Interim Condensed Consolidated Financial Statements

SPORTSCENE GROUP INC.

As at and for the 13-week periods ended
November 29, 2020 and November 24, 2019
(unaudited and not reviewed by the Company's external independent auditors)

SPORTSCENE GROUP INC.

Interim Condensed Consolidated Statements of Comprehensive Income

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

(unaudited)

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Revenues (Note 5)	**13,565**	38,373
Cost of sales	**7,360**	14,285
Selling and administrative expenses, excluding amortization (Note 6)	**4,914**	19,360
Other losses (gains) (Note 7)	**77**	(483)
Earnings before financial expenses, amortization, net loss (income) of joint ventures and income tax	**1,214**	5,211
Amortization (Note 6)	**1,491**	2,413
Financial expenses (Note 8)	**351**	543
Net loss (income) of joint ventures (Note 12)	**4**	(52)
	1,846	2,904
(Loss) income before income tax	**(632)**	2,307
Income tax (recovery) expense	**(171)**	599
Net and comprehensive (loss) income	**(461)**	1,708
Net and comprehensive (loss) income attributable to:		
The Company's shareholders	**(440)**	1,703
Non-controlling interests	**(21)**	5
Net and comprehensive (loss) income	**(461)**	1,708
Earnings per share (in dollars) (Note 9):		
Basic	**(0.05)**	0.20
Diluted	**(0.05)**	0.19
Weighted average number of outstanding Class A shares (in thousands) (Note 9):		
Basic	**8,548**	8,548
Diluted	**8,548**	8,759

See accompanying notes to interim condensed consolidated financial statements.

SPORTSCENE GROUP INC.
Consolidated Statements of Changes in Shareholders’ Equity
(in thousands of Canadian dollars, except number of outstanding shares)

(unaudited)

	Shareholders’ equity attributable to the Company’s shareholders						
	Number of shares	**Share capital**	**Stock-based compensation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total shareholders' equity**
	(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Balance as at August 25, 2019	8,548	4,510	556	33,289	38,355	115	38,470
Net and comprehensive income	-	-	-	1,703	1,703	5	1,708
Contributions from and distributions to shareholders:							
Stock-based compensation	-	-	51	-	51	-	51
Balance as at November 24, 2019	8,548	4,510	607	34,992	40,109	120	40,229
Balance as at August 30, 2020	8,548	4,510	723	28,144	33,377	45	33,422
Net and comprehensive income	-	-	-	(440)	(440)	(21)	(461)
Contributions from and distributions to shareholders:							
Stock-based compensation (Note 14)	-	-	(19)	-	(19)	-	(19)
Changes in interests in subsidiaries:							
Shares redeemed from non-controlling shareholders	-	-	-	(76)	(76)	(149)	(225)
Balance as at November 29, 2020	**8,548**	**4,510**	**704**	**27,628**	**32,842**	**(125)**	**32,717**

See accompanying notes to interim condensed consolidated financial statements.

SPORTSCENE GROUP INC.

Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

(unaudited)

	November 29, 2020	August 30, 2020
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 15 (c))	**8,280**	8,390
Accounts receivable	**9,727**	11,490
Income tax receivable	**575**	361
Inventories	**2,728**	2,617
Prepaid expenses	**442**	458
Total current assets	**21,752**	23,316
Notes receivable and other assets (Note 10)	**1,377**	1,249
Property, plant and equipment	**38,763**	39,451
Intangible assets	**5,611**	5,738
Right-of-use assets (Note 11)	**21,172**	21,607
Deferred tax asset	**4,249**	4,212
Investments in joint ventures (Note 12)	**3,225**	3,279
Goodwill	**9,138**	9,138
Total assets	**105,287**	107,990
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**11,602**	15,598
Income tax payable	**183**	381
Deferred revenues and credits	**1,276**	1,120
Current portion of lease liabilities (Note 11)	**4,623**	4,605
Current portion of long-term debt (Note 13)	**739**	733
Total current liabilities	**18,423**	22,437
Lease liabilities (Note 11)	**22,400**	22,930
Long-term debt (Note 13)	**27,734**	25,119
Contingent consideration	**2,157**	2,127
Deferred revenues and credits	**1,427**	1,562
Deferred tax liability	**429**	393
Total liabilities	**72,570**	74,568
Shareholders' equity		
Share capital	**4,510**	4,510
Stock-based compensation reserve (Note 14)	**704**	723
Retained earnings	**27,628**	28,144
Shareholders' equity attributable to the Company's shareholders	**32,842**	33,377
Non-controlling interests	**(125)**	45
Total shareholders' equity	**32,717**	33,422
Commitments, guarantees and contingencies (Note 16)		
Subsequent event (Note 20)		
Total liabilities and shareholders' equity	**105,287**	107,990

