreed promotional activities. At September 26, 2021, the Company had unearned revenue of $0.4 million (December 27, 2020 - $0.5 million; September 27, 2020 - $0.2 million).

Deferred rental income

In prior years, the Company converted certain corporate restaurants to franchise 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 $1.3 million balance at September 26, 2021 (December 27, 2020 - $2.6 million; September 27, 2020 - $2.7 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.

Deferred share units ("DSU")

The non-employee board members receive DSUs as compensation for their participation on the board. These DSUs are settled for cash when members cease to participate on the board of directors and are remeasured at fair value through profit or loss at each balance sheet date. For the 13 and 39 weeks ended September 26, 2021, the Company recognized a recovery of $0.3 and 0.8 million, respectively (13 and 39 weeks ended September 27, 2020 - expense of $0.1 million and a recovery of $0.4 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $1.5 million as at September 26, 2021 (December 27, 2020 - $1.3 million; September 27, 2020 - $0.8 million).

Restricted share units ("RSU")

RSUs are granted at the beginning of each year and are earned only if certain performance conditions are met. RSUs vest after 3 years and will be settled for cash. For the 13 and 39 weeks ended September 26, 2021, the Company recognized an expense of $0.3 million and $2.1 million (13 and 39 weeks ended September 27, 2020 expense of $0.1 million and $0.2 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $3.5 million as at September 26, 2021 (December 27, 2020 - $0.9 million; September 27, 2020 - $0.7 million).

21 Long-term incentive plans

Under the various stock option plans, the Company may grant options to buy up to 15% of its total Subordinate and Multiple Voting Shares outstanding, a total of 8.5 million shares, a guideline the Company has set on the number of stock option grants. As at September 26, 2021, approximately 6.1 million stock options were granted and outstanding.

Stock options outstanding as at September 26, 2021 have a term of up to eight years from the initial grant date. Each stock option is exercisable into one Subordinate Voting Share at the price specified in the terms of the option agreement. The outstanding number of options and weighted average exercise price/ share for the prior year was updated and a reclassification was made to the employee stock option plan to conform with current year's presentation.

The following table summarizes the options granted:

	For the 39 weeks ended September 26, 2021					
	Legacy CEO stock option plan		Employee stock option plan		Total	
	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share
Outstanding options, December 27, 2020	2,449,355	$ 8.74	3,939,279	$ 32.64	6,388,634	$ 23.48
Granted	—	$ —	350,000	$ 21.68	350,000	$ 21.68
Exercised	(604,900)	$ 8.51	(24,827)	$ 8.51	(629,727)	$ 8.51
Forfeited	—	$ —	(27,755)	$ 26.03	(27,755)	$ 26.03
Outstanding options, end of period	**1,844,455**	**$ 8.81**	**4,236,697**	**$ 31.92**	**6,081,152**	**$ 24.91**
Options exercisable, end of period	**1,844,455**	**$ 8.81**	**615,008**	**$ 24.73**	**2,459,463**	**$ 12.79**

	For the 39 weeks ended September 27, 2020					
	Legacy CEO stock option plan		Employee stock option plan		Total	
	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share	Options (number of shares)	Weighted average exercise price/share
Outstanding options, December 29, 2019	2,449,355	$ 8.74	4,043,977	$ 32.49	6,493,332	$ 23.53
Granted	—	$ —	—	$ —	—	$ —
Exercised	—	$ —	—	$ —	—	$ —
Forfeited	—	$ —	(90,639)	$ 28.44	(90,639)	$ 28.44
Outstanding options, end of period	**2,449,355**	**$ 8.74**	**3,953,338**	**$ 32.58**	**6,402,693**	**$ 23.46**
Options exercisable, end of period	**2,449,355**	**$ 8.74**	**623,333**	**$ 24.02**	**3,072,688**	**$ 11.78**

Legacy CEO stock option plan

Under the legacy CEO Stock Option Plan (the “Legacy CEO Plan”), the Company’s former CEO was granted the right to purchase Subordinate Voting Shares of the Company. The options vest pro-rata each year and expire after eight years. The settlement of the options can only be into the common share equity of the Company.

During the 13 and 39 weeks ended September 26, 2021, 385,400 and 604,900 stock options with a weighted average exercise price of $8.51 were exercised by the former CEO, respectively (13 and 39 weeks ended September 27, 2020 – no stock options were exercised).

