SIR CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 17-WEEK AND 53-WEEK PERIODS ENDED AUGUST 30, 2020

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Executive Summary

SIR Corp.'s ("SIR's") fourth quarter of fiscal 2020 was from May 4, 2020 to August 30, 2020 inclusive.

SIR's fiscal 2020 year consists of 53 weeks versus 52 weeks for fiscal 2019 and its fourth quarter of fiscal 2020 consists of 17 weeks compared to 16 weeks for the fourth quarter of fiscal 2019. Therefore, all revenue and expense information provided in this document for the fourth quarter of fiscal 2020 and fiscal 2020, unless otherwise noted, includes an additional week of operations and should be considered when comparing to prior year periods. Included in this discussion is certain financial information for fiscal 2020 on a 52-week basis in order to assist readers in making comparisons to the prior year.

The following is a summary of operational and financial results for SIR's 17-week and 53-week periods ended August 30, 2020 ("Q4 2020" and "Fiscal 2020", respectively):

Coronavirus ("COVID-19") Outbreak:

- Since the date of SIR's last financial report, which was filed on July 30, 2020, the COVID-19 pandemic has continued to significantly impact the operations of the company.
- The hospitality industry has faced, and continues to face, significant challenges related to continuing updates to restrictions imposed by federal, provincial and municipal governments. Restaurants have incurred significant costs to implement strict safety protocols for both patio and indoor dining, including the installation of plexiglass barriers in dining rooms, expansion of patios, adding heaters to extend patio dining season, swift changes to operations to increase take-out and delivery offerings when restaurants were 100% reliant on take-out and delivery during the months of May and June 2020.
- Beginning March 16, 2020, SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities. SIR continued to offer takeout and delivery services at certain of its Jack Astor's® and Scaddabush Italian Kitchen & Bar® ("Scaddabush") restaurants, while all Canyon Creek® and Signature Restaurants were completely closed as of March 16, 2020.
- 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 outdoor patio dining. On June 15, 2020, restaurants in Quebec, outside of the Greater Montreal Area, were permitted to re-open for limited capacity in-restaurant dining, with Greater Montreal Area restaurants following on June 22, 2020.
- On July 17, 2020, the province of Ontario permitted the staggered re-opening of limited capacity in-restaurant dining throughout the province, with the exceptions of the Toronto, Peel and Windsor-Essex public health regions. On July 31, 2020, the province of Ontario permitted restaurants in the Toronto and Peel public health regions, where SIR has 25 restaurants, to re-open on a similar basis to other regions in the province. Accordingly, all of SIR's Jack Astor's and Scaddabush restaurants, and certain of its Canyon Creek and Signature restaurants were re-opened for limited capacity in-restaurant and outdoor-patio dining, adhering to strict operating procedures and sanitary guidelines to prioritize the safety of its guests and staff. SIR does not have any restaurants in the Windsor-Essex public health region.
- Reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. Limited capacity re-openings of in-restaurant and outdoor-patio dining are expected to continue to result in material declines to sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health official recommendations and restrictions, as disclosed in note 1 of the consolidated financial statements, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern (Please refer to the Liquidity and Capital Resources section for more details).
- SIR was deemed eligible for the Canada Emergency Wage Subsidy ("CEWS") program. As a result, SIR has received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. SIR currently expects to continue to be eligible for CEWS through to at least its current expected end date of June 2021.

Consolidated revenue and Same Store Sales(1) ("SSS"):

- Year-over-year declines in revenue and SSS(1) noted below are directly attributable to the COVID-19 outbreak.
- Food and beverage revenue from corporate restaurant operations for Q4 2020 totaled $34.3 million, a decrease of 64.6%, or $62.6 million, compared to the 16-week period ended August 25, 2019 ("Q4 2019"). Food and beverage revenue from corporate restaurant operations for Fiscal 2020 was $185.8 million, compared to $299.3 million for the 52-week period ended August 25, 2019 ("Fiscal 2019").
- Consolidated SSS(1) declined 64.3% and 37.3% for Q4 2020 and Fiscal 2020, respectively. These declines are primarily a result of the negative impact of the COVID-19 outbreak on food and beverage revenue since mid-March 2020.
- SIR's flagship Concept Restaurant brand, Jack Astor's, which generated approximately 79.0% of Pooled Revenue in Q4 2020, had SSS(1) declines of 59.4% and 36.8% for Q4 2020 and Fiscal 2020, respectively.
- Scaddabush had SSS(1) declines of 62.4% and 32.9% for Q4 2020 and Fiscal 2020, respectively.
- Canyon Creek had SSS(1) declines of 96.9% and 48.1% for Q4 2020 and Fiscal 2020, respectively.
- The Signature Restaurants had SSS(1) declines of 90.0% and 42.7% for Q4 2020 and Fiscal 2020, respectively.
- If the additional week of revenue was removed from revenue in Fiscal 2020, SSS(1) for each of the Concept and Signature Restaurants would be as follows, for Q4 2020 and Fiscal 2020, respectively: Jack Astor's – 63.6% and 38.2%, Scaddabush – 66.8% and 34.3%, Canyon Creek – 97.4% and 48.3%, and Signature Restaurants – 91.4% and 43.2%.
- Prior to the COVID-19 outbreak, take-out and delivery sales comprised approximately 5% of SIR's food and beverage revenue. Through new offerings and operating efficiencies, take-out and delivery sales have grown significantly but, while mitigating some of the loss, only partially offset the negative impact on sales of dining rooms and patios being required to shut down as a result of the COVID-19 outbreak.

Investment in new and existing restaurants and closed restaurants

- Effective July 15, 2020, SIR permanently closed its Jack Astor's location in Calgary, Alberta.
- During Q2 2020, on November 19, 2019, SIR opened a new Scaddabush restaurant in Burlington, Ontario, at the former location of the Canyon Creek restaurant that was closed effective October 31, 2019 (Q1 2020).
- During Q1 2020, effective September 23, 2019, SIR permanently closed the Jack Astor's restaurant on John Street in downtown Toronto at the end of the lease, as SIR was unable to negotiate an economically acceptable lease extension due to the rent and property tax escalations at this location in recent years.
- During Q1 2020, on September 26, 2019, SIR opened a new Duke's Refresher® and Bar ("Duke's Refresher") in the St. Lawrence Market neighbourhood of downtown Toronto, at the former location of the Jack Astor's restaurant that closed in Fiscal 2019.
- On January 1, 2020, the new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario (opened June 2, 2019) was added to Royalty Pooled Restaurants.

Net Earnings (Loss) and Comprehensive Income (Loss), Adjusted Net Earnings (Loss)(1), EBITDA(1), and Adjusted EBITDA(1)

- EBITDA(1) reflects the adoption of International Financial Reporting Standard 16 ("IFRS 16"). Please refer to page 16 for a discussion on the impact of IFRS 16 on EBITDA(1) in Q4 2020 and Fiscal 2020.
- Net loss and comprehensive loss was $1.1 million for Q4 2020, compared to net earnings and comprehensive income of $42.7 million for Q4 2019. Net earnings and comprehensive income was $78.1 million for Fiscal 2020, compared to $24.7 million for Fiscal 2019.
- Adjusted Net Loss(1) was $2.3 million in Q4 2020, compared to Adjusted Net Earnings(1) of $2.3 million in Q4 2019. Adjusted Net Loss(1) was $21.0 million in Fiscal 2020, compared to Adjusted Net Earnings(1) of $4.5 million in Fiscal 2019.

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(1) *Same store sales ("SSS"), same store sales growth ("SSSG"), Adjusted Net Earnings (Loss), Earnings before interest, tax, depreciation, and amortization ("EBITDA"), and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by International Financial Reporting Standards ("IFRS"). For additional information regarding these financial measures, including full details on how these financial measures are calculated, see the "Description of Non-IFRS Measures" section of this MD&A (page 36).*

- EBITDA[(1)] was $8.4 million in Q4 2020 and Adjusted EBITDA[(1)] was $2.6 million in Q4 2020, compared to EBITDA[(1)] and Adjusted EBITDA[(1)] of $7.1 million and $10.7 million in Q4 2019, respectively.
- EBITDA[(1)] and Adjusted EBITDA[(1)] was $14.4 million and $7.9 million in Fiscal 2020, respectively, compared to EBITDA[(1)] and Adjusted EBITDA[(1)] of $19.8 million and $23.5 million in Fiscal 2019, respectively.
- As a result of a decline in sales and earnings related to the COVID-19 pandemic, SIR identified triggering events which required the Company to conduct an impairment analysis of these restaurants' non-financial assets. Impairment of non-financial assets total $9.3 million in Fiscal 2020 (Please refer to the Critical Accounting Estimates and Judgements section for more details).

Amendment to SIR's Credit Agreement, payment of royalties and interest on the SIR Loan

- On September 30, 2020, SIR entered into a fifth amending agreement to its credit agreement ("Credit Agreement") with a Schedule I Canadian chartered bank (the "Lender") which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020. There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.
- On September 30, 2020, the SIR Royalty Income Fund (the "Fund") and the SIR Royalty Limited Partnership (the "Partnership") entered into an acknowledgement and consent agreement with the Lender, and the Fund, the Partnership, and SIR entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020.
- For details on all agreements entered into on September 30, 2020, please refer to the Outlook section on page 34.

Outlook

- The new Scaddabush restaurant in Burlington, Ontario, opened November 19, 2019, is expected to be added to Royalty Pooled Restaurants on January 1, 2021. The permanently closed Jack Astor's restaurant in Calgary, Alberta will cease to be part of Royalty Pooled Restaurants on January 1, 2021.
- Due to increasing COVID-19 case counts in Ontario and Quebec, the provincial governments have imposed increased restrictions on in-restaurant dining. Increased restrictions target regions with the highest new case rates. These restrictions may include, among other things, in increasing levels of adverse impact on SIR's business, such as: lowering music levels, shorter hours for alcohol service, reductions to group sizes, further reductions to indoor seating, and full closure of indoor dining.
- On September 28, 2020 the Quebec government announced, effective October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases would be closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. Prior to the end of October, the closures were extended another 28 days to November 23, 2020. On November 19, 2020, the Quebec government announced that these closures would remain in place until January 11, 2021.

