SIR Corp.

Condensed Interim Consolidated
Financial Statements
(Unaudited)
For the 12-week period ended
November 22, 2020
(in thousands of Canadian dollars)

SIR Corp.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	November 22, 2020 $ (Note 1)	August 30, 2020 $ (Note 1)
Assets		
Current assets		
Cash	2,768	1,617
Trade and other receivables (note 8(c))	8,726	13,464
Inventories	2,491	2,486
Prepaid expenses, deposits and other assets	1,438	883
Current portion of loans and advances	175	386
	15,598	18,836
Non-current assets		
Right-of-use assets – net (note 5)	94,172	97,704
Property and equipment (note 6)	33,676	36,099
Goodwill and intangible assets	4,920	4,954
	148,366	157,593
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	-	3,711
Trade and other payables (note 8(a))	21,968	24,300
Current portion of long-term debt (note 7)	39,004	34,290
Current portion of lease obligation (note 5)	22,194	21,669
Current portion of loan payable to SIR Royalty Income Fund (note 8(a))	35,954	35,942
Current portion of provisions and other long-term liabilities	4,387	5,689
	123,507	125,601
Non-current liabilities		
Long-term portion of lease obligation (note 5)	89,313	91,858
Provisions and other long-term liabilities	2,508	1,459
	215,328	218,918
Shareholders' Deficiency		
Capital stock	20,453	20,453
Contributed surplus	120	108
Deficit	(87,535)	(81,886)
	(66,962)	(61,325)
	148,366	157,593

Going concern (note 1)
Subsequent events (note 10)

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

SIR Corp.

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

(in thousands of Canadian dollars)

	12-week period ended November 22, 2020 $	12-week period ended November 17, 2019 $
Corporate restaurant operations		
Food and beverage revenue (note 4)	28,764	62,069
Gift card revenue	11	84
	28,775	62,153
Costs of corporate restaurant operations	29,429	57,333
(Loss) earnings from corporate restaurant operations	(654)	4,820
Corporate costs	670	3,246
(Loss) earnings before interest and income taxes	(1,324)	1,574
Interest expense	399	422
Interest on loan payable to SIR Royalty Income Fund (note 8(a))	704	695
Interest (income) and other expenses (income) - net	1,845	(69)
Interest on lease obligation (note 5)	1,377	1,693
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	-	(34,691)
(Loss) earnings before income taxes	(5,649)	33,524
Recovery of income taxes	-	(204)
Net (loss) earnings and comprehensive (loss) income for the period	(5,649)	33,728

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

SIR Corp.

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

(in thousands of Canadian dollars)

	12-week period ended November 22, 2020			
	Capital stock $	Contributed surplus $	Deficit $	Total $
Balance – Beginning of period	20,453	108	(81,886)	(61,325)
Stock-based compensation	-	12	-	12
Net loss for the period	-	-	(5,649)	(5,649)
Balance - End of period	20,453	120	(87,535)	(66,962)

	12-week period ended November 17, 2019		
	Capital stock $	Deficit $	Total $
Balance - Beginning of period as at August 25, 2019 as reported	20,453	(162,443)	(141,990)
Change in accounting policy – adoption of IFRS 16	-	2,411	2,411
Total deficit as at August 26, 2019	20,453	(160,032)	(139,579)
Net earnings for the period	-	33,728	33,728
Balance - End of period	20,453	(126,304)	(105,851)

