SIR Corp.

Consolidated Financial Statements
August 29, 2021 and August 30, 2020
(in thousands of Canadian dollars)

Independent auditor's report

To the Directors of SIR Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SIR Corp. and its subsidiaries (together, the Company) as at August 29, 2021 and August 30, 2020, and its financial performance and its cash flows for the 52-week period ended August 29, 2021 and the 53-week period ended August 30, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at August 29, 2021 and August 30, 2020;
- the consolidated statement of operations and comprehensive income (loss) for the 52-week period ended August 29, 2021 and the 53-week period ended August 30, 2020;
- the consolidated statement of changes in shareholders' deficiency for the 52-week period ended August 29, 2021 and the 53-week period ended August 30, 2020;
- the consolidated statement of cash flows for the 52-week period ended August 29, 2021 and the 53-week period ended August 30, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
November 29, 2021

SIR Corp.
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	August 29, 2021 $ (Note 1)	August 30, 2020 $ (Note 1)
Assets		
Current assets		
Cash	9,606	1,617
Trade and other receivables (notes 7, 15(a)(c))	8,410	13,464
Inventories	2,531	2,486
Prepaid expenses, deposits and other assets	992	883
Loans and advances (notes 8 and 19)	284	386
	21,823	18,836
Non-current assets		
Right-of-use assets – net (notes 13 and 24)	82,561	97,704
Property and equipment (note 9)	26,696	36,099
Goodwill and intangible assets (note 10)	4,819	4,954
	135,899	157,593
Liabilities		
Current liabilities		
Bank indebtedness (note 14)	-	3,711
Trade and other payables (notes 11, 15(a), 19)	25,009	24,300
Current portion of long-term debt (notes 6 and 14)	30,437	34,290
Current portion of lease obligation (notes 13 and 24)	21,536	21,669
Current portion of loan payable to SIR Royalty Income Fund (notes 6 and 15(a))	35,997	35,942
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 15(a)(b))	6,572	-
Current portion of provisions and other long-term liabilities (note 16)	4,292	5,689
	123,843	125,601
Non-current liabilities		
Long-term portion of lease obligation (notes 13 and 24)	80,442	91,858
Provisions and other long-term liabilities (note 16)	1,150	1,459
Ordinary LP Units and Class A LP Units of the Partnership (note 15(b))	53,526	-
	258,961	218,918
Shareholders' Deficiency		
Capital stock (notes 17 and 18)	20,462	20,453
Contributed surplus (notes 17 and 18)	150	108
Deficit	(143,674)	(81,886)
	(123,062)	(61,325)
	135,899	157,593

Going concern (note 1)

Subsequent events (note 26)

Approved by the Board of Directors

Director: (Signed) Grey Sisson

Director: (Signed) Peter Fowler

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

SIR Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(in thousands of Canadian dollars)

	52-week Period ended August 29, 2021 $	53-week Period ended August 30, 2020 $
Corporate restaurant operations		
Food and beverage revenue (note 12)	107,921	185,808
Gift card revenue	134	248
	108,055	186,056
Costs of corporate restaurant operations (notes 19 and 20)	103,131	186,090
Earnings (loss) from corporate restaurant operations	4,924	(34)
Corporate costs (notes 19 and 20)	6,996	10,897
Loss before interest and income taxes	(2,072)	(10,931)
Interest expense (notes 14 and 24)	2,135	1,849
Interest on loan payable to SIR Royalty Income Fund (notes 14 and 15(a))	3,056	3,085
Interest expense (income) and other expense (income) – net (notes 13 and 24)	(11,262)	(547)
Interest on lease obligation (notes 13 and 24)	5,145	6,139
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 15(a)(b))	60,645	(99,181)
(Loss) earnings before income taxes	(61,791)	77,724
Recovery of income taxes (note 23)	(3)	(422)
Net (loss) earnings and comprehensive (loss) income for the period	(61,788)	78,146

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

SIR Corp.
Consolidated Statements of Changes in Shareholders' Deficiency

(in thousands of Canadian dollars)

	52-week ended August 29, 2021			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 30, 2020	20,453	108	(81,886)	(61,325)
Exercise of stock options (notes 17 and 18)	9	-	-	9
Stock-based compensation (notes 17 and 18)	-	42	-	42
Net loss for the period	-	-	(61,788)	(61,788)
Balance - End of period	20,462	150	(143,674)	(123,062)

	53-week ended August 30, 2020			
	Capital stock $	Contributed Surplus $	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)
Stock-based compensation	-	-	-	-
Net earnings for the period	-	-	78,146	78,146
Balance - End of period	20,453	-	(81,886)	(61,433)

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

SIR Corp.

Consolidated Statements of Cash Flows

August 29, 2021 and August 30, 2020

(in thousands of Canadian dollars)

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
Cash provided by (used in)		
Operating activities		
Net (loss) earnings for the period	(61,788)	78,146
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 15(b))	60,645	(99,181)
Depreciation and amortization (notes 9, 10 and 13)	21,812	24,747
Stock based compensation (notes 17 and 18)	42	108
Income tax recovery (note 23)	(3)	(422)
Provision for impairment of loans and advances (notes 8 and 19)	2,122	340
Impairment of non-financial assets (note 9)	432	9,296
Interest expense on long-term debt and SIR Loan (notes 14 and 15)	5,191	4,934
Other items affecting interest (notes 14 and 15)	33	-
Interest on lease obligations (note 13)	5,145	6,139
Non-cash interest loss (notes 14 and 15)	(9)	(91)
Loss on disposal of property and equipment and right-of-use assets net of lease liabilities (notes 9, 10 and 13)	1,065	281
Other (note 22)	(456)	(399)
Other inducements received (note 22)	129	1,512
Distributions paid to Ordinary LP and Class A LP unitholders (note 15(b))	(547)	(6,574)
Income taxes recovered (note 23)	3	422
Net change in working capital items (note 22)	(762)	(11,211)
Cash provided by operating activities	33,053	8,047
Investing activities		
Purchase of property and equipment and other assets (notes 9 and 10)	(997)	(3,743)
Payment received on shareholder loan (note 8 and 19)	-	13
(Issuance) collection of loans and advances (note 8)	(108)	125
Cash used in investing activities	(1,105)	(3,605)
Financing activities		
Increase (decrease) in bank indebtedness (notes 6 and 14)	(3,711)	674
Proceeds from issuance of long-term debt (notes 6 and 14)	20,250	21,500
Principal repayment of long-term debt (notes 6 and 14)	(23,861)	(11,361)
Payment of lease obligations (note 13)	(13,770)	(13,533)
Interest paid (note 14)	(2,456)	(3,669)
Exercise of stock options (notes 17 and 18)	9	-
Financing fees paid (notes 6 and 14)	(420)	(50)
Cash used in financing activities	(23,959)	(6,439)
Increase (decrease) in cash and cash equivalents during the period	7,989	(1,997)
Cash and cash equivalents - Beginning of period	1,617	3,614
Cash and cash equivalents - End of period	9,606	1,617

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

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 pandemic 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 52-week period ended August 29, 2021.

As described in note 14, 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 $50,680,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $18,180,000 revolving term loan (Credit Facility 2), a $6,250,000 guaranteed facility with Economic Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a $6,250,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into a purchase card agreement providing credit of up to an additional $1,500,000. Credit Facility 1 and Credit Facility 2 both mature on July 6, 2022 (the "Maturity Date"). The Company also has a number of leases comprised of restaurant properties, head office, and warehouse space. In light of previous restaurant closures, the risk of future government mandated shutdowns and ongoing capacity restrictions, as a result of the pandemic, the Company continues to work with its landlords to ensure it meets its obligations under its lease agreements. As at August 29, 2021, the Company was still deferring (however, negotiating payment arrangements on deferred amounts) certain lease payments while remaining current on recent lease obligations 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 pandemic and the risk surrounding potential future government mandated shutdowns and/or capacity restrictions, the Company's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. Management continues to address its financial requirements and the details of certain financial and non-financial covenants within the Credit Agreement with the Lender. Effective May 31, 2021, the Company and its Lender entered into an eighth amending agreement to its Credit Agreement which, among other things, extended the maturity date of the credit facilities as well as certain waivers from July 6, 2021 to July 6, 2022. Refer to note 14 for more details on this agreement. There can be no assurance that borrowings will be available to the Company, or available on acceptable terms, in the future, in an amount sufficient to fund the Company's needs.

