Recipe Unlimited Corporation

Consolidated Financial Statements
For the 52 weeks ended December 29, 2019 and December 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Recipe Unlimited Corporation,

Opinion

We have audited the accompanying consolidated financial statements of Recipe Unlimited Corporation (the "Entity") which comprise the consolidated balance sheets as at December 29, 2019 and December 30, 2018, the consolidated statements of earnings, comprehensive income, total equity and cash flows for the 52 weeks then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of Recipe Unlimited Corporation as at December 29, 2019 and December 30, 2018, and its consolidated statements of earnings, comprehensive income, total equity and its consolidated cash flows for the 52 weeks then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

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

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

Emphasis of Matter - Change in Accounting Policy

We draw attention to Note 3 to the consolidated financial statements which indicates that the Entity has changed its accounting policy for leases as of December 31, 2018 due to the adoption of IFRS 16 Leases and has applied that change using a modified retrospective approach.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commission as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Will Stephen.

Vaughan, Canada
March 5, 2020

Recipe Unlimited Corporation
Consolidated Statements of Earnings
For the 52 weeks ended December 29, 2019 and December 30, 2018

(in thousands of Canadian dollars, except where otherwise indicated)	For the 52 weeks ended December 29, 2019	December 30, 2018
Sales (note 6)	$ 1,065,928	$ 1,006,672
Franchise revenues (note 7)	186,523	185,260
Total gross revenue	**$ 1,252,451**	**$ 1,191,932**
Cost of inventories sold	(452,222)	(419,671)
Selling, general and administrative expenses (note 8)	(656,871)	(624,938)
Impairment, net of reversals, of restaurant assets and lease receivables (notes 13, 14, 15, and 29)	(57,243)	(8,107)
Restructuring and other (note 9)	(6,644)	(12,280)
Operating income	**$ 79,471**	**$ 126,936**
Net interest expense and other financing charges (note 10)	(23,241)	(11,914)
Share of loss from investment in joint ventures	(1,442)	(586)
Earnings before change in fair value and income taxes	**$ 54,788**	**$ 114,436**
Change in fair value of non-controlling interest liability (note 20)	277	(3,500)
Change in fair value of contingent liability (note 20)	10,000	—
Change in fair value of Exchangeable Keg Partnership units and Keg Royalty Income Fund units	(4,286)	(6,368)
Earnings before income taxes	**$ 60,779**	**$ 104,568**
Current income tax expense (note 11)	(24,847)	(14,409)
Deferred income tax expense (note 11)	7,980	(16,368)
Net earnings	**$ 43,912**	**$ 73,791**
Net earnings attributable to Shareholders of the Company	44,519	73,788
Non-controlling interest	(607)	3
	$ 43,912	**$ 73,791**
Net earnings per share attributable to the Common Shareholders of the Company (note 24) (in dollars)		
Basic earnings per share	$ 0.74	$ 1.20
Diluted earnings per share	$ 0.72	$ 1.16
Adjusted basic earnings per share	$ 1.76	$ 1.69
Adjusted diluted earnings per share	$ 1.71	$ 1.63

(in thousands of Canadian dollars, except where otherwise indicated)	December 29, 2019	December 30, 2018
Net earnings	**$ 43,912**	**$ 73,791**
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gain (loss), net of income taxes (note 21)	(215)	477
Cumulative translation adjustment	(633)	497
Other comprehensive (loss) income, net of income taxes	(848)	974
Total comprehensive income	**$ 43,064**	**$ 74,765**

	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 30, 2018	61,755	$769,662	$(216,728)	$ 13,546	$ (2,556)	$ (78,112)	$ 485,812
Net earnings	—	—	—	—	—	44,519	44,519
Other comprehensive income	—	—	—	—	(848)	—	(848)
IFRS 16 transition adjustment (note 3)	—	—	—	—	—	(2,107)	(2,107)
Dividends	—	—	—	—	—	(26,925)	(26,925)
Share re-purchase (note 23)	(5,952)	(160,655)	—	—	—	—	(160,655)
Stock options exercised (note 23)	575	8,119	—	(2,639)	—	—	5,480
Stock-based compensation (note 22)	—	—	—	(290)	—	—	(290)
	(5,377)	(152,536)	—	(2,929)	(848)	15,487	(140,826)
Balance at December 29, 2019	**56,378**	**$617,126**	**$(216,728)**	**$ 10,617**	**$ (3,404)**	**$ (62,625)**	**$ 344,986**

	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 31, 2017	58,572	$690,968	$ —	$ 11,957	$ (5,323)	$ (90,182)	$ 607,420
Net earnings and comprehensive income	—	—	—	—	—	73,788	73,788
Other comprehensive income	—	—	—	—	974	—	974
The Keg merger (note 29)	—	—	(216,728)	—	1,793	(35,117)	(250,052)
Dividends	—	—	—	—	—	(26,601)	(26,601)
Share re-purchase	(635)	(16,207)	—	—	—	—	(16,207)
Issuance of common stock (note 23)	3,801	94,728					94,728
Stock options exercised (note 23)	17	173	—	(4,341)	—	—	(4,168)
Stock-based compensation (note 22)	—	—	—	5,930	—	—	5,930
	3,183	78,694	(216,728)	1,589	2,767	12,070	(121,608)
Balance at December 30, 2018	**61,755**	**$769,662**	**$(216,728)**	**$ 13,546**	**$ (2,556)**	**$ (78,112)**	**$ 485,812**

(in thousands of Canadian dollars)	As at December 29, 2019	As at December 30, 2018
Assets		
Current Assets		
Cash	$ 40,351	$ 49,272
Accounts receivable (note 28)	117,279	103,514
Inventories (note 12)	39,804	36,586
Prepaid expenses and other assets	6,536	9,395
Current portion of long-term receivables (note 13)	80,347	4,900
Total Current Assets	**$ 284,317**	**$ 203,667**
Long-term receivables (notes 3 and 13)	400,883	30,069
Property, plant and equipment (notes 3 and 14)	602,914	399,990
Investment in the Keg Limited Partnership (note 29)	128,640	122,125
Brands and other assets (note 15)	611,490	616,183
Goodwill (note 16)	198,313	196,638
Deferred tax asset (note 11)	37,509	22,411
Total Assets	**$ 2,264,066**	**$ 1,591,083**
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 124,590	$ 134,930
Provisions (note 17)	4,721	9,679
Gift card liability	167,585	153,832
Income taxes payable	12,015	5,697
Current portion of long-term debt (note 18)	—	154,000
Current portion of lease liabilities (notes 3 and 19)	121,847	3,192
Total Current Liabilities	**$ 430,758**	**$ 461,330**
Long-term debt (note 18)	475,742	235,566
Note payable to The Keg Royalties Income Fund	57,000	57,000
Provisions (note 17)	3,589	13,796
Lease liabilities (notes 3 and 19)	646,602	22,824
Other long-term liabilities (note 20)	66,973	87,667
Deferred gain on sale of The Keg Rights (note 29)	139,315	134,257
Deferred tax liability (note 11)	99,101	92,831
Total Liabilities	**$ 1,919,080**	**$ 1,105,271**
Shareholders' Equity		
Common share capital (note 23)	$ 617,126	$ 769,662
Contributed surplus	10,617	13,546
Merger reserve (note 29)	(216,728)	(216,728)
Accumulated other comprehensive loss	(3,404)	(2,556)
Deficit	(62,625)	(78,112)
Total Shareholders' Equity	**$ 344,986**	**$ 485,812**
Total Liabilities and Equity	**$ 2,264,066**	**$ 1,591,083**

Commitments, contingencies and guarantees (note 27)
Subsequent events (note 31)

(in thousands of Canadian dollars)		December 29, 2019		December 30, 2018
Cash from (used in)				
Operating Activities				
Net earnings	$	43,912	$	73,791
Depreciation and amortization		116,409		59,733
Amortization of deferred gain		(1,692)		(1,357)
Net gain on disposal of property, plant and equipment and other assets		(359)		(3,450)
Loss on early buyout/cancellation of equipment rental contracts		3,228		1,250
Impairment, net of reversals, of restaurant assets and lease receivables (notes 13, 14, 15, and 29)		57,243		8,107
Gain on settlement of lease liabilities (note 19)		(1,400)		—
Net interest expense on long-term debt and note payable to the Keg Royalties Income Fund (note 10)		22,089		19,898
Interest expense on lease liabilities (note 10)		13,079		1,906
Stock based compensation		(290)		5,930
Income taxes paid		(18,579)		(10,745)
Change in restructuring provision		1,203		9,466
Change in deferred tax (note 11)		(7,964)		17,121
Change in fair value of exchangeable Keg Partnership units		4,286		6,368
Change in fair value of non-controlling interest liability and contingent liability		(10,277)		3,500
Other non-cash items		(5,213)		(8,717)
Net change in non-cash operating working capital (note 26)		11,362		17,630
Cash flows from operating activities	**$**	**227,037**	**$**	**200,431**
Investing Activities				
Business acquisitions, net of cash assumed (notes 5 and 29)	$	(8,476)	$	(80,563)
Purchase of property, plant and equipment		(49,040)		(42,386)
Proceeds on disposal of property, plant and equipment		875		10,649
Proceeds on early buyout of equipment rental contracts		190		493
Proceeds on sale of joint ventures		—		2,176
Investment in joint ventures		(1,800)		—
Investment in Keg Royalties Income Fund units (note 29)		(4,003)		—
Share of loss from investment in joint ventures		1,442		586
Additions to other assets		(125)		(132)
Lease payments received (note 13)		98,788		—
Change in long-term receivables		(5,047)		(320)
Cash flows (used in) investing activities	**$**	**32,804**	**$**	**(109,497)**
Financing Activities				
Issuance of long-term debt (note 18)	$	411,000	$	104,000
Repayment of long-term debt (note 18)		(322,700)		(116,000)
Deferred financing costs (note 18)		(3,094)		—
Issuance of subordinated voting common shares (note 23)		5,480		(4,168)
Share re-purchase (note 23)		(160,655)		(16,207)
Payment on lease liabilities (note 19)		(152,568)		(4,876)
Interest paid on long-term debt and note payable		(19,602)		(19,006)
Dividends paid on subordinate and multiple voting common shares		(26,925)		(26,601)
Cash flows (used in) from financing activities	**$**	**(269,064)**	**$**	**(82,858)**
Change in cash during the period	**$**	**(9,223)**	**$**	**8,076**
Foreign currency translation adjustment		302		(775)
Cash - Beginning of period		49,272		41,971
Cash - End of period	**$**	**40,351**	**$**	**49,272**

1 Nature and description of the reporting entity

Recipe Unlimited Corporation (formerly Cara Operations Limited) 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". As part of the Company's initial public offering ("IPO") during fiscal 2015, the Company issued multiple voting shares to Fairfax Financial Holdings Limited and its affiliates (''Fairfax'') and to the Phelan family through Cara Holdings Limited and its affiliates (''Cara Holdings'', and together with Fairfax, the ''Principal Shareholders''). As at December 29, 2019, the Principal Shareholders hold 70.7% of the total issued and outstanding shares and have 98.1% of the voting control attached to all the shares.

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

2 Basis of Presentation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

The consolidated financial statements were authorized for issue by the Board of Directors ("Board") on March 5, 2020.

Basis of preparation

The consolidated 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.

Fiscal year

The fiscal year of the Company ends on the last Sunday of December for the current year. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 29, 2019 and December 30, 2018 contained 52 weeks. The Company's next fiscal year end will be December 27, 2020 and will contain 52 weeks.

Critical accounting judgements and estimates

The preparation of the consolidated 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 consolidated financial statements and accompanying notes.

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 consolidated 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.

The following are the accounting policies that are subject to judgements and estimates.

Business combinations

Accounting for business combinations requires judgments and estimates to be made in order to determine the fair values of the consideration transferred, assets acquired and the liabilities assumed. The Company uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. Changes in estimates of fair value due to additional information related to facts and circumstances that existed at the acquisition date would impact the amount of goodwill recognized. If necessary, the Company has up to one year from the acquisition date to finalize the determinations of fair value for business combinations.

Accounting for joint ventures and associates

Joint ventures represent separately incorporated entities for which joint control exists. This requires judgement to determine if in fact joint control exists in each circumstance. Entities are considered to be under joint control when the Company has the ability to exercise significant influence but not control. Management has assessed the nature of its joint venture agreements with the respective other joint venture parties and using judgement determined where joint control does in fact exist. While the Company will also have a franchise agreement with certain joint venture restaurants, the rights included in these franchise agreements are considered to be protective in nature and, therefore, do not allow for any additional substantive control over the other party.

Accounts receivable, long-term franchise receivables and amounts due from related party joint ventures

In accordance with IFRS 9, Management applies the 'expected credit loss' ("ECL") model to assess for impairment on its accounts receivables, long-term franchise receivables and amounts due from related party joint ventures at each at each balance sheet date. The ECL models require assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information to ascertain the credit risk of the financial asset.

Depreciation and amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis. Management uses judgment in determining the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income in future periods.

Valuation of investments

For equity investments in other companies where the underlying investment shares are not traded publicly, in order to determine the value of the commons shares, estimates are required to determine the fair value of the underlying investment shares. Accordingly, those amounts are subject to measurement uncertainty and judgement.

Impairment of non-financial assets

Management is required to use judgement in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing fixed assets for impairment. Judgement is further required to determine appropriate groupings of CGUs, for the level at which goodwill and intangible assets are tested for impairment. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed for fixed assets and definite life intangible assets.

In determining the recoverable amount of a CGU, various estimates are employed. The Company determines the recoverable amount of fixed assets as the higher of fair value less costs to sell or its value in use. The Company determines fair value less costs to sell using estimates such as projected future sales, earnings, capital investments and discount rates for trademarks, and determines the recoverable amount of goodwill based on value in use. Projected future sales and earnings are consistent with strategic plans provided to the Company's Board. Discount rates are based on an estimate of the Company's weighted average cost of capital taking into account external industry information reflecting the risk associated with the specific cash flows.

Impairment of financial assets

The Company applies the expected credit loss ("ECL") model to assess for impairment on its long-term receivables at each balance sheet date. The ECL is calculated as a product of the probability of default ("PD") incorporating loss given default and exposure at default. PD estimates represent a point in time PD, updated quarterly based on the Company's historical experience, current conditions, relevant forward-looking expectations over the expected life of the exposure to determine the PD curve. Forward-looking expectations include relevant macroeconomic variables. Expected life is the maximum contractual period the Bank is exposed to credit risk. The ECL is measured over the period the Company is exposed to credit risk.

Definition of default

The Company considers a financial asset to be in default when a lease receivable is no longer collectible.