See accompanying notes to interim condensed consolidated financial statements.

SPORTSCENE GROUP INC.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

(unaudited)

		13 weeks ended
	November 29, 2020	November 24, 2019
	$	$
Operating activities		
Net and comprehensive (loss) income	**(461)**	1,708
Adjustments to reconcile net (loss) income to cash flows from operating activities:		
Other losses (gains) without cash effect (Note 7)	**77**	(583)
Amortization of property, plant and equipment (Note 6)	**984**	1,304
Amortization of right-of-use assets, before deduction of government assistance (Notes 6 and 11)	**704**	913
Amortization of intangible assets (Note 6)	**141**	196
Net loss (income) of joint ventures (Note 12)	**4**	(52)
Dividends received from joint ventures (Note 12)	**50**	-
Stock-based compensation	**(19)**	51
Financial expenses recognized in net (loss) income (Note 8)	**351**	543
Financial expenses paid	**(315)**	(522)
Income tax expense recognized in net (loss) income	**(171)**	599
Income tax paid	**(242)**	(571)
	1,103	3,586
Net change in non-cash working capital items, net of acquisitions and disposals of subsidiaries (Note 15 (a))	**(2,251)**	1,586
	(1,148)	5,172
Financing activities		
Change in revolving credit (Note 15 (b))	**2,717**	(1,656)
Repayment of long-term debt (Note 15(b))	**(102)**	(151)
Repayment of lease liabilities (Note 11)	**(781)**	(1,156)
Shares redeemed from non-controlling shareholders (Note 4)	**(225)**	-
	1,609	(2,963)
Investing activities		
Business combinations, net of cash and cash equivalents acquired	**-**	(1,248)
Change in notes receivable	**(57)**	(523)
Acquisitions of property, plant and equipment	**(597)**	(569)
Proceeds from disposal of property, plant and equipment	**83**	8
Acquisitions of intangible assets	**-**	(16)
	(571)	(2,348)
Decrease in cash and cash equivalents	**(110)**	(139)
Cash and cash equivalents, beginning of period	**8,390**	558
Cash and cash equivalents, end of period	**8,280**	419

See accompanying notes to interim condensed consolidated financial statements.

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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

The unaudited interim condensed consolidated financial statements (the “consolidated financial statements”) are prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are intended to provide an update on annual consolidated financial statements. Therefore, they do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended August 30, 2020, and accompanying notes.

The IFRS accounting policies that are set out in Note 3 of the Company’s consolidated financial statements for the year ended August 30, 2020 were consistently applied to all periods presented.

The preparation of financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in Note 4 of the Company’s audited consolidated financial statements for the year ended August 30, 2020 and remained unchanged for the 13-week period ended November 29, 2020.

The Board of Directors approved these interim condensed consolidated financial statements on January 28, 2021.