- Effective October 10, 2020, the Toronto, Ottawa and Peel regions returned to modified Stage 2 restrictions, resulting in the temporary closure of indoor dining rooms and bars in these regions for 28 days. SIR has 28 restaurants in these regions. Effective October 19, 2020, the York region, where SIR has five restaurants, was also returned to modified Stage 2 restrictions for 28 days. As of November 7, 2020, dining rooms in the Toronto, Ottawa, Peel, and York regions were permitted to re-open. Effective November 9, 2020, additional regions were moved into various zones within the provincial government's COVID-19 framework, which restricts the capacity of indoor dining guests as follows:

Provincial Tier	**Public Health Region (Number of SIR restaurants*)**
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	Toronto (19) Peel (6) York (5) Halton (3) Hamilton (2)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	Durham (2) Niagara (2) Ottawa (3) Waterloo (1)
Yellow/Protect • maximum number of guests per table: 6	London Middlesex (3) Simcoe-Muskoka (1)

*The number of SIR restaurants noted above does not include three Canyon Creek and one Jack Astor's restaurant that were not previously re-opened.

- Effective November 23, 2020, the Ontario government announced additional movement of various regions within the provincial government's COVID-19 framework as follows:

Provincial Tier	**Public Health Region (Number of SIR restaurants*)**
Grey/Lockdown • no indoor or patio dining • take-out and delivery only	Toronto (19) Peel (6)
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	York (5) Halton (3) Hamilton (2) Durham (2) Waterloo (1)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	Ottawa (3) Niagara (2) Simcoe-Muskoka (1)
Yellow/Protect • maximum number of guests per table: 6	London Middlesex (3) Kingston (1)

*The number of SIR restaurants noted above does not include three Canyon Creek and one Jack Astor's restaurant that were not previously re-opened.

- Effective November 26, 2020, the provincial government in Nova Scotia, where SIR has two locations, announced the closure of all restaurant dining rooms.
- SIR is expected to be eligible for the new Canadian Emergency Rent Subsidy ("CERS"). However, the program, as passed, appears to limit SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as

such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible rent expenses. During periods where indoor dining is mandated to be fully closed, SIR may also be eligible to apply for the 25% lock-down support top-up.

- SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on its ability to obtain increased and extended financing through further amendments to its Credit Agreement and the availability of credit under the current Credit Agreement or other financing sources and/or additional government assistance to aid businesses.
- SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the duration of restaurant capacity restrictions due to COVID-19, SIR's ability to return to increased or full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully reopen, the type and impact of any new government mandated pandemic-related operating regulations, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Overview

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at August 30, 2020, SIR owned 59 Concept and Signature Restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia, and Newfoundland). The Concept Restaurants include Jack Astor's, Canyon Creek and Scaddabush. The Signature group of restaurants include Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and the Loose Moose®. SIR also owns two Duke's Refresher and Bar restaurants in downtown Toronto and one seasonal restaurant, Abbey's Bakehouse®, which are not part of Royalty Pooled Restaurants. SIR owns 100% of all its Canadian restaurants. As at August 30, 2020, 56 SIR Restaurants were included in Royalty Pooled Restaurants (55 operating and one closed).

Effective July 15, 2020, SIR permanently closed the Jack Astor's restaurant in Calgary, Alberta. In accordance with the License and Royalty Agreement, as of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, SIR was no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant.

Effective October 13, 2019, SIR permanently closed the Canyon Creek restaurant in Burlington, Ontario. As noted above, SIR is not required to pay a "Make-Whole Payment" in respect of this restaurant.

Effective September 23, 2019, SIR permanently closed the Jack Astor's restaurant on John Street in downtown Toronto at the end of the lease, as SIR was unable to negotiate an economically acceptable lease extension given rent and property tax escalations in the location in recent years. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR was obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.06 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2019.

Effective February 4, 2019, SIR closed the Jack Astor's restaurant in the St. Lawrence Market neighbourhood of downtown Toronto. Under terms of the License and Royalty Agreement between SIR and the Partnership, SIR was obligated to indirectly pay the Fund, via the Partnership, a "Make-Whole Payment", subject to certain terms, equal to $0.2 million which is the amount of the Royalty that otherwise would have been paid to the Partnership by SIR from the date of closure until December 31, 2019.

On January 1, 2020, the new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario (opened June 2, 2019), was added to Royalty Pooled Restaurants. Three restaurants - the two closed Jack Astor's restaurants in downtown Toronto and the closed Canyon Creek restaurant in Burlington, Ontario - were removed from Royalty Pooled Restaurants on January 1, 2020.

On September 26, 2019, SIR opened a new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto. SIR believes that Duke's Refresher has multi-unit growth potential and has advised the Fund that Duke's Refresher should be considered as a potential New Concept Restaurant brand. As such, the earliest that any Duke's Refresher would be added to the Royalty Pool would be the Adjustment Date following the earlier of: (i) the date that four Duke's Refresher restaurants are open for business at the same time, and (ii) 90 days following the end of the fiscal year in which revenues from all Duke's Refresher restaurants in Canada first exceed $12.0 million (the "Trigger Event"). As neither of these events are expected to occur before August 30, 2020, Duke's Refresher is not expected to be added to the Royalty Pool on January 1, 2021. The Duke's Refresher brand is currently being managed and developed by SIR's Signature group. Accordingly, the two Duke's Refresher locations in downtown Toronto are classified as a Signature restaurant for SIR reporting purposes.

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund (the "Offering") and the Offering closed on October 12, 2004. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire the SIR Loan and indirectly, through the SIR Holdings Trust (the "Trust"), the SIR Rights owned or licensed by SIR or its subsidiaries and used in connection with the operation of SIR's restaurants in Canada. In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

SIR's fiscal year is comprised of 52 or 53-week periods ending on the last Sunday in August. Fiscal quarters of SIR 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.

Seasonality

The full-service restaurant sector of the Canadian foodservice industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending on the last Sunday in August) when patios can be open. Certain holidays and observances also affect dining patterns both favourably and unfavourably.

Selected Consolidated Historical Financial Information

The following tables set out selected financial information of SIR for the 17-week and 53-week periods ended August 30, 2020, respectively, and the 16-week and 52-week periods ended August 25, 2019, respectively. The audited annual consolidated financial statements of SIR are prepared in accordance with IFRS and are presented in Canadian dollars. This information should be read in conjunction with the annual audited consolidated financial statements of SIR, including the notes thereto.

Statements of Operations and Comprehensive Income (Loss)	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Corporate restaurant operations:				
Revenue	34,451	97,099	186,056	299,692
Cost of corporate restaurant operations	31,978	88,941	186,090	276,130
Earnings from corporate restaurant operations	**2,473**	**8,158**	**(34)**	**23,562**
Net earnings (loss) and comprehensive income (loss)	**(1,081)**	**42,722**	**78,146**	**24,748**
Adjusted Net Earnings (Loss)(1)	**(2,308)**	**2,272**	**(21,035)**	**4,461**

Statement of Financial Position	August 30, 2020	August 25, 2019
	(in thousands of dollars)	
Total assets	157,593	71,735
Total non-current liabilities	93,317	160,978

Adjusted Net Earnings (Loss)(1), EBITDA(1) and Adjusted EBITDA(1)

Adjusted Net Earnings (Loss)(1), EBITDA(1) and Adjusted EBITDA(1) are financial measures that do not have standardized meanings prescribed by IFRS. They are used by SIR to supplement its reporting of net earnings (loss) and net cash flow. Adjusted Net Earnings (Loss)(1) consist of net earnings (loss) excluding the change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership. EBITDA(1) and Adjusted EBITDA(1) consist of net earnings (loss) excluding certain non-cash expenses and other expenses that SIR considers not to be of an operating nature. SIR believes that Adjusted Net Earnings (Loss)(1), EBITDA(1) and Adjusted EBITDA(1) are useful measures of the core business' contribution to cash flow from operations and uses these measures as a supplemental measure of SIR's performance. Similarly, SIR believes that certain investors may also find these non-GAAP financial measures to be useful for their independent evaluation of SIR's performance.

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 17-week and 53-week periods ended August 30, 2020 and the 16-week and 52-week periods ended August 25, 2019 to Adjusted Net Earnings (Loss)[1]:

	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Net earnings (loss) for the period	(1,081)	42,722	78,146	24,748
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(1,227)	(40,450)	(99,181)	(20,287)
Adjusted Net Earnings (Loss)[1]	**(2,308)**	**2,272**	**(21,035)**	**4,461**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the 17-week and 53-week periods ended August 30, 2020 and the 16-week and 52-week periods ended August 25, 2019 to EBITDA(1) and Adjusted EBITDA(1):

	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Net income (loss) and comprehensive income (loss) for the period	(1,081)	42,722	78,146	24,748
Add (deduct):				
Provision for income taxes	-	(8)	(422)	1
Interest expense	561	591	1,849	1,768
Interest on lease obligations	1,424	-	6,139	-
Interest on loan payable to SIR Royalty Income Fund	984	933	3,085	3,039
Depreciation and amortization	7,788	3,343	24,748	10,517
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership	(1,227)	(40,450)	(99,181)	(20,287)
EBITDA(1)	**8,449**	**7,131**	**14,364**	**19,786**
Interest (income) and other expense (income) – net	(656)	347	249	72
Impairment of goodwill	-	268	-	268
Impairment of non-financial assets	-	2,380	9,296	2,380
Loss on disposal of property and equipment	86	34	246	86
Cash rent	(5,302)	-	(16,966)	-
Pre-opening costs	-	505	680	861
Adjusted EBITDA(1)	**2,577**	**10,665**	**7,869**	**23,453**
Income from Class A & B GP Units of the Partnership(2) (Not included in EBITDA(1) and Adjusted EBITDA(1) above)	328	1,154	1,997	3,582
6% Royalty obligations under License and Royalty Agreement(3)	2,014	5,687	10,883	17,727