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

- SIR's ability to remain operating at full operating capacity in the near future,
- Canadian economic conditions affecting bars and restaurants that are able to fully re-open,
- the ability for SIR to obtain necessary financing through a renewal of its Credit Agreement,
- the availability of credit under SIR's current Credit Agreement or other financing sources,
- SIR's eligibility for continued government assistance, including the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). For the 52-week period ended August 29, 2021, SIR recognized government assistance through the CEWS program of $22,171,000 (August 30, 2020 - $11,141,000), the CERS program of $4,974,000 (August 30, 2020 - $nil), and other government subsidies of $4,202,000 (August 30, 2020 - $nil). Of these amounts, $24,109,000 (August 30, 2020 - $9,893,000), was recognized as a reduction to costs of corporate restaurant operations, $3,256,000 (August 30, 2020 - $1,248,000), was recognized as a reduction to corporate costs and $3,982,000 (August 30, 2020 - $nil), was recognized as other expense (income).
- business interruption insurance coverage, and SIR's ability (if necessary) 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.

During fiscal 2021, reduced services and restaurant closures have resulted in material declines to sales at SIR restaurants. These circumstances and the risk of future restrictions and/or closures in combination with the Credit Agreement coming due in less than 12 months, indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. These 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.

Coronavirus (COVID-19) pandemic

The hospitality industry has faced significant challenges related to operating restrictions imposed by federal, provincial and municipal governments in response to the pandemic during fiscal 2021. All levels of government are beginning to announce and roll-out reopening plans that will allowed restaurants to reopen with limited capacity indoor dining and continually reduce capacity restrictions (refer to subsequent events note 26 for more details). As the recovery from the pandemic slowly progresses, there is still significant uncertainty surrounding the pandemic and the risk of government mandated shutdowns and/or increased capacity limitations as well as SIR's ability to renew its Credit Agreement, which, expires in less than 12 months. A large part of the reopening plan involved requiring patrons to show proof of full vaccination (vaccine certificate or passport) along with identification to dine indoors at restaurants.

During the 52-week period ended August 29, 2021, the Company has permanently closed six restaurants, three Canyon Creek locations, one Scaddabush, one Reds and one Duke's.

On May 31, 2021, SIR and its Lender entered into the Eighth Amending Agreement to its Credit Agreement. The Eighth Amending Agreement provides for the following:

- an extension of the waivers of certain of the previously granted anticipated covenant breaches and events of default until July 6, 2022 (the "Eighth Amending Agreement Waiver Period"),
- waiving, for the Eighth Amending Agreement Waiver Period which now extends to the July 6, 2022 Maturity Date, the financial covenants in the Credit Agreement,

- during the Eighth Amending Agreement Waiver Period which now extends to the Maturity Date, the two financial covenants in the Credit Agreement are replaced by a Cumulative Minimum EBITDA Covenant, which the Company is in compliance with as at August 29, 2021,
- SIR will be allowed to miss quarterly projections by up to $3,500,000 cumulatively prior to July 6, 2022.
- waiver of the minimum quarterly EBITDA covenant amount for SIR's fiscal 2021 third quarter,
- the definition of EBITDA has been amended back to the definition in the original credit agreement.
- royalty payments on current sales to the SIR Royalty Limited Partnership ("the Partnership") and Interest on the SIR Loan to the SIR Royalty Income Fund ("the Fund") are to recommence effective July 7, 2021 and the Company has resumed both payments as at August 29, 2021,
- SIR will be entitled to begin repaying deferred royalty payments to the Partnership and interest on the SIR Loan to the Fund under the condition that at least 25 restaurants have, for six consecutive weeks, been allowed the use of at least 50 indoor dining seats and the use of their patios (with social distancing). These conditions were met as at August 15, 2021. The repayments, on a net basis, amount to approximately $5,303,000 on the deferred royalties to the Partnership and $3,500,000 of interest on the SIR Loan to the Fund as at August 29, 2021. This estimate relates to the amounts deferred during the period of April 1, 2020 up to and including August 29, 2021. This includes royalty payments from March 9, 2020 through to and including May 9, 2021 (6% royalty on the actual pooled revenue for those 61 weeks). The amount also includes interest on the SIR Loan over the same period. Netted against these two amounts owing by SIR to the Partnership and the Fund are the amounts owing, over the same time period, from the Partnership to SIR attributable to SIR's share of the income of the Partnership for the Class A and Class C GP Units owned by SIR. Effective September 15, 2021, having met these conditions above, SIR will begin its repayment of deferred royalties and interest on the SIR Loan. These amounts will be repaid over 10 monthly installments of $530,000 and $350,000, respectively.

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

On May 31, 2021, the Fund and the Partnership entered into a consent agreement with the Lender acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- that none of: entering the agreement, borrowing under the agreement, or performing any of the obligations under the agreement shall breach any of the terms or constitute an event of default under any of the Fund's or the Partnership's existing agreements with SIR,

On May 31, 2021, the Fund and the Partnership entered into a waiver and extension agreement with the Lender and SIR, acknowledging, among other things:

- receipt of a copy of the Eighth Amending Agreement,
- the extension of the period of the deferral of interest on the SIR Loan to the Fund and royalties to the Partnership from July 6, 2021 to July 6, 2022, and
- the waiver of any and all existing breaches of covenants and events of default under the various agreements between SIR, the Fund, and the Partnership until July 6, 2022.
- as a result of the Acknowledgment Agreement, the Lender consented to the resumption of regular payments by SIR to the Fund and the Partnership.

On May 20, 2021, the Ontario government announced a province-wide "Roadmap to Reopen". The three-step plan allowed restaurants to reopen for limited capacity (four guests per table) outdoor dining in Step 1 commencing on June 11, 2021. Step 2 which allowed for a slight increase in outdoor capacity to a maximum of six guests per table commenced on June 16, 2021. Step 3, which allowed for indoor dining and outdoor patio dining with physical distancing, but no other extraordinary capacity restrictions commenced on July 16, 2021. On August 17, 2021, in response to evolving data around the Delta variant, the government, in consultation with Ontario's Chief Medical Officer of Health paused the exit from the Roadmap to Reopen.

Effective May 28, 2021, the province of Quebec permitted the reopening of dining on patios in all regions, where SIR has four restaurants. Effective May 31, 2021 (where SIR has two restaurants) and June 7, 2021 (where SIR has two restaurants), respectively, the province permitted the reopening of indoor dining in certain locations.

Effective June 2, 2021, the province of Nova Scotia permitted the reopening of dining on patios in the Halifax Regional Municipality, where SIR has two restaurants. Effective June 16, 2021, the province permitted the reopening of indoor dining (10 guests per table) and effective June 30, 2021, the province further extended table capacity and service hours. Effective July 14, 2021 Nova Scotia moved into Phase 3 of its reopening plan permitting restaurants to return to regular hours of operation while all other COVID-19 operational requirements, including physical distancing between tables, remain in place. Refer to subsequent events note 26 for more details.

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 August 29, 2021, the Company owned a total of 51 (August 30, 2020 - 59) Concept and Signature restaurants in Canada (in Ontario, Quebec, 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® Square One, and Loose Moose Tap & Grill®. The Company also owns one Dukes Refresher® & Bar location 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 15(a)(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 15(a) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 15(a)(b)). On October 12, 2004, the Partnership acquired from the Company the Canadian trademarks used in connection with the operation of the majority of the Company's restaurants in Canada.

The address of the Company's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The consolidated financial statements were approved for issuance by the Board of Directors on November 29, 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 consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

4 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention with the exception of certain assets and liabilities as outlined in Financial Instruments (note 6).

Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. The subsidiaries include one structured entity, being the Partnership, and the following wholly owned subsidiaries: Jack Astor's (Dorval) Realty Inc., Jack Astor's (Greenfield) Realty Inc., Jack Astor's (Boisbriand) Realty Inc., Jack Astor's (Laval) Realty Inc., Jack Astor's MacLeod Trail Ltd., Armadillo Burlington Limited Partnership, SIR West Inc., 1031246 Ontario Limited, and 961471 Ontario Limited.

All intercompany accounts and transactions have been eliminated.

The Company consolidates an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date control ceases.

Revenue recognition

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. Revenue from restaurant operations is recognized when services are rendered. Revenue is recorded net of discounts and delivery fees.

Gift card revenue represents the estimated revenue that is earned on gift card sales where the gift card will never be redeemed. This breakage amount is estimated based on historical actuals as a percentage of sales. Deferred revenue represents amounts paid by customers in advance of the purchase of products which typically takes the form of pre-loaded gift cards. The amounts received are recorded as a liability within the current portion of provisions and other long-term liabilities on the consolidated statements of financial position. 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.

