SIR Corp.

Condensed Interim Consolidated
Financial Statements
(Unaudited)
For the 12-week and 36-week periods ended May 3, 2020
(in thousands of Canadian dollars)

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements they must be accompanied by a notice indicating that these interim financial statements have not been reviewed by an auditor.The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established in CPA Canada Assurance Handbook for a review of interim financial statements by an entity's auditor.

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

SIR Corp.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	May 3, 2020 $ (Note 1)	August 25, 2019 $
Assets		
Current assets		
Cash	467	3,614
Trade and other receivables (note 8(c))	8,558	8,564
Inventories	2,854	3,022
Prepaid expenses, deposits and other assets	1,759	1,430
Current portion of loans and advances	471	477
	14,109	17,107
Non-current assets		
Loans and advances	131	295
Right-of-use assets – net (notes 3(a), 4 and 5)	103,186	-
Property and equipment (note 3(a), 4 and 6)	38,950	49,331
Goodwill and intangible assets	5,004	5,002
	161,380	71,735
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	2,005	3,037
Trade and other payables (note 8(a))	24,941	30,955
Current portion of long-term debt (notes 3(a), 7 and 8)	73,503	3,194
Current portion of lease obligation (notes 3(a) and 5)	17,396	-
Current portion of provisions and other long-term liabilities (note 3(a))	5,257	4,203
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	-	11,358
	123,102	52,747
Non-current liabilities		
Long-term debt (notes 3(a), 7 and 8)	-	22,297
Long-term portion of lease obligation (notes 3(a) and 5)	94,724	-
Loan payable to SIR Royalty Income Fund (note 8(a))	-	35,889
Provisions and other long-term liabilities (note 3(a))	2,679	8,395
Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	1,227	94,397
	221,732	213,725
Shareholders' Deficiency		
Capital stock (note 9)	20,453	20,453
Deficit (note 3(a))	(80,805)	(162,443)
	(60,352)	(141,990)
	161,380	71,735

Subsequent events (note 11)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 3, 2020 $	May 5, 2019 $	May 3, 2020 $	May 5, 2019 $
Corporate restaurant operations				
Food and beverage revenue (note 3(c))	27,941	67,616	151,465	202,323
Gift card revenue (note 3(c))	-	97	140	270
	27,941	67,713	151,605	202,593
Costs of corporate restaurant operations (note 4)	40,333	62,126	154,112	187,189
(Loss) earnings from corporate restaurant operations	(12,392)	5,587	(2,507)	15,404
Corporate costs	1,908	3,222	8,430	10,004
(Loss) earnings before interest and income taxes	(14,300)	2,365	(10,937)	5,400
Interest expense	458	429	1,288	1,177
Interest on loan payable to SIR Royalty Income Fund (note 8(a))	708	712	2,101	2,106
Interest expense (income) and other expense (income) - net	72	(32)	109	(81)
Interest on lease obligation (note 3(a))	1,479	-	4,714	-
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	(55,960)	12,446	(97,954)	20,163
(Loss) earnings before income taxes	38,943	(11,190)	78,805	(17,965)
(Recovery of) provision for income taxes	-	8	(422)	9
Net earnings (loss) and comprehensive income (loss) for the period	38,943	(11,198)	79,227	(17,974)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)

(in thousands of Canadian dollars)

	36-week period ended May 3, 2020		
	Capital stock $	Deficit $	Total $
Balance - Beginning of period as at August 25, 2019 as reported	20,453	(162,443)	(141,990)
Change in accounting policy – adoption of IFRS 16 (note 3(a))	-	2,411	2,411
Total deficit as at August 26, 2019	20,453	(160,032)	(139,579)
Net earnings for the period	-	79,227	79,227
Balance - End of period	20,453	(80,805)	(60,352)

	36-week ended May 5, 2019			
	Capital stock $	Contributed surplus $	Deficit $	Total $
Balance - Beginning of period as at August 26, 2018 as reported	20,484	109	(186,807)	(166,214)
Change in accounting policy – adoption of IFRS 15 (note 3(c))	-	-	688	688
Restated total deficit as at August 26, 2018	20,484	109	(186,119)	(165,526)
Change in accounting policy – adoption of IFRS 9 (note 3(c))	-	-	(21)	(21)
Total deficit as at August 27, 2018	20,484	109	(186,140)	(165,547)
Exercise of stock options	35	-	-	35
Purchase of capital stock (note 9)	(66)	(109)	(51)	(226)
Dividends declared (note 9)	-	-	(1,000)	(1,000)
Net loss for the period	-	-	(17,974)	(17,974)
Balance - End of period	20,453	-	(205,165)	(184,712)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