(2) *Includes the special conversion distribution paid to Class B GP Unitholders or the special conversion refund to Class A GP Unitholders declared in December of each year, if any.*

(3) *See the SIR Royalty Income Fund section of this document for the Royalty calculation. Pooled Revenue includes revenue from all restaurants included in Royalty Pooled Restaurants. On January 1st of each year, New Additional Restaurants are added and New Closed Restaurants are removed from Royalty Pooled Restaurants. Royalty obligations equal 6% of Pooled Revenue plus any Make-Whole Payments.*

Results of Operations

Reconciliation of Revenue from Consolidated Financial Statements to Pooled Revenue	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Food and beverage revenue reported in consolidated financial statements	34,343	96,982	185,808	299,305
Less: Revenue from corporate restaurant operations excluded from the Royalty pool	(776)	(2,207)	(5,500)	(7,431)
Revenue for Restaurants in Royalty pool (Pooled Revenue)	**33,567**	**94,775**	**180,308**	**291,874**

Reconciliation of Revenue from Consolidated Financial Statements to Same Store Sales(1)	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Food and beverage revenue reported in consolidated financial statements	34,343	96,982	185,808	299,305
Less: Revenue from corporate restaurant operations excluded from Same Store Sales(1)	(1,313)	(4,506)	(6,868)	(13,755)
Same Store Sales(1)	**33,030**	**92,476**	**178,940**	**285,550**

Same Store Sales(1) by Segment	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	% Fav./ (Unfav.)*	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019	% Fav./ (Unfav.)
	(in thousands of dollars) (unaudited)					
Jack Astor's	26,508	65,302	(59.4%)	124,972	197,726	(36.8%)
Scaddabush	5,599	14,890	(62.4%)	30,831	45,941	(32.9%)
Canyon Creek	141	4,495	(96.9%)	8,161	15,726	(48.1%)
Signature Restaurants	782	7,789	(90.0%)	14,976	26,157	(42.7%)
Same Store Sales(1)	**33,030**	**92,476**	**(64.3%)**	**178,940**	**285,550**	**(37.3%)**

*This percentage is not adjusted to remove the impact of the additional week of revenue in Fiscal 2020.

Summary of Quarterly Results

Statement of Operations	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd Quarter Ended February 9, 2020 (12 weeks)	1st Quarter Ended November 17, 2019 (12 weeks)	4th Quarter Ended August 25, 2019 (16 weeks)	3rd Quarter Ended May 5, 2019 (12 weeks)	2nd Quarter Ended February 10, 2019 (12 weeks)	1st Quarter Ended November 18, 2018 (12 weeks)
	(in thousands of dollars)							
Corporate Restaurant Operations								
Revenue	34,451	27,941	61,511	62,153	97,099	67,713	65,716	69,164
Cost of corporate restaurant operations	31,978	40,333	56,446	57,333	88,941	62,126	61,374	63,689
Earnings from corporate restaurant operations	**2,473**	**(12,392)**	**5,065**	**4,820**	**8,158**	**5,587**	**4,342**	**5,475**
Net earnings (loss) and comprehensive income (loss)	**(1,081)**	**38,943**	**6,556**	**33,728**	**42,722**	**(11,198)**	**3,801**	**(10,577)**
Adjusted Net Earnings (Loss)(1)	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**	**1,248**	**253**	**688**

The following table reconciles net earnings (loss) and comprehensive income (loss) for the quarters to Adjusted Net Earnings (Loss)(1):

	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd Quarter Ended February 9, 2020 (12 weeks)	1st Quarter Ended November 17, 2019 (12 weeks)	4th Quarter Ended August 25, 2019 (16 weeks)	3rd Quarter Ended May 5, 2019 (12 weeks)	2nd Quarter Ended February 10, 2019 (12 weeks)	1st Quarter Ended November 18, 2018 (12 weeks)
	(in thousands of dollars)							
Net earnings (loss) and comprehensive income (loss)	(1,081)	38,943	6,556	33,728	42,722	(11,198)	3,801	(10,577)
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(1,227)	(55,960)	(7,303)	(34,691)	(40,450)	12,446	(3,548)	11,265
Adjusted Net Earnings (Loss)(1)	**(2,308)**	**(17,017)**	**(747)**	**(963)**	**2,272**	**1,248**	**253**	**688**

Selected Consolidated Statement of Cash Flows Information:

	4th Quarter Ended August 30, 2020 (17 weeks)	3rd Quarter Ended May 3, 2020 (12 weeks)	2nd Quarter Ended February 9, 2020 (12 weeks)	1st Quarter Ended November 17, 2019 (12 weeks)	4th Quarter Ended August 25, 2019 (16 weeks)	3rd Quarter Ended May 5, 2019 (12 weeks)	2nd Quarter Ended February 10, 2019 (12 weeks)	1st Quarter Ended November 18, 2018 (12 weeks)
	(in thousands of dollars)							
Cash provided by (used in) operations	4,410	(2,284)	3,936	1,986	9,660	3,509	(2,757)	(3,491)
Cash used in investing activities	(91)	(208)	(2,070)	(1,236)	(3,351)	(3,523)	(1,650)	(1,706)
Cash provided by (used in) financing activities	(3,169)	931	(5,331)	1,129	(5,022)	(856)	3,460	4,558
Increase (decrease) in cash and cash equivalents during the period	1,150	(1,561)	(3,465)	1,879	1,287	(870)	(947)	(639)
Cash and cash equivalents – Beginning of period	467	2,028	5,493	3,614	2,327	3,197	4,144	4,783
Cash and cash equivalents – End of period	1,617	467	2,028	5,493	3,614	2,327	3,197	4,144

Revenue

There are a number of references to different revenue groupings used in the consolidated financial statements, the notes to the consolidated financial statements and this Management Discussion & Analysis ("MD&A"). The following definitions are provided for greater clarification of these groupings:

i. Revenue (per the SIR consolidated statements of operations and comprehensive income (loss)) – this is the total consolidated revenue of all restaurants for the period. The restaurants include all SIR Restaurants as well as Abbey's Bakehouse. For the 17-week and 53-week periods ended August 30, 2020, revenue was $34.3 million and $185.8 million, respectively.

ii. Same Store Sales(1) ("SSS") – this is a sub-set of Revenue used for tracking comparable year-over-year sales. For Q4 2020 and Q4 2019, SSS(1) includes all SIR Restaurants, except for those restaurants that were not open for the entire comparable periods in fiscal 2020 and fiscal 2019, and Abbey's Bakehouse as it is not a SIR Restaurant. The SSS(1) performance does not include the Jack Astor's location in the St. Lawrence Market neighbourhood of downtown Toronto, the Jack Astor's location on John Street in downtown Toronto, the Canyon Creek location on Front Street in downtown Toronto, the Canyon Creek location in Burlington, Ontario, and the Jack Astor's location in Calgary, Alberta as their sales are excluded from the calculation of SSS(1) similar to any permanently closed locations. The SSS(1) performance for Scaddabush does not include the new Scaddabush locations in the Mimico neighbourhood of Etobicoke, Ontario (opened in Q4 2019) and in Burlington, Ontario (opened in Q2 2020), as these locations were not open for the entire comparable periods in Fiscal 2020 and Fiscal 2019. The new Duke's Refresher in the St. Lawrence Market neighbourhood of downtown Toronto is also excluded from the calculation of SSS(1) for the 17-week and 53-week periods ended August 30, 2020, since it was not open for the entire comparable periods in Fiscal 2020 and Fiscal 2019. For the 17-week and 53-week periods ended August 30, 2020, SSS(1) were $33.0 million and $178.9 million, respectively.

iii. Pooled Revenue – this is the revenue subject to the License and Royalty Agreement – this includes revenue from all Royalty Pooled Restaurants. The Royalty Pooled Restaurants are adjusted on January 1st of each year for New Additional Restaurants and New Closed Restaurants. As at August 30, 2020, there were 56 Royalty Pooled Restaurants (55 operating and one closed). For the 17-week and 53-week periods ended August 30, 2020, Pooled Revenue was $33.6 million and $180.3 million, respectively. The applicable Royalty payable to the Partnership on the Pooled Revenue for these periods was $2.0 million and $10.9 million, respectively. The Royalty payable for Fiscal 2020 includes the recognition of one Make-Whole payment totaling $0.06 million with respect to the closed Jack Astor's location on John Street in downtown Toronto from its date of closure to December 31, 2019.

Same Store Sales(1)

SIR reported overall SSS(1) declines of 64.3% and 37.3% for Q4 2020 and Fiscal 2020, respectively. If the additional week of revenue is removed from revenue in Fiscal 2020, SSS(1) declines would be 68.1% and 38.6% for Q4 2020 and Fiscal 2020, respectively. SSS(1) are typically impacted by changes in guest traffic and average cheque amount. Year-over-year declines in revenue and SSS(1) noted below are primarily directly attributable to the COVID-19 outbreak. The other factors noted below relate primarily to the periods prior to COVID-19 related business restrictions.

Prior to the COVID-19 outbreak that materially impacted sales at SIR restaurants beginning in mid-March 2020, SIR identified shifts in consumer behavior related to spending at full-service restaurants, especially in Ontario, that SIR believes impacted recent SSS(1) performance. SIR believes that price increases at most Ontario restaurants related to the minimum wage increase on January 1, 2018 contributed to a decline in full-service restaurant visits compared to the same periods in prior years. SIR also believes that new stricter legislation for impaired driving contributed to lower alcoholic beverage sales in full-service restaurants.

SIR also believes that the recent rapid growth of delivery services in commercial foodservice has negatively impacted the volume of guest visits to full-service restaurants. In addition, due to the nature of take-out and delivery orders, guests who choose these options were previously unable to order alcoholic beverages, which had contributed to a decline in beverage sales at SIR restaurants. Temporary government regulations designed to support restaurants during the COVID-19 pandemic have now permitted sales of alcohol with take-out and delivery orders. The Ontario government has announced its intention to allow bars and restaurants to add alcohol to take-out and delivery orders on a permanent basis.

Despite recent changes to consumer behavior, SIR noted that in the early part of 2020, up to the COVID-19 outbreak, previously declining guest counts had started to flatten.