For the 13 and 39 weeks ended September 26, 2021, the Company recognized stock-based compensation costs of $nil (13 and 39 weeks ended September 27, 2020 - $nil) related to the Legacy CEO Plan.

Employee stock option plan

Under the Employee Stock Option Plan (“Employee Plan”), the Company granted options in accordance with certain terms of the CEO and CFO employment agreement to purchase Subordinate Voting Shares of the Company.

Under the Employee Plan, the Company also granted options to various members of the Company’s management team to purchase Subordinate Voting Shares of the Company. The options vest after 3 years and expire after eight years.

Under this plan, the CEO has 550,000 options at an average exercise price of $24.68, the CFO has 280,000 options at an average exercise price of $25.33, and the Company's management team has 3,406,697 options at an average exercise price of 33.63.

During the 13 and 39 weeks ended September 26, 2021, 250,000 stock options with a weighted average exercise price of $21.68 were granted to the CEO (13 and 39 weeks ended September 27, 2020 - no stock options were granted) and 100,000 stock options with a weighted average exercise price of $21.68 were granted to the CFO (13 and 39 weeks ended September 27, 2020 – no stock options were granted).

During the 13 and 39 weeks ended September 26, 2021, 5,376 and 24,827 stock options with an average exercise price of $8.51 were exercised under the Employee Plan (13 and 39 weeks ended September 27, 2020 – no stock options were exercised).

During the 13 and 39 weeks ended September 26, 2021, nil and 27,750 stock options with an average exercise price of $26.03 were forfeited (13 and 39 weeks ended September 27, 2020 – 84,946 and 90,639 stock options with a weighted average exercise price of $28.22 and $28.44 were forfeited, respectively).

For the 13 and 39 weeks ended September 26, 2021, the Company recognized a stock-based compensation expense of $0.2 million and $0.3 million (13 and 39 weeks ended September 27, 2020 - recovery of $0.4 million and $0.1 million) related to the Employee Plan.

Restricted share units ("RSU")

RSUs are granted at the beginning of each year and are earned only if certain performance conditions are met. RSUs earned and outstanding represent RSUs that have been earned as a result of achieving certain performance targets. RSUs vest after 3 or 4 years and will be settled for subordinate voting shares.

	For the 13 weeks ended		For the 39 weeks ended	
RSUs earned and outstanding	**September 26, 2021**	**September 27, 2020**	**September 26, 2021**	**September 27, 2020**
RSUs outstanding, beginning of period	191,286	197,949	196,213	200,736
RSUs granted and earned in the period	—	—	—	—
RSUs exercised	(2,368)	—	(7,295)	—
RSUs forfeited	—	(916)	—	(3,703)
RSUs outstanding, end of period	**188,918**	**197,033**	**188,918**	**197,033**
RSUs vested, end of period	**113,918**	**—**	**113,918**	**—**

During the 13 and 39 weeks ended September 26, 2021, nil RSUs were forfeited (13 and 39 weeks ended September 27, 2020 - 916 and 3,703 RSUs were forfeited, respectively). For the 13 and 39 weeks ended September 26, 2021, the Company recognized a stock-based compensation expense of $0.1 million and $0.6 million, respectively (13 and 39 weeks ended September 27, 2020 - $0.3 million and $1.0 million, respectively) related to RSUs.

Performance Share Units ("PSU")

The Company has granted PSUs which are earned when certain long-term performance targets are achieved. The total number of PSUs earned can increase if maximum performance targets are met. PSUs are earned only if the performance target is achieved at the end of the 3-year period from grant date, vest 5 years from the grant date and expire 10 years from the grant date.

As at September 26, 2021, there were 123,928 PSUs granted but not yet earned or vested that can increase to 227,857 PSUs if maximum 3 year performance targets are achieved. PSUs will be settled for subordinate voting shares. For the 13 and 39 weeks ended September 26, 2021, the Company recognized a stock-based compensation expense of $nil (13 and 39 weeks ended September 27, 2020 - $nil) related to PSUs.

22 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, and together with the Subordinate Voting Shares (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.