SIR Corp.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	12-week period ended		36-week period ended	
	May 3, 2020 $	May 5, 2019 $	May 3, 2020 $	May 5, 2019 $
Cash provided by (used in)				
Operating activities				
Net earnings (loss) for the period	38,943	(11,198)	79,227	(17,974)
Items not affecting cash				
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	(55,960)	12,446	(97,954)	20,163
Depreciation and amortization	5,599	2,442	16,960	7,174
Income tax expense (recovery)	-	8	(422)	9
(Recovery of) provision for impairment of loans and advances	136	-	119	3
Impairment of non-financial assets (note 4)	9,296	-	9,296	-
Interest expense on long-term debt and SIR Loan	1,166	1,141	3,389	3,283
Interest on lease obligations (note 3(a))	1,480	-	4,715	-
Non-cash interest income	(27)	(32)	(85)	(101)
Amortization of leasehold inducements	(128)	(130)	(398)	(380)
Loss on disposal of property and equipment	7	18	160	52
Other	36	(84)	80	(306)
Supplier rebates received	-	333	1,260	333
Distributions paid to Ordinary LP and Class A LP unitholders (note 8(b))	(1,493)	(2,841)	(6,574)	(8,982)
Income taxes recovered	-	(9)	422	(9)
Net change in working capital items (note 10)	(1,202)	1,415	(5,485)	(6,004)
Cash provided by (used in) operating activities	(2,147)	3,509	4,710	(2,739)
Investing activities				
Purchase of property and equipment and other assets - net	(360)	(3,660)	(4,725)	(7,199)
Advance to shareholder	-	-	-	(176)
Payment received on shareholder loan	-	4	13	13
Collection of loans and advances	15	133	125	483
Cash used in investing activities	(345)	(3,523)	(4,587)	(6,879)
Financing activities				
Increase (decrease) in bank indebtedness	(2,199)	(2,911)	(1,032)	1,868
Proceeds from issuance of long-term debt	9,091	4,000	20,591	20,000
Principal repayment of long-term debt	(841)	(412)	(7,165)	(10,411)
Proceeds from issuance of lease financing	-	-	-	253
Payment of lease obligations (notes 3(a) and 5)	(4,243)	(115)	(12,475)	(348)
Interest paid	(877)	(1,168)	(3,189)	(3,342)
Dividends paid	-	(250)	-	(667)
Exercise of stock options	-	-	-	35
Repurchase of capital stock	-	-	-	(226)
Cash provided by (used in) financing activities	931	(856)	(3,270)	7,162
Decrease in cash and cash equivalents during the period	(1,561)	(874)	(3,147)	(2,469)
Cash and cash equivalents - Beginning of period	2,028	3,197	3,614	4,783
Cash and cash equivalents - End of period	467	2,327	467	2,327

The accompanying notes are an integral part of these consolidated financial statements.

1 Going concern assumption

In the preparation of financial statements, the Company's management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The outbreak of the coronavirus (COVID-19) in Canada has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. This has resulted in a severe drop in in-restaurant dining and, effective March 16, 2020, the Company closed all of its dining rooms and bars. The Company continued to offer take-out and delivery services at certain of its Jack Astor's and Scaddabush locations, re-opening patios and dining rooms as allowed by provincial regulations in June 2020.

As described in note 6, the Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender) which provides for a maxium principal amount of $42,328,000, consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $22,328,000 revolving term loan (Credit Facility 2). The Company and the Lender also have a purchase card agreement providing credit of up to an additional $1,500,000. Credit Facility 1 and Credit Facility 2 both mature within the next 18 months on July 6, 2021 (the "Maturity Date"). The Company also has a number of leases comprised of restaurant properties, head office, and warehouse space. It is anticipated that some covenants of certain leases may be breached in light of restaurant closures as a result of legislated closures due to COVID-19, absent successful negotiations with its landlords, other developments, or government relief measures. The Company contines to work with its landlords to ensure it meets its obligations under its lease agreements.

Given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns, the Company's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs.

The Company's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors:

- the speed at which the Company is able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open,
- the ability to obtain necessary financing through a renewal of its Credit Agreement,
- the collectability of credit under the current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy,

- business interruption insurance coverage, and the Company's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases, and
- the type and impact of new government mandated pandemic-related operating regulations.

Reduced services and restaurant closures have resulted, and will continue to result, in material declines to sales at SIR restaurants. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2 Nature of operations and fiscal year

Nature of operations

SIR Corp. (the Company) is a private company amalgamated under the Business Corporations Act of Ontario. As at May 3, 2020, the Company owned a total of 60 (August 25, 2019 - 60) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Scaddabush Italian Kitchen & Bar® (Scaddabush) and the Signature restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and Loose Moose Tap & Grill®. The Company also owns two Dukes Refresher® & Bar locations in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not currently part of Royalty Pooled Restaurants (note 12(b)). Subsequent to May 3, 2020, the Company permanently closed its Jack Astor's location in Calgary, Alberta.