According to Restaurants Canada data, real commercial food service sales (sales adjusted for menu inflation) in Ontario declined 0.3% in calendar year 2018 (despite the generally higher menu prices) and rebounded only slightly by 0.8% in calendar year 2019.

Prior to the government shutdown of the dining rooms and bars at all restaurants, SIR had commenced proactively implementing social distancing seating and other measures at all of its restaurants, resulting in a decrease of available seating for guests. SIR suspended dine-in operations at all of its restaurants and bars in accordance with the directives of public health authorities on March 16, 2020. SIR's pre-shutdown social distancing seating and other measures, followed by the full closure of all SIR dining rooms and bars on March 16, resulted in significant sales declines during the second half of Q3 2020 and all of Q4 2020, compared to the same periods in Fiscal 2019, causing a significant SSS(1) decline by concept and overall in these periods.

Jack Astor's, SIR's flagship Concept Restaurant brand, which contributed approximately 79% of Q4 2020 Pooled Revenue, had SSS(1) declines of 59.4% and 36.8% for Q4 2020 and Fiscal 2020, respectively. Removing the additional week of revenue from Fiscal 2020, SSS(1) declines would be 63.6% and 38.2% for Q4 2020 and Fiscal 2020, respectively. After SIR suspended dine-in operations at all of its restaurants and bars due to the COVID-19 outbreak, 23 of the 38 Jack Astor's restaurants remained open for take-out and delivery services. During Q4 2020, SIR gradually re-opened patios and dining rooms as permitted by provincial governments.

Effective July 15, 2020, SIR permanently closed the Jack Astor's location in Calgary, Alberta. The sales from the three permanently closed Jack Astor's locations (the former locations in the St. Lawrence Market neighbourhood and on John Street in downtown Toronto, and the former location in Calgary, Alberta) have been excluded from the calculation of SSS(1) for Q4 2020 and Fiscal 2020.

Scaddabush SSS(1) performance for Q4 2020 and Fiscal 2020 includes eight Scaddabush locations (Mississauga, Richmond Hill, Scarborough, Oakville, Vaughan, and Etobicoke, Ontario, as well as Front Street and Yonge and Gerrard in downtown Toronto). Scaddabush had SSS(1) declines of 62.4% and 32.9% for Q4 2020 and Fiscal 2020, respectively. Removing the additional week of revenue from Fiscal 2020, SSS(1) declines would be 66.8% and 34.3% for Q4 2020 and Fiscal 2020, respectively. The Scaddabush restaurants in the Mimico neighbourhood of Etobicoke, Ontario and in Burlington, Ontario are excluded from the calculation of Q4 2020 and Fiscal 2020 SSS(1) as they were not in operation for the entire comparable period a year ago. Seven Scaddabush locations remained open for take-out and delivery services after dine-in operations were suspended due to the COVID-19 outbreak.

Canyon Creek had SSS(1) declines of 96.9% and 48.1% for Q4 2020 and Fiscal 2020, respectively. Removing the additional week of revenue from Fiscal 2020, SSS(1) declines would be 97.4% and 48.3% for Q4 2020 and Fiscal 2020, respectively. Sales from the closed Canyon Creek locations on Front Street in downtown Toronto (permanently closed in Q2 2019) and in Burlington, Ontario (permanently closed in Q2 2020) have been excluded from the calculation of SSS(1) performance for Q4 2020 and Fiscal 2020. On March 16, 2020, SIR suspended all operations at its five Canyon Creek locations. On July 15, 2020, SIR re-opened the outdoor patio at the Canyon Creek location near the Toronto Pearson International Airport and then followed on July 31, 2020 with the re-opening of the indoor dining room on a limited capacity basis. The other four Canyon Creek locations remained closed.

The downtown Toronto Signature Restaurants had SSS(1) declines of 90.0% and 42.7% for Q4 2020 and Fiscal 2020, respectively. Removing the additional week of revenue from Fiscal 2020, SSS(1) declines would be 91.4% and 43.2% for Q4 2020 and Fiscal 2020, respectively. The Q4 2020 and Fiscal 2020 SSS(1) for the Signature Restaurants does not include the new Duke's Refresher in the St. Lawrence Market neighborhood of downtown Toronto which opened during Q1 2020, on September 26, 2019. On March 16, 2020, SIR suspended all operations at its Signature restaurants. Patios at certain of the Signature restaurants were re-opened as permitted by the provincial government.

Toronto and Peel regions allowed dining rooms and bars to re-open on July 31, 2020 on a similar basis to the other regions in the province.

Cost of Corporate Restaurant Operations

Costs of corporate restaurant operations as a percentage of revenue were 92.8% and 100.0% for Q4 2020 and Fiscal 2020, respectively, compared to 91.6% and 92.1% for Q4 2019 and Fiscal 2019. The slight decline in costs as a percentage of revenue in Q4 2020 reflect a decline in labour costs as a result of the recognition of the CEWS that covers the claim periods from May 4, 2020 to August 30, 2020. Higher costs as a percentage of revenue for Fiscal 2020 was primarily attributable to the significant decline in revenue, compared to Fiscal 2019, and the impairment of non-financial assets, partially offset by lower operating costs due to the shutdown of dining rooms and bars at all SIR restaurants, operating efficiencies, and the recognition of the CEWS that covers the claim periods from March 15, 2020 to August 30, 2020.

Corporate Costs

Corporate costs were $2.5 million and $10.9 million for Q4 2020 and Fiscal 2020, respectively, compared to $4.0 million and $14.0 million for Q4 2019 and Fiscal 2019, respectively. The decrease is primarily the result of lower compensation costs as corporate wages are offset by the recognition of the CEWS that covers the claim periods from March 15, 2020 to August 30, 2020.

Interest Expense

Interest expense for Q4 2020 and Fiscal 2020 was $0.6 million and $1.8 million, respectively, compared to $0.6 million and $1.8 million for Q4 2019 and Fiscal 2019, respectively.

SIR Loan, Fund's Interest in the Partnership & Change in Amortized Cost of Ordinary LP and Class A LP Units

On October 12, 2004, the Fund completed its initial public offering and used the proceeds to acquire the SIR Loan and invest in the Ordinary LP Units of the Partnership. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units (see the Liquidity and Capital Resources section). In accordance with IFRS, SIR has consolidated the Partnership. The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require SIR to pay distributions to the Fund when declared by the board of directors of SIR GP Inc. SIR GP Inc. is controlled by the Fund and, accordingly, SIR is unable to control the declaration of these distributions. As a result, the Ordinary LP Units and 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 Class A LP Units were initially recorded at fair value and subsequently at amortized cost, which requires updating the carrying amount of the financial liability to reflect actual and revised estimates in cash flows. The changes in the estimated cash flows are derived from changes in the value of the underlying Fund units adjusted for taxes and the SIR Loan.

Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income (loss). The change in the amortized cost is a non-cash transaction and accordingly, has no impact on cash flows. For Q4 2020, the change in amortized cost is income of $1.2 million and is due to a significant decrease in the underlying Fund unit price compared to the end of Q3 2020. For Fiscal 2020, the change in amortized cost is income of $99.2 million and is due to a significant decrease in the underlying Fund unit price compared to the end of Q4 2019. The change in amortized cost was income of $40.5 million and $20.3 million for Q4 2019 and Fiscal 2019, respectively. The changes in amortized cost are also impacted by the temporary suspension of unitholder distributions by the Fund related to the temporary suspension of dine-in restaurant operations at all of SIR's restaurants. Unitholder distributions are suspended until further notice.

Interest on the SIR Loan totaled $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively, and $0.9 million and $3.0 million for Q4 2019 and Fiscal 2019, respectively. The Fund has deferred collection of interest on the SIR Loan until further notice in order to provide SIR with financial support during the COVID-19 pandemic.

EBITDA(1) and Adjusted EBITDA(1)

EBITDA(1) was $8.4 million for Q4 2020 and $14.4 million for Fiscal 2020, compared to EBITDA(1) of $7.1 million and $19.8 million for Q4 2019 and Fiscal 2019, respectively.

Adjusted EBITDA(1) was $2.6 million for Q4 2020 and $7.9 million for Fiscal 2020, compared to Adjusted EBITDA(1) of $10.7 million and $23.5 million for Q4 2019 and Fiscal 2019, respectively. (See Selected Consolidated Historical Financial Information – Reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA(1) and Adjusted EBITDA(1).

SIR Royalty Income Fund

The following is a summary of the accounting implications of the SIR Loan and the Fund's interest in the Partnership:

(a) SIR Loan

The $40.0 million SIR Loan is payable to the Fund, bears interest at 7.5% per annum, and is due October 12, 2044. On July 6, 2015, SIR, the Fund and the Partnership entered into an Interlender Agreement to subordinate and postpone their claims against SIR in favour of the lender. The Fund and the Partnership have not guaranteed the current credit facility (see Liquidity and Capital Resources section).

The debt is "permitted indebtedness" within the meaning of the agreements between the Fund, the Partnership and SIR, and as a result the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the lender. This subordination, which includes a subordination of the Partnership's rights under the License and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for Royalty payments based on revenues, 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 License 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 SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will 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. SIR and each obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR 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.

Interest expense on the SIR Loan was charged to the consolidated statements of operations and comprehensive income (loss) in the amount of $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively, and $0.9 million and $3.0 million for Q4 2019 and Fiscal 2019, respectively.

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

The Partnership deferred the collection of royalties and interest on the SIR Loan from SIR until June 30, 2020 and the Fund deferred the collection of interest on the SIR Loan from SIR until June 30, 2020, in order to provide SIR with financial support during the COVID-19 pandemic. These dates were extended to August 30, 2020 and, subsequent to Q4 2020, to December 31, 2020.