Incorporation of forward-looking information

The Company incorporates forward-looking information into its measurement of ECL. Based on statistical results, business experience and interpretability of the model behaviour in relation to the inputs, the Company uses Canada's GDP as the forward-looking macro-economic factor. The Company formulates a "base case" view of the future direction of Canada's GDP as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considers the relative probabilities of each outcome. The Company uses the consensus GDP rate forecasts published by the major Canadian Chartered Banks and the International Monetary Fund.

The base case represents a most-likely outcome and is aligned with the consensus GDP rate forecasts and information. The other scenarios represent optimistic and pessimistic outcomes

Leases

In classifying a lease as either financial or operating, management has to make certain assumptions in estimating the present value of future lease payments and the estimated useful lives of the related assets. These assumptions include the allocation of value between land and building, and discount rates.

In determining the carrying amount of the right-of-use asset or lease receivable and corresponding lease liabilities, assumptions include the non-cancellable term of the lease plus periods covered by an option to renew the leases and incremental borrowing rate. Renewal options are only included in the lease term if management is reasonably certain to renew. Management considers factors such as investments in major leaseholds, store performance and available renewal options. The Company is also required to estimate the incremental borrowing rate specific to each portfolio of leased assets with similar characteristics if the interest rate in the lease is not readily determined. Management determines the incremental borrowing rate using the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, security adjustment plus a risk premium over leases with similar terms.

Income and other taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, the likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings by the tax authorities.

Employee future benefits

Accounting for the costs of defined benefit pension plans is based on using a number of assumptions including estimates of rates of compensation increase, retirement ages of plan members and mortality assumptions. The discount rate used to value the accrued pension benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. Other key assumptions for pension obligations are based on actuarial determined data and current market conditions.

Gift cards

Management is required to make certain assumptions on the likelihood of gift card redemptions based on historical redemption patterns. The impact of these assumptions results in the reduction to the costs of administering and fulfilling the liability associated with the gift card program when it can be determined that the likelihood of the gift card being redeemed, or a portion thereof, is remote based on several facts including historical redemption patterns and any changes to the gift card program.

Provisions

Management reviews provisions at each balance sheet date utilizing judgements to determine the probability that an outflow of economic benefit will result from the legal or constructive obligation and an estimate of the associated obligation. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Stock-based compensation

The accounting for equity-settled stock-based compensation requires management to make an estimate of the fair value of the stock options when granted based on the enterprise value and share price of the Company at the time of the grant as well as estimates around volatility, risk free interest rates and forfeitures of vested and unvested options.

Comparative information

Certain of the Company's prior year information was reclassified to conform with the current year's presentation and changes in accounting standards.

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company is exposed to or has the rights to variable returns from its involvement in the entity and has the ability to direct the activities that significantly affect the entities' returns through its power over the entity. The Company reassesses control at each reporting date. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net earnings and comprehensive earnings are recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Therefore, no goodwill is recognized as a result of such transactions. When the Company ceases to have control or significant influence, any retained interest in the entity is adjusted to its fair value, with the change in the carrying amount recognized in net earnings. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

If the Company was to purchase the remaining non-controlling interest from outside parties, the non-controlling interest on the consolidated balance sheet would be eliminated, and any difference between the consideration paid and the carrying amount of the non-controlling interest would be recorded directly to equity.

Certain non-controlling interests are measured at fair value given the outside party has certain put rights that require the Company to purchase the remaining non-controlling interest when specific criteria or events occur.

Investments in joint ventures and associates

Investments over which the Company has joint control, and meets the definition of a joint venture under IFRS 11, *Joint Arrangements*, are accounted for using the equity method.

Investments over which the Company exercises significant influence, and which are neither subsidiaries nor joint ventures, are associates. Investments in associates are accounted for using the equity method.

The equity method involves the recording of the initial investment at cost and the subsequent adjusting of the carrying value of the investment for the proportionate share of the income or loss and any other changes in the associates' or joint ventures' net assets.

The Company's proportionate share of the associate's or joint ventures' income or loss is based on its most recent financial statements. If the Company's share of the associate's or joint venture's losses equals or exceeds its investment in the associate or joint venture, recognition of further losses is discontinued. The Company's investment in the associate or joint venture for purposes of loss recognition is comprised of the investment balance plus the unsecured portion of any related party note receivable. After the Company's interest is reduced to zero, additional losses will be provided for and a liability recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate subsequently reports income, the Company resumes recognizing its share of that income only after the Company's share of the income equals the share of losses not recognized. At each balance sheet date, the Company assesses its investments for indicators of impairment.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of earnings. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value are translated at the date the fair value is determined.

Revenue recognition

Gross revenues include revenue from the Company's food service activities. These activities consist primarily of food and beverage sales at restaurants operated by the Company, food product sales related to the sale of manufactured products to grocery retailers and certain franchisees, franchise revenues earned as part of the license agreements between the Company and its franchisees, and advertising fund payments received from franchisees, including payments from Recipe corporate restaurants. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

Corporate sales

Corporate sales are made up of the direct sale of prepared food and beverage to customers at company-owned restaurants, its catering division, and revenue from processing off-premise phone, web and mobile orders for franchised restaurants.

Food product sales

The Company recognizes revenue from product sales at the fair value of the consideration received or receivable and an estimate of sales incentives provided to customers. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the Company has satisfied its performance obligations under the arrangement, and has no ongoing involvement with the sold product. The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebates and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

Franchise revenues

The Company grants license agreements to independent operators ("franchisees"). As part of the license agreements, the franchisees pay initial and renewal franchise fees, conversion fees for established locations, royalties based on franchisee sales, and other payments, which may include payments for equipment usage and property rents. Franchise fees and conversion fees, if applicable, are substantially collected at the time the license agreement is entered into.

Royalties, based on a percentage of sales, are recognized as revenue and are recorded when earned. Most rental agreements are based on fixed payments including the recovery of operating costs, while other rental agreements are contingent on certain sales levels. Rental revenue from fixed rental leases are recognized on a straight-line basis over the term of the related lease while variable rental agreements based on a percentage of sales are accrued based on the actual sales of the restaurant.

Finance costs

Finance costs are primarily comprised of interest expense on long-term debt including the recognition of transaction costs over the expected life of the underlying borrowing using the effective interest rate at the initial recognition of the debt. All finance costs are recognized in the consolidated statements of earnings on an accrual basis (using the effective interest method), net of amounts capitalized as part of the costs of purchasing qualifying property, plant and equipment.

Finance costs directly attributable to the acquisition, construction or development of an asset that takes a substantial period of time (greater than six months), to prepare for their intended use, are recognized as part of the cost of that asset. All other finance costs are recognized in the consolidated statements of earnings in the period in which they are incurred. The Company capitalizes finance costs at the weighted average interest rate of borrowings outstanding for the period.

Income taxes

Income tax provision comprises of current and deferred income tax. Current income tax and deferred income tax are recognized in the consolidated statements of earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income taxes is the expected tax payable or receivable on the Company’s taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings or loss, and taxable temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis or their income tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized or increased to the extent that it is probable that the related income tax benefit will be realized.

Financial Instruments

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics.

Under IFRS 9, a financial asset is classified and initially measured at: amortized cost; fair value through OCI ("FVOCI") - debt investment; FVOCI - equity investment; or fair value through profit and loss ("FVTPL"). For the Company, FVTPL is equivalent to fair value through statement of earnings.

The following table and the accompanying notes below explain the measurement categories under under IFRS 9 for each class of the Company's financial assets.

Financial assets	**Notes**	**IFRS 9 Classification**
Cash		Amortized cost
Accounts receivables		Amortized cost
Lease receivables		Amortized cost
Long-term receivables - franchise receivable and promissory notes		Amortized cost
Long-term receivables - due from related parties	(a)	Amortized cost
Long-term receivables -due from related party receivables	(b)	Fair value through statement of earnings

(a) Some due from related party receivables relate to joint venture term loans and demand loans which bear interest and are reviewed and renewed on an annual basis. These are classified as amortized cost under IFRS 9.

(b) Some due from related party receivables relate to joint venture loans for business purposes of which collection of the loan principal is contingent on the financial performance of the joint venture. These receivables are classified at fair value through statement of earnings under IFRS 9.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.

A financial asset, unless it is a trade receivable without a significant financing component that is initially measured at the transaction price, is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets of the Company.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of earnings.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of earnings. Any gain or loss on de-recognition is recognized in the statement of earnings.

2. Impairment of financial assets

The financial assets at amortized cost consist of cash, accounts receivable, long term receivables and some due from related parties' balances.

Under IFRS 9, loss allowances are measured on either of the following bases:

• 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

• Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company applies the ECL model to assess for impairment on its financial assets at each balance sheet date. This impacts lease receivables, long term receivables, including promissory notes, franchise receivables, due from related parties' balances and trade accounts receivables.

IFRS 9 outlines a three stage approach to recognizing Expected Credit Losses ("ECL") which is intended to reflect the deterioration in credit quality of a financial instrument, which includes the following categories that are not measured at FVTPL: amortized cost financial assets.

• Stage 1 is comprised of all financial instruments that have not deteriorated significantly in credit quality since initial recognition or has low credit risk at the reporting date.

• Stage 2 is comprised of all financial instruments that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event at the reporting date.

• Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date.

For all stages of financial instruments, the impairment is recognized based on the expected losses over the expected remaining life of the instrument arising from loss events that could occur over the expected life. The Company is required to recognize impairment based on a lifetime ECL for all stages of financial instruments.

For trade receivables, the standard provides a simplified impairment model for trade receivables without significant financing components such as the Company's trade receivables. In this model, only life-time ECL's are recognized.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Inventories

Inventories consist of food and beverage items for use at the Company's corporately-owned locations, catering division and food and packaging materials used in St-Hubert's food processing and distribution division. Inventories are stated at the lower of cost and estimated net realizable value. Costs consist of the cost to purchase 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. The cost of inventory for products being manufactured by the Company includes direct product costs, direct labour and an allocation of variable and fixed manufacturing overheads, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in net realizable value, the amount of a write-down previously recorded is reversed through cost of inventories sold.

Property, plant and equipment

Recognition and measurement

Land other than through a finance lease is carried at cost and is not amortized.

Property, plant and equipment are stated at cost less accumulated depreciation and net accumulated impairment losses (refer to impairment of long-lived assets policy below). Cost includes expenditures directly attributable to the acquisition of the asset, including the costs of dismantling and removing the items and restoring the site on which they are located, and finance costs on qualifying assets less tenant inducements received from landlords.

Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

When significant component parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment, are determined by comparing the proceeds from disposal with the net carrying amount of property, plant and equipment, and are recognized within selling, general and administrative expenses in the consolidated statements of earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount, if any, of the replaced part is derecognized and recorded within selling, general and administrative expenses in the consolidated statements of earnings. The costs of repairs and maintenance of property, plant and equipment are recognized in the consolidated statements of earnings as incurred.

Depreciation and Amortization

Depreciation is calculated based upon the depreciable amount, which is the cost of an asset less its residual value.

Depreciation commences when assets are available for use and is recognized on a straight-line basis to amortize the cost of these assets over their estimated useful lives, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Estimated useful lives range from 2 to 12 years for equipment. Buildings are depreciated over 20 to 40 years and leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the lease, including expected renewal terms to a maximum of 15 years. Assets held under finance leases are depreciated on a straight-line basis over their estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease. Land finance leases are depreciated on a straight-line basis over the term of the respective lease. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate on a prospective basis. Depreciation expense is recognized in selling, general and administrative expenses in the consolidated statements of earnings. Depreciation expense related to assets used to manufacture and process food are recognized in the cost of inventory and cost of inventory sold upon the sale of inventory.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company.

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 CGUs 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 at the brand level for impairment at least annually and whenever there is an indication that the asset may be impaired. Refer to the impairment of long-lived assets policy below.

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. Indefinite life intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Re-acquired franchise rights and other assets are amortized on a straight-line basis over their estimated useful lives, averaging approximately five years and are tested for impairment whenever there is an indication that the asset may be impaired. Refer to the impairment of long-lived assets policy below.

Other Intangible Assets

The Company has certain definite life intangible assets, primarily related to customer relationships, which are measured at fair value on the date of acquisition. These assets are subsequently measured at cost less accumulated amortization and less any net accumulated impairment losses. Amortization is recognized in selling, general and administrative expenses on a straight-line basis over their estimated useful lives as follows:

Customer Relationships	20 to 33 years

Customer relationships are tested for impairment whenever events or circumstances exist that suggest the carrying value is greater than the recoverable amount.

Impairment of long-lived assets

For the purpose of reviewing definite life non-financial assets for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The Company has determined that its CGUs comprise of individual restaurants. For customer relationships, the Company has determined that its CGUs comprise of type of customer, being sales to franchise customers and retail grocery chains. For indefinite life intangible brand assets, the Company allocates the brand assets to the group of CGUs, being banners that are considered to generate independent cash inflows from other assets. Goodwill is assessed for impairment based on the group of CGUs expected to benefit from the synergies of the business combination, and the lowest level at which management monitors the goodwill and cannot be at a higher level than an operating segment.

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets, including property, plant and equipment, goodwill, brands and other assets for any indication of impairment or a reversal of previously recorded impairment other than for goodwill as impairment for goodwill is not permitted to be reversed. In addition, goodwill and indefinite life brands are tested for impairment at least annually. If any such indication of impairment exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized if the net carrying amount of the CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of earnings in the period in which they occur. When impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying value of the underlying assets does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in consolidated statements of earnings in the period which they occur.

Any potential brand impairment is identified by comparing the recoverable amount of the groups of CGUs that includes the indefinite life asset to its carrying amount. If the recoverable amount, calculated as the higher of the fair value less costs to sell and the value in use, is less than its carrying value, an impairment loss is recognized in the consolidated statements of earnings in the period in which they occur.

Any potential goodwill impairment is identified by comparing the recoverable amount of the CGU grouping to which the goodwill is allocated to its carrying value. If the recoverable amount, calculated as the higher of the fair value less costs to sell and the value in use, is less than its carrying amount, an impairment loss is recognized in the consolidated statements of earnings in the period in which it occurs. Impairment losses on goodwill are not subsequently reversed if conditions change.

Gift cards

The Company’s various branded restaurants, in addition to third party companies, sell gift cards to be redeemed at the Company’s corporate and franchised restaurants for food and beverages only. Proceeds received from the sale of gift cards are treated as gift card liability in current liabilities until redeemed by the gift card holder as a method of payment for food and beverage purchases.

Based on historical redemption patterns, the Company estimates the portion of gift cards that have a remote likelihood of being redeemed and recognizes the amount as a reduction in expenses on the operational statements of the marketing funds that the Company administers on behalf of franchisees and on the Company's consolidated statements of earnings.