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering of $51,167,000 were used by the Fund to acquire certain bank debt of the Company (the SIR Loan) (note 8(a) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 8(b)). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada.

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The consolidated financial statements were approved for issuance by the Board of Directors on July 30, 2020.

Fiscal year

The Company's fiscal year is made up of 52 or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company consist of sequential accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal years for 2020 and 2019 consist of 53 weeks and 52 weeks, respectively.

3 Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended August 25, 2019 and August 26, 2018, which have been prepared in accordance with IFRS.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the years ended August 25, 2019 and August 26, 2018. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended August 25, 2019 and August 26, 2018 are described in note 3(a), recently adopted accounting pronouncements.

a) Recently adopted accounting pronouncements

IFRS 16, Leases (IFRS 16)

IFRS 16 replaces IAS 17, Leases and related interpretations. The new standard requires lessees to recognize a lease obligation reflecting future lease payments and a right-of-use asset for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria.

The Company has adopted IFRS 16 using the modified retrospective method. Under this approach, the Company applied a cumulative adjustment to shareholders' deficiency at August 26, 2019, the date of initial application. There is no restatement of prior period financial information. The adjustments to the opening balances is described in note 5.

On adoption, a cumulative adjustment was recognized directly to shareholders' deficiency as at August 26, 2019 that related adjustments as a result of the elimination of step rent liabilities under IFRS 16. For leases previously classified as finance leases, the Company recognized the carrying amount of the lease asset and lease obligation immediately before transition as the carrying value of the right-of-use asset and the lease obligation at the date of initial application. The adjustments to the opening balances below resulted from the initial application of IFRS 16 as at August 26, 2019. The prior period amounts were not adjusted. The effects on the transition were recognized directly in shareholders' deficit.

	As originally reported August 25, 2019 $	**IFRS 16 adjustments** $	**August 26, 2019** (restated) $
	(in thousands of dollars)		
Assets			
Right-of-use assets	-	118,711	118,711
Property and equipment	49,331	(1,527)	47,804
Total assets	71,735	117,184	188,919
Liabilities			
Current portion of long-term debt	3,194	(546)	2,648
Current portion of lease obligations	-	17,384	17,384
Current portion of provisions and other long-term liabilities	4,203	(548)	3,655
Current liabilities	52,747	16,290	69,037
Long-term debt	22,297	(876)	21,421
Long-term portion of lease obligation	-	104,873	104,873
Provisions and other long-term liabilities	8,395	(5,514)	2,881
Total liabilities	213,725	114,773	328,498
Deficit	(162,443)	2,411	(160,032)
Shareholders' Deficiency	(141,990)	2,411	(139,579)
Total liabilities and Shareholders' Deficiency	71,735	117,184	188,919
Cost of corporate restaurant operations			
Amortization of lease obligations			3,306
Corporate costs			
Amortization of lease obligations			115

As of August 26, 2019, the Company recognized right-of-use assets of $118,710,000, and lease obligations of $122,257,000 in certain operating lease arrangements for which the Company is considered the lessee with lease terms of more than 12 months. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at August 26, 2019. The weighted-average rate applied is 5.13%.

Depreciation expense on the right-of-use asset and interest expense on the lease obligations replaced the previously recognized operating lease expense. The impact of adopting IFRS 16 on the condensed interim statement of cash flows is to present the principal repayment of lease obligations in financing activities under IFRS 16, whereas previously payments for operating leases were presented in operating activities.

The following table reconciles the Company's operating lease obligations at August 25, 2019, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at August 26, 2019.

	$ (in thousands of dollars)
Operating lease commitments as at August 25, 2019	92,127
Add:	
Extension and termination options reasonably certain to be exercised	64,884
Undiscounted minimum lease payments on finance lease liabilities	1,422
Less:	
Short-term and low value leases	(42)
Undiscounted lease obligations	158,391
Discounted using the Company's incremental borrowing rate	(36,135)
Lease obligations recognized as at August 26, 2019	122,257

Amendments to IFRS 9

This standard has been amended to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss. Financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation, may be measured at amortized cost or at fair value through other comprehensive income when eligibility conditions are met. The amendment to IFRS 9 also clarifies how to account for the modification of a financial liability. Most modifications of financial liabilities will result in immediate recognition of a gain or loss. The amendment did not have a significant impact on the condensed interim consolidated financial statements.

