Consolidated Financial Statements

SPORTSCENE GROUP INC.

As at and for the years ended August 30, 2020 and August 25, 2019

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements and the financial information presented in this annual report. This responsibility includes the selection of accounting policies and practices and making judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards.

Management has also prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that assets are safeguarded, and that relevant and reliable financial information is being produced.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee meets periodically with Management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. It also reviews the annual report, the consolidated financial statements and the independent auditors' report. The Audit Committee recommends the independent auditors for appointment by the shareholders. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements for the year ended and as at August 30, 2020 have been audited by the independent auditors KPMG LLP, whose report follows.

Chairman of the Board,
President and Chief Executive Officer

Jean Bédard

Boucherville, Canada, November 26, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Sportscene Group Inc.

Opinion

We have audited the consolidated financial statements of Sportscene Group Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at August 30, 2020 and August 25, 2019
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in shareholder's equity for the years then ended
- the consolidated statements of cash flows for the years 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 financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 30, 2020 and August 25, 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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(c) to the consolidated financial statements which indicates that the Entity has changed its accounting policy for leases and has applied that change using a modified retrospective transition 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, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions 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, 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 the Entity'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 represent 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.

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

- 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*

The engagement partner on the audit resulting in this auditors' report is Yvon Dupuis.

Montréal, Canada

November 26, 2020

*CPA auditor, CA, public accountancy permit No. A114306

SPORTSCENE GROUP INC.
Consolidated statements of comprehensive income
for the years ended August 30, 2020 and August 25, 2019

(in thousands of Canadian dollars, except for earnings per share and number of outstanding shares)

	August 30, 2020	August 25, 2019
	$	$
Revenues (Note 7)	**109,848**	122,593
Cost of sales	**48,372**	39,281
Selling and administrative expenses, excluding amortization (Note 8)	**51,859**	72,390
Other losses (gains) (Note 9)	**4,053**	(272)
Earnings before financial expenses, amortization, net income of joint ventures and income tax	**5,564**	11,194
Amortization (Note 8)	**9,469**	5,909
Financial expenses (Note 10)	**2,122**	1,172
Net income of joint ventures (Note 18)	**(136)**	(796)
	11,455	6,285
(Loss) income before income tax (recovery) expense	**(5,891)**	4,909
Income tax (recovery) expense (Note 11)	**(1,851)**	1,026
Net and comprehensive (loss) income	**(4,040)**	3,883
Net and comprehensive (loss) income attributable to:		
The Company's shareholders	**(3,863)**	3,957
Non-controlling interests	**(177)**	(74)
Net and comprehensive (loss) income	**(4,040)**	3,883
(Loss) earnings per share (in dollars) (Note 12):		
Basic	**(0.45)**	0.46
Diluted	**(0.45)**	0.45
Weighted average number of outstanding Class A shares (in thousands) (Note 12):		
Basic (1)	**8,548**	8,543
Diluted (1)	**8,548**	8,732

(1) The average number of Class A shares in circulation (basic and dilutive) reflect on a retroactive basis, the two-for-one stock split effected on February 8, 2019.

See accompanying notes to consolidated financial statements.

SPORTSCENE GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity

for the years ended August 30, 2020 and August 25, 2019

(in thousands of Canadian dollars, except number of outstanding shares)

	Shareholders' equity attributable to the Company's shareholders						
	Number of shares [1]	**Share capital**	**Stock-based compensation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total shareholders' equity**
	(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Balance as at August 26, 2018	8,532	4,441	498	30,614	35,553	97	35,650
Net and comprehensive income	-	-	-	3,957	3,957	(74)	3,883
Contributions from and distributions to shareholders:							
Stock-based compensation	-	-	100	-	100	-	100
Costs directly related to the stock split	-	-	(32)	-	(32)	-	(32)
Issuance of shares following the exercise of stock options	16	69	(10)	-	59	-	59
Dividends	-	-	-	(1,282)	(1,282)	-	(1,282)
Changes in interests in subsidiaries:							
Debt conversion into non-controllong interest	-	-	-	-	-	92	92
Balance as at August 25, 2019	8,548	4,510	556	33,289	38,355	115	38,470
Net and comprehensive income	-	-	-	(3,863)	(3,863)	(177)	(4,040)
Contributions from and distributions to shareholders:							
Stock-based compensation	-	-	167	-	167	-	167
Dividends	-	-	-	(1,282)	(1,282)	-	(1,282)
Changes in interests in subsidiaries:							
Fair value of non-controlling interest at the business acquisition date (Note 6)	-	-	-	-	-	107	107
Balance as at August 30, 2020	**8,548**	**4,510**	**723**	**28,144**	**33,377**	**45**	**33,422**

[1] The average number of Class A shares in circulation (basic and dilutive) reflect on a retroactive basis, the two-for-one stock split effected on February 8, 2019.

See accompanying notes to consolidated financial statements.

SPORTSCENE GROUP INC.

Consolidated statements of financial position

as at August 30, 2020 and August 25, 2019

(in thousands of Canadian dollars)

	August 30, 2020	August 25, 2019
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 22)	**8,390**	558
Accounts receivable (Note 13)	**11,490**	8,959
Income tax receivable	**361**	884
Inventories (Note 14)	**2,617**	2,829
Prepaid expenses	**458**	737
Current portion of notes receivable (Note 15)	**-**	7
Total current assets	**23,316**	13,974
Notes receivable and other assets (Note 15)	**1,249**	1,796
Property, plant and equipment (Note 16)	**39,451**	42,644
Intangible assets (Note 17)	**5,738**	5,426
Right-of-use assets (Note 5)	**21,607**	-
Deferred tax asset (Note 11)	**4,212**	2,517
Investments in joint ventures (Note 18)	**3,279**	4,341
Goodwill (Note 19)	**9,138**	7,411
Total assets	**107,990**	78,109
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**15,598**	13,589
Income tax payable	**381**	415
Deferred revenues and credits	**1,120**	1,249
Current portion of lease liabilities (Note 5)	**4,605**	-
Current portion of long-term debt (Note 20)	**733**	655
Total current liabilities	**22,437**	15,908
Lease liabilities (Note 5)	**22,930**	-
Long-term debt (Note 20)	**25,119**	15,504
Contingent consideration (Note 6)	**2,127**	2,261
Deferred revenues and credits	**1,562**	5,528
Deferred tax liability (Note 11)	**393**	438
Total liabilities	**74,568**	39,639
Shareholders' equity		
Share capital (Note 21)	**4,510**	4,510
Stock-based compensation reserve	**723**	556
Retained earnings	**28,144**	33,289
Shareholders' equity attributable to the Company's shareholders	**33,377**	38,355
Non-controlling interests	**45**	115
Total shareholders' equity	**33,422**	38,470
Commitments, guarantees and contingencies (Note 25)		
Subsequent event (Note 29)		
Total liabilities and shareholders' equity	**107,990**	78,109

See accompanying notes to consolidated financial statements.

Approved by the Board

J. Bédard ______ Jean Bédard, Director

Nelson Gentiletti ______ Nelson Gentiletti, Director

SPORTSCENE GROUP INC.
Consolidated statements of cash flows
for the years ended August 30, 2020 and August 25, 2019
(in thousands of Canadian dollars)

	2020	2019
	$	$
Operating activities		
Net and comprehensive (loss) income	**(4,040)**	3,883
Adjustments to reconcile net income to cash flows from operating activities:		
Other losses (gains) without cash effect (Note 9)	**3,492**	(546)
Amortization of property, plant and equipment (Note 8)	**5,208**	5,457
Amortization of intangible assets (Note 8)	**802**	452
Amortization of right-of-use assets (Note 8)	**3,459**	-
Net income of joint ventures (Note 18)	**(136)**	(796)
Dividends received from joint ventures (Note 18)	**350**	510
Stock-based compensation (Note 21(b))	**167**	100
Costs directly related to stock split	**-**	(32)
Financial expenses recognized in net income	**2,122**	1,172
Financial expenses paid	**(1,981)**	(1,090)
Income tax (recovery) expense recognized in net income	**(1,851)**	1,026
Income tax paid	**(56)**	(1,236)
	7,536	8,900
Net change in non-cash working capital items, net of acquisitions and disposals of subsidiaries (Note 22(a))	**(328)**	1,075
	7,208	9,975
Financing activities		
Proceeds from issuance of long-term debt (Note 22 (b))	**515**	5,009
Repayment of long-term debt (Note 22 (b))	**(625)**	(14,549)
Change in revolving credit (Note 22(b))	**9,003**	7,619
Repayment of lease liabilities	**(1,765)**	-
Issuance of Class A shares	**-**	59
Dividend paid to Class A shareholders	**(1,282)**	(1,282)
	5,846	(3,144)
Investing activities		
Business combinations, net of cash and cash equivalents acquired (Note 6)	**(1,234)**	(4,997)
Investments in joint ventures (Note 18)	**(160)**	(100)
Change in notes receivable and other assets	**(141)**	360
Acquisitions of property, plant and equipment	**(5,314)**	(7,332)
Proceeds from disposal of property, plant and equipment	**1,921**	343
Acquisitions of intangible assets	**(294)**	(394)
	(5,222)	(12,120)
Increase (decrease) in cash and cash equivalents	**7,832**	(5,289)
Cash and cash equivalents, beginning of year	**558**	5,847
Cash and cash equivalents, end of year	**8,390**	558

See accompanying notes to consolidated financial statements.

1. Description of business

Sportscene Group Inc. (the “Company” or “Sportscene”), which has its head office at 1180 Place Nobel, suite 102 in Boucherville (Québec), J4B 5L2, was incorporated under the *Canada Business Corporations Act* on September 15, 1983. Sportscene is a public company since 1985 and its shares trade on the TSX Venture Exchange, under the ticker symbol SPS.A. The “Company” or “Sportscene” designate, as the case may be, Sportscene Group Inc. and/or one or more of its subsidiaries or joint ventures.

Since 1984, Sportscene operates a chain of sports entertainment-themed resto-bars in Québec: La Cage – Brasserie sportive (**“La Cage”**). Besides the operation, franchising and development of this chain, the Company operates other banners restaurants, sells branded products in grocery stores, offers event catering services and operates a sports complex.

2. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB"). The IFRS accounting policies that are set out in Note 3 of the Company’s consolidated financial statements for the year ended August 25, 2019 were consistently applied to all periods presented, except for the new accounting standard that has been adopted for the fiscal year 2020, as described in Note 3 (c).

The Board of Directors approved these consolidated financial statements on November 26, 2020.

Impact of COVID-19

Since the beginning of the third quarter of 2020, the Company was impacted by the COVID-19 pandemic and the corresponding government mandated closures of non-essential services. As a result, approximately half of the corporate restaurants and all of the joint venture and franchise outlets were completely closed from mid-March to mid-June 2020. Restaurant locations that remained in operation offered only take-out meals and home delivery, with all dining rooms closed as per government directive. As of October 1, 2020, the dining rooms were closed a second time as a result of new government directives that are still in effect as of the date of these financial statements. The sports complex and the event caterer also had to suspend their activities. However, retail sales activities were maintained and experienced growth following an expansion of the portfolio of food banners offering the La Cage and Moishes brand products.