Due to the inherent nature of gift cards, it is not possible for the Company to determine what portion of the unearned revenue related to gift cards will be redeemed in the next 12 months and, therefore, the entire accrual balance is considered to be a current liability.

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 that 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 estimates. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Employee future benefits

The cost of the Company's defined benefit pension plans are accrued as earned by the employees, based on actuarial valuations. The cost of defined benefit pension plans are determined using the projected unit credit benefit method pro-rated on service and management's best estimate, rates of compensation increase and retirement ages of plan members. Assets are recorded at fair value. The discount rate used to value the accrued benefit plan obligations are based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. An interest amount on plan assets is calculated by applying a prescribed discount rate used to value the accrued benefit obligations. Past service costs from plan amendments are recognized in operating income in the year that they arise.

For the plans that resulted in a net defined benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the plan if it is realizable during the life of the plan, or on settlement of the plan liabilities.

At each balance sheet date, plan assets are measured at fair value and defined benefit plan obligations are measured using assumptions which approximate their values at the reporting date, with the resulting actuarial gains and losses from both of these measurements, net of taxes, are recognized in other comprehensive income.

Multi-employer plan

The Company participates in a multi-employer defined benefit pension plan which is accounted for as a defined contribution plan. The Company does not administer this plan as the administration and investment of the assets are controlled by the plan's board of trustees consisting of union and employer representatives. The Company's responsibility to make contributions to the plan is established pursuant to collective bargaining agreements. The contributions made by the Company to the multi-employer plan are expensed when due.

Defined Contribution Plans

The Company's obligations for contributions to the employee defined contribution pension plan are recognized in the consolidated statement of earnings in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible asset. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Long-term incentive plans

The Company has equity-settled stock-based compensation plans for some of its employees.

The fair value of the option is expensed over the vesting period and is recognized in selling, general and administrative expenses, with a corresponding increase in contributed surplus over the period, at the end of which, the employees become unconditionally entitled to shares. Fair value of the option is measured based on the enterprise value of the Company at the time of the grant using a Black-Scholes model. The amount expensed is adjusted for changes to estimated forfeitures if subsequent information indicates that actual forfeitures differ significantly from the original estimate.

Upon exercise of the share options, the amount expensed to contributed surplus throughout the vesting period is moved to share capital, along with the consideration received for the options.

Leases

The Company did not restate prior year comparative information under the modified retrospective approach upon the implementation of IFRS 16. Therefore, the comparative information continues to be reported under applicable accounting policies under International Accounting Standard ("IAS") 17, "Leases" ("IAS 17") and related interpretations.

Policy applicable prior to December 31, 2018

The Company enters into leases of property and certain restaurant assets. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating leases and the rents are straight-lined and expensed in the consolidated statements of earnings.

Lessor

Where the Company is the lessor of property leases, rental revenue from fixed rental leases are recognized on a straight-line basis over the term of the related lease while variable rental agreements based on a percentage of sales are recognized in income as realized. The Company has rental agreements with franchisees related to the use of certain restaurant assets. The accounting for these rental agreements varies depending on the term of the rental agreement and the rental payments received by the Company. If the term of the rental agreement is such that the franchisee will utilize the assets for substantially all of their useful life, or the rental payments received over the term of the rental agreement will reimburse the Company for substantially all of the fair value of the assets, it is accounted for as a finance lease. Accordingly, the corresponding property, plant and equipment are treated as disposals in the consolidated financial statements. Long-term receivables are included in the consolidated balance sheet for the future rental payments to be received, and the present value of the unearned rental income, including tenant inducements received from landlords are included in other long-term liabilities. These amounts are reduced over the course of the rental agreement as payments are received. If the criteria for this accounting treatment are not met, the lease is treated as an operating lease and rental payments are recorded in selling, general and administrative expenses, calculated on a straight line basis, and recognized by the Company in the consolidated statements of earnings.

Lessee

When the Company is a lessee, fixed rent payable under an operating lease is recognized on a straight-line basis taking into consideration any rent holidays and/or rent escalations over the term of the relevant lease with the variable portion based on percentage of sales recognized as incurred. Incentives related to leasehold improvements provided by landlords are recorded in property, plant and equipment and are amortized over a period consistent with the associated leasehold improvements, being the shorter of the estimated useful lives of the assets or the term of the lease, including expected renewal terms to a maximum of 15 years. Assets held under finance leases are recognized as assets of the Company at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the consolidated balance sheets as a finance lease obligation included as part of long-term debt. Lease payments are apportioned between finance costs and a reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs, as well as depreciation expense on the underlying leased asset, are recorded in the consolidated statements of earnings.

Policy applicable from December 31, 2018

Definition of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or

    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-use-asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of long-lived assets policy.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company used its incremental borrowing rates as at December 31, 2018, to measure lease liabilities. The weighted average borrowing rate was 3.88%. The weighted average lease term remaining as at December 31, 2018, was approximately 7.8 years.

When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases, leases of low-value assets and variable lease payments

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments and variable payments associated with these leases as an expense in selling, general and administrative expenses on the most systematic basis over the lease term.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head-lease is a short-term lease to which the Company applies the exemption previously described, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Accounting standards implemented in 2019

Leases

In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" ("IAS 17") and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17.

The Company adopted IFRS 16 – *Leases* on December 31, 2018, which is effective for annual reporting periods beginning on or after January 1, 2019. Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Company and classified operating lease payments as rent or operating costs. The Company has applied IFRS 16 using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 31, 2018, with no restatement of the comparative period.

On transition to IFRS 16, the Company identified and reviewed each contract that had a lease. The Company's lease contracts consist of real estate leases for use in the operation of its corporate restaurants, call centre, retail and catering business, and corporate head offices; leased IT equipment, and leased vehicles for use in its retail and catering business. These leased assets have been recorded as right-of-use assets on the balance sheet and will be depreciated over the term of the lease. The Company is also on the head lease of many of its franchised locations whereby a corresponding sublease contract is entered into between the Company and its franchisees. These subleases are all related to non-consolidated franchisees and have been recorded as long-term receivables.

IFRS 16 permits the use of exemptions and practical expedients. The Company has applied the following recognition exemptions and practical expedients to grandfather the assessment of which transactions are leases:

- The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

- The Company used portfolio application of leases with similar characteristics, such as vehicle and equipment leases.

- The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application, December 31, 2018.

The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. The Company did not exercise the practical expedient wherein a lease may rely on its assessment of whether leases are onerous applying IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets", immediately before the date of initial application as an alternative to performing an impairment review. On the date of initial application, the Company applied the requirements of IAS 36, "Impairment of Assets", and recorded an impairment of $14.3 million to the right-of-use assets in opening retained earnings.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor, the sub-leases were classified with reference to the underlying asset.

The Company has implemented a lease management system for the inputs and key assumptions used in its calculation of the cumulative effects of initial application to be recorded in opening retained earnings as at December 31, 2018. IFRS 16 has a significant impact on leased and subleased assets and their related balance sheet accounts. This standard also increased operating income and decreased net earnings as at the date of application of IFRS 16. The transition adjustments affected by the application of IFRS 16 to the opening balance sheet as of December 31, 2018 are presented below:

	As at December 30, 2018	IFRS 16 Net Impact	As at December 31, 2018
Assets			
Accounts receivable	$ 103,514	76,652	$ 180,166
Long-term receivables	34,969	427,789	462,758
Property, plant and equipment	399,990	256,250	656,240
Impact to Total Assets		**$ 760,691**	
Liabilities			
Provisions	$ 9,679	(5,765)	$ 3,914
Current portion of lease liability	—	120,510	120,510
Long-term debt	258,390	(26,016)	232,374
Lease liability	—	688,363	688,363
Provisions	13,796	(9,577)	4,219
Other long-term liabilities	87,667	(3,853)	83,814
Deferred tax liability	92,831	(864)	91,967
Impact to Total Liabilities		**$ 762,798**	
Impact to Total Shareholders' Equity	**$ 485,812**	**$ (2,107)**	**483,705**
Impact to Total Liabilities and Equity		**$ 760,691**	

The following reconciliation is between lease liabilities recognized on December 31, 2018 and operating lease commitments disclosed under IAS 17 as at December 30, 2018 discounted using the incremental borrowing rates as at the date of initial application:

(in thousands of Canadian dollars)	December 31, 2018
Operating lease commitments at December 30, 2018 as disclosed under IAS 17	$ 873,852
Discounted using the incremental borrowing rate at December 31, 2018	785,314
Finance lease liabilities recognized as at December 31, 2018	26,016
- Recognition exemption for leases of low-value assets	(1,992)
- Recognition exemption for leases with less than 12 months of lease term at transition	(465)
Lease liability recognized at December 31, 2018	**$ 808,873**

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution, reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty, and measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable). There was no material impact on the consolidated financial statements.

Annual Improvements to IFRS Standards (2015-2017) Cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company has adopted these amendments in its financial statements for the annual period beginning on December 31, 2018. There was no material impact on the consolidated financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which they are first applied (earlier application is permitted). The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan.

The Company has adopted the amendments to IAS 19 in its financial statements for the annual period beginning on December 31, 2018. There was no material impact on the consolidated financial statements.

Long-term interest in associates and joint ventures

In October 2017, the IASB issued narrow-scope amendments to IAS 28 Investments in Associates and Joint Ventures, clarifying that long-term interests in associates and joint ventures, to which the equity method is not applied, are in the scope of both IFRS 9 Financial Instruments (including its impairment requirements) and IAS 28. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company has adopted the amendments to IAS 28 in its financial statements for the annual period beginning on December 31, 2018. There was no material impact on the consolidated financial statements.

4 Future accounting standards

Transfer 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 31, 2018, as the effective date for these amendments has been deferred indefinitely.

Definition of a Business (Amendment to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

5 Acquisitions and Buyouts

The Keg merger - see note 29 Related Parties

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

Anejo and Blanco Cantina

On May 24, 2019, the Company purchased the assets of Anejo and Blanco Cantina, 2 Mexican themed restaurants, and related brand intellectual property for $5.0 million, which was settled by drawing on the Company's existing credit facility on the date of acquisition.

Below is an allocation summary in connection with the acquisition of Anejo and Blanco Cantina:

		May 24, 2019
Consideration		
Cash	$	5,030
Total Consideration	**$**	**5,030**
Net assets acquired		
Inventories	$	30
Property, plant and equipment		616
Brands and other assets		4,384
Total Assets		5,030
Total	**$**	**5,030**

The assets and liabilities and results of Anejo and Blanco Cantina are included in the Company's consolidated financial statements from the acquisition date. Anejo and Blanco Cantina contributed total gross revenue of $4.0 million and net income before tax of $0.3 million during the period ended December 29, 2019.

If the acquisition had occurred on December 31, 2018, management estimates that the Company's consolidated gross revenue for the period would have been $1,256.3 million and the Company's consolidated net earnings before tax would have been $61.1 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on December 31, 2018.

Marigolds and Onions

On December 11, 2018 (the "M&O Acquisition Date"), the Company completed the 100% acquisition equity interest of Marigolds and Onions Ltd., an event catering company based in Ontario, for approximately $6.8 million, of which $4.0 million was settled by drawing on the Company's existing credit facility on the date of acquisition. Of the remaining balance, $1.4 million was paid in December 2019 and $1.4 million will be paid in December 2020 if certain financial targets and conditions are met.

The Company has completed the fair value determination of the identifiable assets acquired and liabilities assumed in connection with the acquisition of Marigolds and Onions.

		December 11, 2018
Consideration		
Cash paid to vendor	$	4,053
Contingent future consideration		2,778
Total Consideration	**$**	**6,831**
Fair Value of Net Assets Acquired		
Assets		
Cash	$	268
Accounts receivable		665
Inventories		116
Prepaid expenses and other assets		464
Income taxes receivable		13
Total Current Assets	$	1,526
Property, plant and equipment		494
Intangibles - customer lists		2,000
Total Assets	$	4,020
Liabilities		
Accounts payable and accrued liabilities	$	1,286
Deferred tax liability		530
Total liabilities	$	1,816
Total net assets acquired	**$**	**2,204**
Goodwill		**4,627**
Total	**$**	**6,831**

Re-acquired franchise locations

In the normal course of business, the Company may acquire or re-acquire franchise restaurants and convert them into corporate restaurants. During the year ended December 29, 2019, 13 franchise locations (December 30, 2018 – 15 locations) were re-acquired by the Company, resulting in goodwill of $1.3 million (December 30, 2018 – $0.9 million). In addition, during the year ended December 29, 2019, the Company sold 3 corporate restaurants (December 30, 2018 – 12) to franchisees and sold its ownership interest in 1 joint venture restaurant to a franchisee (December 30, 2018 – 10).

(in thousands of Canadian dollars)

	December 29, 2019	December 30, 2018
Consideration		
Cash	$ 3,446	$ 5,025
Long-term receivables	**$** —	$ 3,602
Total Consideration	**$ 3,446**	**$ 8,627**
Net assets acquired		
Inventories	$ 253	$ 449
Property, plant and equipment	187	5,559
Brands and other assets	1,971	1,789
Total Assets	2,411	7,797
Liabilities		
Accounts payable and accrued liabilities	256	70
Total liabilities	256	70
Goodwill	1,291	900
Total	**$ 3,446**	**$ 8,627**

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 52 weeks ended	
(in thousands of Canadian dollars)	December 29, 2019	December 30, 2018
Sales at corporate restaurants	$ 743,037	$ 712,736
Food processing and distribution sales	293,305	276,792
Catering sales	18,612	5,383
Call centre service charge revenues	10,974	11,761
	$ 1,065,928	**$ 1,006,672**

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 52 weeks ended	
(in thousands of Canadian dollars)	**December 29, 2019**	**December 30, 2018**
Royalty revenue	$ 109,426	$ 108,027
Marketing fund contributions	64,318	63,253
Other rental income	8,792	9,286
Franchise fees on new and renewal licenses	2,748	2,676
Income on finance leases	1,373	1,597
Amortization of unearned conversion fees income	(134)	421
	$ 186,523	**$ 185,260**

8 Selling, general and administrative expenses

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

	For the 52 weeks ended	
(in thousands of Canadian dollars)	**December 29, 2019**	**December 30, 2018**
Corporate restaurant expenses	$ 447,368	$ 422,430
Advertising fund transfers	64,319	63,253
The Keg royalty expense	25,388	21,294
Franchise assistance and bad debt	3,825	8,233
Depreciation of property, plant and equipment (note 14)	106,257	50,832
Amortization of other assets (note 15)	6,278	5,548
Net gain on disposal of property, plant and equipment and other assets	(359)	(3,450)
Gain on settlement of lease liabilities (note 19)	(1,400)	—
Losses on early buyout/cancellation of equipment rental contracts	3,228	1,250
Other	1,967	55,548
	$ 656,871	**$ 624,938**

For the year ended December 29, 2019, $3.9 million (December 30, 2018 - $3.4 million) of depreciation related to property, plant and equipment has been included in cost of inventories sold as part of food processing and distribution.