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 decrees 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 supermarket 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, suspending dividends, negotiating new payment terms with its suppliers and by drawing down $7,500,000 during the fourth quater of Fiscal 2020 from its available revolving credit facility and by negotiating new terms of its financing agreement. The Company also benefited from the Canada Emergency Wage Subsidy program (CEWS) in an amount of $1,670,000 and from the Canada Emergency Rent Subsidy (CERS) in an amount of $867,000, which have been recognized in the interim condensed consolidated statements of comprehensive income for the 13-week period ended November 29, 2020. At that date, the entire amount of $2,537,000 was outstanding and is included under “accounts receivable” in the interim condensed consolidated statement of financial position as at November 29, 2020. The Company believes that there is reasonable assurance that the amount not yet collected will be received from Canadian federal government based on the meeting of certain eligibility criteria. The Company expects to continue using these grant programs over the next several months and to resort to other programs should it qualify.

2. Statement of compliance (continued)

Impact of COVID-19 (continued)

While the measures taken to provide liquidity while dining room closures are in effect 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 future government measures affecting non-essential services, the various government financial assistance programs, the support obtained from creditors and lessors, consumer behavior and general state of the economy following the COVID-19 pandemic (particularly household debt and levels of disposable income). Financial measures that may be required by the Company and its franchisees include, but are not limited to, securing sufficient financial support from governments and creditors, securing rent relief from lessors and easing of covenants by financial institutions.

In the context of the COVID-19 pandemic and the resulting economic uncertainty, the Company has reviewed the estimates, judgments and assumptions previously used in the preparation of its condensed interim consolidated financial statements of the 13-week period ended November 29, 2020. Those that have an impact on the Company's financial information were:

- The assessment of the existence of impairment indicators of non-current assets and goodwill, of cash-generating units ("CGU") or groups of CGUs and the assumptions used in calculating their recoverable amount when performing impairment tests was necessary. Despite the closure of dining rooms decreeded by government authorities for an unspecified amount of time, no impairment charge was recognized for the 13-week period ended November 29, 2020 due to the Company's ability to access government assistance programs and to the residual duration of the leases which are long enough to generate cash flows allowing to recover the net carrying value of the assets. Depending on the evolution of the COVID-19 pandemic and its impact on the Company's operating results and financial position, further revisions of the assumptions used, in particular at the level of the future estimates of operating results, may be necessary and could have a significant impact on the final assessment of the carrying value of the Company's

- The determination of the Company's eligibility for various government programs, including for the CEWS, which is deducted from the employee benefits expenses (Note 6), and for the CERS, which led to a reduction of occupancy charges and amortization of right-of-use assets (Note 6) and a reduction of interest on lease liabilities (Note 8).

The impact of the COVID-19 pandemic on management's judgments and estimates are described in Note 4 of the Company's consolidated financial statements for the year ended August 30, 2020 , while the effects on the liquidity risk are described in Note 19 to these interim financial statements.

3. Significant accounting policies

a) Basis of presentation

The Company's accounting policies presented in Note 3 of the audited consolidated financial statements for the year ended August 30, 2020 were applied in the preparation of the interim condensed consolidated financial statements for the 13-week periods ended November 29, 2020 and November 24, 2019.

b) Basis of preparation

The Company's consolidated financial statements were prepared using the historical cost basis, except the following items:

- the contingent consideration is measured at fair value; and
- lease liabilities are measured at the present value of the future lease payments.

3. Significant accounting policies (continued)

c) Quarterly trends and seasonality

Traditionally, the operations of the Company have been relatively correlated with sporting events, resulting in a stronger third quarter each year. In recent years, the repositioning of the La Cage banner has contributed to reducing the relative importance of the "event" component in the Company's business model, thereby helping to reduce the seasonality of the Company's activities. Nevertheless, it is better to review results for the year as a whole or to compare the results of one quarter with those for the corresponding quarter of the previous year than to compare the results of two successive quarters.

d) New accounting standard applied in 2021

Amendments to IFRS 16 - Leases (« IFRS 16 »)

In reaction to the COVID-19 pandemic, the IASB published an amendment to IFRS-16 whereby entities who are awarded rent reliefs are not required to consider them as a change to lease contracts if they are a direct consequence of the COVID-19 pandemic and meet certain requirements:

- The revised contingent consideration is roughly equal or lower than the original contingent consideration;
- the rent relief concerns payments which are due at the latest on June 30, 2021; and,
- no other major amendments have been made to the lease obligation.