Costs of corporate restaurant operations

Costs of corporate restaurant operations include all costs directly attributable to the operations of the restaurants, including food and beverage costs, labour, rent, depreciation and amortization, impairment losses, and other direct costs of restaurant operations, including an allocation of costs for information technology, finance and other corporate costs.

Corporate costs

Corporate costs include salaries and benefits, selling and marketing expenses, professional and other fees and other general and administrative expenses.

Cash

Cash include cash on hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

Inventories

Inventories, which consist of food, beverage and merchandise, are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds the net realizable amount, a writedown is recognized. The writedown may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statements of operations and comprehensive income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Corporate furniture, fixtures and equipment	5 years straight-line
Computer equipment and software	5 years straight-line
Restaurant furniture, fixtures and equipment	5 to 10 years straight-line

Leasehold improvements	over the lease term on a straight-line basis to a maximum of 10 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted, if appropriate.

Impairment losses and gains and losses on disposals of restaurant property and equipment are included in costs of corporate restaurant operations.

Intangible and other assets

Intangible computer software is recorded at cost, less accumulated amortization, and is amortized over three to five years on a straight-line basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost, less accumulated impairment losses. Impairment losses are recognized in the costs of corporate restaurant operations. Goodwill is allocated to each cash-generating unit (CGU) that is expected to benefit from the related business combination. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there 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.

The Company 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.

Leases of equipment

IFRS 16 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.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

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

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

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

In applying IFRS 16 on August 26, 2019, the Company has elected to apply the following practical expedients permitted by the standard:

- Reliance on previous assessment on whether leases are onerous;
- The accounting for operating leases with lease term of 12 months or less and leases of low-value assets as at August 29, 2021 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at August 30, 2020. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4, Determining whether an Arrangement Contains a Lease.

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

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

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

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

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

Supplier rebates

Supplier rebates are upfront payments received under supplier agreements, which are recognized as a reduction of the cost of purchases over the term of the supplier agreements.

Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets at amortized cost: Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets at amortized cost comprise cash, trade and other receivables and loans and advances, and are included in current assets due to their short-term nature, except for the portion expected to be realized beyond 12 months from the date of the consolidated statements of financial position. Financial assets at amortized cost are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, financial assets at amortized cost are measured at amortized cost using the effective interest method less a provision for impairment.

ii) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

    Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of operations and comprehensive income. Gains and losses arising from changes in the fair value are presented in the consolidated statements of operations and comprehensive income in interest (income) and other (income) expense in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the date of the consolidated statements of financial position, which is classified as long-term.

iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include bank indebtedness, trade and other payables, long-term debt, loan payable to SIR Royalty Income Fund and the Ordinary LP

Units and Class A LP Units of the Partnership. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Bank indebtedness, long-term debt, the loan payable to SIR Royalty Income Fund and the Ordinary LP Units and Class A LP Units of the Partnership are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

i) Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following:

i) Significant financial difficulty of the obligor;
ii) Delinquencies in interest or principal payments;
iii) Restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
v) The disappearance of an active market for a security because of financial difficulties.

ii) Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses on:

i) Financial assets measured at amortized cost; and
ii) Contracted assets.

The Company measures loss allowances at an amount equal to lifetime expected credit losses.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. Expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected credit losses are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime expected credit losses, by considering reasonably available quantitative and qualitative information based on the Company’s credit risk experience, forward looking information, and other reasonable estimates.

Ordinary LP Units and Class A LP Units of the Partnership

The Ordinary LP Units and Class A LP Units of the Partnership, which are held by the Fund, require the Company 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, the Company 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 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 Company's loan payable to the Fund. Changes in amortized cost are recognized in the consolidated statements of operations and comprehensive income.

Income taxes

Income tax comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations and comprehensive income, except to the extent to which they relate to items recognized directly in other comprehensive income (OCI) or directly in equity, in which case the income taxes are also recognized directly in OCI or equity, respectively.

Current tax is the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income taxes are not recognized if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income taxes are provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

Stock-based compensation and other stock-based payments

The Company has a stock option plan. Each tranche of the award was considered a separate award with its own vesting period and grant date fair value. Compensation expense was recognized over the tranche's vesting period and a corresponding adjustment to contributed surplus equal to the fair value of the equity instruments granted using the Black-Scholes option pricing model taking into consideration estimates for forfeitures. The contributed surplus is reduced as options are exercised through a credit to capital stock. Any consideration paid by employees or directors on exercising stock options is credited to capital stock.

Long-term management bonus

The Company has a long-term management bonus plan, which entitles certain employees to earn a bonus based on the cash flows of the restaurants. The long-term management bonus is payable in cash over a two-year period on leaving the program. The cost of the long-term management bonus is determined using the projected unit credit method. The related liability is recognized in the consolidated statements of financial position at the present value of the obligation at the end of the reporting period.

The discount rate applied in arriving at the present value of the liability represents the equivalent yield on high quality corporate bonds denominated in Canadian dollars and having terms to maturity approximating the terms of the related liability. Current service cost and past service costs arising on the liability are included in the costs of corporate restaurant operations and corporate costs in the consolidated statements of operations and comprehensive income. Interest costs arising on the liability are included in interest expense. Past service costs and changes in estimates are recognized immediately in the period.

Asset retirement obligations

Asset retirement obligations are the legal obligations associated with the retirement of tangible non-financial assets. The Company has determined the lease-end remediation costs based on its best estimate of the required payment to settle the obligation. Accretion of the obligation over time is based on the market rate of interest for maturity dates that coincide with the expected cash flows.

Provisions and contingent liabilities

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and the amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of operations and comprehensive income in the period in which they are incurred.

Government Grants

In accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, a government grant is recognized only when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grants are recognized in earnings (loss) and comprehensive income (loss) on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Recently adopted IFRS

Amendments to IFRS 16, Leases, COVID-19-Related Rent Concessions

In May 2020, the IASB issued an amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The mandatory effective date was for annual periods beginning on or after June 1, 2020. The amended standard has been implemented by the company and did not have a material impact on these consolidated financial statements

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.

IFRS issued but not yet effective

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 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.

IAS 1, Presentation of Financial Statements

This standard has been amended to clarify the classification of liabilities as current or non-current, depending on the rights that exist at the end of the reporting period. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates to clarify the distinction between changes in accounting policies and changes in accounting estimates and the correction of errors. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

In May 2021, the IASB issued amendments to IAS 12 that require an entity to recognize deferred tax on certain transactions such as leases and decommissioning obligations that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

5 Significant accounting estimates and judgments

The preparation of 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 accounting judgments and estimates that the Company has made in the preparation of its consolidated financial statements.

Impairment of non-financial assets

The Company tests goodwill for impairment at least annually and tests other non-financial assets for impairment when there is any indication that the asset might be impaired. The Company has estimated the recoverable amounts of the CGUs to which goodwill is allocated using discounted cash flow models that required assumptions about future cash flows, margins and discount rates. Refer to note 9 for more details about methods and assumptions used in estimating the recoverable amounts.

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 29, 2021, the Company evaluated its loans and advances from U.S. S.I.R. L.L.C. for impairment. The Company determined the estimated recoverable amounts by using a discounted cash flow model. Significant assumptions used in the discounted cash flow model included the expected future cash payments. Based on the analysis completed, a provision of $221,000 for the 52-week period ended August 29, 2021 (53-week period ended August 30, 2020 - $340,000) was recognized related to the loans and advances from U.S. S.I.R. L.L.C. in the consolidated statements of operations and comprehensive income (loss).

Consolidation of the Partnership

The determination of the entity having the power to govern the financial and operating policies of 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 relationships between the Partnership, the Company and the Fund indicates that the Partnership is controlled by the Company. Accordingly, the Company 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 the Company and SIR GP Inc. under this agreement, management concluded that the Company 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 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 the Company’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

The Company 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 the Company's strategies and its future financing requirements. Changes in the Company's strategic plan or financing requirement could result in a change in the amount of the deferred tax liability recognized.

6 Financial instruments

Classification

The following table summarizes the carrying values, fair values and classification of the financial assets and liabilities.