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

	17-week Period Ended August 30, 2020	16-week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars) (unaudited)			
Balance – Beginning of the period	1,227	149,045	105,755	137,864
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	(1,227)	(40,450)	(99,181)	(20,287)
Distributions paid to Ordinary LP and Class A LP unitholders	-	(2,840)	(6,574)	(11,822)
Balance – End of period	-	105,755	-	105,755
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	-	94,397	-	94,397

The following is a summary of the results of the operations of the Partnership:

Pooled Revenue[4]	33,567	94,775	180,308	291,874
Partnership royalty income[5]	2,014	5,687	10,883	17,727
Other Income	7	7	24	24
Partnership expenses	(31)	(26)	(85)	(83)
Net earnings of the Partnership	1,990	5,668	10,822	17,668
SIR's residual interest in the earnings of the Partnership:				
Income from Class A & B GP Units of the Partnership	(328)	(1,154)	(1,997)	(3,582)
Income from Class C GP Units of the Partnership	(968)	(919)	(3,033)	(2,992)
	(1,296)	(2,073)	(5,030)	(6,574)
Fund's interest in the earnings of the Partnership	694	3,595	5,792	11,094

(4) *Includes revenue from the SIR Restaurants subject to the License and Royalty Agreement. The Partnership owns the SIR Rights formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada.*

(5) *Partnership royalty income is 6% of Pooled Revenue in accordance with the License and Royalty Agreement, plus a Make-Whole Payment for closed restaurants, if applicable.*

On October 12, 2004, the Partnership issued Ordinary LP and GP Units to the Fund for cash consideration of $11.2 million. The Fund has also acquired Class A LP Units upon SIR's conversion of its Class A GP Units into Fund units. The holders of the Ordinary LP Units and Class A LP Units are entitled to receive their 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 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 Class A LP Units of the Partnership are accounted for at amortized cost, with changes in the carrying value recorded in the consolidated statements of operations and comprehensive income (loss).

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

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the Royalty Pooled Restaurants (the "License and Royalty Agreement").

Under the terms of the License and Royalty Agreement, SIR is no longer required to pay any Make-Whole Payments in respect of a permanently closed restaurant following October 12, 2019. On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP Units will be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues.

As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2020 (January 1, 2019 - two), 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 $3.5 million (January 1, 2019 – increasing the value of the SIR Rights by $4.0 million).

In addition, the revenues of the two (January 1, 2018 – three) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 were 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 $0.02 million in December 2019 and paid in January 2020 (a special conversion distribution of $0.09 million 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 53-week period ended August 30, 2020, a Make-Whole Payment totaling $0.06 million was recognized by SIR for the 53-week period ended August 30, 2020.

SIR's residual interest in the Partnership is 17.84% as at August 30, 2020 (August 25, 2019 – 20.91%).

(c) *Amounts due to the Fund* – (see Transactions with the SIR Royalty Income Fund in the Transactions with Related Parties section)

Liquidity and Capital Resources

Selected Consolidated Statement of Cash Flows Information	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
	(unaudited)			
Cash provided by operations	4,410	9,660	8,047	6,921
Cash used in investing activities	(91)	(3,351)	(3,605)	(10,230)
Cash provided by (used in) financing activities	(3,169)	(5,022)	(6,439)	2,140
Increase (decrease) in cash and cash equivalents during the period	1,150	1,287	(1,997)	(1,169)
Cash and cash equivalents – Beginning of period	467	2,327	3,614	4,783
Cash and cash equivalents – End of period	1,617	3,614	1,617	3,614

Cash provided by operations decreased by $5.4 million in Q4 2020 compared to Q4 2019. The decrease is primarily attributable to an unfavourable variance in the net change in working capital of $7.7 million, partially offset by a decrease in distributions paid to the Ordinary LP and Class A LP unitholders of $2.8 million in the quarter. Cash provided by operations increased by $1.1 million in Fiscal 2020 compared to Fiscal 2019.

Investing activities used cash of $nil and $3.7 million for Q4 2020 and Fiscal 2020, respectively, compared to $3.4 million and $10.2 million for Q4 2019 and Fiscal 2019, respectively. Purchases of property and equipment and other assets – net amounted to $nil and $3.7 million for Q4 2020 and Fiscal 2020, respectively, compared to $3.4 million and $10.6 million in Q4 2019 and Fiscal 2019, respectively. The majority of the capital expenditures for Fiscal 2020 relate to: i) the construction of the new Dukes Refresher in downtown Toronto that opened in Q1 2020; and ii) the construction of the new Scaddabush restaurant in Burlington that opened in Q2 2020. The majority of the capital expenditures for Fiscal 2019 relate to: i) the renovations of five Jack Astor's locations in the year; ii) major renovations at The Loose Moose and the Scaddabush restaurant at the Square One shopping centre in the year; iii) the construction of the new Scaddabush restaurant in Mimico that opened in Q4 2019; and iv) the construction of the new Dukes Refresher in downtown Toronto that opened subsequent to Q4 2019.

Cash used in financing activities was $3.2 million for Q4 2020 and $6.4 million for Fiscal 2020, compared to cash used in financing activities of $5.0 million for Q4 2019 and cash provided by financing activities of $2.1 million for Fiscal 2019, respectively. Bank indebtedness increased by $1.7 million and $0.7 million in Q4 2020 and Fiscal 2020, respectively. Proceeds from issuance of long-term debt were $1.0 million and $21.5 million for Q4 2020 and Fiscal 2020, respectively, and $nil and $20.0 million, respectively, for the corresponding periods a year ago. Principal repayments on long-term debt were $4.2 million and $11.4 million for Q4 2020 and Fiscal 2020, respectively, and $3.7 million and $14.1 million for Q4 2019 and Fiscal 2019, respectively. Proceeds from lease financing were $nil for both Q4 2020 and Fiscal 2020, compared to $nil and $0.3 million for Q4 2019 and Fiscal 2019, respectively. Principal repayments on lease obligations were $1.1 million and $13.5 million for Q4 2020 and Fiscal 2020, respectively, compared to $0.2 million and $0.5 million for Q4 2019 and Fiscal 2019, respectively. Interest paid was $0.5 million and $3.7 million for Q4 2020 and Fiscal 2020, respectively, compared to $1.2 million and $4.6 million for Q4 2019 and Fiscal 2019, respectively. Dividends paid on the common shares of SIR were $nil in both Q4 2020 and YTD 2020, compared to $0.3 million and $1.0 million in Q4 2019 and Fiscal 2019, respectively.

The new Scaddabush restaurant in the Mimico neighbourhood of Etobicoke, Ontario (opened June 2, 2019) was added to the Royalty Pooled Restaurants effective January 1, 2020. At that time, SIR received additional Class A GP Units in accordance with the formula for adjustment for New Additional Restaurants added to Royalty Pooled Restaurants. The amount of Class A GP Units received was adjusted for the Second Incremental Adjustment for the two New Additional Restaurants that were added to Royalty Pooled Restaurants on January 1, 2019 and was reduced by an adjustment for the permanent closure of three SIR Restaurants in 2019. Under the terms of the Exchange Agreement, SIR has the right to convert some or all of the Class A GP Units into Fund units on a one-for-one basis. After the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2020, SIR held 1,818,351 Class A GP Units.

As at August 30, 2020, SIR had current assets of $18.8 million (August 25, 2019 – $17.1 million) and current liabilities of $125.6 million (August 25, 2019 – $52.7 million) resulting in a working capital deficit of $106.8 million (August 25, 2019 – $35.6 million). Revenues in the restaurant business are largely paid by cash and credit cards whereas most suppliers offer credit terms for payment. Therefore, restaurants are able to pay their suppliers from the cash received on revenues in the following months, as the supplier payables are due. Cash balances are typically used to construct new restaurants or re-invest in existing restaurants to grow the business. As a result, SIR, like many other restaurant businesses, would anticipate having a negative working capital balance in the foreseeable future. The reclassification of both the carrying value of the credit facilities under the Credit Agreement and the carrying value of the loan payable to the Fund to current liabilities has resulted in a significant increase in current liabilities. In addition, the adoption of IFRS 16 has resulted in an increase in current liabilities at August 30, 2020 compared to August 25, 2019 as the current portion of lease obligations has been recorded as of the date of adoption, August 26, 2019. SIR's available working capital has been impacted by the COVID-19 outbreak. For more information, please refer to note 1, Going Concern Assumption, in SIR's consolidated financial statements for the 17-week and 53-week periods ended August 30, 2020.

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

The Credit Agreement between SIR and the Lender, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, and September 30, 2020 provides for a maximum principal amount of $41.3 million consisting of a $20.0 million revolving term credit facility (Credit Facility 1), and a $21.3 million revolving term loan (Credit Facility 2). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1.5 million.

Credit Facility 1 is for general corporate and operating purposes, 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 July 6, 2021. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1.

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 principal balance due on July 6, 2021.

During the 52-week period ended August 25, 2019, SIR drew the remaining $0.2 million of the $2.2 million leasing facility. These advances are repayable in equal monthly instalments over 48 months.

During Q1 2020, SIR drew an additional $5.0 million on Credit Facility 2. On April 2, 2020, SIR drew an additional $5.5 million on Credit Facility 2.

As at August 30, 2020, SIR has drawn $36.7 million on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 25, 2019 - $25.2 million).

Under its Credit Agreement, the Company also has access to $6.3 million of credit with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility"). 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. This facility is currently undrawn.

The Credit Agreement contains certain financial and non-financial covenants. As at August 30, 2020, SIR 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. 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.

On May 27, 2020, effective April 1, 2020, SIR received a covenant waiver under its Credit Agreement until June 30, 2020. A copy of this waiver has been filed on SEDAR.

On June 30, 2020, SIR and the 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 June 1, 2020 Third Amending Agreement effective April 1, 2020 until August 31, 2020 (the "Waiver Period"),
- waiving, for the Waiver Period and for the period from September 1, 2020 to the Maturity Date, the financial covenants in the Credit Agreement,
- during the Waiver Period and the period from September 1, 2020 until 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 $6.25 million EDC guaranteed BCAP 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. This facility is currently undrawn.

On September 30, 2020, SIR and its Lender entered into a fifth amending agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020. There can be no assurance that SIR will receive additional waivers or remain in compliance in the future.