International Financial Reporting Interpretations Committee (IFRIC) 23, Uncertainty over Tax Treatments (IFRIC 23)

In June 2017, the IASB issued IFRIC 23 effective for fiscal years beginning on or after January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be adopted using the modified retrospective approach, which requires that the adjustment be recorded in the opening deficit and comparatives are not restated. The interpretations did not have a significant impact on the condensed interim consolidated financial statements.

b) Recently issued accounting pronouncements

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

This standard has been amended to clarify the definition of 'material'. The definition of material was revised with three new aspects to the definition. The existing definition focussed on omitting or misstating information, whereas the new definition makes reference to obscuring information in addition to omitting or misstating. The new definition of material also specifies that information is material if it could reasonably be expected to influence the decisions of users. Previously the definition referred to 'could influence'. The third revision to the definition of material clarifies that the users of the financial statements refers to 'primary users'. The amendment is effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

Amendments to IFRS 3, Business Combinations

These amendments provide guidance to assist entities in determining whether they have acquired a business or a group of assets by amending the defined terms, the application guidance, and the illustrative examples found in IFRS 3. The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

c) Accounting pronouncements adopted at August 27, 2018

IFRS 9, Financial Instruments - Classification and Measurement (IFRS 9)

In July 2014, the IASB issued an amended IFRS 9. IFRS 9 replaces International Accounting Standard (IAS) 39, Financial Instruments - Recognition and Measurement (IAS 39). In addition, IFRS 7, Financial Instruments - Disclosures is amended to include additional disclosure requirements on transition to IFRS 9. The amendments were effective for annual periods beginning on or after January 1, 2018. The standard uses a single approach based on how an entity manages its financial instruments to determine whether a financial asset is measured at amortized cost or fair value and requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings (loss). A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The new requirements were adopted effective August 27, 2018 using the modified retrospective method. As at August 27, 2018, the Company recorded a provision of $21,000 on amounts due from related parties. Subsequent adjustments to the provision on amounts due from related parties will be recorded in the statements of operations and comprehensive income (loss).

IFRS 15, Revenue from Contracts with Customers

During May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 18, Revenue, and IAS 11, Construction Contracts. The Company adopted the requirements of IFRS 15 using the full retrospective method as permitted by IFRS 15, which requires that comparative figures are restated. IFRS 15 is based on the principle that revenue is recognized when control of a good or service is transferred to a customer.

A five-step recognition model is used to apply the standard as follows:

1. Identify the contract(s) with the customer;

2. Identify the separate performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to separate performance obligations; and

5. Recognize revenue when (or as) each performance obligation is satisfied.

Under IFRS 15, the Company must disaggregate revenue from contracts with customers. The Company has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue by segment is determined as follows:

	12-week period ended May 3, 2020 $	12-week period ended May 5, 2019 $	36-week period ended May 3, 2020 $	36-week ended May 5, 2019 $
Jack Astor’s	18,354	45,700	99,826	134,421
Scaddabush	4,917	10,346	25,232	31,051
Canyon Creek	1,285	3,651	8,020	11,231
Signature Restaurants	2,493	6,351	14,194	18,368
	27,049	66,048	147,272	195,071

Under IFRS 15, revenue is derived from the sale of goods and is recognized at a point in time when the performance obligation is fulfilled. For sales to consumers, the performance obligation is deemed fulfilled when food and beverage is purchased. Gift card revenue represents the estimated revenue that is earned on gift card sales where the gift card will never be redeemed. This breakage amount is estimated based on historical actuals as a percentage of sales. Deferred revenue represents amounts paid by customers in advance of the purchase of products which typically takes the form of pre-loaded gift cards. The amounts received are recorded as a liability within the current portion of provisions and other long-term liabilities on the condensed consolidated balance sheets. Once a gift card is redeemed to make a purchase, the liability is relieved, and revenue is recognized as part of food and beverage revenue.

As at August 26, 2018, the gift card liability decreased by $688,000.

The impact on the interim consolidated statement of financial position on the adoption of IFRS 15 is as follows:

	As originally reported August 26, 2018 $	**IFRS 15 adjustments** $	**August 26, 2018** (restated) $
		(in thousands of dollars)	
Current portion of provisions and other long-term liabilities	4,115	(688)	3,427
Current liabilities	50,815	(688)	50,127
Total liabilities	241,464	(688)	240,776
Deficit	(186,807)	688	(186,119)
Shareholders’ Deficiency	(166,214)	688	(165,526)
Total liabilities and Shareholders’ Deficiency	75,250	-	75,250

4 Impairment of non-financial assets and goodwill

The Company generally performs its annual test for impairment of non-financial assets and goodwill in the fourth quarter, in accordance with the policy described in its annual Consolidated Financial Statements. Assessment of impairment for non-financial assets, including property and equipment, intangible assets, and goodwill is performed more frequently when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are included in the costs of corporate restaurant operations.