On June 20, 2019, the Company announced its notice of intention to continue its normal course issuer bid (“NCIB”) for its Subordinate Voting Shares. The Company was permitted to purchase up to 1,822,329 Subordinate Voting Shares during the period from June 24, 2019 to June 23, 2020, after which period the NCIB expired. Purchases of the Subordinate Voting Shares were made at market prices and any Subordinate Voting Shares purchased through the NCIB were cancelled. During the 39 weeks ended September 27, 2020, the Company purchased and cancelled 25,518 Subordinate Voting Shares for $0.3 million.

As at September 26, 2021, there were 34,054,824 Multiple Voting Shares and 22,945,023 Subordinate Voting Shares issued and outstanding (September 27, 2020 - 34,054,824 Multiple Voting Shares and 22,298,083 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 December 29, 2019	34,055	22,323	56,378	$183,297	$ 433,829	$ 617,126
Share re-purchase under NCIB	—	(26)	(26)	—	(312)	(312)
Balance at September 27, 2020	**34,055**	**22,297**	**56,352**	**$183,297**	**$ 433,517**	**$ 616,814**
Shares issued under stock option plan	—	10	10	$ —	$ 84	$ 84
Balance at December 27, 2020	**34,055**	**22,308**	**56,363**	**$183,297**	**$ 433,601**	**$ 616,898**
Shares issued under stock option plan	—	10	10	$ —	$ 85	$ 85
Shares issued through exercise of RSUs	—	3	3	—	76	76
Balance at March 28, 2021	**34,055**	**22,321**	**56,376**	**$183,297**	**$ 433,762**	**$ 617,059**
Shares issued under stock option plan	—	229	229	$ —	$ 1,948	$ 1,948
Shares issued through exercise of RSUs	—	2	2	—	53	53
Balance at June 27, 2021	**34,055**	**22,552**	**56,607**	**$183,297**	**$ 435,763**	**$ 619,060**
Shares issued under stock option plan	—	391	391	$ —	$ 3,326	$ 3,326
Shares issued through exercise of RSUs	—	2	2	—	62	$ 62
Balance at September 26, 2021	**34,055**	**22,945**	**57,000**	**$183,297**	**$439,151**	**$622,448**

23 Earnings per share

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 including the effect of stock options issued.

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

	13 weeks ended September 26, 2021			13 weeks ended September 27, 2020		
	Net earnings (loss) attributable to shareholders of the Company	Weighted average number of shares	**EPS**	Net earnings (loss) attributable to shareholders of the Company	Weighted average number of shares	**EPS**
Basic	$ 13,161	57,000	**$ 0.23**	5,092	56,353	**$ 0.09**
Diluted	$ 13,161	58,313	**$ 0.23**	5,092	56,908	**$ 0.09**

	39 weeks ended September 26, 2021			39 weeks ended September 27, 2020		
	Net earnings (loss) attributable to shareholders of the Company	Weighted average number of shares	**EPS**	Net earnings (loss) attributable to shareholders of the Company	Weighted average number of shares	**EPS**
Basic	$ 45,466	56,661	**$ 0.80**	$ (76,214)	56,361	**$ (1.35)**
Diluted	$ 45,466	57,848	**$ 0.79**	$ (76,214)	56,361	**$ (1.35)**

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

	For the 13 weeks ended		For the 39 weeks ended	
	September 26, 2021	**September 27, 2020**	**September 26, 2021**	**September 27, 2020**
Common shares	56,999,847	56,352,907	56,660,759	56,361,413
Effect of stock options issued (1).	1,313,382	555,056	1,187,663	—
	58,313,229	**56,907,963**	**57,848,422**	**56,361,413**

(1). 4,178,706 shares for the 13 weeks ended September 26, 2021 and for the 39 weeks ended September 26, 2021 have been excluded because they are anti-dilutive.