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 License 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 SIR, to the Fund and the Partnership, will be permitted for such amounts as are required to fund their monthly operating expenses, up to an annual limit. In addition, the Fund, the Partnership and SIR will 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. SIR and each Obligor provided an undertaking to cooperate and explore all options with the Fund to maximize value to the Fund's unitholders and SIR 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 August 30, 2020, SIR 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.

Prior to the COVID-19 outbreak, SIR was a viable going concern and was in compliance with financial and non-financial covenants as outlined in its Credit Agreement and SIR Loan Agreement.

Given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns, SIR's ability to continue as a going concern for the next 12 to 18 months involves significant judgement and is dependent on its ability to obtain necessary financing through a renewal of its Credit Agreement, the availability of credit under the current Credit Agreement, or other financing sources, and government assistance to aid businesses. 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 SIR, or available on acceptable terms, in an amount sufficient to fund SIR's needs.

As at August 30, 2020, the Company's liquidity was comprised of $1.6 million in cash on hand, $3.3 million available to borrow under the Company's credit facility, and $6.25 million under an EDC guaranteed BCAP.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

These circumstances indicate the existence of a material uncertainty that may cast doubt on SIR'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 SIR be unable to continue as a going concern. Such adjustments could be material.

SIR currently holds 1.8 million Class A GP Units, representing a 17.84% residual interest in the Partnership. The Class A GP Units are exchangeable into units of the Fund on a one for one basis, and, as at August 30, 2020, have a market value of approximately $4.1 million.

Under the Credit Agreement and without prior consent from the Lender, SIR may convert Class A GP Units into Fund Units and promptly sell such units for the purposes of financing construction projects for new and existing restaurants, provided in any year the sale of the units does not exceed the lower of $7.0 million and 0.4 million units.

Contractual Obligations

In 2004, the Partnership granted SIR a 99-year license to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenue of the restaurants included in Royalty Pooled Restaurants. Payment of the Royalty is secured by the Partnership General Security Agreement. On July 6, 2015, SIR, the Fund and the Partnership amended the agreement to subordinate and postpone their claims against SIR in favour of the senior lender. The Partnership and the Fund have not guaranteed the Credit Agreement (Please refer to SIR Royalty Income Fund section).

The security interest for all amounts payable by SIR to the Partnership under the License and Royalty Agreement, as set out in the Partnership General Security Agreement, is substantially the same as, and ranks equally with, the security interest granted by SIR to the Fund in respect of the SIR Loan. SIR consolidates the Partnership, and this transaction between SIR and the Partnership is eliminated in SIR's consolidated financial statements, however the obligation for payments remains.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the License and Royalty Agreement are adjusted for new SIR restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, SIR will be entitled to convert its Class B GP Units to Class A GP Units based on a formula defined in the Partnership Agreement.

Under the terms of the License and Royalty Agreement, SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant as of October 12, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering.

During Q1 2020, SIR permanently closed two restaurants: the Jack Astor's restaurant on John Street in downtown Toronto (effective September 23, 2019) and the Canyon Creek restaurant in Burlington, Ontario (effective October 13, 2019). SIR was required to pay a Make-Whole Payment for the Jack Astor's location from the effective date of closure to December 31, 2019. In accordance with the License and Royalty Agreement, as noted above, as of October 12, 2019, SIR is no longer required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant. Accordingly, no Make-Whole Payment was made in respect of the closed Canyon Creek restaurant in Burlington, Ontario.

The Jack Astor's restaurant on John Street in downtown Toronto, along with the closed Jack Astor's restaurant in the St. Lawrence Market neighbourhood in downtown Toronto and the closed Canyon Creek restaurant in Burlington, Ontario ceased to be part of Royalty Pooled Restaurants on January 1, 2020.

SIR and its subsidiaries have entered into operating leases relating to its head office and restaurant locations with minimum annual payments. 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 development, or government relief measures.

Off-Balance Sheet Arrangements

With the adoption of IFRS 16, operating leases relating to SIR's head office and restaurant locations with minimum annual payments are no longer considered off-balance sheet arrangements. SIR did not have any material off-balance sheet arrangements as at August 30, 2020, nor did it have any subsequent to Q4 2020.

Transactions with Related Parties

SIR has entered into related party transactions with shareholders and directors or companies controlled by shareholders and directors of SIR. The transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant transactions with related parties include:

Transactions with Related Parties	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
	(in thousands of dollars)			
Corporate costs				
Maintenance services provided by a shareholder of SIR	-	-	1	2
Design fees paid to a company owned by a shareholder of SIR	-	28	7	36
Direct costs of restaurant operations				
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	-	31	3	37
Services provided by a shareholder of SIR	-	-	3	4
Property and equipment				
Design and construction management fees and fixtures purchased from a company owned by a shareholder of SIR	-	-	12	15
Fixtures purchased from a shareholder of SIR	-	11	16	57
Equipment purchased from a company owned by a director and shareholder of SIR, together with a member of executive management of SIR	-	36	29	117

Included in trade and other receivables and payables are the following amounts due from and to related parties:

	As at August 30, 2020	As at August 25, 2019
	(in thousands of dollars)	
Amounts due from related parties		
Amounts due from U.S. S.I.R. L.L.C. and its subsidiary	31	-
Prepaid Deposits		
Consulting Services provided by a director of SIR	-	2
Amounts due to related parties		
Amounts due to U.S. S.I.R. L.L.C. and its subsidiary	-	8
Amounts due to companies owned by a shareholder or director of SIR	189	56
Amounts due to a company owned by a party related to a director of SIR	-	31

- Received repayment against loans and advances from U.S. S.I.R. L.L.C. of $nil million and $0.1 million for the 17-week and 52-week periods ended August 30, 2020, respectively (16-week and 52-week periods ended August 25, 2019 - $0.07 million and $0.3 million, respectively). SIR recognized interest income on those loans and advances of $0.03 million and $0.1 million for the 17-week and 52-week periods ended August 30, 2020, respectively (16-week and 52-week periods ended August 25, 2019 - $0.04 million and $0.1 million, respectively). As at August 30, 2020, SIR has loans and advances (adjusted for a provision) of $0.4 million owing from U.S. S.I.R. L.L.C. (August 25, 2019 – $0.6 million).
- SIR advanced $0.01 million to a company owned by a shareholder and director, together with a member of executive management of SIR, during the 52-week period ended August 27, 2017. This advance is non-interest bearing and is

payable on demand.

- During the 52-week period ended August 25, 2019, SIR advanced $0.2 million to a shareholder and director. This advance bears interest at prime plus 2.25%. SIR recognized interest income on this loan of $0.004 million and $0.01 million for the 17-week and 52-week periods ended August 30, 2020, respectively ($0.003 million and $0.01 million for the 16-week and 52-week periods ended August 25, 2019, respectively).

Transactions with the SIR Royalty Income Fund

Advances receivable from the Fund and its subsidiaries as at August 30, 2020 were $3.5 million (August 25, 2019 – $3.3 million). Advances receivable are non-interest bearing and due on demand.

During Q4 2020 and Fiscal 2020, distributions of $0.7 million and $5.8 million, respectively, were declared to the Fund by the Partnership, compared to $3.6 million and $11.1 million for Q4 2019 and Fiscal 2019, respectively. The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions previously declared, but unpaid as at August 30, 2020 were $3.8 million (August 25, 2019 – $4.5 million) and are included in Ordinary LP Units and Class A LP Units of the Partnership in the consolidated statements of financial position.

Interest expense on the SIR Loan totaled $1.0 million and $3.1 million for Q4 2020 and Fiscal 2020, respectively, and $0.9 million and $3.0 million for Q4 2019 and Fiscal 2019, respectively. Interest payable on the SIR Loan as at August 30, 2020 was $1.5 million (August 25, 2019 – $0.5 million).

SIR, 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 of the Partnership. The Partnership provided these services to the Fund and the Trust for consideration of $0.007 million and $0.024 million for Q4 2020 and Fiscal 2020, respectively ($0.007 million and $0.024 million for Q4 2019 and Fiscal 2019, respectively), which was the amount of consideration agreed to by the related parties.

Critical Accounting Estimates and Judgments

The preparation of SIR's consolidated financial statements requires Management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on Management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant judgments and estimates that SIR has made in the preparation of its consolidated financial statements.

Going Concern Assumption

In the preparation of financial statements, SIR's management is required to identify when events or conditions indicate that significant doubt may exist about SIR's ability to continue as a going concern. Significant doubt about SIR's ability to continue as a going concern would exist when relevant conditions and events indicate that SIR 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 SIR identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, SIR considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Impairment of Non-Financial Assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicated that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are the restaurants.

SIR evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration. Goodwill is assessed for impairment together with the assets and liabilities of the related CGU. Impairment losses are recognized in the costs of corporate restaurant operations.

As a result of a decline in sales and earnings related to the COVID-19 pandemic, SIR identified triggering events at Q3 2020 which required SIR 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 53-week period ended August 30, 2020 was as follows:

	53-Week period ended August 30, 2020 **$** (in thousands of dollars)
Impairment of property and equipment	5,036
Impairment of right-of-use assets	4,260
	9,296

In the 53-week period ended August 30, 2020, SIR recorded an impairment loss of $5.0 million 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:

	53-week period ended August 30, 2020 **$** (in thousands of dollars)
Jack Astor's	1,170
Scaddabush	2,168
Signature	1,698
	5,036

In the 53-week period ended August 30, 2020, SIR recorded an impairment loss of $4.3 million 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:

	53-week period ended August 30, 2020 **$** (in thousands of dollars)
Jack Astor's	1,008
Scaddabush	582
Canyon Creek	248
Signature	2,422
	4,260

During the 52-week period ended August 25, 2019, $0.3 million impairment of goodwill was recognized by SIR. The impairment for the 52-week period ended August 25, 2019 is the result of declining sales and earnings at certain restaurants. The recoverable amount was based on value-in-use. Significant assumptions used in the discounted cash flow model included estimated cash flows for the restaurant, the duration of the estimated cash flows, the discount rate of 13% and the estimated proceeds to dispose of the assets at the end of the lease term. Management has performed sensitivity testing and has determined that a reasonable change in the assumptions would not result in a material change to the goodwill impairment.