As a result of a decline in sales and earnings related to the COVID-19 pandemic, the Company identified triggering events which required the Company to conduct an impairment analysis of these restaurants’ non-financial assets. The analysis indicated that the estimated recoverable amounts for 12 restaurants was less than the carrying value of the restaurants’ non-financial assets (property and equipment). Of these 12 restaurants, the amount of the impairment for eleven restaurants exceeded the carrying value of their leasehold improvements. Management has performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the impairment of the property and equipment.

Impairment of non-financial assets for the 36-week period ended May 3, 2020 was as follows:

	36-week period ended May 3, 2020 **$** (in thousands of dollars)
Impairment of property and equipment	5,036
Impairment of right-of-use assets	4,260
	9,296

In the 36-week period ended May 3, 2020, the Company recorded an impairment loss of $5,036,000 relating to the property and equipment of one Scaddabush restaurant, three Signature restaurants and four Jack Astor's restaurants. The recoverable amounts for one Jack Astor's restaurant and one Signature restaurant were based on value-in-use using a discounted cash flow model. The recoverable amounts for one Scaddabush restaurant, two Signature restaurants and four Jack Astor's restaurants were based on the discounted cash flow (fair value less cost to sell). Significant assumptions used in these models include the estimate of cash flows and a discount rate of 15% for both methodologies.

Restaurant furniture, fixtures and equipment and leasehold improvements were written down to reflect their impairment in the following Concept and Signature restaurants:

	36-week period ended May 3, 2020 **$** (in thousands of dollars)
Jack Astor's	1,170
Scaddabush	2,168
Signature	1,698
	5,036

In the 36-week period ended May 3, 2020, the Company recorded an impairment loss of $4,260,000 in respect of the right-of-use assets of 11 restaurants (one Scaddabush restaurant, three Canyon Creek restaurants, three Signature restaurants and four Jack Astor's restaurants).

Right-of-use assets were written down to reflect their impairment in the following Concept and Signature restaurants:

	36-week period ended May 3, 2020 $ (in thousands of dollars)
Jack Astor's	1,008
Scaddabush	582
Canyon Creek	248
Signature	2,422
	4,260

5 Changes in significant accounting policies

IFRS 16, Leases

On August 26, 2019, the Company adopted IFRS 16, Leases, using the modified retrospective approach, and comparative figures have not been restated. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain it will exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease obligation is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of operations if the carrying amount of the right-of-use asset has been reduced to zero.

In applying IFRS 16 for the first time, the Company has elected to apply the following practical expedients permitted by the standard:

- Reliance on previous assessment on whether leases are onerous;
- The accounting for operating leases with lease term of 12 months or less and leases of low-value assets as at August 26, 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at August 26, 2019. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4, Determining whether an Arrangement Contains a Lease.

The Company leases various restaurant properties, offices, warehouses, and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding lease obligation at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the repayment of the principal portion of the lease obligation and the interest portion. The interest expense is charged to the interim consolidated statement of operations and comprehensive income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and obligations arising from a lease are initially measured on a present value basis. Lease obligations include the net present value of the following lease payments:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Leases are included as follows in the condensed interim consolidated balance sheet as at May 3, 2020:

	Property $	**Equipment** $	**Total** $
	(in thousands of dollars)		
At August 25, 2019	116,722	2,686	119,408
36-week period ended May 3, 2020			
Additions	1,071	-	1,071
Disposals	(2,376)	-	(2,376)
Amortization	(9,828)	(829)	(10,657)
Impairment (note 4)	(4,260)	-	(4,260)
Right-of-use assets – net at May 3, 2020	101,329	1,857	103,186

For the 36-week period ended May 3, 2020, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 25, 2019	120,834
Adjustment for capital leases previously treated as long-term debt	1,422
Repayments	(12,475)
Disposals	(2,376)
Interest	4,715
As at May 3, 2020	112,120
Less: current portion of lease obligations	(17,396)
Long-term portion of lease obligations	94,724

The annual lease obligations for the next five years and thereafter are as follows:

	As at May 3, 2020 **$** (in thousands of dollars)
Remainder of fiscal year	4,166
Fiscal 2021	16,516
Fiscal 2022	15,178
Fiscal 2023	15,274
Fiscal 2024	15,046
Fiscal 2025 and thereafter	74,976
Total undiscounted lease obligations	141,156
Total discounted lease obligations	112,120

Interest expense on lease obligations for the 12-week and 36-week periods ended May 3, 2020 was $1,480,000 and $4,715,000, respectively. Total cash outflow for the 12-week period ended May 3, 2020 for leases was $4,235,000 which includes $2,755,000 of principal payments and $1,480,000 of interest on lease obligations. Total cash outflow for the 36-week period ended May 3, 2020 for leases was $12,682,000 which includes $7,754,000 of principal payments and $4,714,000 of interest on lease obligations. Expenses for leases of low-dollar value items are not significant. All extension options have been included in the measurement of lease obligations where applicable.

