SIR Corp.

Consolidated Financial Statements
August 28, 2022 and August 29, 2021
(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 28, 2022 and August 29, 2021, and its financial performance and its cash flows for the 52-week period then ended 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 statements of financial position as at August 28, 2022 and August 29, 2021;
- the consolidated statements of operations and comprehensive loss for the 52-week periods then ended;
- the consolidated statements of changes in shareholders' deficiency for the 52-week periods then ended;
- the consolidated statements of cash flows for the 52-week periods then ended; 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.

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 24, 2022

SIR Corp.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	August 28, 2022 $	August 29, 2021 $
Assets		
Current assets		
Cash	8,132	9,606
Trade and other receivables (notes 7, 15(a)(c))	10,089	8,410
Inventories	2,924	2,531
Prepaid expenses, deposits and other assets	1,220	992
Loans and advances (notes 8 and 19)	142	284
	22,507	21,823
Non-current assets		
Right-of-use assets – net (notes 13 and 24)	73,863	82,561
Property and equipment (note 9)	24,718	26,696
Goodwill and intangible assets (note 10)	4,982	4,819
	126,070	135,899
Liabilities		
Current liabilities		
Trade and other payables (notes 11, 15(a), 19)	24,272	25,009
Current portion of long-term debt (notes 6 and 14)	26,135	30,437
Current portion of lease obligation (notes 13 and 24)	16,492	21,536
Current portion of loan payable to SIR Royalty Income Fund (notes 6 and 15(a))	-	35,997
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 15(a)(b))	9,307	6,572
Current portion of provisions and other long-term liabilities (note 16)	4,401	4,292
	80,607	123,843
Non-current liabilities		
Long-term portion of lease obligation (notes 13 and 24)	73,024	80,442
Loan payable to SIR Royalty Income Fund (notes 6 and 15(a))	36,053	-
Provisions and other long-term liabilities (note 16)	1,092	1,150
Ordinary LP Units and Class A LP Units of the Partnership (note 15(b))	107,992	53,526
	298,768	258,961
Shareholders' Deficiency		
Capital stock (notes 17 and 18)	20,462	20,462
Contributed surplus (notes 17 and 18)	177	150
Deficit	(193,337)	(143,674)
	(172,698)	(123,062)
	126,070	135,899

Approved by the Board of Directors

Director: (Signed) John Young

Director: (Signed) Peter Fowler

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

SIR Corp.

Consolidated Statements of Operations and Comprehensive Loss

(in thousands of Canadian dollars)

	52-week Period ended August 28, 2022 $	52-week Period ended August 29, 2021 $
Corporate restaurant operations		
Food and beverage revenue (note 12)	221,711	107,921
Gift card revenue	285	134
	221,996	108,055
Costs of corporate restaurant operations (notes 19 and 20)	182,910	103,131
Earnings from corporate restaurant operations	39,086	4,924
Corporate costs (notes 19 and 20)	13,243	6,996
Earnings (loss) before interest and income taxes	25,843	(2,072)
Interest expense (notes 14 and 24)	2,127	2,135
Interest on loan payable to SIR Royalty Income Fund (notes 14 and 15(a))	3,048	3,056
Interest expense (income) and other expense (income) – net (notes 13 and 24)	268	(11,262)
Interest on lease obligation (notes 13 and 24)	4,622	5,145
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 15(a)(b))	65,441	60,645
Loss before income taxes	(49,663)	(61,791)
Recovery of income taxes (note 23)	-	3
Net loss and comprehensive loss for the period	(49,663)	(61,788)

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 28, 2022			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 30, 2021	20,462	150	(143,674)	(123,062)
Stock-based compensation (notes 17 and 18)	-	27	-	27
Net loss for the period	-	-	(49,663)	(49,663)
Balance - End of period	20,462	177	(193,337)	(172,698)

	52-week ended August 29, 2021			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 31, 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)

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

SIR Corp.