As a result of a decline in sales and earnings from certain restaurants, SIR conducted an impairment analysis of certain restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for four restaurants was less than the carrying value of the restaurants' non-financial assets (property and equipment).

In Fiscal 2019, SIR recorded an impairment loss of $2.4 million in respect of one Signature restaurant, one Canyon Creek restaurant, and three Jack Astor's restaurants. The recoverable amounts were based on value-in-use using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 13% for the value-in-use methodology. 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.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 30, 2020, SIR evaluated its loans and advances to U.S. S.I.R. L.L.C. for impairment. SIR determined the estimated recoverable amounts by using a discounted cash flow model. Significant assumptions used in the discounted cash flow model include the expected future cash payments. Based on the analysis completed, a provision of $0.3 million for the 53-week period ended August 30, 2020 (52-week period ended August 25, 2019 –$0.2 million) was recognized in the consolidated statements of operations and comprehensive income (loss).

Consolidation of the Partnership

The determination of the entity being exposed to or having rights to variable returns from its involvement with the Partnership and having the ability to affect these returns through its power over the Partnership required significant judgments. Based on an evaluation of the activities of the Partnership and the Partnership Agreement, management concluded the substance of the relationship between the Partnership, SIR and the Fund indicates that the Partnership is controlled by SIR. Accordingly, SIR has consolidated the Partnership.

Ordinary LP Units and Class A LP Units of the Partnership

The classification of a financial instrument as a liability or equity requires significant judgment. Based on an evaluation of the Partnership Agreement and rights of SIR and SIR GP Inc. under this agreement, management concluded that SIR has an obligation to pay distributions once declared. Accordingly, the Ordinary LP Units and Class A LP Units of the Partnership held by the Fund have been classified as a liability in the consolidated statements of financial position.

In addition, accounting for the Ordinary LP Units and Class A LP Units of the Partnership at amortized cost also requires significant estimates. Management is required to estimate the future cash flows for the distributions on the Ordinary LP Units and Class A LP Units, which are estimated using the changes in the underlying unit price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the adjustments and methods used to estimate the cash flows are subject to uncertainty due to the fact that the expected cash flows can only be observed indirectly.

The current portion of the Ordinary LP Units and Class A LP Units is estimated based on the expected cash payments in the next fiscal year. The actual cash payments could differ from the estimates due to changes in the Fund's distribution policy, requirements of the Fund to settle its obligations, such as income taxes, and the performance of the Royalty Pooled Restaurants.

Income Taxes

SIR has recognized certain deferred tax liabilities related to its investments in subsidiaries based on management's estimate of the amount of the deferred tax liability that may reverse in the foreseeable future. In estimating the amount of the deferred tax liability, management considered SIR's strategies and its future financing requirements. Changes in SIR's strategic plan and financing requirements could result in a change in the amount of the deferred tax liability recognized.

Changes in Accounting Policies, Including Recently Issued Accounting Pronouncements

Changes in accounting policies

IFRS 16, Leases

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.

SIR has adopted IFRS 16 using the modified retrospective method. Under this approach, SIR 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 4 to the condensed interim consolidated financial statements.

On adoption, a cumulative adjustment was recognized directly to shareholders' deficiency as at August 26, 2019 that related to adjustments as a result of the elimination of step rent liabilities under IFRS 16. For leases previously classified as finance leases, SIR 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

As of August 26, 2019, SIR recognized right-of-use assets of $118.7 million, and lease obligations of $122.3 million in certain operating lease arrangements for which SIR is considered the lessee with lease terms of more than 12 months. When measuring lease liabilities, SIR 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 SIR's operating lease obligations at August 25, 2019, as previously disclosed in SIR'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 SIR's incremental borrowing rate	(36,135)
Lease obligations recognized as at August 26, 2019	122,257

Amendments to IFRS 9, Financial Instruments

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.

IFRIC 23, Uncertainty over Tax Treatments

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.

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 focused 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. SIR 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. SIR has not yet assessed the impact of the amendment on the consolidated financial statements.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In August 2020, the IASB issued amendments that address issues arising from the implementation of interest rate benchmark reform, including the replacement of one benchmark with an alternative one. The mandatory effective date would be annual periods beginning on or after January 1, 2021, with early adoption permitted. Management is evaluating the amended standards and has not yet determined the impact on the consolidated financial statements.

Accounting pronouncements adopted at August 27, 2018

IFRS 9, Financial Instruments - Classification and Measurement

In July 2014, the IASB issued an amended IFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities. IFRS 9 replaces IAS 39, Financial Instruments - Recognition and Measurement. 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. 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, SIR recorded a provision of $0.02 million on amounts due from related parties. Subsequent adjustments to the provision on amounts due from related parties will be recorded in the statement of earnings.

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. SIR 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, SIR must disaggregate revenue from contracts with customers. SIR has determined that a disaggregation of revenue using Concept and Signature restaurants is adequate for its circumstances. Food and beverage revenue is determined as follows:

Food and beverage revenue by Concept	17-Week Period Ended August 30, 2020	16-Week Period Ended August 25, 2019	53-Week Period Ended August 30, 2020	52-Week Period Ended August 25, 2019
Jack Astor's	26,521	67,696	126,623	206,132
Scaddabush	6,819	15,889	34,322	46,939
Canyon Creek	141	5,217	8,443	19,637
Signature Restaurants	862	8,180	16,420	26,597
	34,343	**96,982**	**185,808**	**299,305**

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. Breakage 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 $0.7 million.

The impact on the 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) $**
Current portion of provisions and other long-term liabilities	4,115	(688)	3,427
Current liabilities	50,815	(688)	50,127
Deficit	(186,807)	688	(186,119)
Shareholders' Deficiency	(166,214)	688	(165,526)
Total liabilities and shareholders' deficiency	75,250	-	75,250

Financial Instruments

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or in comprehensive loss. SIR's financial instruments consist of cash and cash equivalents, trade and other receivables, loans and advances, bank indebtedness, trade and other payables, long-term debt, loan payable to the Fund, and Ordinary LP Units and Class A LP Units of the Partnership. The fair values of cash and cash equivalents, trade and other receivables, bank indebtedness, and trade and other payables approximate their carrying amounts due to their short-term maturity. The carrying value of the loans and advances approximates fair values as the effective interest rate approximates current market rates. The fair value of the long-term debt as at August 30, 2020 is $35.3 million and is determined based on the estimated contractual schedule of payments as the interest rate varies with the current market rates or, in the case of the finance lease obligations, the effect interest rate approximates current market rates. The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of its fair value is not practicable within the constraints of timeliness and cost.

The loan payable to the Fund is due to a related party and there is no active market for the debt. SIR intends to hold the loan payable to the Fund until its maturity on October 12, 2044. The fair value of the loan payable to the Fund as at September 30, 2020 is estimated to be $20.3 million (January 1, 2020 - $39.0 million).

The fair value of the loan payable to the Fund is estimated by discounting the expected cash flows using a current market interest rate adjusted for the Company's credit risk. In determining the appropriate discount rate, management considered available market information as well as the credit risk for SIR.

Management has estimated the discount rate by considering comparable corporate bond rates, risk free rates and SIR's credit risk.

During the nine-month period ended September 30, 2020, management adjusted the discount rate from 7.7% at December 31, 2019 to 15.25% at June 30, 2020. The adjustment consists of an estimated increase in the corporate bond rate and the comparative risk free rate of 1.8% and an increase in management estimate for SIR's credit risk of 6.5%, partially offset by a reduction of 0.80% in the Canadian risk free rate.

SIR's financial instruments exposed to credit risk include cash and cash equivalents, trade and other receivables and loans and advances. SIR minimizes the credit risk of cash and cash equivalents by depositing funds with reputable financial institutions. SIR's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that SIR's trade and other receivables credit risk exposure is limited. SIR monitors the collectability of its loans and advances, predominantly due from related parties, by reviewing them for impairment on an individual basis and recording the instrument at its estimated recoverable amount. SIR has determined that the loans and advances to U.S. S.I.R. L.L.C. are impaired based on estimated future cash flows. Accordingly, the carrying values of these loans and advances are recorded at their estimated recoverable amounts, which were determined by discounting the expected future cash flows.

SIR is exposed to interest rate risk with respect to its credit facility because it has a floating interest rate. The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates for this financial liability would not impact the consolidated statements of operations and comprehensive loss or the carrying value of this financial liability. However the fair value of this financial liability will vary with changes in the interest rates.

SIR is exposed to price risk as the expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership are derived from the market price of the Fund units adjusted for taxes and SIR's loan payable to the Fund. Accordingly, the change in the carrying value of the Ordinary LP Units and Class A LP Units changes with changes in the market price of the Fund units.

Risks and Uncertainties

The performance of SIR is dependent on many factors. The restaurant industry generally, and in particular, the casual and fine dining segment of this industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. Increases in minimum wage rates and other labour legislation may affect the growth and profitability of SIR, as a significant portion of its restaurant employees are paid at wage rates related to minimum wage. SIR Restaurants are subject to laws that prohibit or limit smoking in enclosed workplaces and/or certain outdoor public places, such as restaurant patios. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located.

In addition, factors such as business and economic conditions, changes in foreign exchange, availability of credit, inflation, increased food, labour and benefits costs, taxes, government regulations (including those governing alcoholic beverages and cannabis legislation), weather, seasonality, public safety issues and the availability and quality of food, services and products sold in the restaurants affect the restaurant industry in general and therefore SIR. Please refer to the Fund's March 12, 2020 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

SIR also faces risks and uncertainties related to the COVID-19 outbreak as outlined in the Outlook section below.

The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Outlook

Limited capacity re-openings of in-restaurant and patio dining are expected to continue to result in material declines to sales at SIR restaurants. As a result of the COVID-19 outbreak and ongoing government and public health official recommendations and restrictions, there are material uncertainties that may cast doubt on SIR's ability to continue as a going concern.

On September 30, 2020 the Company and its Lender entered into a fifth amending agreement to its Credit Agreement which, among other things, extended certain waivers from August 31, 2020 to December 31, 2020. There can be no assurance that the Company will receive additional waivers or remain in compliance in the future.