6 Property and equipment

	Corporate			Restaurants		
	Furniture, fixtures and equipment $	**Leasehold improvements $**	**Computer equipment and software $**	**Furniture, fixtures and equipment $**	**Leasehold improvements $**	**Total $**
			(in thousands of dollars)			
As at August 25, 2019						
Cost	688	326	2,430	73,965	106,754	184,163
Accumulated depreciation and impairment losses	(652)	(228)	(2,074)	(48,916)	(82,962)	(134,832)
Net book value as at August 25, 2019 as reported	36	98	356	25,049	23,792	49,331
Adoption of IFRS 16 (note 3(a)	-	-	-	(1,527)	-	(1,527)
Net book value as at August 26, 2019	36	98	356	23,522	23,792	47,804
Net book value as at August 26, 2019	36	98	356	23,522	23,792	47,804
Additions	-	43	87	1,939	1,079	3,148
Disposals	-	-	-	(46)	(58)	(104)
Depreciation	(21)	(5)	(115)	(3,142)	(3,578)	(6,861)
Impairment losses (note 4)	-	-		-	(5,036)	(5,036)
As at May 3, 2020	15	136	328	22,273	16,199	38,951
As at May 3, 2020						
Cost	688	369	2,517	71,668	105,514	180,756
Accumulated depreciation and impairment losses	(673)	(233)	(2,189)	(49,395)	(89,316)	(141,806)
Net book value as at May 3, 2020	15	136	328	22,273	16,198	38,950

7 Bank indebtedness and long-term debt

The Company has a Credit Agreement with the Lender. The Credit Agreement, as amended on December 8, 2017, July 6, 2018, April 1, 2020, and June 30, 2020 provides for a maximum principal amount of $42,328,000 consisting of a $20,000,000 Credit Facility 1, and a $22,328,000 Credit Facility 2. The Company and the Lender also has a purchase card agreement providing credit of up to an additional $1,500,000.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on the Maturity Date. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided the Company is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement.

Credit Facility 2 bears interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%. Each advance under Credit Facility 2 is repayable in equal quarterly instalments based on a seven year amortization, with the remaining outstanding balance due on the Maturity Date. On April 2, 2020, the Company redrew and additional $5,500,000 on Credit Facility 2.

As at May 3, 2020, the Company has drawn $39,552,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 25, 2019 - $25,203,000).

The Credit Agreement is secured by substantially all of the assets of the Company and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Agreement.

The Credit Agreement contains certain financial and non-financial covenants. As at May 3, 2020, the Company was in breach of these covenants as a result of the impact of the COVID-19 outbreak on its operations. As a result, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities. Subsequent to May 3, 2020, as part of the fourth amending agreement with the Lender, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount. Management continues to work closely with its Lender for guidance and support.

The Company has recorded its long-term debt at amortized cost. The Company has netted the financing fees paid against its long-term debt and amortizes these costs over the expected life of the long-term debt using the effective interest method. Unamortized financing fees on the Credit Agreement netted against the debt as at May 3, 2020 were $nil (August 25, 2019 - $152,000).

8 SIR Royalty Income Fund

a) Loan payable to SIR Royalty Income Fund (the SIR Loan)

The $40,000,000 SIR Loan bears interest at 7.5% per annum and is due on October 12, 2044. In conjunction with the Credit Agreement, on July 6, 2015, the Company, the Fund and the Partnership entered into an Intercreditor Agreement to subordinate and postpone their claims against the Company in favour of the Lender. The Fund and the Partnership have not guaranteed the Credit Agreement.

The long-term debt is permitted indebtedness within the meaning of the agreements between the Fund, the Partnership and the Company and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against the Company to the claims of the Lender. This subordination, which includes a subordination of the Partnership's rights under the Licence and Royalty Agreement between the Partnership and the Company, whereby the Partnership licenses to the Company the right to use the trademarks and related intellectual property in return for royalty payments based on revenue, has been effected pursuant to the terms of the Intercreditor Agreement.

Under the Intercreditor Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Fund and the Partnership can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the Licence and Royalty Agreement. However, if a default or an event of default were to occur, the Fund and the Partnership agree not to take actions on their security until the Lender has been repaid in full. However, payments by the Company to the Fund and the Partnership are permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Company, the Fund and the Partnership have the right, acting cooperatively, to reduce payments of Royalties and/or interest on the SIR Loan by up to 50% without triggering a cross default under the Credit Agreement for a period of up to nine consecutive months. The Company and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and the Company and its shareholders in exchange for the subordinating parties not demanding repayment or enforcing security as a result of any such related party obligation default. The Intercreditor Agreement also contains various other typical covenants of the Fund and the Partnership.