As a result of adopting IFRS 16 (see note 3), included in depreciation of property, plant and equipment for the year ended December 29, 2019 is $46.2 million related to depreciation of the right-of-use assets (December 30, 2018 - $2.7 million finance lease depreciation reported under IAS 17 and IFRIC 4). Offsetting the increase in depreciation of property, plant and equipment is the decreased operating lease costs which were $57.2 million for the year ended December 29, 2019 (December 30, 2018 - $4.9 million finance lease decrease in operating lease costs reported under IAS 17 and IFRIC 4), recorded as an expense reduction in the Other category.

Employee costs

Included in selling, general and administrative expenses are the following employee costs:

(in thousands of Canadian dollars)	For the 52 weeks ended December 29, 2019	For the 52 weeks ended December 30, 2018
Short-term employee benefits	$ 371,561	$ 359,670
Post-employment benefits (note 21)	1,374	1,421
Long-term incentive plans (note 22)	(290)	5,930
	$ 372,645	**$ 367,021**

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.

Home office and brand reorganization

In conjunction with certain acquisitions, the Company approved the restructuring of certain home office and brand operations positions to consolidate with Recipe's existing infrastructure. During the year ended December 29, 2019, the Company recorded an expense of $1.4 million (December 30, 2018 - $1.9 million) comprised primarily of office closure costs, severance and other benefits.

During the year ended December 30, 2018, the Company consolidated its home office locations in the greater Toronto area and approved the exit of a long term lease related to its IT data and call centre located in Scarborough. For the year ended December 29, 2019, the Company recorded an expense of $0.5 million (December 30, 2018 - $8.1 million) related to expected cost to settle and exit the lease.

Restaurant operations - repositioning of certain brands

During the year-ended December 30, 2018, the Company approved a plan to take-back certain under-performing Swiss Chalet restaurants in western Canada with the intention to re-franchise certain locations to stronger franchisee partners and to permanently close locations that do not meet the Company's long-term strategic portfolio of restaurants. For the year ended December 29, 2019, the Company recorded an expense of $2.4 million (December 30, 2018 - $1.8 million) related to expected cost to settle and exit certain leases.

Other

Other costs include lease exit costs related to lease contracts previously entered into that do not fit the overall economic model of the brands and long-term do not fit the strategic direction of the Company. During the year ended December 29, 2019, the Company recorded an expense of $0.4 million (December 30, 2018 - $0.3 million) related to expected lease exit costs.

The following table provides a summary of the costs recognized and cash payments made, as well as the corresponding net liability as at December 29, 2019:

(in thousands of Canadian dollars)	For the 52 weeks ended December 29, 2019	For the 52 weeks ended December 30, 2018
Net liability, beginning of period	$ 11,523	$ 2,057
Adjustments	$ 981	—
Cost recognized		
Employee termination benefits	1,320	1,927
Site closing costs and other	5,324	10,353
	$ 6,644	**$ 12,280**
Cash payments		
Employee termination benefits	1,694	1,526
Site closing costs and other	3,747	1,288
	$ 5,441	**$ 2,814**
Net liability, end of period	**$ 13,707**	**$ 11,523**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	As at December 29, 2019	As at December 30, 2018
Employee termination benefits:		
Accounts payable and accrued liabilities	$ 1,561	$ 1,934
Site closing costs and other are recorded as a reduction to:		
Long-term receivable	3,010	—
Provisions (current)	1,705	2,538
Provisions (long-term)	—	7,051
Property, plant and equipment	7,431	—
	$ 13,707	**$ 11,523**

10 Net interest expense and other financing charges

(in thousands of Canadian dollars)	For the 52 weeks ended December 29, 2019	For the 52 weeks ended December 30, 2018
Interest expense on long-term debt	$ 17,814	$ 16,336
Interest expense on note payable to The Keg Royalties Income Fund	4,275	3,562
Financing costs	897	671
Interest expense - other	348	549
Interest income on Partnership units and KRIF units	(11,146)	(8,998)
Interest income	(2,026)	(2,112)
Interest on lease obligations (note 19)	32,211	1,906
Interest income on lease receivable	(19,132)	—
	$ 23,241	**$ 11,914**

11 Income taxes

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

(in thousands of Canadian dollars)	For the 52 weeks ended December 29, 2019	For the 52 weeks ended December 30, 2018
Current income tax expense		
Current period	$ 25,316	$ 14,623
Adjustments for prior years	(469)	(214)
	$ 24,847	**$ 14,409**
Deferred income tax expense (recovery)		
Benefit from previously unrecognized tax asset	$ —	$ 115
Origination and reversal of temporary differences	(8,868)	15,767
Adjustments for prior years	888	486
	$ (7,980)	**$ 16,368**
Net income tax expense (1)	**$ 16,867**	**$ 30,777**

(1) Net income tax expense for the years ended December 29, 2019 and December 30, 2018 relates to income taxes from operations.

The statutory income tax rate for the year ended December 29, 2019 was 26.61% (December 30, 2018 – 26.68%).

Net income tax expense (recovery) is reconciled from net earnings as follows:

	For the 52 weeks ended	
(in thousands of Canadian dollars)	**December 29, 2019**	**December 30, 2018**
Net earnings	$ 43,912	$ 73,791
Income taxes	16,867	30,777
Income before income taxes	60,779	104,568
Statutory income tax rate	26.61%	26.68%
Expected income tax expense based on above rates	16,173	27,899
Increase (decrease) resulting from:		
Benefit from previously unrecognized tax asset (including unrecognized income tax benefit utilized in the current year)	1,890	(118)
Adjustments for prior years	419	272
Income taxes on non-deductible amounts	(2,794)	2,899
Other	1,178	(175)
Expenses for income taxes	**$ 16,866**	**$ 30,777**

Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities (in thousands of Canadian dollars)	**As at December 29, 2019**	**As at December 30, 2018**
Opening balance	$ (70,420)	$ (77,437)
Deferred income tax expense	7,980	(16,368)
The Keg acquisition	—	24,162
Marigolds and Onions acquisition	—	(530)
Original Joe's acquisition	—	(40)
Income taxes recognized in other comprehensive income	76	—
Other	(92)	(207)
IFRS 16 adjustment to opening balance	864	—
	$ (61,592)	**$ (70,420)**

During the year ended December 29, 2019, a deferred tax asset opening balance adjustment as of the transition date of December 31, 2018 of $0.9 million was booked for IFRS 16.

During the year ended December 31, 2018, a deferred tax asset of $24.2 million was recognized in relation to the Keg acquisition (see note 29), largely due to the taxable temporary differences arising from the purchase price equation.

Deferred tax assets and liabilities are attributable to the following:

(in thousands of Canadian dollars)	As at December 29, 2019	As at December 30, 2018
Deferred tax assets:		
Other long-term liabilities	$ 15,240	$ 22,247
Income tax losses [1]	4,955	5,926
Accounts payable and accrued liabilities	12,857	9,646
Other assets	1,605	(12,496)
	$ 34,657	**$ 25,323**
Deferred tax liabilities:		
Brand and other intangibles	$ (87,197)	$ (73,877)
Property, plant and equipment	(7,622)	(18,299)
Long-term receivables	(1,204)	(2,974)
Accounts receivable	(226)	(593)
	$ (96,249)	**$ (95,743)**
Classified in the Consolidated Financial Statements as:		
Deferred tax asset	37,509	22,411
Deferred tax liability	(99,101)	(92,831)
	$ (61,592)	**$ (70,420)**

[1] The gross amount of tax non-capital losses carried forward will start to expire in 2030.

Unrecognized deferred tax liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Reversing these temporary differences would not result in any significant tax implications.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized on the consolidated balance sheets in respect of the following items:

(in thousands of Canadian dollars)	As at December 29, 2019	As at December 30, 2018
Income tax losses	$ 12,094	$ 10,905
Deductible temporary differences	34,302	30,355
	$ 46,396	**$ 41,260**

The US income tax losses of $9.4 million and Canadian income tax losses of $2.6 million (December 30, 2018 - $4.1 million) will start to expire in 2024. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

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)		As at December 29, 2019		As at December 30, 2018
Raw materials	$	6,937	$	6,678
Work in progress		921		843
Finished goods		19,035		15,661
Food and beverage supplies		12,911		13,404
	$	**39,804**	**$**	**36,586**

13 Long-term receivables

(in thousands of Canadian dollars)		As at December 29, 2019		As at December 30, 2018
Lease receivable (note 3)	$	455,245	$	—
Franchise receivable		11,189		18,430
Due from related parties (note 29)		14,170		15,448
Promissory notes		626		1,091
	$	**481,230**	**$**	**34,969**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		As at December 29, 2019		As at December 30, 2018
Current portion of long-term receivables	$	80,347	$	4,900
Long-term receivables		400,883		30,069
	$	**481,230**	**$**	**34,969**

Lease receivable

Lease receivables are related to the lease liabilities where the Company is on the real estate head lease of its franchised locations and a corresponding sublease contract is entered into between the Company and its franchisees. These subleases are all related to non-consolidated franchisees and are related to the long-term obligation of the 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 comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of changes related to the adoption of IFRS 16 are disclosed in note 3.

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 52 weeks ended December 29, 2019, the Company recorded an impairment loss of $19.9 million (December 30, 2018 - $nil) on long-term lease receivables using the expected credit loss model.

Lease receivables have maturity dates ranging from 2020 to 2037 and bear an average effective interest rate of 3.7% to 4.4%.

(in thousands of Canadian dollars)		As at December 29, 2019
Balance, beginning of period		—
IFRS 16 inception adjustment (note 3)		504,439
Additions		27,609
Lease renewals and modifications, terminations and other adjustments		19,884
Payments		(95,944)
Interest income		19,132
Impairment		(19,875)
Lease receivable	**$**	**455,245**

Franchise receivable

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 $11.2 million (December 30, 2018 - $18.4 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 52 weeks ended December 29, 2019, the Company recorded $nil (December 30, 2018 - $nil) of impairment losses on long-term franchise receivables.

Franchise receivables have maturity dates ranging from 2020 to 2034 and bear an average effective interest rate of 8% - 10%.

(in thousands of Canadian dollars)		As at December 29, 2019
Balance, beginning of period	$	18,431
Payments		(2,844)
Buyouts, take-backs, and other adjustments		(4,398)
Franchise receivable	**$**	**11,189**

Provision for impairment

The Company has recorded a provision for impairment against long-term receivables of $29.6 million as at December 29, 2019:

(in thousands of Canadian dollars)		As at December 29, 2019
Balance, beginning of period	$	—
IFRS 16 inception adjustment		7,438
Additions related to lease receivable		19,875
Additions related to due from related parties		4,741
Adjustments		(2,438)
Provision for impairment	**$**	**29,616**

14 Property, plant and equipment

	As at December 29, 2019							
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Right-of-Use Assets	Constructio n-in-progress	Total
Cost								
Balance, beginning of year	$ 36,359	$ 114,335	$ 231,834	$ 208,987	$ 42,811	$ —	$ 8,947	$ 643,273
IFRS 16 adjustment to opening balance (note 3)	—	—	(400)	12,276	(41,589)	263,615	—	233,902
Additions	—	14	7,554	4,213	—	46,793	37,259	95,833
Acquisitions and buybacks (note 5)	—	—	458	345	—	—	—	803
Foreign exchange translation	—	—	(586)	(1,452)	—	(596)	—	(2,634)
Disposals and adjustments	(393)	(509)	(15,642)	(5,995)	(1,242)	(5,308)	—	(29,089)
Transfer to/(from) construction-in-progress	—	1,816	15,646	20,166	—	—	(37,628)	—
Balance, end of year	$ 35,966	$ 115,656	$ 238,864	$ 238,540	$ (20)	$ 304,504	$ 8,578	$ 942,088
Accumulated depreciation and impairment losses								
Balance, beginning of year	$ —	$ 11,675	$ 132,848	$ 78,068	$ 20,692	$ —	$ —	$ 243,283
IFRS 16 adjustment to opening balance (note 3)	—	—	—	971	(19,900)	—	—	(18,929)
Depreciation expense	—	4,091	28,805	31,025	—	46,211	—	110,132
Impairment losses	—	—	3,514	11,633	—	17,143	—	32,290
Reversal of impairment losses	—	—	—	(185)	—	(152)	—	(337)
Foreign exchange translation	—	—	(484)	(1,206)	—	(83)	—	(1,773)
Disposals and adjustments	—	(465)	(15,096)	(8,750)	(812)	(369)	—	(25,492)
Balance, end of year	$ —	$ 15,301	$ 149,587	$ 111,556	$ (20)	$ 62,750	$ —	$ 339,174
Carrying amount as at December 29, 2019	$ 35,966	$ 100,355	$ 89,277	$ 126,984	$ —	$ 241,754	$ 8,578	$ 602,914

	As at December 30, 2018						
(in thousands of Canadian dollars)	Land	Buildings	Equipment	Leasehold improvements	Assets under finance lease	Construction-in-progress	Total
Cost							
Balance, beginning of year	$ 38,816	$ 115,801	$ 214,017	$ 143,250	$ 42,439	$ 6,456	$ 560,779
Additions	—	29	7,532	98	1,490	33,237	42,386
Additions from The Keg merger (note 28)	—	—	17,748	66,321	—	542	84,611
Additions from business acquisition (note 5)	—	—	1,180	4,873	—	—	6,053
Foreign exchange translation	—	—	1,083	4,398	—	15	5,496
Disposals and adjustments	(2,457)	(1,546)	(31,896)	(19,035)	(1,118)	—	(56,052)
Transfer to/(from) construction-in-progress	—	51	22,170	9,082	—	(31,303)	—
Balance, end of year	$ 36,359	$ 114,335	$ 231,834	$ 208,987	$ 42,811	$ 8,947	$ 643,273
Accumulated depreciation and impairment losses							
Balance, beginning of year	$ —	$ 7,964	$ 134,454	$ 63,372	$ 18,779	$ —	$ 224,569
Depreciation expense	—	3,910	26,646	20,598	3,031	—	54,185
Impairment losses	—	—	1,667	10,031	—	—	11,698
Reversal of impairment losses	—	—	(449)	(3,831)	—	—	(4,280)
Foreign exchange translation	—	—	867	3,854	—	—	4,721
Disposals and adjustments	—	(199)	(30,337)	(15,956)	(1,118)	—	(47,610)
Balance, end of year	$ —	$ 11,675	$ 132,848	$ 78,068	$ 20,692	$ —	$ 243,283
Carrying amount as at December 30, 2018	$ 36,359	$ 102,660	$ 98,986	$ 130,919	$ 22,119	$ 8,947	$ 399,990

Right-of-use assets

IFRS 16 defines a lease as a contract that conveys the right to use an asset for a period of time in exchange for consideration. On December 31, 2018, the initial commencement date of IFRS 16, the Company's right-of-use assets were recognized and calculated as the initial amount of the lease liabilities, plus any lease payment made before the commencement date, plus any initial direct costs incurred, minus any lease incentives received. Subsequent to initial recognition, the Company measures the right-of-use assets at cost less accumulated depreciation and impairment losses. The carrying value is also adjusted for any re-measurement of the lease liabilities.