24 Cash flows

The changes in non-cash working capital components, net of the effects of acquisitions and discontinued operations, are as follows:

(in thousands of Canadian dollars)	For the 13 weeks ended September 26 2021	For the 13 weeks ended September 27 2020	For the 39 weeks ended September 26 2021	For the 39 weeks ended September 27 2020
Accounts receivable	$ 17,491	$ 1,574	$ 37,639	$ 40,465
Inventories	(4,285)	(2,853)	(15,487)	(3,668)
Income taxes payable	(1,515)	2,617	(5,577)	(4,705)
Prepaid expenses and other assets	203	930	5	(479)
Accounts payable and accrued liabilities	13,440	26,784	1,697	25,141
Gift card liability	(12,561)	(8,646)	(33,487)	(45,071)
Income taxes paid	4,238	(2,717)	13,308	11,734
Change in interest payable	(2,579)	(2,619)	(2,487)	(493)
Net change in non-cash operating working capital	**$ 14,432**	**$ 15,070**	**$ (4,389)**	**$ 22,924**

25 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 divestiture of the Milestones brand, the Company continues to be a guarantor in the lease arrangements (note 5). In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, commodity 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 $0.7 million (September 27, 2020 - $1.6 million) primarily related to the Company as part of its normal course of business.

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.

26 Financial instruments and risk management

Market risk

Market risk is the loss that may arise from changes in factors such as interest rate, commodity prices and the impact these factors may have on other counterparties.

Interest rate risk

The Company is exposed to interest rate risk from the issuance of variable rate long-term debt. To manage the exposure, the Company closely monitors market conditions for potential changes in interest rates and may enter into interest rate derivatives from time to time.

Commodity price risk

The Company is exposed to increases in the prices of commodities in operating its corporate restaurants and food manufacturing and distribution division. To manage this exposure, the Company uses purchase arrangements for a portion of its needs for certain consumer products that may be commodities based.

Liquidity and capital availability risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

Should the Company's financial performance and condition deteriorate, the Company's ability to obtain funding from external sources may be restricted. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its long-term debt as it matures. The Company mitigates these risks by maintaining appropriate availability under the credit facilities and varying maturity dates of long-term obligations and by actively monitoring market conditions.

Continued compliance with the covenants under the amended credit facilities is dependent on the Company achieving its financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. The Company mitigates this risk by amending its lending covenants with its bank syndicate and Private Noteholders. The amendments were completed on February 18, 2021 and provide additional covenant flexibility during the COVID-19 disruption period. The covenants amendments are effective through the first quarter of 2022. The Company will continue to carefully monitor its compliance with the covenants.

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 September 26, 2021, December 27, 2020 and September 27, 2020:

(in thousands of Canadian dollars)								**September 26, 2021**
		Current		**> 30 days past due**		**> 60 days past due**		**Total**
Accounts receivable (net of allowance)	**$**	**96,675**	**$**	**7,933**	**$**	**2,480**	**$**	**107,088**
Balance at December 27, 2020	$	83,283	$	11,329	$	11,660	$	106,272
Balance at September 27, 2020	$	50,375	$	19,636	$	6,338	$	76,349

There are no significant impaired receivables that have not been provided for in the allowance. As at September 26, 2021, the Company has taken an allowance of $9.0 million (December 27, 2020 - $27.9 million; September 27, 2020 - $34.7 million). The Company believes that the allowance sufficiently covers any credit risk related to the receivable balances past due. The remaining amounts past due were not classified as impaired as the past due status was reasonably expected to 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.

The different levels used to determine fair values have been defined as follows:

• Level 1 - inputs use quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Company has the ability to access.

• Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial assets or financial liabilities.

• Level 3 - inputs are unobservable inputs for the financial asset or financial liability and include situations where there is little, if any, market activity for the financial asset or financial liability.

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. The carrying amount of the debt associated with the Company's current financing would approximate its fair value as at September 26, 2021.

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.

27 Related parties

Shareholders

As at September 26, 2021, the Principal Shareholders hold 69.9% of the total issued and outstanding shares and have 97.4% of the voting control attached to all the shares. Cara Holdings holds 22.4% of the total issued and outstanding shares, representing 36.4% voting control. Fairfax holds 47.6% of the total issued and outstanding shares, representing 61.6% voting control.

During the 13 and 39 weeks ended September 26, 2021, the Company paid a dividend of $nil per share (13 and 39 weeks ended September 27, 2020 - $nil and $0.1177 per share) on the Subordinate and Multiple Voting Shares of which Fairfax received $nil (13 and 39 weeks ended September 27, 2020 - $nil and $3.2 million) and Cara Holdings received $nil (13 and 39 weeks ended September 27, 2020 - $nil and $1.5 million), respectively.