At May 3, 2020, the Company was in breach of the covenants in the SIR Loan Agreement. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

Interest expense charged to the consolidated statements of operations and comprehensive income (loss) for the 12-week and 36-week periods ended May 3, 2020 was $708,000 and $2,101,000, respectively (12-week and 36-week periods ended May 5, 2019 - $712,000 and $2,106,000, respectively), which includes interest on the SIR Loan of $696,000 and $2,065,000, respectively (12-week and 36-week periods ended May 5, 2019 - $701,000 and $2,073,000, respectively) and amortization of financing fees of $12,000 and $36,000, respectively (12-week and 36-week periods ended May 5, 2019 - $11,000 and $33,000, respectively). Interest payable on the SIR Loan as at May 3, 2020 was $524,000 (August 25, 2019 - $459,000) and is recorded in trade and other payables.

The Company has the right to require the Fund to, indirectly, purchase its Class C GP Units of the Partnership and assume a portion of the SIR Loan as consideration for the acquisition of the Class C GP Units.

b) Ordinary LP Units and Class A LP Units of SIR Royalty Limited Partnership

	12-week period ended		36-week period ended	
	May 3, 2020 $	May 5, 2019 $	May 3, 2020 $	May 5, 2019 $
	(in thousands of dollars)			
Balance - Beginning of period	58,680	139,440	105,755	137,864
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(55,960)	12,446	(97,954)	20,163
Distributions paid to Ordinary LP and Class A LP unitholders	(1,493)	(2,841)	(6,574)	(8,982)
Balance - End of period	1,227	149,045	1,227	149,045
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	-	(11,358)	-	(11,358)
Ordinary LP Units and Class A LP Units of the Partnership	1,227	137,687	1,227	137,687
The following is a summary of the results of operations of the Partnership:				
Pooled Revenue*	26,927	66,974	146,741	197,099
Partnership royalty income*	1,615	4,018	8,869	12,040
Other income	6	6	17	17
Partnership expenses	(23)	(21)	(54)	(57)
Net earnings of the Partnership	1,598	4,003	8,832	12,000
The Company's interest in the earnings of the Partnership	(964)	(1,513)	(3,734)	(4,501)
Fund's interest in the earnings of the Partnership	634	2,490	5,098	7,499

*Includes revenue from the Royalty Pooled Restaurants. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. Partnership royalty income is 6% of pooled revenue in accordance with the Licence and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, from the date of closure to December 31 of the year closed.

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash of $11,167,000. The holders of the Ordinary LP Units and the Class A LP Units are entitled to receive a pro rata share of all residual distributions of the Partnership. The distributions are declared by the Board of Directors of SIR GP Inc., which is controlled by the Fund. Accordingly, the Ordinary LP Units and the Class A LP Units of the Partnership have been classified as a financial liability in the consolidated statements of financial position. The Ordinary LP Units and the Class A LP Units are accounted for at amortized cost, with changes in the carrying value of Ordinary LP Units and the Class A LP Units of the Partnership recorded in the consolidated statements of operations and comprehensive income (loss).

During the 12-week and 36-week periods ended May 3, 2020, distributions of $634,700 and $5,098,000, respectively (12-week and 36-week periods ended May 5, 2019 - $2,490,000 and $7,499,000, respectively) were declared to the Fund through the Partnership. Distributions paid during the 12-week and 36-week periods ended May 3, 2020 were $1,493,000 and $6,574,000, respectively (12-week and 36-week periods ended May 5, 2019 - $2,841,000 and $8,982,000, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to SIR Royalty Income Fund as at May 3, 2020 were $3,072,000 (August 26, 2018 - $4,548,000).

The Company, as the holder of the Class A GP Units, is entitled to receive a pro rata share of all residual distributions of the Partnership and the Class A GP Units are exchangeable into units of the Fund.

The Partnership owns the SIR Rights formerly owned or licensed by the Company or its subsidiaries and used in connection with the operation of the majority of the Company's restaurants in Canada. In 2004, the Partnership granted the Company a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by the Company to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

Under the terms of the Licence and Royalty Agreement, the Company may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. As of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, the Company is not required to pay any Make-Whole Payment in respect of a closed restaurant. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2020, one new SIR Restaurant was added (January 1, 2019 – two new SIR Restaurants were added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2020 (January 1, 2019 – two new SIR Restaurants), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 (January 1, 2018 - three), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2019 – one) SIR Restaurants during 2019. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 395,899 Class A GP Units for 395,899

Class B GP Units (January 1, 2019 – SIR converted 197,824 Class B GP Units into 197,824 Class A GP Units) on January 1, 2020 reducing the value of the SIR Rights by $3,493,096 (January 1, 2019 – increasing the value of the SIR Rights by $3,986,264).