In response to the disruptions caused by COVID-19, the Company tightly managed its liquidity by reducing fixed charges to a minimum, reducing executive compensation, suspending dividends, negotiating new payment terms with its suppliers and by drawing $7.5 million from available revolving credit and and by negotiating new terms of its financing agreement (Notes 23 and 24). The Company also benefited from the Canada emergency wage subsidy program for an amount of $4,685,000 which has been recognized in the consolidated statements of comprehensive income as at August 30, 2020. At this date, an amount of $1,755,000 was received. The Company expects to continue using this grant program over the next several months and to resort to other programs should it qualify. The Company is also in negotiations with its lessors in order to obtain rent reduction and deferral.

While the measures taken to provide liquidity during the closure period are considered sufficient for the foreseeable future, the future effect of the COVID-19 pandemic on the economy and businesses in general remains uncertain. The medium and long-term impact of the current crisis on the Company will depend on the next government measures concerning the closure of non-essential services, the various government financial assistance programs, the support obtained from creditors and lessors, and the behavior consumers after COVID-19 and the general state of the economy (particularly household debt and levels of disposable income). Financial solutions that may be required include, but are not limited to, securing sufficient financial support from governments and creditors, as well as securing rental relief from lessors and easing of covenants by financial institutions, both for the Company and its franchisees.

The impacts of COVID-19 on management's judgments and estimates are described in Note 4, while the effects on liquidity risk are described in Note 24.

3. Significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, which is generally based on the fair value of the consideration transferred in exchange for the assets, except for contingent consideration that has been measured at fair value.These consolidated financial statements have been prepared on the basis of continuity of operations in accordance with IFRS. This basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As explained in Notes 23 and 24, the Company obtained an amendment to its financing agreement on its restrictive covenants on August 18, 2020. Management believes that it will be able to adequately finance its activities and respect its restrictive covenants beyond the next twelve months.

b) Principles of consolidation

The consolidated financial statements incorporate the accounts of entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The operating results of subsidiaries acquired or disposed during the year are included in the consolidated statements of comprehensive income from the acquisition date or until the disposal date. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company. All intercompany transactions and balances included in the scope of consolidation are eliminated upon consolidation.

i) Non-controlling interests

A subsidiary that is not wholly-owned by the Company results in non-controlling interests that are presented separately in the consolidated statements of financial position and consolidated statements of comprehensive income. The comprehensive income of the subsidiaries is attributed to such non-controlling interests in proportion to their shareholding, even if this results in the non-controlling interests having a deficit balance.

ii) Changes in interests in subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

iii) National Advertising Fund

Pursuant to the franchise contract, the franchisees must pay a franchise fee to the National Advertising Fund based on their revenues. These amounts are collected by the Company in its capacity as agent and must be used exclusively for promotional and advertising programs, since the amounts are set aside to promote the La Cage franchises on a national level to benefit all franchisees. The franchise fees collected by the Company for the National Advertising Fund are presented on a net basis in the Company's consolidated statements of comprehensive income. Net assets of the National Advertising Fund are included with notes receivable and other assets or accounts payable and accrued liabilities, depending on whether the balance is positive or negative.

3. Significant accounting policies (continued)

b) Principles of consolidation (continued)

iv) Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e. when the strategic financial and operating policy decisions relating to the activities of joint venture require the unanimous consent of the parties sharing control.

The Company's interest in joint ventures is accounted for using the equity method and is recognized initially at cost and includes the initial investments made in the form of advances. The consolidated financial statements include the Company's share of the income and expenses and equity movements of joint ventures.

When the Company's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation, or has made payments on behalf of the investee.

Unrealized gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

c) New accounting standards applied in 2020

On August 26, 2019, the Company adopted the following standard:

IFRS 16, Leases ("IFRS 16")

The Company adopted IFRS 16 for the annual period beginning on August 26, 2019 using the modified retrospective approach and recognized the Right of use assets based on the corresponding lease liability on August 26, 2019, without restating the comparative period which is presented under IAS 17, Leases ("IAS 17"), as authorized by the standard. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

- the Company did not reassess whether a contract is, or contains, a lease at the date of initial application and instead applied IFRS 16 to contracts that were previously identified as leases applying IAS 17, Leases;
- the Company relied on the assessment of the onerous lease provisions under IAS 37, Provisions, contingent liabilities and contingent assets, instead of performing an impairment review;
- the Company excluded initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- the Company used hindsight in determining the lease term at the date of initial application.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

3. Significant accounting policies (continued)

c) New accounting standards applied in 2020 (continued)

The following table summarizes the impact of adopting IFRS 16 on certain items on the Company's consolidated statement of financial position as at August 26, 2019:

	August 25, 2019	Transitional adjustments	August 26, 2019
	$	$	$
Non-current assets			
Right-of-use assets	-	24,522	24,522
Intangible assets	5,426	(98)	5,328
Current liabilities			
Deferred revenues and credits	1,249	(274)	975
Current portion of lease liabilities	-	3,198	3,198
Non-current liabilities			
Deferred revenues and credits	5,528	(3,286)	2,242
Lease liabilities	-	24,786	24,786

The Company used its incremental borrowing rates as at August 26, 2019 to measure its lease liabilities. The weighted average incremental borrowing rate was 4.19% at the adoption date.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at August 25, 2019 and the lease liabilities recognized on August 26, 2019:

Operating lease commitments disclosed as at August 25, 2019	55,139
Commitments for leases with a start date after August 25, 2019 [(1)]	(7,900)
Common expense payments without fixed minimum	(17,644)
Extension options reasonably certain to be exercised	4,115
Lease liabilities recognized as at August 26, 2019 - undiscounted amount	33,710
Discounted amount using the incremental borrowing rate as at August 26, 2019	27,984
Current portion of lease liabilities	3,198
Non-current portion of lease liabilities	24,786
Total lease liabilities	27,984

(1) As of August 25, 2019, the Company had entered to leases for which the possession of the premises will be later than this date. Given the absence of a right-of-use as of August 26, 2019, no right-of-use assets and no corresponding lease liability were recognized on the transition date for these leases.

Refer to Note 3 (s) Leases, for the new accounting policy adopted in 2020 following the adoption of IFRS 16.

3. Significant accounting policies (continued)

d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair value (at the acquisition date) of assets sold, liabilities incurred or assumed, and shareholders' equity issued by the Company, if any, in exchange for control of the acquiree.

Provisional fair values allocated at a reporting date are finalized within twelve months of the acquisition date.

Costs related to business combinations are expensed in the consolidated statements of comprehensive income as incurred.

When a business combination occurs, the Company's previously held equity interest in the acquired business is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss is recognized in net income.

The identifiable assets and liabilities of the acquired business are recognized at their fair value at the acquisition date, in accordance with the recognition criteria of IFRS 3, *Business Combinations*, except the following items:

- deferred tax assets or liabilities are recognized and measured in accordance with IAS 12, *Income Taxes;*
- liabilities or equity instruments related to share-based payment arrangements that the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment*; and
- assets that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

e) Revenue recognition

Revenues are recognized at the fair value of the consideration received or receivable, net of returns and rebates given to customers.

i) Restaurant revenues

Restaurant revenues correspond to revenue generated by Company-owned restaurants and are recognized when service has been rendered to the consumer and collection is reasonably assured.

ii) Revenue from franchises

Revenue from franchises includes franchise fees and royalties. Each service is measured at fair value. Franchise fees are recognized as income when all major commitments of the franchise agreement have been met.

The royalties of the franchises, based on a percentage of sales of the restaurants, are recognized as the restaurant sales are realized. The royalties received on behalf of the National Advertising Fund, received from the franchisees and the restaurants held in joint ventures, are based on a percentage of sales of the restaurants and recognized as the restaurant sales are realized. The royalties related to the National Advertising Fund, due by the company-owned restaurants, are presented separately and included in the other selling and administrative expenses.

3. Significant accounting policies (continued)

e) Revenue recognition (continued)

iii) Sales of products in grocery stores

Revenue is recognized when delivery has occurred, ownership is transferred, and collection is reasonably assured.

iv) Construction contracts

The Company provides construction and renovation services to related entities and franchisees for the development of premises used primarily for the operation of restaurants.

Contracts with customers for these services generally comprise multiple performance obligations. There is a significant service of integration performed by the Company in delivering these services and, as such, they are considered to represent a single distinct performance obligation. Revenue from these services is recognized over time based on the stage of completion of work, which is determined by the basis of costs incurred.

When the outcome of a construction contract cannot be estimated reliably, construction revenue is recognized in the consolidated statements of comprehensive income to the extent of contract costs incurred that will probably be recoverable. Contract costs are recognized as expenses in the period in which they are incurred. Progress billings exceeding contract costs incurred to date are shown in the consolidated statements of financial position as “deferred revenues and credits”. At the end of the construction contract, total billings exceeding contract costs are recognized in construction revenue.

When it is probable that total contract costs will exceed total contract revenue, the estimated loss is immediately recognized in the consolidated statements of comprehensive income.

v) Gift cards

Gift cards sold are recorded as liability under "*Accounts payable and accrued liabilities* " and revenue is recognized when the gift cards are redeemed. Gift cards can be used for purchases at both franchised and Company-owned restaurants; they cannot be redeemed for cash by the customer. If the Company expects to be entitled to a breakage amount for the gift cards, it recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.

vi) Other revenues

Revenue from the organization of sporting events and other revenues are recognized when service has been rendered to the consumer and collection is reasonably assured.

f) Supplier discounts

Cash consideration received from suppliers constitutes reductions in the prices of products purchased from suppliers and is accounted for as a reduction to cost of sales and the related inventory. Cash consideration received from suppliers in relation to network purchases under procurement agreements is recorded in franchising revenues.

3. Significant accounting policies (continued)

g) Government assistance

Government assistance, including tax credits, related to operating expenses is accounted for as a reduction of related expenses. Government assistance, including the investment tax credits related to the acquisition of property, plant and equipment, is accounted for as a cost reduction. It is recognized in net earnings using the same methods, periods and rates as for the related property, plant and equipment.

h) Stock-based compensation and other stock-based payments

The Company uses the fair value approach to account for all its stock-based compensation. The compensation expense is recognized over the vesting period of the options, with a corresponding increase to stock-based compensation reserve in the consolidated statements of changes in shareholders' equity. When stock options are exercised, capital stock is credited by the sum of the consideration paid together with the related portion previously recorded in the stock-based compensation reserve.

i) Defined contribution plan

A defined contribution plan is a pension plan for which the Company pays contributions to an external entity and has no obligation to pay additional amounts. The defined contribution plan expense represents the amount contributed by the Company and is recognized in net earnings when the employees have rendered services.

j) Earnings per share

Basic and diluted (loss) earnings per share have been determined by dividing the consolidated net (loss) income attributable to the Company's shareholders for the year by the basic and diluted weighted-average number of Class A shares, respectively.