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

SIR Corp.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	12-week period ended	
	November 22, 2020 $	November 17, 2019 $
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the period	(5,649)	33,728
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 8(b))	-	(34,691)
Depreciation and amortization	5,825	5,730
Stock-based compensation	12	-
Income tax recovery	-	(204)
Provision for impairment of loans and advances	1,662	41
Interest expense on long-term debt and SIR Loan	1,103	1,117
Interest on lease obligations	1,377	1,693
Non-cash interest income	(10)	(29)
Amortization of leasehold inducements	-	(136)
Loss on disposal of property and equipment	8	62
Other	(93)	(89)
Supplier and other rebates received	80	1,260
Distributions paid to Ordinary LP and Class A LP unitholders (note 8(b))	-	(2,841)
Income taxes (paid) recovered	-	204
Net change in working capital items (note 9)	999	(3,778)
Cash provided by operating activities	5,314	1,986
Investing activities		
Purchase of property and equipment and other assets	(280)	(1,291)
Advance to shareholder	-	-
Payment received on shareholder loan	-	9
Collection of loans and advances	-	46
Cash used in investing activities	(280)	(1,236)
Financing activities		
Net reduction in bank indebtedness	(3,711)	(3,037)
Proceeds from issuance of long-term debt	7,500	10,000
Principal repayment of long-term debt	(2,787)	(662)
Payment of lease obligations	(4,442)	(4,033)
Interest paid	(443)	(1,139)
Cash (used in) provided by financing activities	(3,883)	1,129
Increase in cash during the period	1,151	1,879
Cash - Beginning of period	1,617	3,614
Cash - End of period	2,768	5,493

1 Going concern assumption

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

The COVID-19 outbreak in Canada has had a negative impact on global economic activity and has had a significant impact on consumer spending in Canada, including restaurant sales. This has resulted in a severe drop in in-restaurant dining and had a significant impact on the results of the Company for its 53-week year ended August 30, 2020 and 12-week period ended November 22, 2020.

An increase in COVID-19 cases in Ontario and Quebec resulted in the provincial government announcements of new closures and restrictions for restaurants and bars in regions of the provinces with the highest rates of new cases. These new closures began September 28, 2020 in Quebec and October 10, 2020 in Ontario, impacting over half of the Company's locations. Refer to note 10 for more details about subsequent events.

As described in note 7, the Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender) which provides for a maximum principal amount of $40,254,000, consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $20,254,000 revolving term loan (Credit Facility 2). The Company and the Lender also have a purchase card agreement providing credit of up to an additional $1,500,000. Credit Facility 1 and Credit Facility 2 both mature within the next 12 months on July 6, 2021 (the "Maturity Date"). The Company also has a number of leases comprised of restaurant properties, head office, and warehouse space. In light of restaurant closures as a result of legislated closures due to COVID-19, the Company continues to work with its landlords to ensure it meets its obligations under its lease agreements. As at November 22, 2020, the Company was not current with certain lease payments at its restaurant properties, office, and warehouse space. Certain of the Company's landlords have provided relief in the form of deferred and abated rent payments.

Given the uncertainty surrounding the COVID-19 outbreak and the increasing government mandated shutdowns, the Company's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management is currently addressing its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Refer to note 10 for more details. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in an amount sufficient to fund the Company's needs.

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

- the speed at which the Company is able to return to full operating capacity in the near future,
- Canadian economic conditions after bars and restaurants are able to re-open,

- the ability to obtain necessary financing through a renewal of its Credit Agreement,
- the availability of credit under the current Credit Agreement or other financing sources,
- government assistance, including the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy,
- business interruption insurance coverage, and the Company's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases, and
- the type and impact of continued government mandated pandemic-related operating regulations.

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

2 Nature of operations and fiscal year

Nature of operations

The Company is a private company amalgamated under the Business Corporations Act of Ontario. As at November 22, 2020, the Company owned a total of 59 (August 25, 2019 - 60) Concept and Signature restaurants in Canada (in Ontario, Quebec, Alberta, Nova Scotia and Newfoundland) (the SIR Restaurants). The Concept restaurants are Jack Astor's Bar and Grill® (Jack Astor's®), Canyon Creek Chop House® (Canyon Creek®) and Scaddabush Italian Kitchen & Bar® (Scaddabush) and the Signature restaurants are Reds® Wine Tavern, Reds® Midtown Tavern, Reds® Square One, and Loose Moose Tap & Grill®. The Company also owns two Dukes Refresher® & Bar locations in downtown Toronto, and one seasonal restaurant, Abbey's Bakehouse®, which are considered Signature restaurants, and are not currently part of Royalty Pooled Restaurants (note 8(b)).