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 the 39 weeks ended September 26, 2021 and September 27, 2020.

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. The transaction is on market terms and conditions. As at September 26, 2021, 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 and 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. The closing market price of a Fund unit as at September 26, 2021 was $13.96. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings. During the 13 and 39 weeks ended September 26, 2021, the Company purchased nil KRIF units (52 weeks ended December 27, 2020 - nil, 13 and 39 weeks ended September 27, 2020 - nil).

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 September 26, 2021 was $13.96 (December 27, 2020 - $11.70, September 27, 2020 - $7.07).

	September 26, 2021		December 27, 2020		September 27, 2020	
(in thousands of Canadian dollars)	**# of units**	**Fair Value**	**# of units**	**Fair Value**	**# of units**	**Fair Value**
Class A Partnership units	905,944	$ 12,647	905,944	$ 10,600	905,944	$ 6,405
Class B Partnership units	176,700	2,467	176,700	2,067	176,700	1,249
Class D Partnership units	3,970,272	55,425	3,768,295	44,089	3,679,692	26,016
Exchangeable unit investment in the Partnership	5,052,916	$ 70,539	4,850,939	$ 56,756	4,762,336	$ 33,670
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	**10,752,916**	**$ 127,539**	**10,550,939**	**$ 113,756**	**10,462,336**	**$ 90,670**
Investment in KRIF units	250,000	3,490	250,000	2,925	250,000	1,768
Distributions earned on KRIF units	—	302	—	193	—	155
	11,002,916	**$ 131,331**	**10,800,939**	**$ 116,874**	**10,712,336**	**$ 92,593**

Other

As at September 26, 2021, long-term receivables include a non-interest bearing employee demand note in the amount $0.5 million (December 27, 2020 - $0.8 million, September 27, 2020 - $0.8 million).

As at September 26, 2021, the Company has a $2.6 million royalty fee payable, including GST, to the Fund (December 27, 2020 - $1.0 million, September 27, 2020 - $2.0 million) and a $0.3 million interest payable amount due to the Fund on the Keg Loan (December 27, 2020 - $0.3 million, September 27, 2020 - $0.3 million) included in accounts payable and accrued liabilities.

As at September 26, 2021, the Company has $1.2 million in distributions receivable from the Partnership (December 27, 2020 - $0.6 million September 27, 2020 - $0.9 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 treated as a related party transaction. The Company incurred royalty expense of $6.1 million and $11.2 million for the 13 and 39 weeks ended September 26, 2021 (13 and 39 weeks ended September 27, 2020 – $4.3 million and $10.8 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 The Keg Royalties Income Fund units which is presented as interest income on Partnership and Fund units in the statements of earnings and comprehensive income. During the 13 and 39 weeks ended September 26, 2021, the Company recorded investment income of $2.9 million and $6.6 million respectively, related to these units (13 and 39 weeks ended September 27, 2020 – $2.3 million and $6.2 million).

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. As at September 26, 2021 there was a due from related party balance of $3.4 million (December 27, 2020 - $15.8 million, September 27, 2020 -

$15.5 million) which consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 5.0% to 7.75% and all mature by September 21, 2023. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $1.0 million (December 27, 2020 - $1.0 million, September 27, 2020 - $1.0 million). The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. For the 13 and 39 weeks ended September 26, 2021, the Company charged interest in the amount of $nil (13 and 39 weeks ended September 27, 2020 - $0.1 million) on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. As at September 26, 2021 the accounts receivable balance included $nil (December 27, 2020 - $nil, September 27, 2020 - $0.2 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 39 weeks ended September 26, 2021, an increase of $0.1 million (13 and 39 weeks ended September 27, 2020 - increase of $0.2 million and $0.1 million) 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 income from investment in joint ventures on the statement of earnings.

On January 1, 2021, the Company, through its subsidiary Original Joe's Franchising Group Inc. which the Company has an 89.2% interest in, completed the purchase of the remaining interest of three Original Joe's joint ventures. For one of the three joint ventures, the Company obtained control through a step acquisition that was completed on January 1, 2021. The remaining two joint ventures were reported as part of the Company's consolidated financial results prior to the acquisition date and on January 1, 2021, the Company acquired the minority interest of these two joint ventures.