The diluted weighted-average number of Class A shares is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant, using the treasury stock method, with deemed proceeds from the exercise of such dilutive options used to repurchase common shares at the average market price for the period.

k) Cash and cash equivalents

Cash and cash equivalents include unrestricted cash and highly liquid investments purchased three months or less prior to maturity or that are redeemable at any time at full value and for which the risk of a change in value is not significant.

l) Inventories

The inventories of food, beverages and miscellaneous supplies are valued at the lower of cost, determined using the first-in, first-out method, and net realizable value. Cost is equal to purchase price, net of any considerations received from suppliers.

3. Significant accounting policies (continued)

m) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization and accumulated impairment losses. When an item of property, plant and equipment is made up of components that have various useful lives, cost is allocated to the different components that are depreciated separately.

Current projects, including borrowing costs, are not amortized until the assets have been available for use. Lands are not depreciated.

A gain or loss on the disposal or retirement of an item of property, plant and equipment, which is the difference between the proceeds from the disposal and the net carrying amount of the asset, is recognized in net earnings as “Other losses (gains)”.

Amortization is determined based on the useful lives of the assets and according to the following methods and annual rates or periods:

	Methods	Rates/periods
Buildings (including components)	Straight-line	5 to 50 years
Leasehold improvements	Straight-line	5 to 10 years
Furniture and equipment	Straight-line and declining balance	10 to 30%
Automotive equipment	Declining balance	20%

Estimated useful lives, depreciation methods, rates and residual values are reviewed at the end of each year, with the impact of any changes in estimates accounted for on a prospective basis.

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of these assets until the assets will be in the condition necessary for them to be capable of operating in the intended manner.

In instances where the Company does not have any borrowing directly attributable to the acquisition of qualifying assets, the capitalization rate is the weighted average of the borrowing costs.

All other borrowing costs are recognized in net earnings in the period during which they are incurred.

3. Significant accounting policies (continued)

o) Intangible assets

Intangible assets consist of identifiable intangible assets acquired in business combinations and of intangible assets acquired separately. The cost of intangible assets acquired in business combinations equals their fair value at the date of acquisition. After initial recognition, they are recognized at cost, less accumulated amortization and less accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the following estimated useful lives:

	Periods
Technology	1 to 5 years
Other intangible assets	5 to 12 years

Franchise rights are amortized over the remaining term according to the terms established in the franchise contracts.

Estimated useful lives and the amortization method are reviewed at the end of each year, with the impact of any changes in estimates accounted for on a prospective basis.

Video lottery licenses have an indefinite remaining life since they result from a contractual right without expiration. They are not amortized but they are tested for recoverability annually or more frequently if there is an indication of impairment. The indefinite remaining life is reviewed annually to ensure that it is still justifiable.

p) Impairment of long-lived assets

On each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets having a definite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated individually to a CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro rata basis of the carrying amount of each asset in the CGU or group of CGUs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the estimated recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in net earnings.

3. Significant accounting policies (continued)

q) Goodwill

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill resulting from the acquisition of subsidiaries is separately disclosed in the consolidated statements of financial position. Goodwill resulting from the acquisition of joint ventures and associates accounted for using the equity method is included in the investments in joint ventures and associates.

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs expected to benefit from the synergies of the combination. The group of CGUs for which the goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the CGU may be impaired.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

r) Income taxes

Income taxes consist of current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except when they are related to items recognized directly in shareholders' equity or in other comprehensive income, in which case the current tax and deferred tax are recognized directly in shareholders' equity or in other comprehensive income, in accordance with the accounting treatment of the item to which it relates. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax consists of tax payable or receivable on the taxable income for the period, using the enacted or substantively enacted tax rates and laws at the reporting date, as well as adjustments to the income tax payable or receivable of prior years. With respect to current tax assets or liabilities, they include the prepayments made during the period.

Taxable income for the period differs from the profit before the income tax item in the consolidated statements of comprehensive income because it excludes revenue and expense items that will be taxable or deductible in other fiscal years as well as items that are neither taxable nor deductible and includes revenue and expense items of previous years that are taxable or deductible during this fiscal year.

Deferred tax is recognized on the temporary differences between the carrying amounts of the assets and liabilities presented in the consolidated statements of financial position and the corresponding tax bases used for tax purposes.

However, no deferred tax is recognized for the following items:

- Temporary differences upon the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income; and

- Taxable temporary differences resulting from the initial recognition of goodwill.

Deferred tax is calculated using the enacted or substantively enacted tax rates and laws at the reporting date that will be in effect when the differences are expected to reverse. The deferred tax assets are recognized to the extent that they are more likely than not to be realized, and this probability is reviewed at each reporting date.

3. Significant accounting policies (continued)

s) Leases

Accounting policy applicable before August 26, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) Recognition in net earnings

As lessor, rental revenues from operating leases are recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized on a straight-line basis over the lease term.

Inducement payments made by a lessor in connection with workplace layout costs and free rent are accounted for as deferred revenues and credits and are amortized against leasehold expenses over the term of the lease.

Operating lease payments contingent to restaurant revenues are recognized in net earnings in the same period as the corresponding revenues.

ii) Classification in the consolidated statement of financial position

Assets held under finance leases are initially recognized as assets at the lower of their fair value and the present value of the minimum lease payments. The corresponding liability is included in the long-term debt as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Accounting policy applicable after August 26, 2019

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate for its present value calculations.

Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between lease liabilities and interest on lease liabilities, which are recognized in financial expenses over the lease term in the consolidated statement of comprehensive income.

If a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable price for a similar asset or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling and administrative expenses as incurred.

3. Significant accounting policies (continued)

s) Leases (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs, any lease payments made at or before the commencement date and an estimate of the costs to be incurred for the removal of the underlying asset as well as for the restoration of the place on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

t) Financial instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents, account receivables and note receivables as assets measured at amortized cost.

ii) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no financial assets measured at fair value.

iii) Financial liabilities measured at amortized cost

The Company classifies non-derivatives financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies account payable and accrued liabilities and long-term debt as financial liabilities measured at amortized cost.

iv) Financial liabilities measured at fair value

Financial liabilities measured at fair value are initially recognized at fair value and are remeasured at each reporting date with any changes therein recognized in profit or loss. The contingent consideration is measured at fair value.

3. Significant accounting policies (continued)

t) Financial instruments (comtinued)

v) Impairment of financial assets

The Company uses the “expected credit loss” model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of financial position if they relate to a financial asset measured at amortized cost. The Company recognizes impairment and measures expected credit losses as lifetime expected credit losses for trade accounts receivable and other accounts receivable. For notes receivable, the Company recognizes a loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Otherwise, the loss allowance for that financial instrument correspond to an amount equal to 12-month expected credit losses. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

u) Provisions

Provisions are liabilities with uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Company will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

v) Future accounting changes

Definition of a business (amendments to IFRS 3)

In October 2018, the IASB issued amendments to IFRS 3, Business Combinations, which apply to annual reporting periods beginning on or after January 1, 2020. These amendments clarify the definition of a business for purposes of determining whether an acquisition should be accounted for as a business combination or as an asset acquisition. These amendments make the new definition of a business narrower, which could result in fewer business combinations being recognized. The amendments also include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The Company will adopt the amendments to IFRS 3 for its fiscal year beginning August 31, 2020.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, which are described in Note 3, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities. The estimates and related assumptions are constantly reviewed and are based on historical experience and other factors that are considered to be relevant such as reasonable forecasts of future events under the circumstances. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

4.1 *Critical judgments in applying accounting policies*

Applying the accounting methods may require management to make judgments based on its past experience and other factors. The most critical judgments used when applying the accounting methods are as follows:

a) *Consolidation*

Management uses its judgment to determine whether it has control of the entities for which it has an interest. To determine whether it has control, management takes into consideration the following factors: the purpose and design of the investee, what the relevant activities are, how decisions about those activities are made, rights that confer or not the current ability to direct the relevant activities, the question of whether it is exposed or has rights, to variable returns from its involvement with the investee, and that it has the ability or not to exercise its power over the investee entity so as to affect the amount of returns as it gets. If management determines that it has control over the latter entities, they are considered to be a subsidiary and they are consolidated in the consolidated financial statements of the Company.

b) *Impairment of assets*

At each reporting date, management determines whether the property, plant and equipment and intangible assets with definite useful life present indicators of impairment or recovery of an impairment loss. For the purposes of its analysis, management uses its judgment considering factors such as the economic environment and the market in which the Company operates, budget forecasts and physical obsolescence. As at August 30, 2020, management established that there were indications that some of these CGUs might be impaired. The Company performed an impairment test, which resulted in the recognition of an impairment of $4,715,000 for property, plant and equipment, of $652,000 for intangible assets and of $225,000 for right-of-use assets (Note 9) (none in 2019). Additional revisions may be necessary in the future depending on the evolution of the COVID-19 pandemic and its impacts on the operating income and on the financial position of the Company, which could have an impact on the final assessment of the book value of the Company's assets.

c) *Interpretation of laws*

The Company prepares its financial statements based on interpretations of the laws applicable to its operations and its industry. These interpretations involve judgments and estimates which may be contested by the various competent government authorities to which the Company is regularly subject. New information may become available which causes the Company to change its judgment regarding the appropriateness of its interpretation. Such changes will affect the net income in the period in which they occur.

d) *Basis of preparation of financial statements*

At each reporting date, management evaluates the bas of preparation of the consolidated financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The principle of going concern assumes that the Company will continue to operate for the foreseeable future and be able to realize its assets and meet its obligations and commitments in the normal course of business. Assessing the Company's liquidity, including expected future compliance with covenants, requires a significant amount of judgment. Refer to Note 24 for further information on liquidity risk.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 *Significant sources of uncertainty in regards to estimates*

a) *Business combinations*

When a business combination occurs, the Company must make assumptions and estimates to determine the breakdown of the purchase price of the acquired business. To do so, the Company must determine the fair value of the identifiable assets acquired and the identifiable liabilities assumed at the acquisition date.

b) *Impairment of goodwill and intangible assets with an indefinite useful life*

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually. Goodwill is tested at the level of the “Restaurant”, "Franchising" and "Products sold in grocery stores" CGUs. The significant assumptions used to estimate the value in use of these CGUs for the purposes of this impairment test are presented in Note 19. Additional revisions may be necessary in the future depending on the evolution of the COVID-19 pandemic and its impacts on the operating income and on the financial position of the Company, which could have an impact on the final assessment of the book value of the Company's assets.

c) *Impairment of non-current assets*

The carrying amounts of property, plant and equipment, intangible assets with a definite useful life, investments in joint ventures, notes receivable and advances are reviewed at each closing date to determine whether there is any indication that an asset has sustained an impairment loss. If there is any such indication, the recoverable value of the asset is estimated.