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

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The unaudited condensed interim consolidated financial statements were approved for issuance by the Board of Directors on January 6, 2021.

Fiscal year

The Company's fiscal year is made up of 52 or 53-week periods ending on the last Sunday in August. The fiscal quarters for the Company consist of sequential accounting periods of 12, 12, 12 and 16 or 17 weeks, respectively. The fiscal years for 2021 and 2020 consist of 52 weeks and 53 weeks, respectively.

3 Basis of presentation

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) for interim financial reporting, including International Accounting Standard (IAS) 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended August 30, 2020 and August 25, 2019, which have been prepared in accordance with IFRS.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company's audited consolidated financial statements for the years ended August 30, 2020 and August 25, 2019. Changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended August 30, 2020 and August 25, 2019 are described in note 3(a), recently adopted accounting pronouncements.

a) Recently adopted accounting pronouncements

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

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

Amendments to IFRS 3, Business Combinations

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

b) Recently issued accounting pronouncements

IFRS 16, Leases (IFRS 16)

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. The Company has received certain rent concessions related to COVID-19 and has applied the amendment which resulted in no lease modifications.

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.

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 classification of liabilities as current or non-current. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 16, Property, Plant and Equipment

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IAS 37, Provisions

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

4 Disaggregated revenue

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

	12-week period ended November 22, 2020 $	12-week period ended November 17, 2019 $
Jack Astor's	21,967	41,771
Scaddabush	5,515	10,578
Canyon Creek	117	3,492
Signature Restaurants	1,165	6,228
	28,764	62,069

5 Right-of-use assets and lease obligations

Leases are included as follows in the consolidated balance sheet as at November 22, 2020:

	Property $	Equipment $ (in thousands of dollars)	Total $
At August 30, 2020	96,225	1,479	97,704
12-week period ended November 22, 2020 Amortization	(3,393)	(139)	(3,532)
Right-of-use assets – net at November 22, 2020	92,832	1,340	94,172

For the 12-week period ended November 22, 2020, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 30, 2020	113,527
Adjustment for lease abatements	65
Leases previously treated as long-term debt	980
Repayments	(4,442)
Interest	1,377
As at November 22, 2020	111,507
Less: current portion of lease obligations	(22,194)
Long-term portion of lease obligations	89,313

Interest expense on lease obligations for the 12-week period ended November 22, 2020 was $1,377,000 (12-week period ended November 17, 2019 - $1,639,000). Total cash outflow for the 12-week period ended November 22, 2020 for leases was $4,442,000 (12-week period ended November 17, 2019 - $4,033,000) which includes $3,065,000 of principal payments (12-week period ended November 17, 2019 - $2,394,000) and $1,377,000 of interest on lease obligations (12-week period ended November 17, 2019 - $1,639,000). Expenses for leases of low-dollar value items are not significant. All extension options have been included in the measurement of lease obligations where it is reasonably certain the option will be taken.

6 Property and equipment

	Corporate			Restaurants		
	Furniture, fixtures and equipment $	**Leasehold improvements $**	**Computer equipment and software $**	**Furniture, fixtures and equipment $**	**Leasehold improvements $**	**Total $**
	(in thousands of dollars)					
As at August 30, 2020						
Cost	692	381	2,516	70,755	103,801	178,145
Accumulated depreciation and impairment losses	(681)	(235)	(2,238)	(49,911)	(88,981)	(142,046)
Net book value as at August 30, 2020 as reported	11	146	278	20,844	14,820	36,099
Net book value as at August 30, 2020	11	146	278	20,844	14,820	36,099
Additions	5	-	-	66	48	119
Disposals	-	-	-	(3)	(3)	(6)
Depreciation	(5)	(2)	(29)	(1,244)	(1,256)	(2,536)
As at November 22, 2020	11	144	249	19,663	13,609	33,676
As at November 22, 2020						
Cost	697	381	2,516	70,790	103,800	178,184
Accumulated depreciation and impairment losses	(686)	(237)	(2,267)	(51,127)	(90,191)	(144,508)
Net book value as at November 22, 2020	11	144	249	19,663	13,609	33,676