The Company has applied this easing measure to all admissible rent reliefs, which total $631,000 for the 13-week period ended November 29, 2020.

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 adoption of the amendments to IFRS 3 by the Company as of August 31, 2020 had no effect on its condensed interim consolidated financial statements for the 13-week period ended November 29, 2020.

4. Business combinations

Fiscal 2021

During the 13-week period ended November 29, 2020, the Company redeemed the non-controlling interest of a La Cage restaurant for a cash consideration of $225,000.

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

5. Revenues

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Restaurants – La Cage	**5,314**	23,729
Restaurants – Other banners	**775**	2,851
Franchising revenues	**576**	1,580
Royalties for the National Advertising Fund	**157**	328
Construction contracts	**19**	1,739
Retail activities	**6,335**	4,929
Others	**389**	3,217
	13,565	38,373

6. Expenses by nature

The distribution by nature of some charges in the interim condensed consolidated statement of comprehensive income is as follows:

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Employee benefits expenses		
Current salaries and other benefits	**5,060**	12,031
Defined contribution plans	**53**	50
Stock-based compensation	**(19)**	51
Government assistance	**(2,305)**	(649)
	2,789	11,483
Occupancy charges	**754**	968
Government assistance relating to occupancy charges	**(403)**	-
Eligible rent relief	**(631)**	-
Transfer to the National Advertising Fund	**157**	328
Other selling and administrative expenses	**2,248**	6,581
Selling and administrative expenses, excluding amortization	**4,914**	19,360
Amortization		
Amortization of property, plant and equipment	**984**	1,304
Amortization of right-of-use assets, net of government assistance of $338,000	**366**	913
Amortization of intangible assets	**141**	196
	1,491	2,413

Other selling and administrative expenses include, but are not limited to, marketing and operating expenses for all operating segments.

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 contributions. The latter amounts to $1,670,000 for the 13-week period ended November 29, 2020, which was entirely in receivables at the date thereof. The total amount of the government assistance received is deducted from the employee benefits expenses.

The Company is also eligible to the Canada Emergency Rent Subsidy for an amount of $867,000 for the 13-week period ended November 29, 2020, which was entirely in receivables at the date thereof. Of this amount, $403,000 was applied against occupancy charges, $338,000 against amortization of right-of-use assets and $126,000 against interests on lease liabilities (Note 8). The Company also benefited from lessors' relief for a total amount of $631,000 for the same period, which was deducted from occupancy charges.

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

7. Other losses (gains)

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Loss on impairment of property, plant and equipment	**-**	500
Loss on disposal of property, plant and equipment	**77**	56
Gain on business combinations	**-**	(1,195)
Closing costs of restaurants	**-**	156
	77	(483)

8. Financial expenses

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Interest on long-term debt	**167**	196
Accretion load of the contingent consideration	**30**	28
Interest on lease liabilities, net of government assistance of $126,000	**137**	288
Other financial expenses	**17**	31
	351	543

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

		13 weeks ended
	November 29, 2020	November 24, 2019
	$	$
Net income attributable to the Company's shareholders (in thousands of Canadian dollars)	**(440)**	1,703
Weighted average number of outstanding Class A shares (in thousands)	**8,548**	8,548
Dilutive effect of stock options (in thousands)	**-**	211
Weighted average number of dilutive outstanding Class A shares (in thousands)	**8,548**	8,759
Earnings per share (in Canadian dollars):		
Basic	**(0.05)**	0.20
Diluted	**(0.05)**	0.19

For the 13-week period ended November 29, 2020, 542,000 stock options (120,000 stock options for the period ended November 24, 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.