When assessing expected future cash flows, the Company makes assumptions in regards to future operating results. Although the Company determines the assumptions based on the market information available at the time of the assessment, actual results may differ. Additional revisions may be necessary in the future depending on the evolution of the COVID-19 pandemic and its impacts on the operating income and on the financial position of the Company, which could have an impact on the final assessment of the book value of the Company's assets.

d) *Valuation of deferred tax assets*

In calculating income tax and deferred tax assets and liabilities, the use of estimates is required to determine the appropriate rates and amounts, and to take into account the likelihood of realization of the Company's deferred tax assets. Deferred tax assets also reflect the benefit of tax losses as well as unused deductions that can be carried forward to reduce tax payable in future years. This assessment requires the Company to make significant estimates on whether or not it is probable that the deferred tax assets will be recovered from future taxable income and, therefore, that they can be recognized in the future consolidated financial statements. The Company relies, among other things, on its past experience to establish its estimates. When the amounts are definitively determined, they may give rise to adjustments to the level of current and deferred tax assets and liabilities.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

5. Lease arrangements

Leases entered into by the Company as lessee relate primarily to premises leased for the purposes of restaurant activities and are generally for a term of ten to fifteen years upon signature. None of the Company's leases contain an option to purchase premises.

Right-of-use assets

The following table shows the change in the carrying value of the right-of-use assets during the fiscal year ended August 30, 2020 :

	2020
	$
Balance at transition date (Note 3 c))	24,522
Business combinations (Note 6)	728
Additions	658
Tenant inducement	(522)
Lease modifications	(95)
Amortization (Note 8)	(3,459)
Loss on impairment (Note 9)	(225)
Balance as at August 30, 2020	21,607

Lease liabilities

The following table shows the change in the balance of lease liabilities during the fiscal year ended August 30, 2020 :

	2020
	$
Balance at transition date (Note 3 c))	27,984
Business combinations (Note 6)	753
Additions	658
Lease modifications	(95)
Interest (Note 10)	1,126
Repayments	(2,891)
Balance as at August 30, 2020	27,535
Current (1)	4,605
Non-current	22,930
Lease liabilities as at August 30, 2020	27,535

(1) The balance of the current portion of lease liabilities includes an amount of $1,744,000 of unpaid rent arrears due to ongoing negociations with lessors following the negative economic consequences resulting from the COVID-19 pandemic.

The following table presents the contractual undiscounted cash flows as at August 30, 2020 :

	2020
	$
Less than 1 year	5,711
Between 1 and 5 years	17,509
More than 5 years	18,950
Total undiscounted lease liabilities	42,170

(2) As at August 30, 2020, the amount of undiscounted rental obligations includes an amount of $ 9,812,000 for rental contracts for which the Company is committed but the access to the premises will be subsequent to the closing date of the fiscal. Given the absence of a right-of-use as of August 30, 2020, no right-of-use asset and no corresponding lease liability have been recognized with respect to these leases.

5. Lease arrangements (continued)

COVID-19 accounting implications on leases

In response to the COVID-19 pandemic, the IASB has issued amendments to IFRS 16 to allow entities to not account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Company has early adopted this amendment and applied the practicable expedient to all eligible rent concessions, which total $136,000 for the fiscal year ended August 30, 2020.

Rental charge in comprehensive income statements

Rent payments for leases of less than 12 months or of low-value, variable payments that are in proportion to the revenues of certain establishments and variable payments for common expenses based on actual expenses are recognized in selling and administrative expenses as they are incurred, as presented in Note 8.

6. Business combinations

Fiscal 2020

On August 26, 2019, the Company acquired an additional 50% interest in two joint ventures, namely 3653099 Canada Inc. and 4113853 Canada Inc., for a cash consideration of $2,104,000 and a purchase price balance of $100,000, payable in two years (included in long-term debt). These entities operate La Cage restaurants in Repentigny and Trois-Rivières ("Restaurant" segment). The fair value reassessment of the previously held interest resulted in a gain of $1,195,000.

On January 1st, 2020, the Company acquired a 60% interest in Crémy Pâtisserie inc. ("Retail" segment) for a cash consideration of $160,000.

Goodwill arose in these business combinations, because the consideration paid for considered synergy which will contribute to profitably growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

For the year ended August 30, 2020, revenues from the acquired businesses were $4,790,000 and generated a net income of $174,000. If the business combinations had all taken place on August 26, 2019, revenues from the acquired businesses would have been $5,049,000 and would have generated a net income of $190,000.

Fiscal 2019

On October 29, 2018, the Company acquired all shares of 9358-0728 Quebec Inc., which operates a franchised restaurant (La Cage) in Thetford Mines (“Restaurant” segment), for a cash consideration of $95,000.

On December 10, 2018, the Company acquired all assets and operations of Moishes, which operates an upscale restaurant in Montreal (“Restaurant” segment) and which distributes its branded products to various food retailers across Canada (“Retail” segment).

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

6. Business combinations (continued)

The value of the transaction totals $6,825,000, including a cash consideration of $4,644,000 in cash and a contingent consideration of $2,181,000. This contingent consideration, based on reaching financial performance thresholds for the 4th and 5th years after the acquisition, will be payable in five years, in February 2023.

In addition, on December 31, 2018, the Company acquired an additional 50% interest in three joint ventures, namely 6155260 Canada Inc., 3230961 Canada Inc. and 3190781 Canada Inc., for a cash consideration of $704,000. These three entities were amalgamated under 6155260 Canada inc. prior to acquisition. The fair value reassessment of the previously held interest resulted in a gain of $405,000.

Goodwill arose in this business combination, because the consideration paid for the combination considered synergy which will contribute to profitably growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. An amount of $2,021,000 of goodwill arose in business combinations will be tax deductible.

For the year ended August 25, 2019, revenues from the acquired business were $8,364,000 and generated a net income of $379,000. If the business acquisitions had all occured on August 27, 2018, the acquired businesses would have contributed $11,795,000 to the revenues and $622,000 to the net earnings.

Fair value of net assets, at the acquisition date, for the acquisition of assets described above is as follows:

	2020	2019
	$	$
Assets acquired:		
Cash and cash equivalents	**1,030**	446
Accounts receivable	**259**	551
Other current assets	**134**	593
Property, plant and equipment	**2,162**	621
Intangible assets	**1,570**	4,285
Right-of-use assets	**728**	-
Deferred tax asset	**-**	57
Goodwill	**1,727**	3,430
	7,610	9,983
Liabilities assumed:		
Current liabilities	**1,000**	1,031
Lease liabilities	**753**	-
Long-term debt	**675**	174
Notes payable to the Company	**-**	542
Deferred tax liability	**508**	-
	2,936	1,747
Net assets acquired at fair value	**4,674**	8,236
Cash consideration	**2,264**	5,443
Contingent consideration	**-**	2,181
Long-term debt	**100**	-
Interest previously held in the joint ventures (Note 18)	**1,008**	207
Gain on business combinations achieved in stage (Note 9)	**1,195**	405
Fair value of non-controlling interest	**107**	-
	4,674	8,236

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

7. Revenues

	2020	2019
	$	$
Restaurants – La Cage	**61,694**	81,841
Restaurants – Other banners	**6,228**	12,003
Franchising revenues	**4,270**	6,038
Royalties for the National Advertising Fund	**930**	1,428
Construction contracts	**1,777**	1,301
Products sold in grocery stores	**29,185**	11,658
Others	**5,764**	8,324
	109,848	122,593

8. Expenses by nature

The distribution by nature of some expenses in the consolidated statements of comprehensive income is as follows:

	2020	2019
	$	$
Employee benefits expenses		
Current salaries and other benefits	**34,259**	44,103
Defined contribution plans	**160**	179
Stock-based compensation	**167**	100
Termination benefits	**55**	55
Government assistance	**(6,502)**	(2,656)
	28,139	41,781
Rent	**1,157**	5,635
Transfer to the National Advertising Fund	**930**	1,428
Other selling and administrative expenses	**21,633**	23,546
Selling and administrative expenses, excluding amortization	**51,859**	72,390
Amortization		
Amortization of property, plant and equipment (Note 16)	**5,208**	5,457
Amortization of right-of-use assets (Note 5)	**3,459**	-
Amortization of intangible assets (Note 17)	**802**	452
	9,469	5,909

Other selling and administrative expenses include, but are not limited to, marketing and operating expenses for all operating segments. For the year ended August 30, 2020, the Company assumed an amount of $630,000 for marketing expenses from National Advertising Fund which is the deficit that has to be assumed by Sportscene and its subsidiaries. The residual balance of the deficit is included in "Notes receivable and other assets" (Note 15).

In addition, the Company receives tax credits related to the statement of tips, the workplace apprenticeship program and the Canada emergency wage subsidy as government contribution. This subsidy stood at $4,685,000 for the year ended August 30, 2020, which $2,930,000 was still to be received on this date (Note 13). The amount of all of these government assistances are deducted from the employee benefits expense.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

9. Other losses (gains)

	2020	2019
	$	$
Loss on impairment of property, plant and equipment (Note 16)	4,715	-
Gain on impairment of notes receivable	-	(92)
Gain on disposal of property, plant and equipment (Note 16)	(689)	(49)
Loss on impairment and write-off of intangible assets (Note 17)	652	-
Gain on business combinations (Note 6)	(1,195)	(405)
Closing costs of restaurants and projects abandonment	595	217
Loss on impairment of right-of-use assets (Note 5)	225	-
Gain on reassessment of contingent consideration	(250)	-
Other losses	-	57
	4,053	(272)

10. Financial expenses

	2020	2019
	$	$
Interest on long-term debt	700	942
Interest on lease liabilities	1,126	-
Accretion load of the contingent consideration	116	80
Other financial expenses	180	150
	2,122	1,172

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

11. Income taxes

Income tax expense is detailed as follows:

	2020	2019
	$	$
Current	**397**	490
Deferred:		
Creation and reversal of temporary differences	**(2,307)**	636
Deferred tax assets not previously recognized	**40**	(110)
Adjustment relating to prior years	**19**	10
	(2,248)	536
	(1,851)	1,026

The following table shows a reconciliation of income taxes at the statutory rates to recorded income taxes:

	2020	2019
	$	$
Income before income tax expense	**(5,891)**	4,909
Net income of joint ventures	**(136)**	(796)
	(6,027)	4,113
Statutory income tax rate	**26.5%**	26.6%
	(1,597)	1,094
Permanent differences	**(367)**	23
Deferred tax assets not previously recognized	**40**	(110)
Adjustment relating to prior years	**19**	10
Other	**54**	9
Total income taxes	**(1,851)**	1,026

Deferred tax assets and liabilities

	2020	2019
	$	$
Deferred income tax assets	**4,212**	2,517
Deferred income tax liabilities	**(393)**	(438)
Net deferred income tax assets	**3,819**	2,079

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

11. Income taxes (continued)

The main components and changes of deferred income tax assets and liabilities are as follows:

	Balance as at August 25, 2019	In net earnings	Business combinations (Note 6)	**Balance as at August 30, 2020**
Non-capital loss carryforwards	1,900	588	-	**2,488**
Deferred income and credits and provisions	1,915	(468)	-	**1,447**
Lease liabilities	-	6,750	-	**6,750**
Property, plant and equipment	(420)	1,009	(92)	**497**
Intangibles and other assets	(799)	197	(416)	**(1,018)**
Right-of-use assets	-	(5,696)	-	**(5,696)**
Other receivables	(744)	95	-	**(649)**
Contingent consideration	227	(227)	-	**-**
Net deferred income tax assets	2,079	2,248	(508)	**3,819**

The Company's deferred tax asset is $4,212,000, which includes an amount of $2,488,000 for tax losses carried forward. Despite the current economic disruptions and the uncertainty as to their duration, management believes it is likely that this deferred tax asset can be recovered given the post-pandemic budget forecasts and the possibility of using tax planning for the use of non-capital losses before their expiration.