In addition, the revenues of the two (January 1, 2018 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2018 – revenue of the three new SIR Restaurants exceeded 80% of the Initial Adjustment's estimated revenue) and, as a result, the distributions of the Class A GP Units were reduced by a special conversion refund of $23,240 in December 2019 and paid in January 2020 (a special conversion distribution of $90,971 was declared on the Class B GP Units in December 2018 and paid in January 2019).

As a result of the permanent closure of one SIR restaurant during the 24-week period ended May 3, 2020, a Make-Whole payment to the Partnership of $65,000 has been recognized by the Company for the 36-week period ended May 3, 2020 (36-week period ended May 5, 2019 - $215,000).

As at May 3, 2020, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2020, the Company's residual interest in the Partnership is 17.84% (August 25, 2019 – 20.91%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at May 3, 2020 were $3,539,000 (August 25, 2019 - $3,294,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week and 36-week periods ended May 3, 2020, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 and $18,000, respectively (12-week and 36-week periods ended May 5, 2019 - $6,000 and $18,000, respectively), which was the amount of consideration agreed to by the related parties.

9 Capital stock

During the 36-week period ended May 3, 2020, a dividend in the amount of $nil (36-week period ended May 5, 2019 - $1,000,000) was declared to the holders of the issued and outstanding common shares of the Company as of August 25, 2019 (August 26, 2018) of which $nil (12-week period ended May 5, 2019 - $667,000) was paid during the period.

During the 12-week and 36-week periods ended May 3, 2020, nil (12-week and 36-week periods ended May 5, 2019 – nil and 35,000, respectively) stock options were exercised and nil (12-week and 36-week periods ended

May 5, 2019 – nil and 35,000, respectively) common shares were issued for consideration of $nil (12-week and 36-week periods ended May 5, 2019 – nil and $35,000, respectively). During the 12-week and 36-week periods ended May 3, 2020, nil (12-week and 36-week periods ended May 5, 2019 – nil and 35,000, respectively) common shares were repurchased for consideration of $nil (12-week and 36-week periods ended May 5, 2019 – nil and $226,000, respectively).

10 Supplemental cash flow information to the consolidated statements of cash flows

The net change in working capital items is as follows:

	12-week period ended		36-week period ended	
	May 3, 2020 $	May 5, 2019 $	May 3, 2020 $	May 5, 2019 $
		(in thousands of dollars)		
Trade and other receivables	6	(338)	6	(241)
Inventories		(3)	168	50
Prepaid expenses, deposits and other assets	135	(304)	(292)	(1,742)
Trade and other payables	(1,131)	2,542	(5,766)	(3,380)
Provisions and other long-term liabilities	59	(482)	399	(691)
	(1,202)	1,415	(5,485)	(6,004)

11 Subsequent events

The Company continued to offer take-out and delivery services at certain of its Jack Astor's and Scaddabush locations. Beginning on June 9, 2020, restaurant re-openings commenced in western Canada and the Maritime provinces. On June 12, 2020, certain regions in the province of Ontario began re-opening for patio dining. On June 15, 2020, restaurants in Quebec, outside of Montreal, were permitted to re-open for sit-down dining, with Montreal area restaurants following on June 22, 2020. On July 17, 2020, the province of Ontario began the staggered re-opening of in-restaurant dining.

The negative impacts from COVID-19, including the temporary closure of its dine-in restaurant operations, has had, and will continue to have a material impact on the results of the Company and, as such, management began to implement a mitigation plan for the foreseeable future, including updating cash flow forecasts and working in combination with its Lender, landlords, and suppliers in an effort to maintain continued support of the Company.

On May 27, 2020, effective April 1, 2020, the Company obtained a waiver with its senior lender on its covenants until June 30, 2020.

On June 30, 2020, the Company and its Lender entered into a fourth amending agreement to its Credit Agreement (the "Waiver and Amendment"). The Waiver and Amendment provides for the following:

- extension of the waivers of certain anticipated covenant breaches and events of default granted in the May 27, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period September 1, 2020 to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount, and
- the addition of a new $6,250,000 Export Development Canada guaranteed BCAP (the "EDC-Guaranteed Facility") to the Credit Agreement – the EDC-Guaranteed Facility is a 364 day revolving term credit facility and can be extended at the Lender's sole discretion by a further 12 months.

There can be no assurance that the Company will receive additional waivers or remain in compliance in the future.

On June 30, 2020, the Fund and the Partnership entered into an acknowledgement and consent agreement with the Lender acknowledging, among other things:

- the receipt of a copy of the Waiver and Amendment,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with the Company,
- any debt arising under the EDC-Guaranteed Facility constitutes Permitted Debt (as such term is defined in the SIR Loan Agreement).

On June 30, 2020, the Fund, the Partnership, and SIR entered into a waiver and extension agreement that, among other things:

- extends the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from June 30, 2020 to August 31, 2020,
- waives any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until August 31, 2020.