On September 30, 2020, the Fund and the Partnership entered into an acknowledgement consent agreement with the Lender, and the Fund, the Partnership, and the Company entered into a waiver and extension agreement. The current expiration date of certain deferrals in these agreements is December 31, 2020.

Due to increasing COVID-19 case counts in Ontario and Quebec, the provincial governments have imposed increased restrictions on in-restaurant dining. Increased restrictions target regions with the highest new case rates. These restrictions may include, among other things, in increasing levels of adverse impact on SIR's business, such as: lowering music levels, shorter hours for alcohol service, reductions to group sizes, further reductions to indoor seating, and full closure of indoor dining.

On September 28, 2020 the Quebec government announced, effective October 1, 2020, all restaurants and bars in three regions of the province with high rates of new cases would be closed for at least 28 days other than for takeout and delivery. This affected four Jack Astor's locations. Prior to the end of October, the closures were extended another 28 days to November 23, 2020. On November 19, 2020, the Quebec government announced that these closures would remain in place until January 11, 2021.

Effective October 10, 2020, the Toronto, Ottawa and Peel regions returned to modified Stage 2 restrictions, resulting in the temporary closure of indoor dining rooms and bars in these regions for 28 days. SIR has 28 restaurants in these regions. Effective October 19, 2020, the York region, where SIR has five restaurants, was also returned to modified Stage 2 restrictions for 28 days. As of November 7, 2020, dining rooms in the Toronto, Ottawa, Peel, and York regions were permitted to re-open. Effective November 9, 2020, additional regions were moved into various zones within the provincial government's COVID-19 framework, which restricts the capacity of indoor dining guests, as follows:

Provincial Tier	**Public Health Region (Number of SIR restaurants*)**
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	Toronto (19) Peel (6) York (5) Halton (3) Hamilton (2)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	Durham (2) Niagara (2) Ottawa (3) Waterloo (1)
Yellow/Protect • maximum number of guests per table: 6	London Middlesex (3) Simcoe-Muskoka (1)

*The number of SIR restaurants noted above does not include three Canyon Creek restaurants and one Jack Astor's restaurants that were not previously re-opened.

Effective November 23, 2020, the Ontario government announced additional movement of various regions within the provincial government's COVID-19 framework as follows:

Provincial Tier	Public Health Region (Number of SIR restaurants*)
Grey/Lockdown • no indoor or patio dining • take-out and delivery only	Toronto (19) Peel (6)
Red/Control • indoor dining capacity: 10 • maximum number of guests per table: 4	York (5) Halton (3) Hamilton (2) Durham (2) Waterloo (1)
Orange/Restrict • indoor dining capacity: 50 • maximum number of guests per table: 4	Ottawa (3) Niagara (2) Simcoe-Muskoka (1)
Yellow/Protect • maximum number of guests per table: 6	London Middlesex (3) Kingston (1)

*The number of SIR restaurants noted above does not include three Canyon Creek restaurants and one Jack Astor's restaurants that were not previously re-opened.

Effective November 26, 2020, the provincial government in Nova Scotia, where SIR has two locations, announced the closure of all restaurant dining rooms.

Reduced services, restaurant closures and capacity restrictions have resulted, and will continue to result, in material declines to sales at SIR restaurants. In order to provide SIR with financial support, the Partnership deferred the collection of restaurant royalties and the Fund deferred the collection of interest on interest on the SIR Loan from SIR until December 31, 2020.

SIR was deemed eligible for the CEWS program. As a result, SIR received a subsidy from the federal government to partially offset certain of its wage costs starting in mid-March 2020. SIR currently expects to continue to be eligible for this subsidy program through to its current expected end date of June 2021.

SIR is expected to be eligible for the new CERS. However, the program, as passed, appears to limit SIR's claims under the base program to a maximum of 65% of $0.3 million in eligible expenses. As SIR owns all of its restaurants, it appears to be deemed to be considered an "affiliated group" and, as such, the size of the available subsidy is limited. The maximum claim of $0.2 million per month represents approximately 10% of SIR's eligible rent expenses. During periods where indoor dining is mandated to be fully closed, SIR may also be eligible to apply for the 25% lock-down support top-up.

SIR has advised the Fund that its ability to meet its obligations for the next 12 to 18 months is dependent on its ability to obtain increased and extended financing through further amendments to its Credit Agreement and the availability of credit under the current Credit Agreement or other financing sources and/or additional government assistance to aid businesses.

SIR's ability to meet its obligations for the next 12 to 18 months also depends on, among other factors, the length of the closure of dine-in operations at certain of its restaurants due to COVID-19, the speed at which SIR is able to return to full operating capacity in the near future, Canadian economic conditions after bars and restaurants are able to fully re-open, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases. SIR's insurer has denied any business interruption claims due to COVID-19 closures. However, SIR continues to pursue its claim through legal avenues. There can be no assurance this action will be successful.

Description of non-IFRS measures

Management believes that disclosing certain non-IFRS financial measures provides a useful supplemental measure to evaluate SIR's performance. By considering these measures in combination with the most closely comparable IFRS measure, management believes that investors are provided with additional and more useful information about SIR than investors would have if they simply considered IFRS measures alone.

The non-IFRS financial measures do not have standardized meanings prescribed by IFRS. SIR's method of calculating these non-IFRS financial measures may differ from that of other issuers and, accordingly, may not be comparable to measures used by other issuers.

Same Store Sales and Same Store Sales Growth

SIR believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. SIR's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSSG is the percentage increase in SSS over the prior comparable period. SSS includes revenue from all SIR Restaurants except for those locations that were not open for the entire comparable periods in fiscal 2020 and fiscal 2019f and Abbey's Bakehouse as it is not a SIR Restaurant. When a SIR Restaurant is closed, the revenue for the closed restaurant is excluded from the calculation of SSS and SSSG for both the quarter in which the restaurant is closed and the current year-to-date. Please refer to the reconciliation of consolidated revenue to SSS on page 12 and to the definition of SSS in the Revenue section on page 14.

Adjusted Net Earnings (Loss)

Adjusted Net Earnings (Loss) is calculated by removing the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership from the net earnings (loss) for the period. Adjusted Net Earnings (Loss) is a non-GAAP financial measure and does not have a standardized meaning prescribed by IFRS. Management believes that in addition to net earnings (loss), Adjusted Net Earnings (Loss) is a useful supplemental measure to evaluate SIR's performance. Changes in the amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership is a non-cash transaction and varies with changes in the market price of the Fund units. The exclusion of the change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership eliminates this non-cash impact. Management cautions investors that Adjusted Net Earnings (Loss) should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating Adjusted Net Earnings (Loss) may differ from the methods used by other issuers. Please refer to the reconciliations of net earnings (loss) for the period to Adjusted Net Earnings (Loss) on page 9 of this document.

EBITDA and Adjusted EBITDA

References to EBITDA are to the net earnings (loss) for the period before provision for (recovery of) income taxes, interest expense, interest on lease obligations, interest on loan payable to SIR Royalty Income Fund, depreciation and amortization, and change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership.

References to Adjusted EBITDA are to SIR's EBITDA plus or minus interest (income) and other expense (income) – net, goodwill impairment, impairment of non-financial assets, loss on disposal of property and equipment, cash rent payments, and pre-opening costs. Pre-opening costs are added back to EBITDA because management views these costs as investments in new restaurants and not as on-going costs of operations. The opening costs associated with the new Scaddabush restaurants in Etobicoke and Burlington, Ontario are included in pre-opening costs as SIR elected to treat these restaurants as New Additional Restaurants under the License and Royalty Agreement.

Management believes that, in addition to net earnings or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating SIR's performance, as these are useful estimates of the core business' contribution to cash flow from operations and approximate the funds generated by SIR which are available to meet its financing obligations and capital expenditure requirements. Management interprets trends in EBITDA and Adjusted EBITDA as indicators of relative operating performance. EBITDA and Adjusted EBITDA are non-GAAP financial measures and do not have standardized meanings prescribed by IFRS. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net earnings or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of SIR's performance. SIR's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers. Therefore, SIR's EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Please refer to the reconciliation of net earnings (loss) and comprehensive income (loss) for the period to EBITDA and Adjusted EBITDA on page 9 of this document.

Forward Looking Information

Certain statements contained in this report, or incorporated herein by reference, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements concerning the objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, are forward-looking statements. The words "may", "will", "should", "would", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Fund, the Trust, the Partnership, SIR, the SIR Restaurants or industry results, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Risks related to forward-looking statements include, among other things, challenges presented by a number of factors, including: the impact of the COVID-19 pandemic; market conditions at the time of this filing; competition; changes in demographic trends; weather; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products; changes in tariffs and international trade; changes in foreign exchange; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation, including the cost and/or availability of labour as it relates to changes in minimum wage rates or other changes to labour legislation and forced closures of restaurants and bars; laws affecting the sale and use of alcohol (including availability and enforcement); changes in cannabis laws; accounting policies and practices; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. There can be no assurance that SIR will remain compliant in the future with all of its financial covenants under the Credit Agreement and imposed by the lender. Given these uncertainties, readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly disclose or release any updates or revisions to any forward looking statements, except as required by securities legislation**.** Forward-looking statements are based on Management's current plans, estimates, projections, beliefs and opinions, and the Fund and SIR do not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change, except as expressly required by applicable securities laws. This Management's Discussion and Analysis is provided as of November 27, 2020.

In formulating the forward-looking statements contained herein, Management has assumed that it will be successful in dealing with the effects of the COVID-19 pandemic and that business and economic conditions affecting SIR's restaurants and the Fund will return to normalcy within the medium term. For more information concerning the Fund's risks and uncertainties, please refer to the March 12, 2020 Annual Information Form, for the period ended December 31, 2019, which is available under the Fund's profile at www.sedar.com**.**

All of the forward-looking statements made in this report are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Fund or SIR.

Additional information related to the Fund, the Partnership, and SIR can be found at www.sedar.com under SIR Royalty Income Fund and on SIR's website at www.sircorp.com