Tax losses to carry forward

The Company has non-capital losses, for which it has recognized deferred tax assets that are available to reduce the taxable income of future years and taxes payable expiring during the following taxation years:

Taxation years	Federal	Tax losses Provincial
	$	$
2028	-	14
2029	53	55
2030	-	-
2031	69	71
2032	96	106
2033	154	164
2034	134	42
2035	864	855
2036	1,106	1,058
2037	785	641
2038	575	451
2039	2,542	2,568
2040	3,125	3,195

12. Earnings per share

Basic earnings per share are calculated by dividing net income available to holders of Class A shares by the weighted-average number of Class A shares outstanding during the period.

Diluted earnings per share are calculated using the weighted-average number of outstanding Class A shares adjusted to include the potentially dilutive effect of the stock options.

The weighted average number of Class A shares (basic and dilutive) reflects the retrospective application of the two for one stock split effected on February 8, 2019.

The following table sets forth the computation of basic and diluted earnings per share:

	2020	2019
	$	$
Net (loss) income attributable to the Company's shareholders (in thousands of Canadian dollars)	**(3,863)**	3,957
Weighted average number of outstanding Class A shares (in thousands)	**8,548**	8,543
Dilutive effect of stock options (in thousands)	**-**	189
Weighted average number of dilutive outstanding Class A shares (in thousands)	**8,548**	8,732
(Loss) earnings per share (in Canadian dollars):		
Basic	**(0.45)**	0.46
Diluted	**(0.45)**	0.45

For the year ended August 30, 2020, 622,000 stock options (80,000 stock options for the year ended August 25, 2019) with an antidilutive effect were excluded from the calculation of diluted earnings per share. However, these options could have a dilutive effect on earnings per share in future periods.

13. Accounts receivable

	August 30, 2020	August 25, 2019
	$	$
Accounts receivable - products sold in grocery stores	**3,523**	940
Wage subsidy receivable	**2,930**	-
Tax credits receivable	**2,534**	2,452
Accounts receivable	**733**	1,668
Volume rebates receivable	**760**	1,019
Accounts receivable from joint ventures	**299**	911
Other receivables	**711**	1,969
	11,490	8,959

As at August 30, 2020, accounts receivable include amounts receivable from customers and joint ventures for construction contracts totaling $931,000 (August 25, 2019 - $2,339,000).

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

14. Inventories

	August 30, 2020	August 25, 2019
	$	$
Food, beverage and miscellaneous supplies	**2,262**	2,484
Building supplies	**355**	345
	2,617	2,829

The amount of inventories expensed corresponds to “cost of sales” in the consolidated statements of comprehensive income.

15. Notes receivable and other assets

	August 30, 2020	August 25, 2019
	$	$
Tax credits receivable	**775**	1,445
Notes receivable, interest free and without repayment terms	**31**	46
Advances to National Advertising Fund [1]	**156**	-
Deferred charges related to a lease	**287**	312
	1,249	1,803
Less: current portion	**-**	7
	1,249	1,796

[1] The balance corresponds to the National Advertising Fund's ("NAF") net assets, which represents an accumulated deficit of $156,000 as at August 30, 2020. As at August 25, 2019, the NAF's net assets showed an accumulated earnings of $231,000 and were included in "Accounts payable and accrued liabilities".

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

16. Property, plant and equipment

	Land	Buildings	Leasehold improve-ments	Furniture and equipment	Automotive equipment	Current projects	Total
	$	$	$	$	$	$	$
Cost							
Balance as at August 26, 2018	4,524	16,660	28,630	22,471	672	777	73,734
Acquisitions	8	398	3,400	3,604	8	(631)	6,787
Disposals and closures	-	-	(27)	(2,166)	-	-	(2,193)
Acquisitions through business combinations (Note 6)	-	-	275	346	-	-	621
Balance as at August 25, 2019	4,532	17,058	32,278	24,255	680	146	78,949
Acquisitions	-	72	1,644	2,502	17	1,565	5,800
Disposals and closures	(642)	-	(9,303)	(2,785)	-	-	(12,730)
Acquisitions through business combinations (Note 6)	1,107	513	247	295	-	-	2,162
Balance as at August 30, 2020	**4,997**	**17,643**	**24,866**	**24,267**	**697**	**1,711**	**74,181**
Amortization and accumulated impairment losses							
Balance as at August 26, 2018	-	5,699	15,902	10,794	352	-	32,747
Amortization (Note 8)	-	611	2,415	2,378	53	-	5,457
Disposals and closures	-	-	(16)	(1,883)	-	-	(1,899)
Balance as at August 25, 2019	-	6,310	18,301	11,289	405	-	36,305
Amortization (Note 8)	-	658	2,257	2,263	30	-	5,208
Disposals and closures	-	-	(8,949)	(2,549)	-	-	(11,498)
Impairment loss (Note 9)	-	-	3,523	1,192	-	-	4,715
Balance as at August 30, 2020	**-**	**6,968**	**15,132**	**12,195**	**435**	**-**	**34,730**
Net carrying value							
As at August 25, 2019	4,532	10,748	13,977	12,966	275	146	42,644
As at August 30, 2020	**4,997**	**10,675**	**9,734**	**12,072**	**262**	**1,711**	**39,451**

The property, plant and equipment also include buildings leased under lease contracts with a net carrying value of $2,943,000 in 2020 ($4,082,000 in 2019). These agreements include payments based on percentages of the annual sales or fixed base rent. The revenues recognized from the lease contracts were $267,000 in 2020 ($262,000 in 2019).

Impairment testing

Indicators of impairment were noted during the fiscal year ended August 30, 2020 as a result of the impact of COVID-19. This resulted in the temporary closure of several restaurants and caused a significant reduction in revenues of restaurants, the franchisor and other activities. Consequently, the Company performed impairment tests for all of its non-current assets since it had reason to believe that the carrying amount might not be recoverable. During the fiscal year ended August 30, 2020, the Company recorded an impairment loss of $4,715,000 (nil in 2019) on property, plant and equipment (Note 9).

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

16. Property, plant and equipment (continued)

When calculating the value-in-use of each restaurant taken individually, the cash-generating units ("CGU"), the Company discounts the projected cash flows according to the remaining useful life of the main asset of the CGU. Cash flows were established from forecast sales corresponding to approximately 65% of actual sales for 2019, i.e. before the pandemic, for the first year, to forecast sales corresponding to approximately 80% of actual sales for 2019 for the second year and a return to normal during the third year. The rates of return have been revised to take into account the new constraints resulting from the sanitary measures put in place and the inflation of supply costs. The recoverable amounts of the CGUs tested for impairment were based on the greater of the fair value less disposal costs and the value-in-use, which was determined using an after-tax discount rate of 11.0%.

17. Intangible assets

	Non-depreciable assets		Depreciable assets			
	Trade-marks	Video lottery licences	Techno-logy	Reacquired Franchise Rights	Others	Total
	$	$	$	$	$	$
Cost						
Balance as at August 26, 2018	-	135	706	113	834	1,788
Acquisitions	-	-	160	-	234	394
Disposals and closures	-	-	-	-	-	0
Acquisition through business combinations (Note 6)	3,700	60	-	525	-	4,285
Balance as at August 25, 2019	3,700	195	866	638	1,068	6,467
Acquisitions	-	-	-	-	294	294
Acquisition through business combinations (Note 6)	100	240	-	1,230	-	1,570
Transfer to right-of-use assets (Note 3 (c))	-	-	-	-	(246)	(246)
Disposals and closures (Note 9)	-	(250)	-	-	(97)	(347)
Balance as at August 30, 2020	**3,800**	**185**	**866**	**1,868**	**1,019**	**7,738**
Amortization and accumulated impairment losses						
Balance as at August 26, 2018	-	-	25	8	556	589
Amortization (Note 8)	-	-	211	178	63	452
Balance as at August 25, 2019	-	-	236	186	619	1,041
Amortization (Note 8)	-	-	253	452	97	802
Transfer to right-of-use assets (Note 3 (c))	-	-	-	-	(148)	(148)
Disposals and closures (Note 9)	-	-	-	305	-	305
Balance as at August 30, 2020	**-**	**-**	**489**	**943**	**568**	**2,000**
Net carrying value						
As at August 25, 2019	3,700	195	630	452	449	5,426
As at August 30, 2020	**3,800**	**185**	**377**	**925**	**451**	**5,738**

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

18. Investments in joint ventures

The consolidated financial statements of the Company include its share of the assets, liabilities, revenue and expenses and cash flows of joint ventures. The Company's share is as follows:

	2020	2019
	$	$
Assets		
Current [(1)]	**1,884**	2,081
Non-current [(2)]	**5,990**	5,025
	7,874	7,106
Liabilities and shareholders' equity		
Current liabilities [(1)(2)]	**1,166**	1,524
Non-current liabilities [(1)(2)]	**3,429**	1,241
Shareholders' equity	**3,279**	4,341
	7,874	7,106

(1) As at August 30, 2020, current assets include a cash balance of $1,168,000 (August 25, 2019 - $1,753,000) and current and non-current liabilities include long-term debt (including its current portion) of $2,472,000 (August 25, 2019 - $1,028,000).

(2) As at August 30, 2020, non-current assets include $528,000 of right-of-use assets, and current and non-current liabilities include $537,000 of lease liabilities (including the current portion), arising from the adoption of IFRS 16 as of August 26, 2019. The comparative figures as of August 25, 2019 have not been restated.