7 Bank indebtedness and long-term debt

The Company has a credit agreement (Credit Agreement) with a Schedule 1 Canadian chartered bank (the Lender). The Credit Agreement, as amended on December 8, 2017, July 6, 2018, April 1, 2020, June 30, 2020, September 30, 2020, and December 21, 2020, provides for a maximum principal amount of $40,254,000, consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), and a $20,254,000 revolving term loan (Credit Facility 2). The Company and the Lender also have a purchase card agreement providing credit of up to an additional $1,500,000.

Credit Facility 1 is for general corporate and operating purposes, including capital spending on new and renovated restaurants, bearing interest at the prime rate plus 3.25% and/or the bankers' acceptance rate plus 4.25%, principal repaid in one bullet repayment on July 6, 2021. A standby fee of 0.85% is charged on the undrawn balance of Credit Facility 1. Provided the Company is in compliance with the Credit Agreement, the principal amount of Credit Facility 1 can be repaid and reborrowed at any time during the term of the Credit Agreement.

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

As at November 22, 2020, the Company has drawn $36,243,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 30, 2020 - $36,718,000).

Under its Credit Agreement, the Company also has access to $6,250,000 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. On December 14, 2020, SIR drew $3,000,000 million on this facility.

The Credit Agreement contains certain financial and non-financial covenants. As at November 22, 2020, the Company was in breach of these covenants as a result of the impact of the COVID-19 outbreak on its operations. As a result, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities. As part of the fourth amending agreement with the Lender, the two financial covenants in the Credit Agreement are replaced by a minimum quarterly EBITDA amount. Management continues to work closely with its Lender for guidance and support.

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

8 SIR Royalty Income Fund

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

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

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

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

At November 22, 2020, the Company was in breach of the covenants in the SIR Loan Agreement. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

Interest expense charged to the condensed interim consolidated statements of operations and comprehensive income (loss) for the 12-week period ended November 22, 2020 was $704,000 (12-week period ended November 17, 2019 - $695,000), which includes interest on the SIR Loan of $692,000 (12-week period ended November 17, 2019 - $683,000) and amortization of financing fees of $12,000 (12-week period ended November 17, 2019 - $12,000). Interest payable on the SIR Loan as at November 22, 2020 was $1,492,000 (August 30, 2020 - $2,183,000) and is recorded in trade and other payables.

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

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

	12-week period ended November 22, 2020 $	12-week period ended November 17, 2019 $
	(in thousands of dollars)	
Balance - Beginning of period	-	105,755
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	-	(34,691)
Distributions paid to Ordinary LP and Class A LP unitholders	-	(2,841)
Balance - End of period	-	68,223
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	-	(8,965)
Ordinary LP Units and Class A LP Units of the Partnership	-	59,258
The following is a summary of the results of operations of the Partnership:		
Pooled Revenue*	27,736	60,661
Partnership royalty income*	1,664	3,705
Other income	6	6
Partnership expenses	(54)	(15)
Net earnings of the Partnership	1,616	3,696
The Company’s interest in the earnings of the Partnership	(948)	(1,430)
Fund’s interest in the earnings of the Partnership	668	2,266

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

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

During the 12-week period ended November 22, 2020, distributions of $668,000 (12-week period ended November 17, 2019 - $2,266,000) were declared to the Fund through the Partnership. Distributions paid during the 12-week period ended November 22, 2020 were $nil (12-week period ended November 17, 2019 - $2,841,000). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. Distributions payable to SIR Royalty Income Fund as at November 22, 2020 were $4,433,000 (August 30, 2020 - $3,766,000).