	August 29, 2021		August 30, 2020	
	Carrying value $	Fair value $	Carrying value $	Fair value $
	(in thousands of dollars)		(in thousands of dollars)	
Amortized cost				
Cash	9,606	9,606	1,617	1,617
Trade and other receivables	8,410	8,410	13,464	13,464
Loans and advances	284	284	386	386
Liabilities				
Amortized cost				
Bank indebtedness	-	-	3,711	3,711
Trade and other payables	25,009	25,009	24,300	24,300
Long-term debt	30,437	see below	34,290	see below
Loan payable to SIR Royalty Income Fund (a)	35,997	see below	35,942	see below
Ordinary LP Units and Class A LP Units of the Partnership (b)	60,098	see below	-	see below

Carrying and fair values

Cash, trade and other receivables, bank indebtedness and trade and other payables are short-term financial instruments the fair values of which approximate their carrying values, given that they will mature in the short term. The carrying value of the loans and advances approximates fair value as the effective interest rate approximates current market rates. The fair value of long-term debt 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.

(a) The loan payable to the Fund is due to a related party (see note 15(a)) and there is no active market for the debt. The Company 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, 2021 is estimated to be $21,750,000 (January 1, 2021 - $21,750,000).

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

During the nine-month period ended September 30, 2021 for the Fund, management of the Fund adjusted the discount rate from 14.35% at January 1, 2021 to 14.40% at September 30, 2021. The adjustment consists of an estimated decrease in the corporate bond rate of 0.77% combined with an increase of 0.81% in the Canadian risk free rate.

(b) 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 their fair values is not practicable within the constraints of timeliness and cost.

Financial risk management

Financial risk management is carried out by the management of the Company and its Board of Directors. The Company's main financial risk exposure, as well as its risk management policy, is detailed as follows.

Interest rate risk

The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates would not impact the consolidated statements of operations and comprehensive income or the carrying value of these financial liabilities. However, the fair value of these financial liabilities will vary with changes in interest rates.

As at August 29, 2021, the Company had $30,437,000 (August 30, 2020 - $38,002,000) in outstanding floating rate debt and bank indebtedness with an effective interest rate of 6.9% (August 30, 2020 – 5.8%). For the 52-week period ended August 29, 2021, the Company incurred interest expense on its floating rate long-term debt and bank indebtedness of $1,878,000 (53-week period ended August 30, 2020 - $1,626,000). Since the long-term debt and bank indebtedness have variable interest rates, changes in market interest rates will have an impact on the Company's net earnings. An increase or decrease in the market rate of interest of 1% on the balances outstanding as at August 29, 2021, would result in a decrease or increase, respectively, in net earnings of $307,000 for the 52-week period ended August 29, 2021 (53-week period ended August 30, 2020 - $380,000).

The Company's policy is to invest excess cash in short-term highly liquid investments with original maturity of three months or less. It is not the Company's practice to hedge against changes in interest rates.

Other price risk

The expected cash flows used in the estimate of the amortized cost of the Ordinary LP Units and Class A LP Units are derived from the market price of the Fund units adjusted for taxes and the Company'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. An increase/decrease in the market price of the Fund units of 5% would result in an increase/decrease of the carrying value of Ordinary LP Units and Class A LP Units of the Partnership of $5,071,000 (August 30, 2020 - $nil).

Credit risk

Credit risk is defined as the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in its cash, trade and other receivables and loans and advances. The Company minimizes the credit risk of cash by depositing funds with reputable financial institutions. The Company's trade and other receivables primarily comprise amounts due from major credit card companies; therefore, management believes that the Company's trade and other receivables credit risk exposure is limited. The Company 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. The Company has determined that the loans and advances to U.S. S.I.R. L.L.C. are impaired based on estimated future cash flows of U.S. S.I.R. L.L.C. Accordingly, the carrying values of the loans and advances are recorded at their estimated recoverable amounts, which were determined by discounting the expected future cash flows. In addition, the Company regularly receives payments on these loans and advances and, accordingly, recognized interest income of $18,000 during the 52-week period ended August 29, 2021 (53-week period ended August 30, 2020 - $108,000).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due.

As at August 29, 2021, the Company's liquidity was comprised of $8,303,000 in cash on hand (which excludes cash on hand from the Partnership of $1,303,000) and $20,000,000 available to borrow under the Company's credit facility (note 1 and 14(a)). Given the uncertainty surrounding the pandemic, the risk of future government mandated shutdowns and/or capacity restrictions and the Company's Credit Facility being due in less than 12 months, the Company's ability to continue as a going concern for the next 12 to 18 months involves significant judgement. The Company's 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. 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. Availability under the credit facility is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lender. The Company prepares budgets and forecasts to evaluate its ability to meet future cash obligations. The Company continues to assess changes in the marketplace, including economic conditions and consumer confidence.

The Company consolidates its investment in the Partnership. Included in cash is $1,303,000 (August 30, 2020 - $331,000) of cash of the Partnership. These funds can only be utilized by the Partnership and are not available to the Company for other general corporate purposes. These funds are maintained in separate bank accounts of the Partnership.

The estimated contractual payments required for the financial liabilities are as follows:

	As at August 29, 2021		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Trade and other payables	25,009	-	-
Long-term debt*	30,437	-	-
Loan payable to SIR Royalty Income Fund*	42,992	-	-
	98,438	-	-

	As at August 30, 2020		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Bank indebtedness	3,711	-	-
Trade and other payables	24,300	-	-
Long-term debt*	34,290	-	-
Loan payable to SIR Royalty Income Fund*	35,942	-	-
	98,243	-	-

* Includes principal repayments and an estimate of interest payable based on current market interest rates or the interest rate per the credit agreement.

The above table excludes the cash flows relating to the Ordinary LP Units and Class A LP Units of the Partnership, as these are not contractual obligations until declared. The estimated amount expected to be paid in the next fiscal year is $nil (August 30, 2020 - $nil).

7 Trade and other receivable

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Trade receivables	2,065	1,636
Receivables from SIR Royalty Income Fund and its subsidiaries (note 15(c))	2,295	3,536
Marketing receivables	88	93
Gift card receivables	67	49
Government subsidies receivable	1,211	3,980
Quebec income tax recoverables	121	323
Takeout & delivery partner receivables	512	497
Other (a)	2,051	3,350
	8,410	13,464

a) U.S. S.I.R. L.L.C. is owned by shareholders of the Company (refer to 0 for a description of the relationship) and manages the ongoing operations of the Company's U.S. restaurant operations. U.S. S.I.R L.L.C owns 75% of a restaurant operating in the U.S. which has permanently closed during the 52-week period ended August 29, 2021. The Company has amounts receivable from this restaurant of $127,000 as at August 29, 2021 (August 30, 2020 - $40,000). The Company determined that these receivables are impaired. A rate of approximately 75% (representing the Company's ownership in these expected losses) was applied to the receivable at August 29, 2021.

	As at August 29, 2021 $ (in thousands of dollars)
Receivable – U.S. restaurant operations	127
Provision for impairment	(95)
	32

8 Loans and advances

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10%, interest only repayable annually, due on August 31, 2003 (a)	1,180	1,180
Advances to and receivables from U.S. S.I.R. L.L.C., non-interest bearing, due on demand (a)	1,995	1,887
Advances to and receivables from subsidiaries of U.S. S.I.R. L.L.C., non-interest bearing, due on demand (a)	398	398
Loan receivable from U.S. S.I.R. L.L.C., with interest at 10% and no set terms of repayment (a)	2,284	2,284
Loan receivable from U.S. S.I.R. L.L.C., non-interest bearing, due on demand (a)	265	265
Loan receivable from a company owned by a shareholder and director, together with a member of executive management of SIR, non-interest bearing, due on demand	10	10
Loan receivable from a shareholder, with interest at 6.75%, due on August 15, 2022 (note 19)	174	165
	6,306	6,187
Provision for impairment	(6,022)	(5,801)
	284	386
Current portion	(284)	(386)
Long term portion	-	-

a) U.S. S.I.R. L.L.C. is owned by shareholders of the Company and, accordingly, is a related party. Loans and advances are reviewed for impairment on an individual basis. The assessment of impairment is based on the expected ability of the payor to make the required payments when due. Prior to 2008, loans and advances were made to U.S. S.I.R. L.L.C. and its subsidiaries to facilitate ongoing operations and the closure of certain restaurant operations. The Company determined that these loans and advances are impaired based on estimated future cash flows of the remaining US operations. Accordingly, the loans and advances to U.S. S.I.R. L.L.C. have been recorded at their estimated net realizable value of $100,000 (August 30, 2020 - $213,000). During the 52-week period ended August 29, 2021, the Company made cash advances of $108,000 (53-week period ended August 30, 2020 - $nil) to U.S. S.I.R. L.L.C. and its subsidiaries, received cash payments of $nil (53-week period ended August 30, 2020 - $125,000) and recognized interest income of $nil (53-week period ended August 30, 2020 - $81,000).