The amortization period for the right-of-use asset is from the initial commencement date to the end of the lease term including any exercised renewal options.

Impairment losses

For the 52 weeks ended December 29, 2019, the Company recorded $32.3 million (December 30, 2018 - $11.7 million) of impairment losses on property, plant and equipment in respect of 41 cash generating units ("CGUs") (December 30, 2018 - 12 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"). Approximately 32% (December 30, 2018 - 75%) of impaired CGUs had carrying values greater than their FVLCS. The remaining 68% (December 30, 2018 - 25%) of impaired CGUs had carrying values greater than their VIU.

For the 52 weeks ended December 29, 2019, the Company recorded $0.3 million (December 30, 2018 - $4.3 million) of impairment reversals on property, plant and equipment in respect of 2 CGUs (December 30, 2018 – 5 CGUs) given that the condition that originally caused the impairment no longer exists. The impairment reversals are recorded where the recoverable amount of the restaurant exceeds its carrying value that was previously impaired and does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. The recoverable amount was based on its VIU.

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 3.75% to 14.5% at December 29, 2019 (December 30, 2018 - 9.2% to 18.5%).

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 December 29, 2019			
(in thousands of Canadian dollars)	**Brands**	**Other assets**	**Investment in joint ventures** (note 29)	**Total**
Cost				
Balance, beginning of year	$ 526,072	$ 98,336	$ 18,635	$ 643,043
Additions from business acquisitions (note 5)	4,384	1,971	—	6,355
Additions	—	124	—	124
Disposal	—	(561)	(209)	(770)
Share of loss	—	—	60	60
Adjustments and transfers	—	(17,259)	(347)	(17,606)
Balance as at December 29, 2019	**$ 530,456**	**$ 82,611**	**$ 18,139**	**$ 631,206**
Accumulated amortization				
Balance, beginning of year	$ —	$ 26,860	$ —	$ 26,860
Amortization	—	6,278	—	6,278
Disposal	—	(561)	—	(561)
Impairment	—	675	—	675
Other	—	325	—	325
Adjustments and transfers	—	(13,861)	—	(13,861)
Balance as at December 29, 2019	**$ —**	**$ 19,716**	**$ —**	**$ 19,716**
Carrying amount as at December 29, 2019	**$ 530,456**	**$ 62,895**	**$ 18,139**	**$ 611,490**

(in thousands of Canadian dollars)	Brands	Other assets	Investment in joint ventures (note 29)	Total
	As at December 30, 2018			
Cost				
Balance, beginning of year	$ 526,072	$ 90,222	$ 19,675	$ 635,969
Additions	—	131	—	131
Additions from Keg merger (note 29)	—	4,443	—	4,443
Additions from business acquisitions (note 5)	—	3,789	—	3,789
Proceeds on disposal	—	—	(2,176)	(2,176)
Gain on dispoal	—	—	207	207
Disposal and Adjustments	—	(249)	—	(249)
Share of gain from investment in joint venture	—	—	929	929
Balance as at December 30, 2018	**$ 526,072**	**$ 98,336**	**$ 18,635**	**$ 643,043**
Accumulated amortization				
Balance, beginning of year	$ —	$ 21,001	$ —	$ 21,001
Amortization	—	5,548	—	5,548
Disposal and Adjustments	—	(597)	—	(597)
Impairment	—	689	—	689
Other	—	219	—	219
Balance as at December 30, 2018	**$ —**	**$ 26,860**	**$ —**	**$ 26,860**
Carrying amount as at December 30, 2018	**$ 526,072**	**$ 71,476**	**$ 18,635**	**$ 616,183**

Impairment testing of brands and other assets

For the purpose of impairment testing, brands are allocated to the group of CGUs which represent the lowest level within the group at which the brands are monitored for internal management purposes.

The Company performed impairment testing of brands with an indefinite life in accordance with the Company's accounting policy for the years ended December 29, 2019 and December 30, 2018. During the years ended December 29, 2019 and December 30, 2018, the Company recorded $nil of impairment losses on indefinite life intangible assets.

The Company determines FVLCS of its brands using the "Relief from Royalty Method", a discounted cash flow model. The process of determining the FVLCS requires management to make estimates and assumptions of a long-term nature including, but not limited to, projected future sales, terminal growth rates, royalty rates and discount rates. Projected future sales are consistent with the most recent strategic plans presented to the Company's Board. For the purposes of the impairment test, the Company has reflected a terminal value growth of 3% after the fifth year in its present value calculations.

The Company has used an after-tax discount rate in the range of 8.2% to 14.5% (December 30, 2018 - 8.7% to 18.5%), which is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the group of CGUs to which brands with an indefinite life is allocated. Cash flow projections are discounted over a five-year period plus a terminal value.

Definite life intangible assets tested for impairment are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. During the year ended December 29, 2019, the Company recorded $0.7 million (December 30, 2018 - $0.7 million) of impairment losses in respect of three cash generating units.

An impairment loss and any subsequent reversals, if any, are recognized in the consolidated statements of earnings.

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)	As at December 29, 2019	As at December 30, 2018
Cost		
Balance, beginning of period	$ 196,638	$ 191,111
Additions from business acquisitions (note 5)	1,291	5,527
Additions resulting from change in Preliminary Purchase Equation	384	—
Balance, end of period	**$ 198,313**	**$ 196,638**

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to the group of CGUs, being brands that are considered to represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

During the years ended December 29, 2019 and December 30, 2018, the Company performed annual impairment testing of goodwill, in accordance with the Company's accounting policy.

The Company uses the VIU method for determining the recoverable amount of the group of CGUs to which goodwill is allocated. The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data). Key assumptions include the Company's weighted average cost of capital, restaurant sales growth, gross margin rates, changes in other operating expenses and capital investment. The Company has projected cash flows based on the most recent strategic plans presented to the Company's Board. For the purposes of the impairment test, the Company has reflected a terminal value growth of 3% after the fifth year in its present value calculations.

The Company has used an after-tax discount rate in the range of 8.2% to 14.5% (December 30, 2018 - 8.7% to 18.5%), which is based on the Company's weighted average cost of capital with appropriate adjustments for the risks associated with the group of CGUs to which goodwill is allocated. Cash flow projections are discounted over a five-year period plus a terminal value.

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 judgemental nature of these items, future settlements may differ from amounts recognized.

					As at December 29, 2019
(in thousands of Canadian dollars)	**Asset retirement obligations**	**Lease obligations for closed restaurants**	**Franchise onerous contracts**	**Other**	**Total**
Balance, beginning of period	$ 5,478	$ 13,154	$ 2,279	$ 2,564	$ 23,475
Additions	207	—	—	1,852	2,059
Accretion	181	—	—	—	181
Payments	(35)	—	—	(270)	(305)
Adjustments	(1,491)	(90)	—	(176)	(1,757)
Impact from transition to IFRS 16	—	(13,064)	(2,279)	—	(15,343)
Balance as at December 29, 2019	**$ 4,340**	**$ —**	**$ —**	**$ 3,970**	**$ 8,310**

					As at December 30, 2018
(in thousands of Canadian dollars)	**Asset retirement obligations**	**Lease obligations for closed restaurants**	**Franchise onerous contracts**	**Other**	**Total**
Balance, beginning of period	$ 5,994	$ 2,156	$ 4,064	$ 2,916	$ 15,130
Additions	73	10,792	—	—	10,865
Accretion	243	—	—	—	243
Payments	(400)	(1,495)	(804)	(87)	(2,786)
Adjustments	(432)	1,701	(981)	(265)	23
Balance as at December 30, 2018	**$ 5,478**	**$ 13,154**	**$ 2,279**	**$ 2,564**	**$ 23,475**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	**As at December 29, 2019**	**As at December 30, 2018**
Provisions-current	$ 4,721	$ 9,679
Provisions-long-term	3,589	13,796
	$ 8,310	**$ 23,475**

18 Long-term debt

(in thousands of Canadian dollars)	As at December 29, 2019	As at December 30, 2018
Private debt	$ 250,000	$ —
Term credit facility - revolving	210,325	220,025
Term credit facility - non-revolving	—	150,000
The Keg credit facilities	19,000	21,000
	479,325	391,025
Less: financing costs	3,583	1,459
	$ 475,742	**$ 389,566**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		
Current portion of long-term debt	—	154,000
Long-term portion of long-term debt	475,742	235,566
	$ 475,742	**$ 389,566**

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 ("New Credit Facility"), is secured on a first lien basis on the assets that secure the Company's New Credit Facility, and is 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 December 29, 2019, $250.0 million (December 30, 2018 - $nil) was drawn under the Notes.

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 (5 years) and a $150.0 million tranche that matures on May 1, 2022 (3 years). 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 December 29, 2019, $210.3 million (December 30, 2018 - $370.0 million) was drawn under the amended and extended credit facilities. The effective interest rate for the 52 weeks ended December 29, 2019 was 4.10% representing bankers acceptance rate of 1.97% plus 1.45% borrowing spread, standby fees and the amortization of deferred financing fees of 0.68%.

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 December 29, 2019, the standby fee rate was 0.29%.

As at December 29, 2019, the Company was in compliance with all covenants and has not exceeded any covenant levels requiring early repayments.

The Keg Credit Facilities

On September 28, 2013, 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 now bears interest at a rate between bank prime plus 0% to bank prime plus 0.75%, based on certain financial criteria, rather than at bank prime plus 0.25% to bank prime plus 1.0%. The maturity date was extended from July 2, 2020 to July 4, 2022.

As at December 29, 2019, $19.0 million of this facility has been drawn (December 30, 2018 - $21.0 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 December 29, 2019, KRL was in compliance with all bank covenants associated with these facilities.

The movement in long-term debt from December 30, 2018 to December 29, 2019 is as follows:

(in thousands of Canadian dollars)	Private Debt	Term Credit Facility	Keg Credit Facilities	Total
Balance at December 30, 2018	$ —	$ 370,025	$ 21,000	$ 391,025
Less Financing costs	—	(1,306)	(153)	(1,459)
	—	368,719	20,847	389,566
Changes from financing cash flows				
Repayment of borrowings	—	(299,700)	(23,000)	(322,700)
Issuance of borrowings	250,000	140,000	21,000	411,000
Addition to deferred financing costs	(1,741)	(1,222)	(131)	(3,094)
Balance due to changes from financing cash flows as at December 29, 2019	**$ 248,259**	**$ 207,797**	**$ 18,716**	**$ 474,772**
Non-cash movements				
Amortization of deferred financing costs	116	757	97	970
Balance at December 29, 2019	**$ 248,375**	**$ 208,554**	**$ 18,813**	**$ 475,742**

The movement in long-term debt from December 31, 2017 to December 30, 2018 is as follows:

(in thousands of Canadian dollars)	Term Credit Facility	Keg Credit Facilities	Total
Balance at December 31, 2017	$ 379,025	$ —	$ 379,025
Less Financing costs	(1,905)	—	(1,905)
	377,120	—	377,120
Changes from financing cash flows			
Issuance of borrowings	104,000	—	104,000
Repayment of borrowings	(113,000)	(3,000)	(116,000)
Debt assumed on acquisition (note 28)	—	23,774	23,774
Balance due to changes from financing cash flows as at December 30, 2018	$ 368,120	$ 20,774	$ 388,894
Non-cash movements			
Amortization of deferred financing costs	599	73	672
Balance at December 30, 2018	**$ 368,719**	**$ 20,847**	**$ 389,566**

Debt repayments

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

(in thousands of Canadian dollars)	2020	2021	2022	2023	2024	Thereafter
Private Debt	—	—	—	—	—	$ 250,000
Revolving Credit Facility	—	—	85,325	—	125,000	—
Keg Credit Facilities	—	—	19,000	—	—	—
Total [1]	**$ —**	**$ —**	**$ 104,325**	**$ —**	**$ 125,000**	**$ 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. The Company applies IFRS 16 using the modified retrospective approach. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The impact of changes related to the adoption of IFRS 16 are disclosed in note 3.

Lease liabilities

(in thousands of Canadian dollars)	December 29, 2019	December 30, 2018
Balance, beginning of year	$ 26,016	$ 27,496
IFRS 16 inception adjustment (note 3)	782,857	—
Additions	41,361	1,490
Lease renewals and modifications	60,681	—
Early lease terminations	(13,168)	—
Payments	(152,568)	(4,876)
Interest expense	32,212	1,906
Adjustments	(6,983)	—
Gain on settlement of lease liabilities	(1,400)	—
Foreign translation adjustment	(559)	—
Balance, end of period	**$ 768,449**	**$ 26,016**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)	December 29, 2019	December 30, 2018
Current portion of lease liabilities	$ 121,847	$ 3,192
Lease liabilities	646,602	22,824
	$ 768,449	**$ 26,016**

Amounts recognized in profit or loss

(in thousands of Canadian dollars)	2019
Interest on lease liabilities	$ 32,212
Variable lease payments not included in the measurement of lease liabilities	17,917
Expense relating to leases of low-value assets	1,808
Expense relating to leases of short-term leases	650

Maturity analysis - contractual undiscounted cash flows:

(in thousands of Canadian dollars)		2019
2020	$	149,303
2021		140,180
2022		124,839
2023		104,285
2024		86,999
Thereafter		285,158
Total undiscounted lease liabilities, end of year	**$**	**890,764**

As a Lessee

Real estate leases

The Company's lease contracts consist of real estate leases for use in the operation of its corporate restaurants, call centre, retail and catering business, and corporate head offices. The leases typically run for a period of 10 years.

Most of the Company's property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. These options are typically 5 years after the end of the current contract terms. The Company recognizes the exercised options in its finance lease obligations. The Company has elected not to include non-exercised renewal options due to the uncertainty of the economic environment and market conditions.