10. Notes receivable and other assets

	November 29, 2020	August 30, 2020
	$	$
Tax credits receivable	**852**	775
Notes receivable, interest free and without repayment terms	**31**	31
Advances to National Advertising Fund [1]	**213**	156
Deferred charges related to a lease	**281**	287
	1,377	1,249
Less: current portion	**-**	-
	1,377	1,249

[1] The balance corresponds to the National Advertising Fund's ("NAF") net assets, which were an accumulated deficit of $213,000 as at November 29, 2020 (August 30, 2020 - $156,000).

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

11. Lease arrangements

Leases entered into by the Company as lessee relate primarily to premises used for 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 13-week periods ended:

	November 29, 2020	November 24, 2019
	$	$
Balance, beginning of the period	**21,607**	24,522
Business combinations	**-**	511
Renewals	**269**	658
Amortization before deduction of government assistance of $338,000 (Note 6)	**(704)**	(913)
Balance, end of the period	**21,172**	24,778

Lease liabilities

The following table shows the change in the balance of lease liabilities during the 13-week periods ended:

	November 29, 2020	November 24, 2019
	$	$
Balance, beginning of the period	**27,535**	27,984
Business combinations	**-**	536
Renewals	**269**	658
Repayments	**(781)**	(1,156)
Balance, end of the period	**27,023**	28,022

	November 29, 2020	August 30, 2020
	$	$
Current (1)	**4,623**	4,605
Non-current	**22,400**	22,930
Lease liabilities, end of the period	**27,023**	27,535

(1) The balance of the current portion of lease liabilities includes an amount of $1,700,000 of unpaid rent arrears (August 30,2020 - $1,744,000) due to ongoing negotiations with lessors following the negative economic consequences resulting from the COVID-19 pandemic.

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

12. Investments in joint ventures

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

	November 29, 2020	August 30, 2020
	$	$
Assets		
Current (1)	**1,508**	1,884
Non-current (2)	**6,152**	5,990
	7,660	7,874
Liabilities and shareholders' equity		
Current liabilities (1) (2)	**986**	1,166
Non-current liabilities (1) (2)	**3,449**	3,429
Shareholders' equity	**3,225**	3,279
	7,660	7,874

(1) As at November 29, 2020, current assets include a cash and cash equivalents balance of $822,000 (August 30, 2020 - $1,168,000) and current and non-current liabilities include long-term debt (including its current portion) of $2,417,000 (August 30, 2020 - $2,472,000).

(2) As at November 29, 2020, non-current assets include right-of-use assets of $483,000 (August 30, 2020 - $528,000) and current and non-current liabilities include lease liabilities (including its current portion) of $491,000 (August 30, 2020 - $537,000).

		13 weeks ended
	November 29, 2020	November 24, 2019
	$	$
Revenues	**984**	2,795
Cost of sales, selling and administrative expenses (excluding amortization)	**854**	2,581
Earnings before financial expenses, amortization, loss on disposal of assets and income tax	**130**	214
Amortization, financial expenses and loss on disposal of assets	**135**	151
(Loss) income before income tax	**(5)**	63
Income tax (recovery) expense	**(1)**	11
Net (loss) income	**(4)**	52

	November 29, 2020	November 24, 2019
	$	$
Investment in the net assets of joint ventures, beginning of the period	**3,279**	4,341
Share of net (loss) income	**(4)**	52
Less: dividends received from joint ventures	**(50)**	-
	3,225	4,393
Conversion of investments in joint ventures through business combinations achieved in stages	**-**	(1,008)
Investment in net assets of joint ventures, end of the period	**3,225**	3,385

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

13. Long-term debt

During the 13-week period ended November 29, 2020, the balance used on the revolving credit increased by $2,717,000, which bears interest at the prime rate. During the same period, the Company has not contracted any other new debt.