A continuity of the loans and advances to U.S. S.I.R. L.L.C. and subsidiaries is as follows:

	$ (in thousands of dollars)
Balance - August 25, 2019	597
Payments received	(125)
Interest	81
Impairment	(340)
Balance – August 30, 2020	213
Advances paid	108
Payments received	-
Interest	-
Impairment (recorded against the advances receivable)	(221)
Balance – August 29, 2021	100

9 Property and equipment

	Corporate			Restaurants		
	Furniture, fixtures and equipment $	Leasehold improvements $	Computer equipment and software $	Furniture, fixtures and equipment $	Leasehold improvements $	Total $
			(in thousands of dollars)			
As at August 25, 2019						
Cost	688	326	2,430	73,965	106,754	184,163
Accumulated depreciation and impairment losses	(652)	(228)	(2,074)	(48,916)	(82,962)	(134,832)
Net book value as at August 25, 2019 as reported	36	98	356	25,049	23,792	49,331
Adoption of IFRS 16	-	-	-	(1,527)	-	(1,527)
Net book value as at August 25, 2019 as Reported	36	98	356	23,522	23,792	47,804
Net book value as at August 25,2019	36	98	356	23,522	23,792	47,804
Additions	4	55	86	2,078	1,115	3,338
Disposals	-	-	-	(219)	(62)	(281)
Depreciation	(29)	(7)	(164)	(4,537)	(4,989)	(9,726)
Impairment losses	-	-	-	-	(5,036)	(5,036)
As at August 30, 2020	11	146	278	20,844	14,820	36,099
As at August 30, 2020						
Cost	692	381	2,516	75,824	107,807	187,220
Accumulated depreciation and impairment losses	(681)	(235)	(2,238)	(54,980)	(92,987)	(151,121)
Net book value as at August 30, 2020	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	-	22	-	289	181	492
Disposals	-	-	-	(212)	(864)	(1,076)
Depreciation	(11)	(7)	(217)	(4,175)	(3,977)	(8,387)
Impairment losses	-	-		-	(432)	(432)
As at August 29, 2021	-	161	61	16,746	9,728	26,696
As at August 29, 2021						
Cost	692	403	2,516	68,502	91,343	163,456
Accumulated depreciation and impairment losses	(692)	(242)	(2,455)	(51,756)	(81,615)	(136,760)
Net book value as at August 29, 2021	-	161	61	16,746	9,728	26,696

Property and equipment include $67,000 (August 30, 2020 - $289,000) of costs for restaurants under development that were not being depreciated as at August 29, 2021.

As a result of a decline in sales and earnings primarily related to the COVID-19 pandemic, the Company identified triggering events which required the Company to conduct an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for one restaurant (2020 – 12 restaurants) was less than the carrying value of the restaurants' non-financial assets (property and equipment). 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.

Restaurant furniture, fixtures and equipment, leasehold improvements and non-financial assets were written down to reflect their impairment as follows:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Impairment of property and equipment	432	5,036
Impairment of right-of-use assets	-	4,260
	432	9,296

In the 52-week period ended August 29, 2021, the Company recorded an impairment loss of $432,000 relating to the property and equipment of one Jack Astor's restaurant. The recoverable amounts for one Jack Astor's restaurant was based on value-in-use using a discounted cash flow model. Significant assumptions used in this model include the estimate of cash flows and a discount rate of 16% for this methodology.

In the 53-week period ended August 30, 2020, the Company recorded an impairment loss of $5,036,000 relating to the property and equipment of one Scaddabush restaurant, three Signature restaurants and four Jack Astor's restaurants. The recoverable amounts for one Jack Astor's restaurant and one Signature restaurant were based on value-in-use using a discounted cash flow model. The recoverable amounts for one Scaddabush restaurant, two Signature restaurants and four Jack Astor's restaurants were based on the discounted cash flow (fair value less cost to sell). Significant assumptions used in these models include the estimate of cash flows and a discount rate of 15% for both methodologies.

In the 52-week period ended period ended August 29, 2021, the Company recorded an impairment loss of $nil (August 30, 2020 - $4,260,000) in respect of the right-of-use assets (2020 - 11 restaurants (one Scaddabush restaurant, three Canyon Creek restaurants, three Signature restaurants and four Jack Astor's restaurants)).

10 Goodwill and intangible assets

	Goodwill $	Computer software $	Total $
As at August 25, 2019			
Cost	5,410	2,192	7,602
Accumulated amortization and impairment losses	(1,258)	(1,342)	(2,600)
Net book value	4,152	850	5,002
For the 53-week period ended August 30, 2020			
As at August 25, 2019	4,152	850	5,002
Additions	-	241	241
Amortization	-	(289)	(289)
As at August 30, 2020	4,152	802	4,954
As at August 30, 2020			
Cost	5,410	2,433	7,843
Accumulated amortization and impairment losses	(1,258)	(1,631)	(2,889)
Net book value	4,152	802	4,954
For the 52-week period ended August 29, 2021			
As at August 30, 2020	4,152	802	4,954
Additions	-	187	187
Amortization	-	(322)	(322)
As at August 29, 2021	4,152	667	4,819
As at August 29, 2021			
Cost	5,410	2,622	7,990
Accumulated amortization and impairment losses	(1,258)	(1,953)	(3,171)
Net book value	4,152	667	4,819

Goodwill has been allocated to the following Concept restaurants:

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Jack Astor’s	4,001	4,001
Scaddabush	151	151
	4,152	4,152

As a result of a decline in sales and earnings primarily related to the COVID-19 pandemic, the Company identified triggering events which required the Company to conduct an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for all restaurants with goodwill and intangibles was greater than the carrying value of the restaurants' non-financial assets (goodwill and intangibles). 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 16% (2020 – 15%) 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 assessment.

11 Trade and other payables

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Trade payables	13,432	19,257
Accrued liabilities	6,926	2,446
Construction payables	470	916
Interest payable on SIR Loan (note 15(a))	3,992	1,492
Payables to related parties (note 19)	189	189
	25,009	24,300

12 Disaggregated revenue

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:

	52-week period ended August 29, 2021 $	53-week ended August 30, 2020 $
	(in thousands of dollars)	
Jack Astor's	84,435	126,623
Scaddabush	20,690	34,322
Canyon Creek	468	8,443
Signature Restaurants	2,328	16,420
	107,921	185,808

13 Right-of-use assets and lease obligations

Leases are included as follows in the consolidated balance sheet as at August 29, 2021:

	Property $	Equipment $	Total $
	(in thousands of dollars)		
At August 30, 2020	96,225	1,479	97,704
52-week period ended August 29, 2021			
Additions	4,866	67	4,933
Termination of leases	(6,952)	(21)	(6,973)
Amortization	(12,601)	(502)	(13,103)
Right-of-use assets – net at August 29, 2021	81,538	1,023	82,561

For the 52-week period ended August 29, 2021, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 30, 2020	113,527
Adjustments for lease abatements	(861)
Additions	4,933
Termination of leases	(6,985)
Repayments	(13,770)
Interest	5,145
Other	(10)
As at August 29, 2021	101,978
Less: current portion of lease obligations	(21,536)
Long-term portion of lease obligations	80,442

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

	As at August 29, 2021 $ (in thousands of dollars)
Fiscal 2022	14,859
Fiscal 2023	15,105
Fiscal 2024	15,088
Fiscal 2025	14,731
Fiscal 2026 and thereafter	58,842
Total undiscounted lease obligations	118,625
Total discounted lease obligations	101,978

Interest expense on lease obligations for the 52-week period ended August 29, 2021 was $5,145,000 (August 30, 2020 - $6,139,000). Total repayments for the 52-week period ended August 29, 2021 for leases was $13,770,000 (August 30, 2020 - $13,533,000) which includes $8,625,000 of principal payments and $5,145,000 of interest on lease obligations (August 30, 2020 - $7,394,000 and $6,139,000). As a result of the the pandemic, the Company was offered certain rent abatements from landlords of $861,000 (August 30, 2020 - $1,141,000) during the 52-week period ended August 29, 2021. Abatements were recorded in Interest expense (income) and other expense (income) – net (refer to note 24 for more information).

Expenses for leases of low-dollar value items are not significant. All extension options have been included in the measurement of lease obligations where applicable.