Other leases

The Company leases vehicle and equipment used in St-Hubert's food processing and distribution division, with lease terms of up to five years. The Company recognizes and monitors the use of these vehicles and equipment, and reassesses the estimated amount payable at the each reporting date to remeasure lease liabilities and right-of-use assets. The Company also leases IT equipment and vehicles with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

As a Lessor

The Company is on the head lease of many of its franchised locations whereby a corresponding sublease contract is entered into between the Company and its franchisees (see note 13). The Company has classified all the subleases as finance leases because the subleases are for the whole of the remaining term of the head leases.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

(in thousands of Canadian dollars)		2019
2020	$	95,116
2021		89,043
2022		79,675
2023		67,186
2024		56,919
Thereafter		173,316
Total undiscounted lease payments receivable, end of year	**$**	**561,255**
Unearned finance income		(94,821)
Net investment in the lease	**$**	**466,434**

20 Other long-term liabilities

(in thousands of Canadian dollars)		December 29, 2019		December 30, 2018
Accrued pension and other benefit plans (note 21)	$	21,640	$	22,132
Non-controlling interest liability		22,734		23,011
Contingent liability		7,023		19,778
Deferred income		12,193		8,012
Deferred rental income		4,721		7,055
Accrued rent expense (note 3)		—		7,554
Other long-term liabilities		1,532		3,572
Deferred share units		1,237		1,141
Restricted share units		543		—
	$	**71,623**	**$**	**92,255**

Recorded in the consolidated balance sheets as follows:

(in thousands of Canadian dollars)		December 29, 2019		December 30, 2018
Accounts payable and accrued liabilities	$	4,650	$	4,588
Other long-term liabilities		66,973		87,667
	$	**71,623**	**$**	**92,255**

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 52 weeks ended December 29, 2019, the Company recorded expenses of $0.8 million (52 weeks ended December 30, 2018 - $0.8 million) related to pension benefits.

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.

For the 52 weeks ended December 29, 2019, the Company recorded a recovery of $0.3 million (52 weeks ended December 30, 2018 - expense of $3.5 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 amounts of $7.0 million has been recorded as at December 29, 2019 (December 30, 2018 - $19.8 million), representing amounts payable to the former shareholders contingent on certain targets and conditions being met.

For the 52 weeks ended December 29, 2019, the Company recorded a recovery of $10.0 million (52 weeks ended December 30, 2018 - $nil) related to the contingent liability.

Deferred income

Unearned franchise and conversion fee income

At December 29, 2019, the Company had deferred $3.3 million (December 30, 2018 - $4.0 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 December 29, 2019, the Company had deferred $2.2 million (December 30, 2018 - $2.9 million) related to gains realized on sale-leaseback transactions.

Covenancy fees

The Company collects covenancy fees from franchisees on subtenant leases. At December 29, 2019, the Company had unearned covenancy fees of $4.4 million (December 30, 2018 - nil) 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 December 29, 2019, the Company had unearned revenue of $2.3 million (December 30, 2018 - $0.5 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 $4.7 million balance at December 29, 2019 (December 30, 2018 - $7.1 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 52 weeks ended December 29, 2019, the Company recognized an expense of $0.1 million (52 weeks ended December 30, 2018 - $0.5 million) and a liability was recorded as part of Other Long-Term Liabilities in the amount of $1.2 million as at December 29, 2019 (December 30, 2018 - $1.1 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 year ended December 29, 2019, the Company recognized an expense of $0.5 million (year ended December 30, 2018 - $nil).

21 Employee future benefits

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.

Recipe's Pension Committee (the "Committee") oversees the Company's pension plans. The Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans such as administration of the plans, pension investment and compliance with legal and regulatory requirements.

Information on the Company's defined benefit pension plans, in aggregate, is summarized as follows:

(in thousands of Canadian dollars)		**As at December 29, 2019**		**As at December 30, 2018**
Present value of obligations	**$**	**(54,539)**	$	(53,040)
Fair value of plan assets		**32,899**		30,908
Deficit in the plans	**$**	**(21,640)**	$	(22,132)

		For the 52 weeks ended		
(in thousands of Canadian dollars)		**December 29, 2019**		**December 30, 2018**
Experience gains (losses) on plan assets	**$**	**3,120**	$	(1,608)
Actuarial (losses) gains on obligation		**(3,411)**		2,292
Income tax recovery (note 11)		**76**		(207)
	$	**(215)**	$	477

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligation:

(in thousands of Canadian dollars)	Defined benefit pension plan		Supplemental Executive Retirement Plans (Unfunded)		Total	
	Dec 29, 2019	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**
Changes in the fair value of plan assets						
Fair value, beginning of period	**$ 30,908**	$ 33,106	**$ —**	$ —	**$ 30,908**	$ 33,106
Interest income	**1,146**	1,136	**—**	—	**1,146**	1,136
Return on plan assets (excluding interest income)	**3,120**	(1,608)	**—**	—	**3,120**	(1,608)
Employer contributions	**610**	695	**1,547**	1,564	**2,157**	2,259
Employee contributions	**87**	103	**—**	—	**87**	103
Administrative expenses	**(95)**	(66)	**—**	—	**(95)**	(66)
Benefits paid	**(2,877)**	(2,458)	**(1,547)**	(1,564)	**(4,424)**	(4,022)
Fair value, end of period	**$ 32,899**	$ 30,908	**$ —**	$ —	**$ 32,899**	$ 30,908
Changes in the present value of obligations						
Balance, beginning of period	**$ (36,028)**	$ (38,085)	**$ (17,012)**	$ (18,674)	**$ (53,040)**	$ (56,759)
Current service cost	**(447)**	(570)	**—**	—	**(447)**	(570)
Employee contributions	**(87)**	(103)	**—**	—	**(87)**	(103)
Interest cost	**(1,353)**	(1,322)	**(625)**	(599)	**(1,978)**	(1,921)
Benefits paid	**2,877**	2,458	**1,547**	1,564	**4,424**	4,022
Actuarial gains (losses) in financial assumptions	**(2,367)**	1,594	**(1,044)**	697	**(3,411)**	2,291
Balance, end of period	**$ (37,405)**	$ (36,028)	**$ (17,134)**	$ (17,012)	**$ (54,539)**	$ (53,040)

(1) Change in the plan program for certain individuals as a result of only participating in the unfunded defined benefit pension plan.
(2) Impact from updated mortality table.

The net expense recognized in selling, general and administrative expense on the consolidated statements of earnings (note 8) for the Company's defined benefit pension plans was as follows:

(in thousands of Canadian dollars)	Defined benefit pension plan		Supplemental Executive Retirement Plans (Unfunded)		Total	
	52 weeks ended		**52 weeks ended**		**52 weeks ended**	
	Dec 29, 2019	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**
Current service cost	**$ 447**	$ 570	**$ —**	$ —	**$ 447**	$ 570
Interest on obligations	**1,353**	1,322	**625**	599	**1,978**	1,921
Interest income on plan assets	**(1,146)**	(1,136)	**—**	—	**(1,146)**	(1,136)
Administrative expenses	**95**	66	**—**	—	**95**	66
Net benefit plan expense	**$ 749**	$ 822	**$ 625**	$ 599	**$ 1,374**	$ 1,421

The cumulative actuarial losses before tax recognized in other comprehensive income for the Company's defined benefit pension plans are as follows:

(in thousands of Canadian dollars)	**Defined benefit pension plan**		**Supplemental Executive Retirement Plans (Unfunded)**		**Total**	
	Dec 29, 2019	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**	**Dec 29, 2019**	**Dec 30, 2018**
Cumulative amount, beginning of period	**$ 618**	$ 632	**$ (7,183)**	$ (7,880)	**$ (6,565)**	$ (7,248)
Return on plan assets (excluding interest income)	**3,120**	(1,608)	**—**	—	**3,120**	(1,608)
Actuarial gains (losses) in financial assumptions	**(2,366)**	1,594	**(1,045)**	697	**(3,411)**	2,291
Total net actuarial gains (losses) recognized in other comprehensive income (loss)	**754**	(14)	**(1,045)**	697	(291)	683
Cumulative amount, end of period	**$ 1,372**	$ 618	**$ (8,228)**	$ (7,183)	**$ (6,856)**	$ (6,565)

The actual total return/(loss) on plan assets was $4.3 for the period ended December 29, 2019 (December 30, 2018 - $(0.5) million).

The accrued benefit plan obligations and the fair value of the benefit plan assets were determined using a December 31 measurement date for accounting purposes.

The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. The most recent actuarial valuation for funding purposes was completed in 2017 and the next required funding valuation will be prepared in 2020 as of December 31, 2019. During 2020, the Company expects to contribute approximately $0.6 million (2019 - $0.6 million) to its registered funded defined benefit plan, defined contribution plans and multi-employer plans. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

The benefit plan assets are held in trust and at December 31st was invested 100% in a balanced fund.

The Company's defined benefit pension plans are exposed to actuarial risks, such as longevity risk, investment rate risk and market risk.

The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan expense, as at the measurement date of December 31st, were as follows:

	Defined benefit pension plan		Unfunded defined benefit pension plans	
	December 29, 2019	**December 30, 2018**	**December 29, 2019**	**December 30, 2018**
Defined benefit plan obligations				
Discount rate	**3.05**	3.85	**3.05**	3.85
Rate of compensation	**2.0-3.0**	2.0-3.0	**2.0**	2.0
Mortality table	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.9	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.9
Net defined benefit plan expense				
Discount rate	**3.35-3.85**	3.35-3.60	**3.35**	3.35
Rate of compensation	**2.0-3.0**	2.0-3.0	**2.0**	2.0
Mortality table	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.9	CPM2014BPubl - SAF 0.8	CPM2014BPubl - SAF 0.9

The following table outlines the key actuarial assumption for 2019 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and net defined benefit plan expense.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined benefit pension plan		Unfunded defined benefit pension plans	
(in thousands of Canadian dollars)	**Defined Benefit Plan Obligations**	**Net Defined Benefit Plan Expense**	**Defined Benefit Plan Obligations**	**Net Defined Benefit Plan Expense**
Discount rate	3.05%	3.85%	3.05%	3.85%
Impact of : 1% increase	(4,646)	(279)	(1,289)	101
1% decrease	5,786	257	1,475	(121)

22 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 December 29, 2019, approximately 6.5 million stock options were granted and outstanding.

Stock options outstanding as at December 29, 2019 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. There were no accelerated vesting features upon the initial public offering under any of the plans described below.

The following table summarizes the options granted:

For the 52 weeks ended December 29, 2019	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 30, 2018	2,899,355	$ 11.61	4,495,106	$ 29.63	7,394,461	$ 22.56
Granted	—	$ —	—	$ —	—	$ —
Exercised	—	$ —	(575,331)	$ 8.51	(575,331)	$ 8.51
Forfeited	(150,000)	$ 27.39	(175,798)	$ 28.70	(325,798)	$ 28.10
Outstanding options, end of period	**2,749,355**	**$ 10.75**	**3,743,977**	**$ 32.91**	**6,493,332**	**$ 23.53**
Options exercisable, end of period	**2,489,355**	**$ 9.06**	**323,292**	**$ 23.03**	**2,812,647**	**$ 10.66**

For the 52 weeks ended December 30, 2018	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 31, 2017	2,449,355	$ 8.74	1,680,071	$ 17.06	4,129,426	$ 12.12
Granted	450,000	$ 27.24	3,150,000	$ 34.64	3,600,000	$ 33.71
Exercised	—	$ —	(16,270)	$ 8.51	(16,270)	$ 8.51
Cancelled	—	$ —	(215,054)	$ 8.51	(215,054)	$ 8.51
Forfeited	—	$ —	(103,641)	$ 25.27	(103,641)	$ 25.27
Outstanding options, end of period	**2,899,355**	**$ 11.61**	**4,495,106**	**$ 29.63**	**7,394,461**	**$ 22.56**
Options exercisable, end of period	**2,419,355**	**$ 8.51**	**241,935**	**$ 8.51**	**2,661,290**	**$ 8.51**

CEO stock option plan

Under the CEO Stock Option Plan ("CEO Plan"), the Company's 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 option can only be into the common share equity of the Company.

During the year ended December 29, 2019, no stock options were granted under the CEO Plan. During the year ended December 30, 2018, 150,000 stock options at an exercise price of $27.39 were granted under the CEO Plan to the former Executive Chair of the Board and CEO, Bill Gregson and 300,000 stock options at an exercise price of $27.17 were granted to the current CEO, Frank Hennessey. These options vest over five years and expire after eight years.

During the year ended December 29, 2019 no stock options were exercised and 150,000 stock options at an exercise price of $27.39 were forfeited under the CEO Plan (December 30, 2018 - no stock options were exercised or forfeited).

The Company has accounted for these grants as if they will be equity settled using the grant date fair value in accordance with IFRS 2. The fair value of options granted was determined by applying the Black-Scholes option pricing model using the following assumptions:

Option Grant Date	Number of Options	Exercise Price	Expected Time to Vesting from Option Grant Date	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
October 31, 2013	2,419,355	8.51	5 years	35.00%	1.42%	$1.68
December 4, 2015	10,000	32.37	5.5 years	26.00%	0.92%	$6.80
January 4, 2017	20,000	24.64	5.5 years	26.00%	1.11%	$5.85
May 10, 2018	150,000	27.39	7.5 years	26.00%	2.22%	$7.25
May 10, 2018	300,000	27.17	7.5 years	26.00%	2.22%	$7.32
Less forfeitures	(150,000)					
Total	**2,749,355**					

The expected annual volatility is based on industry benchmarks against a common pool of comparable industry stocks, using average 3-year volatility trends as of the grant date. For options granted prior to the IPO, stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 20%. The Risk-Free Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

For the 52 weeks ended December 29, 2019, the Company recognized stock-based compensation costs of $0.6 million (year ended December 30, 2018 - $0.6 million) related to the CEO Plan with a corresponding increase to contributed surplus.

Employee stock option plan

Under the Employee Stock Option Plan ("Employee Plan"), the Company granted options in accordance with certain terms of the 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 CFO has 180,000 options at an average exercise price of $27.36 and the Company's management team has 3,563,977 at an average exercise price of $33.19.

During the year ended December 29, 2019, no options were granted to the CFO (year ended December 30, 2018 the CFO was granted 150,000 stock options at an exercise price of $27.39, with a 5 year vesting period and expire after ten years).

During the year ended December 29, 2019, the Company granted no stock options under the Employee Plan. During the year ended December 30, 2018, in connection with his appointment to the board, Mr. David Aisenstat was granted 3,000,000 stock options at an exercise price of $35.00. These stock options vest upon the achievement of specific Company performance measures within a 5 year period and expire after 8 years.