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

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

Under the terms of the Licence and Royalty Agreement, the Company may be required to pay a Make-Whole Payment in respect of the reduction in revenue for restaurants closed during a reporting period. As of October 12, 2020, the 15th anniversary of the closing date of the Fund's Initial Public Offering, the Company is not required to pay any Make-Whole Payment in respect of a closed restaurant. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2020, one new SIR Restaurant was added (January 1, 2019 – two new SIR Restaurants were added) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one new SIR Restaurant on January 1, 2020 (January 1, 2019 – two new SIR Restaurants), as well as the Second Incremental Adjustment for two new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2019 (January 1, 2018 - three), SIR converted its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of three (January 1, 2019 – one) SIR Restaurants during 2019. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units (January 1, 2019 – SIR converted 197,824 Class B GP Units into 197,824 Class A GP Units) on January 1, 2020 reducing the value of the SIR Rights by $3,493,096 (January 1, 2019 – increasing the value of the SIR Rights by $3,986,264).

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

As a result of the permanent closure of one SIR restaurant during the 12-week period ended November 17, 2019, a Make-Whole payment to the Partnership of $65,000 has been recognized by the Company.

As at November 22, 2020, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2020, the Company's residual interest in the Partnership is 17.84% (August 30, 2020 – 17.84%). The Company continues to maintain control of the Partnership and, therefore, continues to consolidate the Partnership.

c) Advances receivable from SIR Royalty Income Fund

Advances receivable from SIR Royalty Income Fund as at November 22, 2020 were $3,613,000 (August 30, 2020 - $3,535,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

The Partnership continues to defer the collection of restaurant royalties in order to provide the Company with financial support. In addition, the Partnership continues to defer payment of distributions to unitholders and the Fund continues to defer collection of the interest on the SIR Loan. As a result, during the 12-week period ended November 22, 2020, the Partnership recognized an impairment loss on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks. A rate of 40% was applied to the advances receivable at November 22, 2020.

	As at November 22, 2020 $ (in thousands of dollars)
SIR Royalty Limited Partnership	
Advances receivable – SIR GP	578
Advances receivable – SIR Holdings Trust	1,234
Advances receivable – SIR Royalty Income Fund	1,793
	3,605
Provision for impairment	(1,442)
	2,163

The Company, through the Partnership, has entered into an arrangement with the Fund and the Trust, whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc., in its capacity as the Managing General Partner. For the 12-week period ended November 22, 2020, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 (12-week period ended November 17, 2019 - $6,000), which was the amount of consideration agreed to by the related parties.

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

The net change in working capital items is as follows:

	12-week period ended November 22, 2020 $	12-week period ended November 17, 2019 $
	(in thousands of dollars)	
Trade and other receivables	3,296	144
Inventories	(5)	91
Prepaid expenses, deposits and other assets	(505)	(802)
Trade and other payables	(3,021)	(3,061)
Provisions and other long-term liabilities	1,234	(150)
	999	(3,778)

10 Subsequent events

On December 21, 2020 the Company and its Lender entered into a sixth amending agreement to its Credit Agreement which, among other things, extended certain waivers from December 31, 2020 to March 31, 2021. There can be no assurance that the Company will receive additional waivers or remain in compliance in the future.

On December 21, 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 March 31, 2021.

Due to increasing COVID-19 case counts in Ontario, the provincial government moved Southern Ontario regions into lockdown for at least 28 days beginning on December 26, 2020. As a result, the Company closed all of its dining rooms, bars and patios. The Company continues to offer take-out and delivery services at certain of its locations.

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

- the length of the closure of dine-in operations,
- the speed at which the Company is able to return to full operating capacity in the near future,

- Canadian economic conditions after bars and restaurants are able to re-open, and
- the type and impact of new government mandated pandemic-related operating regulations.

Reduced services and restaurant closures have resulted, and will continue to result, in material declines to sales at SIR restaurants. 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 the Company until March 31, 2021.