Effective February 9, 2021, the Company permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three closed restaurants included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke's was not. The Company was offered an early lease termination agreement from the landlord, which would pay the Company proceeds of $6,000,000 (net of deferred occupancy costs paid) if the properties were returned on February 28, 2021. Given the current operating environment and uncertain future prospects, the Company decided to exercise this option and return the properties to the landlord. Termination of the right-of-use assets and the lease liability for these three locations for the 52-week period ended August 29, 2021 was $4,983,000 and $5,581,000, respectively.

Effective February 28, 2021, the Company reached an agreement with the landlord on an early lease termination agreement for the formerly closed Jack Astor's in MacLeod Trail, Calgary. The agreement would pay the landlord proceeds of $400,000, over three equal installments on March 1, 2021, April 1, 2021 and May 1, 2021, respectively. Termination of the right-of-use assets and the lease liability for this location for the 52-week period ended August 29, 2021 was $1,157,000 and $1,157,000, respectively.

14 Bank indebtedness and long-term debt

	52-week period ended August 29, 2021 (in thousands of dollars)				
	Credit Facility 1 (a) $	Credit Facility 2 (a) $	EDC Guaranteed Facility 2 (a) $	BDC Guaranteed Facility 2 (a) $	Total $
Balance - Beginning of period	16,711	21,290	-	-	38,001
Issuance of long-term debt	7,750	-	6,250	6,250	20,250
Repayment of long-term debt	(20,750)	(3,111)	-	-	(23,861)
Repayment of bank indebtedness	(3,711)	-	-	-	(3,711)
Finance fees paid	-	(205)	(190)	(25)	(420)
Amortization of finance fees	-	101	76	1	178
Balance - End of period	-	18,075	6,136	6,226	30,437
Current portion of long-term debt	-	(18,075)	(6,136)	(6,226)	(30,437)
Long-term debt	-	-	-	-	-

	53-week period ended August 30, 2020 (in thousands of dollars)		
	Credit Facility 1 (a) $	Credit Facility 2 (a) $	Total $
Balance - Beginning of period	14,015	13,090	27,105
Issuance of long-term debt	11,000	10,500	21,500
Repayment of long-term debt	(9,000)	(2,361)	(11,361)
Increase in bank indebtedness	674	-	674
Finance fees paid	(20)	(30)	(50)
Amortization of finance fees	42	91	133
Balance - End of period	16,711	21,290	38,001
Bank indebtedness	(3,711)	-	(3,711)
Current portion of long-term debt	(13,000)	(21,290)	(34,290)
Long-term debt	-	-	-

Reconciliation of interest expense to interest paid	**52-week period ended August 29, 2021 $**	**53-week period ended August 30, 2020 $**
	(in thousands of dollars)	
Interest expense	5,224	4,934
Amortization of finance fees	(234)	(186)
Interest on equity bonus	(6)	(35)
Asset retirement obligation accretion	(16)	(1)
Change in prepaid interest	(12)	(13)
Change in interest payable	(2,500)	(1,030)
Interest paid	2,456	3,669

a) 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, December 21, 2020, March 31, 2021 and May 31, 2021 provides for a maximum principal amount of $50,680,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $18,180,000 revolving term loan (Credit Facility 2), a $6,250,000 guaranteed facility with Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (EDC-Guaranteed Facility) and a $6,250,000 Business Development Bank of Canada ("BDC") guaranteed Highly Affected Sectors Credit Availability Program ("HASCAP") facility (the "BDC-Guaranteed Facility"). SIR and the Lender have also entered into 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, which was subsequently amended to be repaid on July 6, 2022. 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 July 6, 2021, which was amended to be repaid on July 6, 2022.

As at August 29, 2021, the Company has drawn $9,877,000 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 Export Development Canada ("EDC") through the guaranteed Business Credit Availability Program ("BCAP") (the "EDC-Guaranteed Facility"). The EDC-Guaranteed Facility bears interest at the prime rate plus 3.5%. 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. A standby fee of 0.90% is charged on the undrawn balance of this facility. For the 52-week period ended August 29, 2021, SIR has drawn $6,250,000 million on this facility.

The BDC-Guaranteed Facility bears interest at a fixed rate of 4%. The BDC-Guaranteed Facility is a 10 year revolving-term credit facility, with a one year principal payment moratorium and can be extended at the Lender's sole discretion by a further 12 months. For the 52-week period ended August 29, 2021, SIR has drawn $6,250,000 million on this facility.

The Credit Agreement contains certain financial and non-financial covenants. As part of the eighth amending agreement with the Lender, the two financial covenants in the Credit Agreement have been replaced by a minimum quarterly EBITDA amount and the Credit Agreement has been extended to July 6, 2022. As at August 29, 2021, the Company was in compliance with these amended covenants. As a result of the Credit Agreement being due within the next 12 months on July 6, 2022, the carrying value of the credit facilities under the Credit Agreement were reclassified to current liabilities.

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.

	Long-term debt repayments $ (in thousands of dollars)
2021	30,437

The effective interest rate on long-term debt as at August 29, 2021 is 5.9% (August 30, 2020 – 5.7%).

15 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.

As at August 29, 2021, the Company would have been in breach of the covenants in the SIR Loan Agreement for which a waiver had been previously obtained. The waiver extends until July 6, 2022; however, there can be no certainty that the Company will not continue to be in breach of the covenants subsequent to July 6, 2022. As a result, the carrying value of the loan payable to the Fund was reclassified to current liabilities.

Interest expense charged to the consolidated statements of operations and comprehensive income (loss) for the 52-week period ended August 29, 2021 was $3,056,000 (53-week periods ended August 30, 2020 - $3,085,000), which includes interest on the SIR Loan of $2,992,000 (53-week periods ended August 30, 2020 - $3,033,000, respectively), amortization of financing fees of $56,000 (53-week periods ended August 30, 2020 - $52,000) and other interest of $8,000 (53-week periods ended August 30, 2020 - $nil). Interest payable on the SIR Loan as at August 29, 2021 was $3,992,000 (August 30, 2020 - $1,492,000) and is recorded in trade and other payables.

The Company has recorded the SIR Loan at amortized cost. The Company has netted the financing fees against the SIR Loan and amortizes this cost over the term of the SIR Loan using the effective interest method. Unamortized financing fees netted against the SIR Loan as at August 29, 2021 were $4,003,000 (August 30, 2020 - $4,058,000).

The Company has the right to require the Fund to, indirectly, purchase it's 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

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

	52-week period ended August 29, 2021$	53-week period ended August 30, 2020$
Balance - Beginning of period	-	105,755
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	60,645	(99,181)
Distributions paid to Ordinary LP and Class A LP unitholders	(547)	(6,574)
Balance - End of period	60,098	-
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(6,572)	(11,358)
Ordinary LP Units and Class A LP Units of the Partnership	53,526	(11,358)

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

	52-week period ended August 29, 2021$	53-week period ended August 30, 2020$
Pooled Revenue*	104,946	108,308
Partnership royalty income*	6,316	10,883
Other income	22	24
Partnership expenses	(163)	(85)
Net earnings of the Partnership	6,175	10,822
The Company's interest in the earnings of the Partnership	(3,718)	(5,030)
Fund's interest in the earnings of the Partnership	2,457	5,792

*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 52-week period ended August 29, 2021, distributions of $859,000 (53-week periods ended August 30, 2020 - $5,792,000) were declared to the Fund through the Partnership. Distributions paid during the 52-week period ended August 29, 2021 were $547,000 (53-week periods ended August 30, 2020 - $6,574,000). 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 August 29, 2021 were $4,064,000 (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, 2019, the 15th anniversary of the closing date of the Fund's Initial Public Offering, the Company is not required to pay any Make-Whole Payment in respect of a closed restaurant. On January 1 of each year (the Adjustment Date), the restaurants subject to the Licence and Royalty Agreement are adjusted for new SIR Restaurants opened for at least 60 days preceding such Adjustment Date. At each Adjustment Date, the Company will be entitled to convert its Class B GP Units into Class A GP Units based on the formula defined in the Partnership Agreement. Additional Class B GP Units may be converted into Class A GP Units in respect of these new SIR Restaurants if actual revenue of the new SIR Restaurants exceeds 80% of the initial estimated revenue. Conversely, converted Class A GP Units will be returned by the Company if the actual revenue is less than 80% of the initial estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP unitholders based on actual revenue of the new SIR Restaurants exceeding 80% of the initial estimated revenue or there will be a reduction in the distributions to the Class A GP unitholders if revenue is less than 80% of the initial estimated revenue.