During the year ended December 29, 2019, 575,331 stock options with a weighted average exercise price of $8.51 were exercised (year ended December 30, 2018 – 16,270 stock options with a weighted average exercise price of $8.51).

During the year ended December 29, 2019, 175,798 stock options with a weighted average exercise price of $28.70 were forfeited (year ended December 30, 2018 – 103,641 stock options with a weighted average exercise price of $25.27).

The Company has accounted for these grants as if they will be equity settled using the grant date fair value in accordance with IFRS 2. The fair value of options granted under the Employee Plan was determined by applying the Black-Scholes option pricing model using the following assumptions:

Option Grant Date	Number of Options	Exercise Price	Expected Time to Vesting from Option	Stock Price Volatility	Risk-Free Interest Rate	Grant Date Fair Value of Option
October 31, 2013	241,935	8.51	5 years	35.00%	1.42%	$1.68
January 1, 2014	217,103	8.51	6.5 years	35.00%	1.99%	$1.97
September 8, 2014	215,054	8.51	6.5 years	35.00%	2.02%	$5.60
December 4, 2014	492,287	8.51	6.5 years	35.00%	1.90%	$9.99
July 6, 2015	40,000	34.10	5.5 years	26.00%	0.76%	$7.18
October 1, 2015	20,282	32.87	5.5 years	26.00%	0.81%	$7.47
October 14, 2015	15,000	33.91	5.5 years	26.00%	0.77%	$7.08
October 31, 2015	16,699	34.51	5.5 years	26.00%	0.88%	$8.13
November 11, 2015	5,000	34.90	5.5 years	26.00%	1.00%	$7.79
December 4, 2015	215,625	32.37	5.5 years	26.00%	0.92%	$6.80
February 1, 2016	8,134	25.35	5.5 years	26.00%	0.67%	$4.68
April 4, 2016	3,276	29.37	5.5 years	26.00%	0.70%	$6.21
May 1, 2016	1,641	32.52	5.5 years	26.00%	0.87%	$7.00
August 15, 2016	1,644	30.19	5.5 years	26.00%	0.58%	$5.29
August 22, 2016	1,628	30.22	5.5 years	26.00%	0.64%	$6.29
August 29, 2016	46,478	30.02	5.5 years	26.00%	0.68%	$6.29
September 2, 2016	12,636	30.14	5.5 years	26.00%	0.69%	$6.36
September 6, 2016	1,443	30.15	5.5 years	26.00%	0.66%	$6.39
September 12, 2016	1,365	30.09	5.5 years	26.00%	0.71%	$6.28
September 26, 2016	1,196	29.69	5.5 years	26.00%	0.58%	$5.47
October 3, 2016	577	27.58	5.5 years	26.00%	0.62%	$5.30
November 7, 2016	593	26.03	5.5 years	26.00%	0.71%	$5.33
January 4, 2017	489,502	24.64	5.5 years	26.00%	1.11%	$5.85
February 27, 2017	2,075	25.51	5.5 years	26.00%	1.12%	$5.48
May 1, 2017	1,678	25.90	5.5 years	26.00%	1.02%	$5.06
May 10, 2018	150,000	27.39	7.5 years	26.00%	2.21%	$7.25
May 10, 2018	3,000,000	35.00	7.5 years	26.00%	2.21%	$5.15
Less options exercised	(834,707)					
Less forfeitures	(624,167)					
Total	**3,743,977**					

The expected annual volatility is based on industry benchmarks against a common pool of comparable industry stocks, using average 5-year volatility trends as of the grant date. For options granted prior to the IPO, Stock price was determined using a standard Enterprise Value calculation with an implied private company illiquidity discount of 15-20%. The Risk-Free Interest Rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant.

For the 52 weeks ended December 29, 2019, the Company recognized a stock-based compensation reversal of $2.2 million (year ended December 30, 2018 - expense of $3.9 million) related to the Employee Plan with a corresponding decrease to contributed surplus. The reversal in 2019 was related to changes in estimated forfeitures.

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 52 weeks ended	
RSUs earned and outstanding	**December 29, 2019**	**December 30, 2018**
RSUs outstanding, beginning of period	256,470	—
RSUs granted and earned in the period	38,164	256,470
RSUs forfeited	(93,898)	—
RSUs outstanding, end of period	**200,736**	**256,470**
RSUs vested, end of period	**—**	**—**

During the year ended December 29, 2019, 38,164 RSUs were granted and earned and 93,898 RSUs were forfeited (year ended December 30, 2018 - 256,470 RSUs were granted and earned). For the year ended December 29, 2019, the Company recognized a stock-based compensation expense of $1.3 million (year ended December 30, 2018 - $1.4 million) related to RSUs with a corresponding increase to contributed surplus.

Performance Share Units ("PSU")

PSUs are granted at the beginning of each year and 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 December 29, 2019, 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 year ended December 29, 2019, the Company recognized a stock-based compensation expense of $nil (year ended December 30, 2018 - $nil) related to PSUs.

23 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 February 22, 2018 the Company issued 3,801,284 subordinate voting shares in connection with the Keg merger (note 29).

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 may purchase up to 1,822,329 Subordinate Voting Shares during the period from June 24, 2019 to June 23, 2020. Purchases of the Subordinate Voting Shares are made at market prices and any Subordinate Voting Shares purchased through the NCIB will be cancelled. During the 52 weeks ended December 29, 2019, the Company purchased and cancelled 1,322,871 Subordinate Voting Shares for $35.2 million (52 weeks ended December 30, 2018 – 634,850 Subordinate Voting Shares for $16.2 million).

On August 14, 2019, the Company announced its notice of intention to make a substantial issuer bid ("SIB") to purchase for cancellation its Subordinate Voting and Multiple Voting Shares. On September 25, 2019, the Company completed the repurchase and cancellation of 4,629,629 Subordinate Voting Shares at a price of $27.00 per share under the SIB for an aggregate purchase price of $125.4 million.

As at December 29, 2019, there were 34,054,824 Multiple Voting Shares and 22,323,601 Subordinate Voting Shares issued and outstanding (December 30, 2018 - 34,396,284 Multiple Voting Shares and 27,359,310 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 31, 2017	**34,396**	**24,176**	**58,572**	**$ 192,548**	**$ 498,420**	**$ 690,968**
Shares issued under stock option plan (note 21)	—	17	17	—	173	173
Shares re-purchased under NCIB		(635)	(635)	—	(16,207)	(16,207)
Shares issued as part of Keg merger	—	3,801	3,801	—	94,728	94,728
Balance at December 30, 2018	**34,396**	**27,359**	**61,755**	**$ 192,548**	**$ 577,114**	**$ 769,662**
Shares issued under stock option plan (note 21)	—	575	575	—	8,119	8,119
Share re-purchased under NCIB	—	(1,323)	(1,323)	—	(35,229)	(35,229)
Share re-purchased under SIB	(341)	(4,288)	(4,629)	(9,251)	(116,175)	(125,426)
Balance at December 29, 2019	**34,055**	**22,323**	**56,378**	**$ 183,297**	**$ 433,829**	**$ 617,126**

24 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.

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

	52 weeks ended December 29, 2019			52 weeks ended December 30, 2018		
	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**	Net earnings attributable to shareholders of the Company	Weighted average number of shares	**EPS**
Basic	$ 44,519	60,004	**$ 0.74**	$ 73,788	61,710	**$ 1.20**
Diluted .	$ 44,519	61,772	**$ 0.72**	$ 73,788	63,829	**$ 1.16**

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

	For the 52 weeks ended	
	December 29, 2019	**December 30, 2018**
Common shares	60,003,935	61,709,689
Effect of stock options issued (1)	1,768,176	2,119,416
	61,772,111	**63,829,105**

(1) 3,944,730 shares have been excluded from December 29, 2019 because they are anti-dilutive (December 30, 2018 - 3,996,761 shares)

25 Capital management

Capital is defined as total long-term debt and shareholders' equity. The objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern while maintaining adequate financial flexibility to invest in new business opportunities that will provide attractive returns to shareholders. The primary activities engaged by the Company to generate attractive returns include the construction and related leasehold improvements of new and existing restaurants, the development of new business concepts, the acquisition of restaurant concepts complementary to the Company's existing portfolio of restaurant brands, the investment in information technology to increase scale and support the expansion of the Company's multi-branded restaurant network, the investment in maintenance of capital equipment used in the Company's food processing and distribution business and investment in technologies and research and development to improve food manufacturing.

The Company's main sources of capital are cash flows generated from operations, a revolving line of credit, long-term debt and the issue of share capital. These sources are used to fund the Company's debt service requirements, capital expenditures, working capital needs, and dividend distributions to shareholders.

The Company monitors its anticipated capital expenditures to ensure that acceptable returns will be generated from the invested funds and will increase or decrease the program accordingly. Capital expenditures may also be adjusted in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position:

(in thousands of Canadian dollars)		As at December 29, 2019		As at December 30, 2018
Current portion of long-term debt (note 18)	$	—	$	154,000
Current portion of lease liabilities (notes 3 and 19)		121,847		3,192
Long-term debt (note 18)		475,742		235,566
Lease liabilities (notes 3 and 19)		646,602		22,824
Letters of credit (note 27)		568		615
Total		1,244,759		416,197
Shareholders' equity attributable to shareholders of the Company		344,986		485,812
Total capital under management	**$**	**1,589,745**	**$**	**902,009**

26 Cash flows

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

	For the 52 weeks ended			
(in thousands of Canadian dollars)		December 29, 2019		December 30, 2018
Accounts receivable	$	(13,181)	$	(33,813)
Inventories		(2,935)		(3,728)
Income taxes payable		6,318		1,603
Prepaid expenses and other assets		2,859		1,727
Accounts payable and accrued liabilities		(11,544)		15,973
Gift card liability		13,753		17,288
Income taxes paid		18,579		10,745
Change in interest payable		(2,487)		7,835
Net change in non-cash operating working capital	**$**	**11,362**	**$**	**17,630**

27 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. 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 consolidated financial statements.

The Company has outstanding letters of credit amounting to $0.6 million (December 30, 2018 - $0.6 million) primarily for various utility companies that provide services to corporate owned or franchised locations and support for certain franchisees' external financing used to fund their initial franchise fees and conversion fees, if applicable, payable to the Company. The probability of the letters of credit being drawn as a result of default by a franchisee is low.

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.

28 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. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

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.

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 December 29, 2019 and December 30, 2018:

(in thousands of Canadian dollars)				**December 29, 2019**
	Current	**> 30 days past due**	**> 60 days past due**	**Total**
Accounts receivable (net of allowance)	**$ 106,551**	**$ 7,250**	**$ 3,478**	**$ 117,279**
Balance at December 30, 2018	$ 90,441	$ 7,869	$ 5,204	$ 103,514

There are no significant impaired receivables that have not been provided for in the allowance. As at December 29, 2019, the Company believes that the $13.3 million (December 30, 2018 - $15.9 million) 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 December 29, 2019.

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.

29 Related parties

Shareholders

As at December 29, 2019, the Principal Shareholders hold 70.7% of the total issued and outstanding shares and have 98.1% of the voting control attached to all the shares. Cara Holdings holds 22.6% of the total issued and outstanding shares, representing 36.5% voting control. Fairfax holds 48.1% of the total issued and outstanding shares, representing 61.7% voting control. During the 52 weeks ended December 29, 2019, Fairfax sold 1,411,335 Subordinate Voting Shares under the SIB in order to purchase an equal number of Multiple Voting Shares from Cara Holdings. Fairfax's voting interest and equity ownership increased as a result of this exchange in combination with less voting shares outstanding overall after the SIB. Under the SIB, Cara Holdings participated and tendered 341,460 Multiple Voting Shares. These Multiple Voting Shares were converted into Subordinate Voting Shares on a one-for one basis immediately prior to the completion of the SIB.

During 52 weeks ended December 29, 2019, the Company paid a dividend of $0.4484 per share (52 weeks ended December 30, 2018 - $0.4272 per share) on the Subordinate and Multiple Voting Shares of which Fairfax received $12.2 million (52 weeks ended December 30, 2018 - $11.6 million) and Cara Holdings received $6.3 million (52 weeks ended December 30, 2018 - $6.2 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 52 weeks ended December 29, 2019 and December 30, 2018.

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

Insurance Provider

Some 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 December 29, 2019, no payments were outstanding.

The Keg

On February 22, 2018 (the "Keg Acquisition Date"), the Company completed the merger with the Keg Restaurants Limited (the "The Keg") for approximately $200.0 million comprised of $105.0 million in cash and 3,801,284 Recipe subordinate voting shares at the exchange amount. The cash portion of the purchase price was settled by drawing on its existing credit facility. In addition, Recipe may be required to pay up to an additional $30.0 million of cash consideration upon the achievement of certain financial milestones. On the Keg Acquisition Date, a contingent liability of $17.0 million related to this additional consideration and merger reserve equal to total consideration of $216.7 million were recorded on the balance sheet. During the year ended December 29, 2019, the contingent liability was reduced by $10.0 million and was recorded as a change in fair value of contingent liability on the profit and loss statement. The results from The Keg are included in the statement of earnings from The Keg acquisition date.

During the year ended December 30, 2018, 3,400,000 subordinate voting shares were issued at the exchange amount to Fairfax as part of the merger with The Keg on February 22, 2018.

The Company has elected not to account for the merger as a business combination under IFRS 3 Business Combinations, as the transaction represents a combination of entities under common control of Fairfax. Accordingly, the combination was recorded on a book value basis with the following balances as at February 22, 2018:

		February 22, 2018
Consideration		
Cash paid to vendor	$	105,000
Cara subordinated voting shares issued		94,728
Contingent liability		17,000
Total consideration	**$**	**216,728**
Assets		
Cash	$	33,247
Accounts receivable		9,912
Inventories		5,973
Prepaid expenses and other assets		2,085
Total Current Assets		51,217
Long-term receivables		750
Property, plant and equipment		84,611
Investment in The Keg Rights Ltd. Partnership.		128,494
Brands and other assets		4,443
Deferred income tax asset		24,668
Total Assets	**$**	**294,183**
Liabilities		
Accounts payable and accrued liabilities	$	31,274
Gift cards liability		79,049
Current portion of long-term debt		4,000
Total current liabilities	$	114,323
Other long-term liabilities		795
Long-term debt		19,775
Note payable to The Keg Royalties Income Fund		57,000
Deferred gain on sale of Keg Rights		135,614
Total liabilities	$	327,507
Equity	$	(33,324)
Total liabilities and equity	**$**	**294,183**

A merger reserve equal to total consideration of $216.7 million has been recorded on the balance sheet. The results from The Keg are included in the statement of earnings from The Keg acquisition date.