	2020	2019
	$	$
Revenues	**7,121**	13,785
Cost of sales, selling and administrative expenses (excluding amortization)	**6,335**	12,267
Earnings before financial expenses, amortization, loss on disposal of assets and income tax	**786**	1,518
Amortization, financial expenses and loss on disposal of assets	**636**	556
Earnings before income tax	**150**	962
Income tax expense	**14**	166
Net earnings	**136**	796

	2020	2019
	$	$
Investment in the net assets of joint ventures, beginning of the year	**4,341**	4,162
Share of net income	**136**	796
Less: dividends received from joint ventures	**(350)**	(510)
	4,127	4,448
Down payments	**160**	100
Conversion of investments in joint ventures through business combinations achieved in stages (Note 6)	**(1,008)**	(207)
Investment in net assets of joint ventures, end of the year	**3,279**	4,341

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

19. Goodwill

The following table presents the change in the carrying amount of goodwill:

			August 30, 2020	August 25, 2019
	Restaurant	**Retail**	**Total**	Total
			$	$
Cost, beginning of year	**4,559**	**3,247**	**7,806**	4,376
Business combinations (Note 6)	**1,620**	**107**	**1,727**	3,430
Cost, end of year	**6,179**	**3,354**	**9,533**	7,806
Accumulated impairment losses				
Beginning of the year	**395**	**-**	**395**	395
Impairment losses of the year	**-**	**-**	**-**	-
Accumulated losses, end of year	**395**	**-**	**395**	395
Net value, end of year	**5,784**	**3,354**	**9,138**	7,411

Impairment testing of goodwill

Following the change of operating segments, the restaurant's goodwill has been reallocated based on the relative fair value of the following groups of CGUs: "Restaurant" and "Retail".

In assessing whether goodwill is impaired, the carrying amount of the groups of CGUs (including goodwill) is compared to their recoverable amount. The recoverable amounts of the groups of CGUs are based on the higher of the value in use and fair value less costs to sell. The Company performed the annual impairment test for goodwill as at August 30, 2020 and as at August 25, 2019. In addition, as of May 24, 2020, due to impairment indicators identified following the repercussions of the COVID-19 pandemic, the Company performed an impairment test on the goodwill of the “Restaurants” CGU.

The estimated recoverable amount of the “Restaurants” CGU was determined on the basis of the value-in-use, which was greater than its carrying value. Therefore, no impairment loss has been identified. The value-in-use was determined using the after-tax discount rate of 11% and a growth rate of 2% on the terminal value. Cash flows were determined according to the financial forecast prepared by the management taking into account the current economic context as well as a gradual return to normal for the financial year 2023. Cash flows were established from forecast sales corresponding to approximately 65% of actual sales for the year 2019, i.e. before the pandemic, for the first year, to forecast sales corresponding to approximately 80% of actual sales for 2019 for the second year and a return to normal during the third year. Because the extent of the pandemic and economic downturns have a significant impact on the performance and outlooks of the Company, this estimate may have an effect on the assessment and realization of the carrying value of the Company's assets.

Management has determined that a reasonable change in the discount rate or in the normalization period could cause the exceeding of carrying value of the CGU over its recoverable amount. A 1% increase in the discount rate and a decrease in forecast sales would result in an exceeding of the carrying value over the estimated recoverable value.

The estimated recoverable amount of the "Retail" CGU was determined based on the fair value less costs to sell and was greater than its carrying value. Therefore, no impairment loss has been identified. The fair value less costs to sell was determined based on a multiple of 7.5 times market income which was applied to the normalized income of the "Retail" CGU. The multiple of market income approximates a comparable transaction in the market. Normalized earnings were determined based on management’s assessment of market trends based on historical data from internal and external sources. Management believes that no reasonably possible change in the key assumptions on which the determination of CGU's recoverable amount is based would have an impact on the outcome of the impairment test.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

20. Long-term debt

	August 30, 2020	August 25, 2019
	$	$
Revolving credit faciliy, for which a portion of $12M bears interest at fixed rate of 2,06% and the remaining bears interest at prime rate, without terms of repayment, maturing in June 2023	**16,622**	7,619
Mortgage loans bearing interest at prime rate (2.45% as of August 30, 2020), payable in monthly instalments, maturing in August 2024	**7,087**	7,373
Mortgage loans bearing interest at variable rates between 3.05% and 3.3% as at August 30, 2020, repayable in monthly instalments, maturing from September 2029 to June 2037	**1,368**	970
Bank loans through the Emergency Account for Canadian Businesses, interest free. The repayment of the loan balance, no later than December 31, 2022, will result in a write-off of 25% of this loan, up to a maximum of $140,000	**560**	-
Other loans bearing interest at various fixed rates from 0% to 3.5%, payable in monthly and annual instalments, between March and August 2021	**267**	229
	25,904	16,191
Deferred financing costs	**(52)**	(32)
	25,852	16,159
Less: current portion	**(733)**	(655)
	25,119	15,504

As at August 30, 2020, the required principal repayments on mortgages and bank loans, as provided for under financing agreements, as well as the required minimum payments on finance leases are as follows:

	Total
	$
2021	**733**
2022	**596**
2023	**17,778**
2024	**5,757**
2025	**104**
2026 and thereafter	**936**
	25,904

Substantially all of the assets of the Company, its subsidiaries, including property, plant and equipment, were given as collateral for the line of credit, mortgages and bank loans as well as a floating movable hypothec in the amount of $40,000,000, relating to the universality of tangible and intangible assets of the Company.

According to the conditions of the long-term debt agreements, the Company is subject to certain restrictive covenants with respect to maintaining minimum financial ratios and certain other conditions, which were respected as at August 30, 2020 (Note 23).

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

21. Shareholders' equity

a) Authorized and issued

Authorized, unlimited number:

Class A shares, participating, 10 votes per share, convertible at the holder's option into subordinate Class B shares;

Subordinate Class B shares, participating, 1 vote per share, with a dividend per share equal to the dividend declared on the Class A shares;

Non-voting preferred shares, with a preferred cumulative dividend of 8%, retractable and redeemable by the Company or by the holder at $2.25 per share.

Issued and paid:

	August 30, 2020	August 25, 2019
	$	$
8,547,786 Class A shares (2019 – 8,547,786)	**4,510**	4,510

b) Stock option plan

As at August 30, 2020, 853,178 Class A shares with voting rights were reserved for stock options for officers, directors and consultants under the Plan, of which 215,178 had not yet been granted as at August 30, 2020 (255,178 stock options as at August 25, 2019). Under the Plan, the subscription price of each option may not be less than the closing price of the shares on the business day immediately preceding the date the option is granted less allowable discounts as permitted by the TSX Venture Exchange. The options may be exercised during a period not exceeding ten (10) years from the options' grant date. However, in the past, options granted by the Company were exercisable during a maximum period of seven years.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

21. Shareholders' equity (continued)

b) Stock option plan (continued)

The number of outstanding stock options has fluctuated as follows:

	2020		2019	
	Number of stock options	**Weighted-average exercise price**	Number of stock options	Weighted-average exercise price
		$		$
Balance, beginning of year	**582,000**	**3.33**	780,000	3.34
Granted	**40,000**	**5.75**	160,000	4.74
Exercised	**-**	**-**	(16,000)	3.61
Cancelled	**-**	**-**	(342,000)	4.00
Balance, end of year	**622,000**	**3.49**	582,000	3.33

The following table summarizes information on outstanding stock options:

As at August 30, 2020		**Options outstanding**		**Options exercisable**	
Exercise price	**Number of stock options**	**Weighted-average remaining contractual life (years)**	**Weighted-average exercise price**	**Number of stock options**	**Weighted-average exercise price**
2.75 $	**402,000**	**3.4**	**2.75 $**	**-**	**-**
3.75 $	**20,000**	**4.6**	**3.75 $**	**-**	**-**
4.50 $	**80,000**	**3.6**	**4.50 $**	**-**	**-**
4.98 $	**80,000**	**5.4**	**4.98 $**	**-**	**-**
5.75 $	**40,000**	**6.2**	**5.75 $**	**-**	**-**
	622,000	**3.9**		**-**	**-**

As at August 25, 2019		Options outstanding		Options exercisable	
Exercise price	Number of stock options	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
2.75 $	402,000	4.4	2.75 $	-	-
3.75 $	20,000	5.6	3.75 $	-	-
4.50 $	80,000	4.6	4.50 $	-	-
4.98 $	80,000	6.4	4.98 $	-	-
	582,000	4.8		-	-

During the year ended August 30, 2020, the Company has granted 40,000 new Class A stock option to an officer. Theses options vest 100% after 4 years and will expire if they are exercised no later than 7 years from the grant date.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

21. Shareholders' equity (continued)

b) Stock option plan (continued)

The following table summarizes the assumptions made to calculate, using the Black-Scholes option pricing model, the weighted-average fair value of stock options granted on the grant date:

	2020	2019
Number of options to purchase shares	**40,000**	160,000
Fair value of stock option granted	**1.75 $**	1.39 $
Share price at grant date	**5.75 $**	4.58 $
Exercise price	**5.75 $**	4.74 $
Dividend yield	**1.3%**	0.9%
Expected volatility	**40%**	40%
Risk-free interest rate	**2.0%**	2.2%
Expected life	**4 ans**	4.5 years

Expected volatility was determined by reference to historical data.

During fiscal year 2020, the Company recorded a stock-based compensation expense of $167,000 (2019 - $100,000) in the consolidated financial statement of comprehensive income.

c) Dividends

During the year ended August 30, 2020, the Company declared a dividend of $1,282,000 or $0.15 per Class A share ($1,282,000 for fiscal 2019).

22. Supplementary cash flow information

a) Net change in non-cash operating working capital items

	2020	2019
	$	$
Accounts receivable	**(2,357)**	(1,776)
Inventories	**319**	(316)
Prepaid expenses	**306**	348
Other assets	**780**	(400)
Accounts payable and accrued liabilities	**1,159**	1,254
Deferred revenues and credits	**(535)**	1,965
	(328)	1,075

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

22. Supplementary cash flow information (continued)

b) Change in long-term debt

	2020	2019
	$	$
Balance at the beginning of the year	**16,159**	17,996
Increase in long-term debt	**560**	5,041
Repayment of long-term debt	**(625)**	(14,549)
Change in revolving credit	**9,003**	7,619
Business combinations (Note 6)	**775**	174
Conversion of debt in non-controlling interests	**-**	(92)
Increase of deferred financing costs	**(45)**	(32)
Amortization of deferred financing costs	**25**	2
	25,852	16,159

c) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include:

	August 30, 2020	August 25, 2019
	$	$
Cash and cash equivalents	**870**	558
Short-term investments	**7,520**	-
	8,390	558

d) Non-cash transactions

The Company carried out the following investing and financing transactions that had no effect on cash and are therefore not reflected in the consolidated statements of cash flows:

	2020	2019
	$	$
Acquisitions of property, plant and equipment financed by:		
Accounts payable and accrued liabilities	**494**	8
Repayment of long-term debt financed by:		
Non-controlling interests	**-**	92
Business combinations financed by:		
Notes receivable and other assets (Note 6)	**-**	542
Contingent consideration (Note 6)	**-**	2,181
Interest previously held in the joint ventures (Note 6)	**1,008**	207

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

23. Capital disclosures

The Company defines its capital as shareholders' equity and long-term debt (including the current portion), less cash and cash equivalents. Capital is calculated as follows:

	August 30, 2020	August 25, 2019
	$	$
Lease liabilities (including its current portion)	**27,535**	-
Long-term debt (including its current portion)	**25,852**	16,159
Contingent consideration	**2,127**	2,261
Total indebtedness	**55,514**	18,420
Less:		
Cash and cash equivalents	**8,390**	558
Total net indebtedness	**47,124**	17,862
Shareholders' equity	**33,422**	38,470
Invested capital	**80,546**	56,332
Ratio of net indebtedness / Invested capital	**58.5%**	31.7%

The Company's objectives when managing capital are as follows:

- To maintain a solid financial position that can withstand economic uncertainty and safeguard the Company's ability to continue as a going concern;
- To maintain the Company's ability to pursue its growth initiatives, including establishing new "Cage" restaurants, completing business acquisitions, operating new complementary activity centres, and continuing to invest in the quality and modernization of its infrastructures; and
- To maintain an optimal capital structure and reduce the cost of capital.