As at November 29, 2020, an amount of $19,339,000 was drawn on the revolving credit, and the residual availability was $5,661,000. At the same date, the Company was in compliance with all financial ratios.

14. Shareholders' equity

Stock option plan

During the 13-week period ended November 29, 2020, no Class A stock options were granted (2019 - 40,000 stock options). Moreover, the cancellation of 80,000 stock options following the departure of an officer resulted to the reversal of a compensation expense of $50,000, which explains the negative stock-based compensation expense of $19,000 for the quarter ended November 29, 2020.

15. Supplementary cash flow information

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

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Accounts receivable	**1,763**	(935)
Inventories	**(111)**	-
Prepaid expenses	**16**	4
Other assets	**(71)**	(645)
Accounts payable and accrued liabilities	**(3,869)**	3,077
Deferred revenues and credits	**21**	85
	(2,251)	1,586

b) Change in long-term debt

	13 weeks ended	
	November 29, 2020	November 24, 2019
	$	$
Balance at the beginning of the period	**25,852**	16,159
Repayment of long-term debt	**(102)**	(151)
Change in revolving credit	**2,717**	(1,656)
Business combinations	**-**	775
Amortization of deferred financing costs	**6**	-
Balance at the end of the period	**28,473**	15,127

c) Cash and cash equivalents

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

	November 29, 2020	August 30, 2020
	$	$
Cash and cash equivalents	**739**	870
Short-term investments	**7,541**	7,520
	8,280	8,390

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

15. Supplementary cash flow information (continued)

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 interim condensed consolidated statements of cash flows:

		13 weeks ended
	November 29, 2020	November 24, 2019
	$	$
Acquisitions of property, plant and equipment financed by:		
Accounts payable and accrued liabilities	**(127)**	224
Business combinations financed by:		
Convesion of interest previously held in the joint ventures	**-**	1,008
Long-term debt	**-**	100

16. Commitments, guarantees and contingencies

Guarantees

The Company has guaranteed the debts of joint ventures for a maximum amount of $571,000 (August 30, 2020 - $1,281,000).

17. Related party transactions

As at November 29, 2020, the Company had two controlling shareholders, each holding directly or indirectly 74% of the shares of the Company with voting rights. 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 of the transactions and balances between the Company and its related parties are presented below:

				13 weeks ended November 29, 2020
	Joint ventures	**Key management**	**Other related parties**	**Total**
	$	**$**	**$**	**$**
Revenues				
Franchises	**56**	**-**	**-**	**56**
Royalties for the National Advertising Fund	**34**	**-**	**-**	**34**
Construction contracts	**1**	**-**	**-**	**1**
Other	**33**	**-**	**-**	**33**
	124	**-**	**-**	**124**
Operating expenses				
Employee benefit expenses	**-**	**185**	**27**	**212**
Stock-based compensation	**-**	**(19)**	**-**	**(19)**
	-	**166**	**27**	**193**
Other transactions and balances				
Accounts receivable	**456**	**-**	**-**	**456**

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

17. Related party transactions (continued)

				13 weeks ended November 24, 2019
	Joint ventures	Key management	Other related parties	Total
	$	$	$	$
Revenues				
Franchises	236	-	-	236
Royalties for the National Advertising Fund	141	-	-	141
Construction contracts	821	-	-	821
Lease	33	-	-	33
Other	152	-	-	152
	1,383	-	-	1,383
Operating expenses				
Employee benefit expenses	-	248	12	260
Stock-based compensation	-	51	-	51
	-	299	12	311
Other transactions and balances				
Accounts receivable	846	-	-	846
Notes receivable	275	-	-	275

During the 13-week period ended November 29, 2020, the Company did not incur expenses with entities related to directors ($178,000 for the 13-week period ended November 24, 2019).

18. 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.