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

During the 52 weeks ended December 29, 2019, the Company purchased 250,000 KRIF units for $4.0 million (52 weeks ended December 30, 2018 - nil). 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 December 29, 2019 was $15.37. Distributions on KRIF units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

	As at December 29, 2019		As at December 30, 2018	
(in thousands of Canadian dollars)	# of units	Fair Value	# of units	Fair Value
Class A Partnership units	905,944	$ 13,924	905,944	$ 14,640
Class B Partnership units	176,700	2,716	176,700	2,855
Class D Partnership units	3,325,280	51,110	2,947,424	47,630
Exchangeable unit investment in the Partnership	4,407,924	$ 67,750	4,030,068	$ 65,125
Class C unit investment in the Partnership	5,700,000	57,000	5,700,000	57,000
Investment in the Partnership	**10,107,924**	**$ 124,750**	**9,730,068**	**$ 122,125**
Investment in KRIF units	250,000	3,843	—	—
Distributions earned on KRIF units	—	47	—	—
	10,357,924	**$ 128,640**	**9,730,068**	**$ 122,125**

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 December 29, 2019 was $15.37 (December 30, 2018 - $16.16).

The Class A Partnership units represent The Keg's initial 10% effective ownership of The Keg Royalties Income Fund ("the Fund") at the date of The Keg Initial Public Offering ("The Keg IPO"). The Class B and Class D Partnership units were received by The Keg subsequent to The Keg IPO date in return for adding net sales to the Royalty Pool on an annual basis. The royalty payments from KRL to the Partnership is four percent of system sales for such period reported by The Keg restaurants that are in the Partnership.

Pursuant to the declaration of trust, the holder (other than the Fund or its subsidiaries) of the Exchangeable Partnership units is entitled to vote in all votes of Fund unitholders as if they were holders of the number of Fund units they would receive if the Exchangeable Partnership units were exchanged into Fund units as of the record date of such votes, and will be treated in all respects as a Fund unitholder for the purpose of any such votes.

(a) The Class A units are entitled to a preferential proportionate distribution equal to the distribution on the Class C units, multiplied by the number of Class A units divided by the number of LP Partnership units ("LP units") issued and outstanding. The Keg Holdings Trust ("KHT") holds all of the 8,153,500 LP units issued and outstanding at December 30, 2018. In addition, the Class A units receive a residual distribution proportionately with the Class B units, Class D units, LP units and GP units relative to the aggregate number of each class issued and outstanding (or in the case of the Class B units and Class D units, the number issued and outstanding multiplied by the Class B and Class D current distribution entitlement, respectively). Class A units are exchangeable for Fund units on the basis of one Class A unit for one Fund unit and represent The Keg's initial 10% effective ownership of the Fund prior to the entitlement of Class B and Class D units.

(b) The Class B units were issued to The Keg in return for adding net sales from new Keg restaurants to the Royalty Pool and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class B units were adjusted annually on January 1 until the January 1, 2008 roll-in when the Class B Termination Date was reached and the last of the Class B units became entitled. Class B units held by the Company are exchangeable for Fund units on the basis of one Class B unit for one Fund unit. Class B units held by the Company receive a distribution entitlement.

(c) The Class D units were issued to the Company in return for adding net sales from new Keg restaurants to the Royalty Pool on an annual basis and are entitled to a preferential proportionate distribution and a residual distribution based on the incremental royalty paid to the Partnership. The distribution entitlements of the Class D units are adjusted annually on January 1. Class D units held by the Company are exchangeable for Fund units on the basis of one Class D unit for one Fund unit and the same distribution entitlement as the Class B units. Class D units are issued subsequent to the Class B Termination Date and are identical to Class B units except that the Trustees of KHT can require the Company to surrender any or all of the issued Class D units for a price that is equal to the one originally used in the formula to calculate the number of units issued.

Distributions on Exchangeable Partnership units are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

Class C Unit Investment in the Partnership

The Class C unit investment in the Partnership is comprised of 5,700,000 Class C Partnership units held by the Company. The Class C Partnership units were issued to The Keg as one of a series of transactions that occurred in conjunction with The Keg IPO of the Fund on May 31, 2002.

The Company has the option at any time to transfer its 5,700,000 Class C Partnership units to KHT, a subsidiary of Fund, in consideration for the assumption by KHT of an amount of the note payable equal to $10.00 for each Class C unit transferred. If the Company transferred all 5,700,000 Class C Partnership units, the entire $57.0 million note payable to the Fund would be extinguished. The Class C units are entitled to preferential monthly distributions equal to $0.0625 per Class C unit issued and outstanding and these distributions are recorded as interest income on Partnership and Fund units in the consolidated statement of earnings.

The Royalty Pool

On January 1, 2019, an estimated $12.6 million in annual net sales were added to the KRIF Royalty Pool and the total number of restaurants in the Royalty Pool increased to 105. On January 1, 2019, KRL received 80% of this entitlement, representing the equivalent of 235,793 KRIF units, being 1.50% of the KRIF units on a fully diluted basis. KRL also received a proportionate increase in monthly distributions from the Keg Partnership. Including the initial 235,793 portion of the KRIF Fund units described above, KRL had the right to exchange its units in the capital of the Partnership for 4,318,858 KRIF units, representing 27.56% of the KRIF units on a fully diluted basis. On December 25, 2019, but effective January 1, 2020, KRL received the remaining balance of the 2019 Additional Entitlement. The actual sales generated by the new restaurants added to the Royalty Pool on January

1, 2019, were confirmed to be $17.3 million, approximately $1.3 million or 8.1% more than the amount originally estimated. This resulted in KRL receiving an Additional Entitlement equivalent to 89,066 KRIF units, and KRL having the right to exchange its Partnership units for 4,407,924 Fund units, representing 27.97% of the KRIF units on a fully diluted basis.

Deferred Gain on Sale of The Keg Rights

The deferred gain on sale of The Keg Rights relates to the sale by The Keg of its trademarks and other related intellectual property (collectively, the "Keg Rights") to the Partnership in connection with The Keg IPO. The deferred gain is adjusted to reflect changes in KRL's ownership interest in the Keg Rights resulting from the entitlement of Exchangeable Partnership units received as consideration for the addition of net new sales to the Royalty Pool on an annual basis.

Annually, on January 1st, the Royalty Pool is adjusted to include the gross sales from new Keg restaurants that have opened on or before October 2nd of the prior year, less gross sales from any Keg restaurants that have permanently closed during the preceding calendar year. In return for adding these net sales to the Royalty Pool, KRL receives the right to indirectly acquire additional Fund units (the "Additional Entitlement"). The Additional Entitlement is determined based on 92.5% of the net royalty revenue added to the Royalty Pool, divided by the yield of the Fund units, divided by the weighted average unit price of the Fund units. KRL receives 80% of the estimated Additional Entitlement initially, with the balance received on December 25th of each year when the actual full year performance of the new restaurants is known with certainty.

The gain on the sale of The Keg Rights is deferred and amortized on a straight-line basis over the 99-year term of the Licence and Royalty Agreement ending on May 30, 2101.

Other

As at December 29, 2019, long-term receivables include a non-interest bearing employee demand note in the amount $0.8 million (December 30, 2018 - $0.8 million).

As at December 29, 2019, the Company has a $2.9 million royalty fee payable, including GST, to the Fund (December 30, 2018 - $3.0 million) and a $0.3 million interest payable amount due to the Fund on the Keg Loan (December 30, 2018 - $0.4 million) included in accounts payable and accrued liabilities.

As at December 29, 2019, the Company has $1.2 million in distributions receivable from the Partnership (December 30, 2018 - $1.2 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 performs accounting services for a company owned by a director. For 52 weeks ended December 29, 2019, KRL earned $0.3 million for these services (52 weeks ended December 30, 2018 – $0.4 million), which has been recognized by the Company as other income, net of the costs to provide these services.

The Company incurs royalty expense with respect to the licence 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 $25.4 million for the 52 weeks ended December 29, 2019 (52 weeks ended December 30, 2018 – $21.3 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 52 weeks ended December 29, 2019, the Company recorded investment income of $11.1 million related to these units (52 weeks ended December 30, 2018 – $9.0 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 December 29, 2019 there was a due from related party balance of $13.0 million (December 30, 2018 - $9.9 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 7.75% to 9.76% and all mature September 21, 2020. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $1.0 million (December 30, 2018 - $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 52 weeks ended December 29, 2019, the Company charged interest in the amount of $0.3 million (52 weeks ended December 30, 2018 - $1.0 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 December 29, 2019 the accounts receivable balance included $0.1 million (December 30, 2018 - $0.3 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 52 weeks ended December 29, 2019, an increase of $0.1 million (52 weeks ended December 30, 2018 - $0.6 million increase) to the investment balance was recorded in relation to the Company's proportionate share of income or loss for the period and included in share of income from investment in joint ventures on the statement of earnings.

Investment in Burger's Priest joint venture

The Company has a 79.4% ownership interest in New & Old Kings and Priests Restaurants Inc. ("Burger's Priest") with the remaining 20.6% owned by a third party who has an earn-out agreement that can grow their ownership interest to 50% if certain earnings targets are met. 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 increased by the proportionate share of income earned. For the for the 52 weeks ended December 29, 2019, there was a $0.1 million increase to the investment balance (52 weeks ended December 30, 2018 - increase of $0.3 million). The changes were recorded in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

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 December 29, 2019, the Company has invested $4.7 million, recorded in long-term receivables (December 30, 2018 - $4.5 million). The loan receivable is unsecured, non-interest bearing and does not have defined repayment terms. As at December 29, 2019, an allowance of $4.7 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 increased by the proportionate share of income earned. For the 52 weeks ended December 29, 2019, a decrease of $1.5 million to the long term receivable balance (52 weeks ended December 30, 2018 - $1.5 million decrease) 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.

Investment in Rose Reisman Catering joint venture

In connection with the acquisition of Pickle Barrel on December 1, 2017, the Company has a 50% ownership interest in Rose Reisman Catering. The investment is considered a joint venture arrangement as both parties have joint control and all relevant activities require the unanimous consent from both parties. As at December 29, 2019, the Company has invested $1.1 million, (December 30, 2018 - $1.3 million). The Company has accounted for the investment by using the equity method.

The Company's investment is increased by the proportionate share of income earned. For the 52 weeks ended December 29, 2019, the Company recorded a decrease of $0.2 million, to the investment balance (52 weeks ended December 30, 2018 - increase of $0.1 million) in relation to the Company's proportionate share of income for the period and included in share of loss from investment in joint ventures on the statement of earnings.

Subsequent to December 29, 2019, on January 31, 2020, the Company purchased the remaining 50% interest in Rose Reisman Catering for an immaterial amount.

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

Transactions with key management personnel

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary. Key management personnel may also participate in the Company's stock-based compensation plans and the Company's defined contribution savings plan.

Remuneration of key management personnel of the Company is comprised of the following expenses:

	For the 52 weeks ended	
(in thousands of Canadian dollars)	**December 29, 2019**	**December 30, 2018**
Short-term employee benefits	$ 4,426	$ 5,432
Long-term incentive plans	899	2,871
Termination benefits	600	164
Total compensation	**$ 5,925**	**$ 8,467**

There were no additional related party transactions between the Company and its key management personnel, or their related parties, including other entities over which they have control.

Post-employment benefit plans

The Company supports a number of defined benefit plans and a defined contribution plan as described in note 21. In 2019, the Company's contributions to these plans were $2.2 million (December 30, 2018 - $2.3 million). Contributions made by the Company to its post-employment benefit plans are disclosed in note 21. The Company does not receive any reimbursement of expenses incurred by the Company to provide services to these plans.

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.

30 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, the Burger's Priest 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.

(in thousands of Canadian dollars)	For the 52 weeks ended December 29, 2019	December 30, 2018
Gross revenue		
Sales	$ 772,675	$ 749,247
Proportionate share of equity accounted joint venture sales	(29,638)	(36,511)
Sales at corporate restaurants	**$ 743,037**	**$ 712,736**
Franchise revenues	108,890	107,571
Proportionate share of equity accounted joint venture royalty revenue	536	456
Royalty revenue	**$ 109,426**	**$ 108,027**
Retail & Catering	311,917	282,175
Central	23,887	30,705
Non-allocated revenue	64,184	58,289
Total gross revenue	**$ 1,252,451**	**$ 1,191,932**
Operating income		
Corporate	$ 32,153	$ 47,024
Franchise	105,066	99,336
Retail & Catering	15,428	11,885
Central	(53,258)	1,587
Proportionate share equity accounted joint venture results included in corporate and franchise segment	216	1,781
Non-allocated costs	(20,134)	(34,677)
	$ 79,471	**$ 126,936**
Depreciation and amortization		
Corporate	$ 42,354	$ 33,480
Franchise	—	—
Retail & Catering	6,180	7,572
Central	67,876	18,681
	$ 116,410	**$ 59,733**
Capital expenditures		
Corporate	$ 30,381	$ 21,234
Franchise	—	—
Retail & Catering	5,506	5,314
Central	13,153	15,838
	$ 49,040	**$ 42,386**

31 Subsequent Events

On March 5, 2020 the Company's Board of Directors declared a dividend of $0.1177 per Subordinate Voting Share and Multiple Voting Share compared to $0.1121 in 2019, an increase of $0.0056 or 5.0% over the 2019 quarterly dividend rate. Payment of the dividend is expected to be made on April 15, 2020 to shareholders of record at the close of business on March 31, 2020.

On January 1, 2020, an estimated $19.1 million in annual net sales were added to the KRIF Royalty Pool and the total number of restaurants in the KRIF Royalty Pool increased to 106. As a result of the contribution of the additional net sales to the KRIF Royalty Pool, KRL will receive 443,015 additional Exchangeable Keg Partnership Units, being 2.73% of the KRIF units on a fully diluted basis. On January 1, 2020, KRL received 80% of this entitlement, representing the equivalent of 354,412 KRIF units, being 2.20% of the KRIF units on a fully diluted basis. KRL will also receive a proportionate increase in monthly distributions from the Keg Partnership. Including the initial 354,412 portion of the KRIF Fund units described above, KRL will have the right to exchange its units in the capital of the Partnership for 4,762,336 KRIF units, representing 29.55% of the KRIF units on a fully diluted basis. The balance of the additional entitlement will be adjusted on December 25, 2020, to be effective January 1, 2021, once the actual sales performance of the new restaurants has been confirmed. If the Company were to receive 100% of the estimated Additional Entitlement for 2020, it would have the right to exchange its Partnership units for 4,850,939 Fund units, representing 29.94% of the KRIF units on a fully diluted basis.