On January 1, 2021, one new SIR Restaurant was added (January 1, 2020 – one new SIR Restaurant was 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, 2021 (January 1, 2020 – one new SIR Restaurants), as well as the Second Incremental Adjustment for one new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 (January 1, 2019 - two), 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 one (January 1, 2020 – three) SIR Restaurants during 2020. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 153,201 Class B GP Units into 153,201 Class A GP Units (January 1, 2020 – SIR returned 395,899 Class A GP Units for 395,899 Class B GP Units) on January 1, 2021 with a $nil impact to the SIR Rights as the Class A and B GP Units have a $nil value (January 1, 2020 – reducing the value of the SIR Rights by $3,493,096).

In addition, the revenues of the one (January 1, 2019 – two) new SIR Restaurant added to Royalty Pooled Restaurants on January 1, 2020 was less than 80% of the Initial Adjustment's estimated revenue (January 1, 2019 – revenue of the two new SIR Restaurants was less than 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 $8,858 in December 2020 and paid in January 2021 (a special conversion refund of $23,240 in December 2019 and paid in January 2020). Make-Whole Payments of $nil (year ended December 31, 2019 - $267,573) have been recorded in Royalty income in the statement of (loss) earnings and comprehensive (loss) income of the Partnership for the year ended December 31, 2020.

As at August 29, 2021, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2021, the Company's residual interest in the Partnership is 19.05% (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 August 29, 2021 were $2,295,000 (August 30, 2020 - $3,536,000). 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 52-week period ended August 29, 2021, the Partnership recognized an impairment loss of $1,598,000 (53-week period ended August 30, 2020 - $nil), on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks.

A rate of approximately 40% was applied to the advances receivable at August 29, 2021.

	As at August 29, 2021 **$** (in thousands of dollars)
SIR Royalty Limited Partnership	
Advances receivable – SIR GP	453
Advances receivable – SIR Holdings Trust	1,246
Advances receivable – SIR Royalty Income Fund	2,272
	3,971
Provision for impairment	(1,598)
	2,373

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 52-week period ended August 29, 2021, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (53-

week period ended August 30, 2020 - $24,000), which was the amount of consideration agreed to by the related parties.

16 Provisions and other long-term liabilities

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Gift cards (deferred revenue) (note 7)	3,912	3,930
Deferred supplier rebates	751	1,032
Management bonus (a)	74	1,499
Asset retirement obligations (b)	704	687
	5,441	7,148
Current portion	(4,291)	(5,689)
	1,150	1,459

a) The Company has a management bonus program that provides restaurant managers and area directors with the opportunity to earn a bonus based on the cash flow of the restaurant(s). The percentage of cash flow earned depends on the manager's and area director's years of service and ranges up to 10%. The managers and area directors also have the opportunity to earn a bonus on leaving the organization if he or she has completed at least five years of service. This bonus is based on a predetermined formula, using cash flows over a three-year period and a percentage that ranges up to 10%. On leaving the program, the participant's bonus is paid in three instalments over a two-year period.

Movement in the management bonus is as follows:

	$ (in thousands of dollars)
As at August 26, 2019	2,682
Current service cost and changes in estimates	(253)
Interest cost	35
Payments	(965)
As at August 30, 2020	1,499
Current service cost and changes in estimates	(61)
Interest cost	6
Payments	(1,370)
As at August 29, 2021	74

The amounts recognized in the consolidated statements of operations and comprehensive income (loss) are as follows:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Current service cost and change in estimates	(61)	(253)
Interest cost	6	35
	(55)	(218)

The discount rate used to estimate the long-term management bonus for the 52-week period ended August 29, 2021 was 0.5% (53-week period ended August 30, 2020 – 0.6%). Other significant estimates include the expected cash flows for the respective restaurant(s).

b) The Company has recorded an asset retirement obligation in respect of the estimated lease-end remediation costs. The asset retirement obligation was estimated based on a discounted cash flow analysis using the following key assumptions:

	August 29, 2021	August 30, 2020
Total undiscounted estimated cash flows (in thousands of dollars)	$776	$791
Expected timing of repayments	0.1 to 11.8 years	0.1 to 12.8 years
Discount rate	4.2%	4.2%

17 Capital stock

Authorized
Unlimited common shares

Issued and outstanding

	August 29, 2021		August 30, 2020	
	Number of common shares (in thousands)	$	Number of common shares (in thousands)	$
Balance - Beginning of period	10,875	20,453	10,875	20,453
Exercise of stock options (note 18)	868	9	-	-
Balance - End of period	11,743	20,462	10,875	20,462

18 Stock option plan

During the 52-week period ended August 29, 2021, nil stock options were granted (53-week period ended August 30, 2020 – 25,000). During the 52-week period ended August 29, 2021, 868,000 stock options were exercised (53-week period ended August 30, 2020 – nil), and 868,000 common shares were issued (53-week period ended August 30, 2020 – nil), for consideration of $8,680 (53-week period ended August 30, 2020 – $nil).

During the 52-week period ended August 29, 2021, compensation expense of $42,000 was recognized in the consolidated statement of operations and comprehensive income (53-week period ended August 30, 2020 – $108,000). Compensation expense for options not yet vested of $45,000 will be recognized in the consolidated statements of operations and comprehensive income over the vesting period of the stock options (53-week period ended August 30, 2020 – $86,000).

Stock options issued are valued using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	52-week period ended August 29, 2021	53-week period ended August 30, 2020
Risk-free interest rate	-	1.68% to 2.06%
Expected life	-	5.5 years
Expected volatility	-	15.77% to 19.12%
Expected dividend		nil

	Number of stock options outstanding (in thousands)	Weighted average exercise price per share $
Balance - August 30, 2020	1,453	1.31
Exercised during 2021	868	0.01
Balance - August 29, 2021	585	1.86

As at August 29, 2021, the outstanding and exercisable stock options to purchase common shares are as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$3.84 (b)	3.35	460	3.84	460	3.84
$4.93 (c)	3.35	25	4.93	5	4.93
$8.08 (d)	3.35	100	8.08	45	8.08
		585		510	

As at August 30, 2020, the outstanding and exercisable stock options to purchase common shares are as follows:

		Stock options outstanding		Stock options exercisable	
Stock option price range	Weighted average remaining life (years)	Number of stock options (in thousands)	Weighted average exercise price per share $	Number of stock options (in thousands)	Weighted average exercise price per share $
$0.01 (a)	0.5	868	0.01	868	0.01
$3.84 (b)	4.34	460	3.84	460	3.84
$4.93 (c)	4.34	25	4.93	nil	4.93
$8.08 (d)	4.34	100	8.08	25	8.08
		1,453		1,353	

a) These stock options vested at the date of grant and expire on February 12, 2021.

b) These stock options were granted to key management of the Company during the 52-week period ended August 25, 2013, with an exercise price of $3.84 and an expiry date of January 1, 2020. During the 53-week period ended August 30, 2020, the expiry date was extended to January 1, 2025. Of the remaining stock options, 200,000 stock options vested on January 1, 2014 and 87,000 stock options vested annually thereafter over the next three years. On termination with cause, all vested and unvested options of the participant immediately expire and are cancelled.

c) These stock options were granted to key management of the Company during the 53-week period ended August 30, 2020, with an exercise price of $4.93 and an expiry date of January 1, 2025. 5,000 options vested on January 1, 2021. 5,000 options will vest annually beginning on January 1, 2021 until January 1, 2025.

d) These stock options were granted to key management of the Company on July 1, 2018 with an exercise price of $8.08 and an expiry date of January 1, 2025. 10,000 options vested on January 1, 2019, 15,000 options vested on January 1, 2020 and 20,000 options vested on January 1, 2021. 25,000 options will vest on January 1, 2022, and 30,000 options will vest on January 1, 2023.

19 Related party transactions

Transactions with U.S. S.I.R. L.L.C. and the Fund are related party transactions and are disclosed in notes 8 and 15, respectively.

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Company entered into the following related party transactions:

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Corporate costs		
Maintenance services provided by a shareholder of the Company	-	1
Consulting fees provided by a company owned by a director of the Company	-	-
Design fees provided by a company owned by a shareholder of the Company	-	7
Direct costs of restaurant operations		
Occupancy costs provided by a company owned by a party related to a director and shareholder of SIR	-	3
Services provided by a shareholder of the Company	-	2
Property and equipment		
Design and construction management fees and fixtures provided by a company owned by a shareholder of the Company	-	12
Fixtures provided by a shareholder of the Company	-	16
Furniture and equipment provided by a company owned by a shareholder and director, together with a member of executive management of the Company	-	29

The above 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.