The Company manages and adjusts its capital structure in conjunction with economic conditions. In order to maintain or adjust its capital structure, the Company may repurchase shares, adjust the amount of dividends paid to shareholders, proceed with the issuance or repayment of debt and sell assets to improve its financial performance.

The Company's capital objectives, policies and procedures have remained unchanged since August 25, 2019.

The Company monitors its capital using different financial ratios and financial indicators, in particular total net indebtedness (or debt-free cash) and the ratio of net indebtedness to invested capital. Also, the Company must comply annually to certain financial ratios under certain debt agreements.

On August 18, 2020, the Company obtained a modification of its financing agreement which includes its revolving credit and its mortgage loan ("financing agreement") for its level of restrictive covenants. These restrictions, which consisted of a fixed charge coverage ratio as well as an interest-bearing debt to EBITDA ratio, were renegotiated to be postponed for one year and were modified to comply with a minimum EBITDA, which corresponds to profit before taxes, amortization and interest, normalized to exclude non-recurring non-monetary items and reduced by the rental charge as if IFRS 16 had not been applied. As of August 30, 2020, all financial ratios were met.

24. Financial instrument disclosures

Fair value

As at August 30, 2020 and August 25, 2019, the fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts because of their short-term maturities.

The fair value of notes receivable could not be determined because the reimbursement terms have not been set.

The fair value of long-term debt approximates its carrying amount since the interest rates are renegotiated on an annual basis for a portion of these loans, fluctuate with the market rate or the loans bear interest at rates comparable to market rates.

The only financial instrument of the Company that is measured at fair value on a recurring basis subsequent to their initial recognition is the contingent consideration payable related to a business combination. The valuation model for contingent considerations considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering various scenarios of achievement of pre-established financial performance thresholds, the amount to be paid under each scenario and the probability of each scenario.

The Company presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

- Level 1 - Unadjusted prices on active markets for identical assets or liabilities
- Level 2 - Inputs other than the prices included within Level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data

All financial instruments correspond to level 2 of the fair value hierarchy, with the exception of the contingent consideration payable in the context of business combinations which correspond to level 3. During the fiscal years ended August 30, 2020 and August 25, 2019, there was no transfer of financial instruments between levels 1, 2 and 3.

Sensitivity analysis of the level 3 financial instrument

As at August 30, 2020, all other things being equal, a 10% increase (or decrease) in the expected financial performance thresholds of the acquired business would have resulted in a decrease (or increase) in net income of 90,000 $.

During the year ended August 30, 2020, the contingent consideration balance decreased by $134,000 as a result of a downward revaluation of fair value by $250,000 and the discounting charge of the instrument by $116,000.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

24. Financial instrument disclosures (continued)

Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to fulfill any of its obligations and causes, therefore, a financial loss to the Company. The main credit risks for the Company are related to cash and cash equivalents, accounts receivable and notes receivable, which do not include tax credits and wage subsidy receivable.

The composition of loans and receivables that exposed the Company to credit risk is shown in the table

	August 30, 2020	August 25, 2019
	$	$
Cash and cash equivalents	**8,390**	558
Accounts receivable	**6,026**	6,507
Notes receivable		
Without specific terms of repayment	**31**	39
Maturing in less than one year	**-**	7
Maturing in one to five years	**-**	-
	31	46
Total of loans and receivables	**14,447**	7,111

The amounts shown in the consolidated statements of financial position are net of provisions for doubtful and bad debts effect. The carrying amount of financial assets represents the maximum exposure to the Company's credit.

Cash and cash equivalents are deposits with Canadian financial institutions, for which management believes that the credit risk is minimal.

As for the amounts receivable from joint ventures (accounts receivable and notes receivable), the Company's position as partner allows it to exercise a certain degree of influence on the recoverability of these receivables. As at August 30, 2020, notes receivable from joint ventures and related companies totaled $200,000 (August 25, 2019 - none). As at August 30, 2020 and August 25, 2019, notes receivable from joint ventures and related companies are nil.

The Company establishes an allowance for bad debts and doubtful effects at each end of period, taking into account the credit history of particular receivables, historical trends and other information. The provision for credit losses is maintained at a level considered adequate to absorb potential credit losses. No provision for doubtful notes receivable and balance of sale receivable has been recognized as at August 30, 2020 and as at August 25, 2019.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

24. Financial instrument disclosures (continued)

Credit risk (continued)

To the extent that the contributions received by the National Advertising Fund ("NAF") exceed the advertising and promotion expenses assumed by the Fund, excess contributions are recognized in "Accounts payable and accrued liabilities" in the consolidated statements of financial position. In some cases, advertising and promotion expenses assumed may exceed the contributions received and collected. In such case, the excess expenses are recognized in "Notes receivable and other assets" in the consolidated statements of financial position. As at August 30, 2020, NAF's net assets show an accumulated deficit of $156,000, which is presented under “Notes receivable and other assets” (Note 15). As at August 25, 2019, NAF's net assets showed an accumulated surplus of $231,000, which was presented under “Accounts payable and accrued liabilities”. During the fiscal year ended August 30, 2020, the Company assumed $630,000 (nil in 2019) of NAF's marketing expenses representing the deficit to be assumed by Sportscene and its subsidiaries. This expense is included under “Selling and administrative expenses excluding amortization”.

The credit risk associated with accounts receivable is mitigated since they are subject to active monitoring by management of the Company. As at August 30, 2020, approximately 64% of accounts receivable (August 25, 2019 - 85%), excluding tax credits et wage subsidy receivable, were aged less than 60 days. As at August 30, 2020, the balance of the allowance for doubtful accounts was $535,000 ($133,000 as at August 25, 2019), including an account receivable from a joint venture of $200,000, as mentioned previously.

The table below shows the accounts receivable’s aging, net of the allowance for doubtful accounts.

					As at August 30, 2020
	0 to 30 days	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
	$	**$**	**$**	**$**	**$**
Trade accounts receivable, volume rebates receivable, accounts receivable from joint ventures and other accounts receivable					
Within the terms	**1,260**	**2,613**	**708**	**910**	**5,491**
Past due	**-**	**-**	**-**	**535**	**535**
Total	**1,260**	**2,613**	**708**	**1,445**	**6,026**
Tax credits and wage subsidy receivable					**5,464**
Total accounts receivable					**11,490**

					As at August 25, 2019
	0 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	$	$	$	$	$
Trade accounts receivable, volume rebates receivable, accounts receivable from joint ventures and other accounts receivable					
Within the terms	4,221	1,327	167	426	6,141
Past due (1)	-	-	-	366	366
Total	4,221	1,327	167	792	6,507
Tax credits receivable					2,452
Total accounts receivable					8,959

(1) Most of the outstanding accounts receivable as at August 25, 2019 was cashed after the end of the year.

24. Financial instrument disclosures (continued)

Interest rate risk

During the normal course of business, the Company is exposed to interest rate fluctuation risk as a result of its financial obligations at a variable interest rate. As at August 30, 2020, $13,077,000 (August 25, 2019 - $15,962,000) of long-term debt was exposed to interest rate fluctuations.

Given its current level of indebtedness (proportion of debt bearing interest at fixed rates compared to the proportion of debt bearing interest at variable rates), the Company does not use any financial instruments to mitigate this risk. For the year ended August 30, 2020, a 1% increase or decrease in interest rates, assuming that all other variables remain constant, would have resulted in an increase or decrease of $107,000 (2019 – $96,000) in the Company's net income.

Foreign currency risk

As at August 30, 2020 and August 25, 2019, the financial instruments of the Company denominated in foreign currency were insignificant and no hedging instruments were used to minimize the foreign currency fluctuation risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfil its financial obligations when they are due. The Company manages its liquidity risk through the management of its capital structure and financial leverage, as described in Note 24. The Company also manages this risk by monitoring cash flows generated from operating activities and by using its available line of credit to ensure that it has sufficient funds to fulfill its obligations. Assessments of cash inflows and outflows take into account seasonal needs, planned investments and debt maturities.

During the fiscal year 2019, the Company revised its financing structure. A revolving credit facility amounting to $25,000,000, to finance property, plant and equipment's acquisitions and business combinations. As of August 30, 2020, an amount of $ 8,378,000 of its revolving credit was available.

As mentioned in Note 23, arising from the context of the COVID-19 pandemic, the Company renegotiated its financing agreement with the lender in order to obtain a six-month capital payment holiday, a deferral of application or relief of its financial and restrictive covenants. In addition, the term of the new financing agreement has been extended until June 2023. In light of the amended agreement and its budget forecasts, management believes that it is likely that the new restrictive covenants wil be respected and that the Company will continue to make the scheduled repayments of its long-term debts according to the repayment conditions provided for in the agreement.

This determination could however be affected by future economic, financial and competitive factors, as well as other future events which are beyond the control of the Company, such as the reopening of the dining rooms.

24. Financial instrument disclosures (continued)

Liquidity risk (continued)

The revolving credit and mortgage loan will become due in full on the date of default if the Company is unable to meet debt covenants, including maintaining certain financial ratios. While management believes that future cash flows generated from operations and available cash under existing or renegotiated banking agreements will be sufficient to meet the Company's financial liabilities, the Company's assessment of liquidity, including expectations regarding compliance with restrictive covenants in the future requires a significant amount of judgment. On August 18, 2020, the Company amended and updated its financing agreement to facilitate compliance with restrictive covenants based on quarterly projections planned for fiscal year 2021 (see Note 23).

If any of these factors or events result in a lower operational performance than currently expected, or if the Company's lender imposes additional restrictions on its ability to borrow, there could be uncertainty as to the Company's ability to pursue its going concern approach, and its ability to realize the carrying value of its assets and to repay its current and future obligations as they fall due without having obtained additional financing which may not be available. These financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate.