On April 21, 2021, the Company, through its subsidiary Original Joe's Franchising Group Inc. completed the purchase of the remaining interest of a joint venture, Original Restaurants Group Limited. The Company obtained control through a step acquisition that was completed on April 21, 2021.

Investment in 1909 Taverne Moderne joint venture

The Company has an investment in a joint venture to operate two 1909 Taverne Moderne restaurants with a third party. As at September 26, 2021, the Company has invested $5.8 million, recorded in long-term receivables (December 27, 2020 - $5.6 million, September 27, 2020 - $5.5 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at September 26, 2021, an allowance of $5.8 million (December 27, 2020 - $5.2 million, September 27, 2020 - $5.2 million) has been provided against the long-term receivable. The Company and the third party each have a 50% ownership interest in the joint venture. Both parties have joint control and all relevant activities require the unanimous consent from both parties. The Company has accounted for the investment by using the equity method.

The Company's investment is adjusted by the proportionate share of income or loss earned. For the 13 and 39 weeks ended September 26, 2021, there was $nil recorded in the long term receivable balance (13 and 39 weeks ended September 27, 2020 - $0.2 million) was recorded in relation to the Company's proportionate share of loss for the period and included in share of losses from investment in joint ventures on the statement of earnings.

On September 29, 2021 the Company exited its joint venture arrangement to operate two 1909 Taverne Moderne restaurants locations for an immaterial settlement amount.

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

Significant subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

28 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, and 1909 Taverne Moderne joint venture, 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 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 Pickle Barrel, Rose Reisman, and Marigolds and 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. 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 39 weeks ended	
(in thousands of Canadian dollars)	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Gross revenue				
Sales	$ 166,363	$ 123,841	$ 333,756	$ 319,659
Proportionate share of equity accounted joint venture sales	213	(5,748)	(9,484)	(16,060)
Sales at corporate restaurants	**$ 166,576**	**$ 118,093**	**$ 324,272**	**$ 303,599**
Franchise revenues	26,528	18,495	61,071	51,440
Proportionate share of equity accounted joint venture royalty revenue	(86)	72	(105)	178
Royalty revenue	**$ 26,442**	**$ 18,567**	**$ 60,966**	**$ 51,618**
Retail & Catering	93,366	86,545	268,261	244,893
Central	5,914	5,767	19,120	16,795
Non-allocated revenue	15,840	14,376	37,220	36,737
Total gross revenue	**$ 308,138**	**$ 243,348**	**$ 709,839**	**$ 653,642**
Operating income (loss)				
Corporate	$ 8,700	$ 3,574	$ (4,313)	$ (32,238)
Franchise	26,643	17,109	59,929	48,075
Retail & Catering	6,804	11,169	18,355	30,907
Central	(15,531)	(16,876)	(42,188)	(49,577)
Proportionate share equity accounted joint venture results included in corporate and franchise segment	(88)	1,063	594	969
Non-allocated costs	2,776	12,854	27,955	(26,460)
	$ 29,304	**$ 28,893**	**$ 60,332**	**$ (28,324)**
Depreciation and amortization				
Corporate	$ 7,501	$ 8,136	$ 26,502	$ 30,146
Retail & Catering	1,412	1,446	4,282	4,354
Central	14,875	16,879	41,567	46,122
	$ 23,788	**$ 26,461**	**$ 72,351**	**$ 80,622**
Capital expenditures				
Corporate	$ 5,145	$ 6,221	$ 13,599	$ 18,490
Retail & Catering	124	397	375	657
Central	872	2,219	3,424	5,948
	$ 6,141	**$ 8,837**	**$ 17,398**	**$ 25,095**

29 Subsequent Events

On September 29, 2021, the Company exited its joint venture arrangement to operate two 1909 Taverne Moderne restaurants locations for an immaterial settlement amount. The Company previously had 50% ownership interest in the joint venture.

On October 31, 2021, the Company acquired 100% of Plant Powered Ventures Ltd. and the remaining 15.0% minority interest of Fresh Since 1999 for cash consideration of approximately $25.0 million. The agreement also includes contingent payments based on the achievement of certain conditions and milestones. Plant Power Ventures Ltd. developed and operates the original five Fresh branded plant-based restaurants in Ontario. Subsequent to this transaction, the Company has full control and ownership of all Fresh branded locations.