During the 52-week period ended August 26, 2012, the Company entered into a lease agreement with a company that is owned by a party related to a director of the Company. Rent is payable under the lease agreement based on a percentage of the revenue of the related restaurant. Rent paid under this lease agreement for the 52-week period ended August 29, 2021 was $3,000 (53-week period ended August 30, 2020 - $3,000).

Included in loans and advances is the following amount due from related parties:

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Amount due from a shareholder of the Company, with interest at 6.75%, due on August 15, 2022	174	165

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

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Amounts due to companies owned by a shareholder or director of the Company	189	189

Compensation of key management

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Salaries, short-term employee benefits and director's fees	885	837
Fees paid to companies for management services and director's fees	840	877
	1,725	1,714

Key management includes the Company's directors and members of executive management

20 Expenses by nature

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Food and beverage	30,871	51,868
Labour	22,326	60,561
Direct costs of restaurant operations	27,952	40,850
Depreciation and amortization	20,503	23,269
Loss on disposal of property and equipment	1,047	246
Impairment of non-financial assets	432	9,296
Cost of corporate restaurant operations	103,131	186,090
Salaries and benefits	3,289	6,809
Advertising and marketing	366	1,145
Professional, legal and consulting fees	1,344	854
Depreciation and amortization	1,308	1,478
Other	689	611
Corporate costs	6,996	10,897

21 Contingencies

In the normal course of business, the Company is threatened from time to time with, or named as a defendant in, legal proceedings, including those relating to wrongful dismissal or personal injury. Many claims are covered by the Company's insurance policies and none of the current claims are expected to have a material adverse effect on the Company.

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

The net change in working capital items is as follows:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Trade and other receivables	3,152	(4,900)
Inventories	(45)	536
Prepaid expenses, deposits and other assets	(121)	533
Trade and other payables	(1,493)	(6,840)
Provisions and other long-term liabilities	(2,255)	(540)
	(762)	(11,211)

Other non-cash items consist of the following:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Supplier rebates	(454)	(412)
Other	(2)	13
	(456)	(399)

23 Income taxes

The components of the provision for (recovery of) income taxes are as follows:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Current	(3)	(422)

The reconciliation of the Company's effective tax rate to the combined Canadian federal and provincial statutory income tax rate is as follows:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Earnings (loss) before income taxes	(61,788)	78,146
Income tax (recovery) expense at Canadian statutory income tax rate of 26.5% (August 30, 2020 - 26.5%)	(16,374)	20,709
Increase (decrease) by the effect of		
Change in amortized cost of Ordinary LP Units and Class A LP Units	16,075	(26,283)
Non-deductible expenses	89	131
Partnership structure	(703)	(8,161)
Deferred tax assets not recognized	944	13,616
Other	(28)	(434)
Provision for (recovery of) income taxes	(3)	(422)

Deferred income tax assets not recognized are summarized as follows:

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Property and equipment	11,872	9,080
Other non-current assets	363	429
Loss carry-forwards	9,817	9,375
Long-term management bonus	76	397
	22,128	19,281

Deferred income tax assets (liabilities) recognized are as follows:

	August 29, 2021 $	August 30, 2020 $
	(in thousands of dollars)	
Deferred financing fees	(954)	(1,006)
Loss carry-forwards	1,432	1,519
Investment in the Partnership	(300)	(300)
Other	(179)	(213)
	-	-

As at August 29, 2021, the deferred tax liability related to subsidiaries that has not been recognized amounted to $6,309,000 (August 30, 2020 - $6,273,000).

As at August 29, 2021, the Company and its subsidiaries have available non-capital for income tax purposes which expire as follows:

	$ (in thousands of dollars)
2026	224
2027	339
2028	2,772
2029	473
2030	2,133
2031	1,671
2032	428
2033	1,001
2034	723
2035	1,080
2036	590
2037	1,674
2038	523
2039	308
2040	28,534
2041	9,328
	51,801

In addition, the Company's US subsidiary has loss carry-forwards of $113,000 which expire in 2028 and 2029.

24 Interest (income) and other expenses (income) - net

Interest (income) and other expense (income) - net comprise the following:

	52-week period ended August 29, 2021 $	53-week period ended August 30, 2020 $
	(in thousands of dollars)	
Interest income	(18)	(91)
Provision for impairment of loans and advances (note 8(a))	221	340
Restructuring costs	733	295
Foreign exchange loss	56	58
Recognition of rent abatements, CEWS government subsidies and lease buy-out payments (note 13)	(12,254)	(1,149)
	(11,262)	(547)

Effective February 9, 2021, the Company permanently closed three restaurants located at the corner of Yonge and Gerrard in downtown Toronto. The three closed restaurants included a Scaddabush, a Reds and a Duke's. The Scaddabush and Reds locations were part of the Royalty Pool, but the Duke’s was not. The Company was offered an early lease termination agreement from the landlord, which would pay the Company proceeds of $7,013,000 (net of deferred occupancy costs of $1,013,000 paid, which are included within the Company’s Corporate Costs) if the properties were returned on February 28, 2021. Given the current operating environment and uncertain future prospects, the Company decided to exercise this option and return the properties to the landlord.

Effective March 31, 2021, the Company reached an agreement with the landlord(s) on an early lease termination agreement for the formerly closed Canyon Creek in Scarborough and at Square One, shopping centre. As a result, amounts owing to these landlords were abated in the amounts of $187,000 and $211,200.

During the 52-week period ended August 29, 2021, government subsidies related to the Canada Emergency Rent Subsidy (“CERS”) and landlord lease abatements of $3,982,000 and $861,000 (53-week period ended August 30, 2020 - $nil and $1,149,000) are recorded in Interest (income) and other expenses (income).

25 Capital management

The Company’s capital consists of its capital stock and deficit of $20,462,000 and $143,674,000, respectively. The objectives in managing capital are to safeguard the Company’s ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to allow the Company to respond to changes in economic and/or marketplace conditions and to provide a return to its shareholders. The Company strives to maintain an optimal split between senior debt and equity with a view to balancing its flexibility while minimizing its cost of capital. The Company evaluates cash flow through its budgeting and forecasting process, to help plan and track its capital requirements to meet its strategic plans and to monitor compliance with its Credit Agreement.

Compliance with the covenants included in the Company’s amended Credit Agreement is monitored by management on a quarterly basis. As at August 29, 2021, the Company was in compliance of these covenants as a result of the impact of the pandemic on its operations (for more information refer to note 14(a)).

SIR currently holds 1,972,000 Class A GP Units, representing a 19.05% 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 29, 2021, have a market value of approximately $17,551,000.

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 $7,000,000 and 400,000 units.

The Company is required to issue common shares on the exercise of stock options by shareholders, directors and employees (note 18).

26 Subsequent events

Subsequent to August 29, 2021, on September 22, 2021, the province of Ontario released “A Plan to Safely Reopen Ontario and Manage COVID-19 for the Long-Term” ("Long-Term Plan"), which outlines the province’s gradual approach to lifting remaining public health and workplace safety measures by March 2022. The plan outlined requirements for all Ontarians (12 years and older) to be fully vaccinated in order to access certain public settings including restaurants and bars. Proof of full vaccination (vaccine certificate or passport) along with identification is required to dine indoors at restaurants.

Effective October 22, 2021, the province of Ontario’s Long-Term Plan was put into effect, making COVID-19 employee vaccination policies mandatory, and lifting capacity limits for restaurants and bars where proof of vaccination is required for patrons. Provided there are no concerning public health and health care trends following the winter holiday season, the province of Ontario plans to begin to lift vaccine certificate requirements for restaurants and bars on January 17, 2022 with the end goal of lifting all remaining public health and workplace safety measures, including masking, by March 28, 2022.

Effective September 1, 2021, the province of Quebec has required all patrons (13 years and older) to show vaccine certificates to dine indoors at restaurants. Effective November 1, 2021, the province of Quebec has lifted all indoor dining capacity limits (except for requiring physical distancing of one metre) at restaurants and bars (where full proof of vaccination is required).

Effective October 4, 2021, the province of Nova Scotia requires all patrons to show vaccine certificates and has lifted all indoor dining capacity limits at restaurants and bars. The province of Newfoundland followed on October 26, 2021.