The operating segments are 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 brands 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, the operation of a sports complex 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)

18. Segmented information (continued)

					13 weeks ended November 29, 2020
	Restaurant	**Retail**	**Franchising**	**Other Activities**	**Total**
	$	**$**	**$**	**$**	**$**
Total revenues	**6,089**	**6,335**	**1,718**	**525**	**14,667**
Intersegment revenues	**-**	**-**	**(966)**	**(136)**	**(1,102)**
Third-party revenues	**6,089**	**6,335**	**752**	**389**	**13,565**
(Loss) income before income tax	**(330)**	**464**	**(754)**	**(12)**	**(632)**
Amortization	**1,230**	**43**	**107**	**111**	**1,491**
Financial expenses	**246**	**32**	**23**	**50**	**351**
Government assistance deducted from amortization and financial expenses (Notes 6 and 8)	**464**	**-**	**-**	**-**	**464**
Net (income) loss of joint ventures	**(30)**	**34**	**-**	**-**	**4**
Other losses	**77**	**-**	**-**	**-**	**77**
Income (loss) before financial expenses, amortization and income taxes of joint ventures (Note 12)	**138**	**(8)**	**-**	**-**	**130**
Consolidated adjusted EBITDA	**1,795**	**565**	**(624)**	**149**	**1,885**
Acquisitions of property, plant and equipment	**455**	**12**	**3**	**-**	**470**

					13 weeks ended November 24, 2019
	Restaurant	Retail	Franchising	Other Activities	Total
		$	$	$	$
Total revenues	26,580	4,929	5,994	3,468	40,971
Intersegment revenues	-	-	(2,347)	(251)	(2,598)
Third-party revenues	26,580	4,929	3,647	3,217	38,373
Income before income tax	1,703	189	87	328	2,307
Amortization	2,094	12	97	210	2,413
Financial expenses	398	28	16	101	543
Net income of joint ventures	(37)	(10)	(5)	-	(52)
Other gain	(483)	-	-	-	(483)
Income before financial expenses, amortization and income taxes of joint ventures (Note 12)	177	31	6	-	214
Consolidated adjusted EBITDA	3,852	250	201	639	4,942
Change in goodwill	1,620	-	-	-	1,620
Impairment of assets	500	-	-	-	500
Acquisitions of property, plant and equipment	624	59	63	47	793

19. Financial instrument disclosures

Fair value

As at November 29, 2020 and August 30, 2020, 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, may fluctuate in accordance with market rates or these loans bear interest at rates comparable to market rates

The Company's only financial instrument that is measured at fair value on a recurring basis subsequent to its 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 the achievement of various scenarios 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

As at November 29, 2020, all else 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.

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. 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.

The Company has a revolving credit facility for a maximum amount of $25,000,000 to finance the acquisition of property, plant and equipment and business combinations. As of November 29, 2020, an amount of $5,661,000 of its revolving credit facility was available in addition to the cash and cash equivalents of $8,280,000.

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 duration 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 will likely meet the new restrictive covenants 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.

19. Financial instrument disclosures (continued)

Liquidity risk (continued)

The revolving credit facility and mortgage loan 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 future expectations regarding compliance with restrictive covenants 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. Beyond this period, the debt covenants in effect prior to this easing should in principle apply. The Company continues its discussions with its lenders and a renegotiation of the agreements with the financial institutions is expected to occur in the coming months in order to update the budgetary forecasts and to obtain, if required, additional debt covenant reliefs depending on the most recent information concerning the evolution of the pandemic, mandatory sanitary measures and available government programs.

If one of these factors or events results in a lower operational performance that what is currently expected, or if the Company’s lenders require a return to the covenants in effect prior to the August 18, 2020 easing for the fiscal year starting on August 30, 2021, there could be uncertainty with regards to the Company’s ability to continue as a 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 November 29, 2020 and August 30, 2020, all accounts payable and accrued liabilities were due in the next fiscal year.

20. Subsequent event

On November 30, 2020, the Company sold its 50% interest in a joint venture operating a restaurant La Cage for a cash consideration of $825,000.