As at August 30, 2020 and August 25, 2019, all accounts payable and accrued liabilities were due in the next fiscal year. The maturity dates on long-term debt and commitments are presented in Notes 20 and 26, respectively.

25. Commitments, guarantees and contingencies

a) Commercial commitment

The Company has entered into commercial agreements that expire at various dates up to November 2023 for a total of $279,000 (August 25, 2019 - $1,618,000). In addition, the Company has provided bank letters of guarantee totaling $- (2019 - $325,000) to various suppliers.

b) Guarantees

The Company has guaranteed the debts of joint ventures for a maximum amount of $1,281,000 (August 25, 2019 - $935,000).

As at August 30, 2020, the Company has not recorded any liability related to the guaranteed debts because the failure by a joint venture to honor its obligations is considered unlikely.

c) Litigation

The Company is subject to legal claims associated with its current business activities. Management believes that these legal claims will not have a significant impact on the Company’s financial position.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

26. Related party transactions

As at August 30, 2020, the Company was controlled by two shareholders, which were holding directly or indirectly 74% of shares with voting rights of the Company. The remaining shares and voting rights were being held by multiple shareholders, none of whom held a significant number of voting rights. The dividends to be paid must first be approved by the Board of Directors.

Key management includes the members of the Board, President and Chief Executive Officer, Vice President, Retail and Vice President, Operating and restaurant. Other related parties include close family members of key management personnel and entities controlled by the key management personnel.

In the normal course of business, the Company enters into transactions with its subsidiaries and joint ventures. Under IFRS, all transactions with subsidiaries are eliminated using the full consolidation method. The unrealized gains and losses on assets disposal by joint ventures are eliminated on a pro rata basis to the percentage interest the Company holds in the joint venture. All related party transactions are assessed at market value.

Details on transactions and balances between the Company and its related parties are presented below:

				August 30, 2020
	Joint ventures	Key management	Other related parties	Total
	$	$	$	$
Revenues				
Franchises	566	-	-	566
Royalties for the National Advertising Fund	343	-	-	343
Construction contracts	838	-	-	838
Lease	73	-	-	73
Other	376	-	-	376
	2,196	-	-	2,196
Operating expenses				
Employee benefit expenses	-	725	31	756
Stock-based compensation	-	167	-	167
	-	892	31	923
Other transactions and balances				
Accounts receivable	299	-	-	299

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

26. Related party transactions (continued)

				August 25, 2019
	Joint ventures	Key management	Other related parties	Total
	$	$	$	$
Revenues				
Franchises	1,199	-	-	1,199
Royalties for the National Advertising Fund	718	-	-	718
Construction contracts	195	-	-	195
Lease	121	-	-	121
Other	613	-	-	613
	2,846	-	-	2,846
Operating expenses				
Employee benefit expenses	-	893	46	939
Stock-based compensation	-	100	-	100
	-	993	46	1,039
Other transactions and balances				
Accounts receivable	911	-	-	911

During the fiscal year ended August 30, 2020, the Company incurred $279,000 of expenses with entities related to directors ($757,000 for the year ended August 25, 2019).

27. Segmented information

Under IFRS 8, *Operating Segments* , the Company provides information about its segments based on the information disclosed to the primary operational decision maker to evaluate the performance of these segments.

In connection with the transactions incurred in 2019 and the Company's expansion strategy, the operating segments have been modified and are now grouped into four distinct segments: restaurant, retail, franchising and other activities. The Company has restated the corresponding segment information for prior periods. Each sector offers different products and services and requires different marketing strategies.

The Restaurant segment consists of corporate and joint venture restaurants operating under the following banners: La Cage – Brasserie Sportive, P.F. Chang's, L'Avenue and Moishes. The Retail segment includes sales of branded products in grocery stores, under the banners La Cage and Moishes. The Franchising segment is dedicated to franchise development and services to restaurants, such as construction and technological support. Its revenues also include entry fees and royalties. The Other Activities segment includes event catering, sports complex operation and the sale of broadcasting rights.

The accounting policies followed by each segment are identical to those described in the summary of significant accounting policies. The Company evaluates the performance of each reportable segment based on the adjusted EBITDA, which corresponds to the income before income tax, excluding the following expenses: financial expenses, amortization, other gains and losses, and the net income / loss of joint ventures, to which is added the income before financial expenses, amortization and income tax of the joint ventures. Intersegment revenues of the construction activities are made at the cost of the work for corporate restaurants and at current market prices for the other restaurants. Management of the income tax expense is centralized and thus, this expense is not broken down between the reportable segments.

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

27. Segmented information (continued)

					August 30, 2020
	Restaurant	Retail	Franchising	Other Activities	Total
	$		$	$	$
Total revenues	**67,922**	**29,185**	**15,596**	**6,606**	**119,309**
Intersegment revenues	**-**	**-**	**(8,619)**	**(842)**	**(9,461)**
Third-party revenues	**67,922**	**29,185**	**6,977**	**5,764**	**109,848**
(Loss) income before income taxi	**(4,291)**	**1,854**	**(4,165)**	**711**	**(5,891)**
Amortization	**8,153**	**31**	**421**	**864**	**9,469**
Financial expenses	**1,455**	**122**	**248**	**297**	**2,122**
Net (income) loss of joint ventures	**(184)**	**44**	**(4)**	**8**	**(136)**
Other losses (gains)	**4,726**	**(250)**	**330**	**(753)**	**4,053**
Income before financial expenses, amortization and income taxes of joint ventures (Note 18)	**747**	**42**	**5**	**(8)**	**786**
Consolidated adjusted EBITDA	**10,606**	**1,843**	**(3,165)**	**1,119**	**10,403**
Total assets	**72,722**	**11,824**	**8,601**	**14,843**	**107,990**
Change in goodwill	**1,620**	**107**	**-**	**-**	**1,727**
Impairment of property, plant and equipment	**4,715**	**-**	**-**	**-**	**4,715**
Acquisitions of property, plant and equipment	**5,283**	**207**	**182**	**128**	**5,800**

					August 25, 2019
	Restaurant	Retail	Franchising	Other Activities	Total
	$	$	$	$	$
Total revenues	93,844	11,658	21,001	9,286	135,789
Intersegment revenues	-	-	(12,234)	(962)	(13,196)
Third-party revenues	93,844	11,658	8,767	8,324	122,593
Income (loss) before income tax	3,622	1,129	(50)	208	4,909
Amortization	4,586	7	404	912	5,909
Financial expenses	729	80	-	363	1,172
Net income of joint ventures	(766)	(11)	(19)	-	(796)
Other (gains) losses	(184)	-	-	(88)	(272)
Income before financial expenses, amortization and income taxes of joint ventures (Note 18)	1,400	95	23	-	1,518
Consolidated adjusted EBITDA	9,387	1,300	358	1,395	12,440
Total assets	46,404	7,968	6,820	16,917	78,109
Change in goodwill	633	2,797	-	-	3,430
Acquisitions of property, plant and equipment	4,912	207	733	935	6,787

(tabular figures in thousands of Canadian dollars, unless otherwise indicated)

28. Scope of consolidation

The main subsidiaries and joint ventures, and the percentage of voting shares beneficially owned directly or indirectly by the Company are set out below:

Subsidiaries	**2020**	2019
4317572 Canada inc. – Lebourgneuf	**84%**	84%
9246-9394 Québec inc. – Stades et Concessions Sportscene	**100%**	100%
3291227 Canada inc. – Ste-Foy	**100%**	100%
4303407 Canada inc. – Beauport	**100%**	100%
4283473 Canada inc. – Saint-Jérôme	**100%**	100%
Aménagement et Design Sportscene inc.	**100%**	100%
Sportscene Technologies inc.	**100%**	100%
6715311 Canada inc. – Victoriaville	**100%**	100%
6960871 Canada inc. – Place Versailles	**100%**	100%
7535325 Canada inc. – Vieux-Montréal	**100%**	100%
6143521 Canada inc. – Lévis	**100%**	100%
Les Promotions Sportscene inc.	**100%**	100%
Société de gestion C.R.L. inc.	**100%**	100%
3908259 Canada inc. – St-Eustache	**100%**	100%
7850328 Canada inc. – Immeuble Boucherville	**100%**	100%
7850298 Canada inc. – P.F. Chang's (Laval)	**100%**	100%
9373292 Canada inc. – Décarie	**100%**	100%
2543-9985 Québec inc. – Drummondville	**100%**	100%
7002629 Canada inc. – Fan Club Boisbriand	**75%**	75%
2621-4288 Québec inc. – Sherbrooke	**100%**	100%
Gestion Orijodan inc. – Ste-Thérèse	**100%**	100%
6133185 Canada inc. – Laval	**100%**	100%
2728834 Canada inc. – Longueuil	**100%**	100%
10817392 Canada inc. - Rabaska	**100%**	100%
10624551 Canada inc - St-Hyacinthe	**77.5%**	77.5%
6155260 Canada inc. – Lachenaie	**100%**	100%
9358-0728 Québec inc. - Thetford Mines	**100%**	100%
10624578 Canada inc. - Moishes	**100%**	100%
9766545 Canada inc. - L'avenue Boucherville	**51%**	51%
Groupe Conseil J.C.R - société de placement	**100%**	100%
4113853 Canada inc. – Trois-Rivières	**100%**	50%
3653099 Canada inc. – Repentigny	**100%**	50%
Crémy Pâtisserie inc	**60%**	--

Joint ventures	**2020**	2019
6187676 Canada inc. – Brossard DIX30	**50%**	50%
4327870 Canada inc. – Rouyn-Noranda	**50%**	50%
3903281 Canada inc. – Centre Bell	**50%**	50%
7657978 Canada inc. – Val-d'Or	**--**	34%
6977545 Canada inc. – Interbox/GYM	**50%**	50%
9373586 Canada inc. – Alimentra	**50%**	50%
Groupe AVNEW	**50%**	50%

29. Subsequent event

Second wave of COVID-19: closing of restaurant dining rooms in maximum alert zones

Subsequent to the end of fiscal 2020, the government of Québec announced that starting on October 1, 2020, bars and dining rooms of restaurants located in maximum alert zones (red zones) were required to close until further notice. Although Sportscene's network of restaurants spans many regions in the province, and that alert levels differ by regions, Sportscene is greatly affected by this decision, and so are its partners, suppliers and employees. At the date hereof, most of the restaurants offer only delivery, take-out, ready-to-eat meals and ready-to-cook boxes. However, several government assistance programs have been extended and new programs have been announced in recent weeks. The Company has taken steps to assess its eligibility in order to benefit from these programs, if it is deemed so. In addition, on the date hereof, the Company has entered into agreements with various lessors allowing it to benefit from a reduction in its rental expenses for payments in arrears dating from April 2020 to August 2020, in return for the payment of a portion of these arrears.