Consolidated Statements of Cash Flows

August 28, 2022 and August 29, 2021

(in thousands of Canadian dollars)

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(49,663)	(61,788)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 15(b))	65,441	60,645
Depreciation and amortization (notes 9, 10 and 13)	20,181	21,812
Stock based compensation (notes 17 and 18)	27	42
Income tax recovery (note 23)	-	(3)
(Recovery of) provision for impairment of financial assets (notes 8 and 15(c))	(1,652)	2,122
Impairment of non-financial assets (note 9)	-	432
Interest expense on long-term debt and SIR Loan (notes 14 and 15)	5,175	5,191
Other items affecting interest (notes 14 and 15)	8	33
Interest on lease obligations (note 13)	4,622	5,145
Non-cash interest loss (notes 14 and 15)	(10)	(9)
Amortization of deferred financing charges (note 14)	320	-
Loss on disposal of property and equipment (note 9)	155	1,065
Other (note 22)	-	(457)
Supplier and other rebates (recognized) received (note 22)	(292)	129
Distributions paid to Ordinary LP and Class A LP unitholders (note 15(b))	(8,240)	(547)
Income taxes recovered (note 23)	-	3
Net change in working capital items (note 22)	2,882	(762)
Cash provided by operating activities	38,954	33,053
Investing activities		
Purchase of property and equipment and other assets (notes 9 and 10)	(5,952)	(997)
Receipt from shareholder (note 8 and 19)	51	-
Receipt (issuance) of loans and advances (note 8)	82	(108)
Cash used in investing activities	(5,819)	(1,105)
Financing activities		
Decrease in bank indebtedness (notes 6 and 14)	-	(3,711)
Proceeds from issuance of long-term debt (notes 6 and 14)	-	20,250
Principal repayment of long-term debt (notes 6 and 14)	(4,437)	(23,861)
Payment of lease obligations (note 13)	(20,946)	(13,770)
Interest paid (note 14)	(9,041)	(2,456)
Exercise of stock options (notes 17 and 18)	-	9
Financing fees (notes 6 and 14)	(185)	(420)
Cash used in financing activities	(34,609)	(23,959)
(Decrease) increase in cash and cash equivalents during the period	(1,474)	7,989
Cash and cash equivalents - Beginning of period	9,606	1,617
Cash and cash equivalents - End of period	8,132	9,606

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

1 Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has had a negative impact on global economic activity and significantly impacted consumer spending in Canada, including restaurant sales. Since the onset of the COVID-19 pandemic in March 2020 through to mid-February 2022, restaurants and bars experienced significant challenges related to government mandated operating capacity restrictions and/or full restaurant closures, followed by periods of easing restrictions and related reopenings and partial reopenings. The pandemic resulted in a severe drop in in-restaurant dining which significantly impacted the results of the SIR Corp. ("SIR" or the "Company") for its 52-week period ended August 29, 2021 and the first two quarters of fiscal 2022. As of mid-March 2022, all operational restrictions were lifted in the provinces where SIR operates its restaurants, except for masking in the province of Quebec which was lifted in mid-May 2022.

SIR continued to receive government assistance through the now superseded Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") and the newly enacted Canada Recovery Hiring Program ("CRHP"), including the additional stream of support via the Tourism and Hospitality Recovery Program ("THRP") and the Ontario Business Costs Rebate Program. During the 52-week period ended August 28, 2022, SIR recognized government assistance through the CEWS and CRHP/THRP programs of $12,347,000 (August 29, 2021 – CEWS program of $22,171,000), the CERS and CRHP/THRP programs of $2,102,000 (August 29, 2021 – CERS program of $4,974,000) and other government subsidies of $750,000 (August 29, 2021 – 4,202,000). Of these amounts, $14,674,000 (August 29, 2021 - $24,109,000) was recognized as a reduction to costs of corporate restaurant operations, $525,000 (August 29, 2021 - $3,256,000) was recognized as a reduction to corporate costs and $nil (August 29, 2021 - $3,982,000) was recognized as other expense (income).

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 28, 2022, the Company owned a total of 53 (August 29, 2021 - 51) 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®) and Scaddabush Italian Kitchen & Bar® (Scaddabush). The Signature restaurants are Reds® Wine Tavern, Reds® Square One, Reds® Kitchen + Wine Bar Fallsview and Loose Moose Tap & Grill®. The Company also owns one Dukes Refresher® & Bar (Duke's Refresher) 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 24, 2022.

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 2022 and 2021 both consist of 52 weeks.

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 loss 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.

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 loss. Gains and losses arising from changes in the fair value are presented in the consolidated statements of operations and comprehensive loss 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 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. 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 those 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 loss.

Income taxes

Income tax comprises current and deferred income taxes. Income taxes are recognized in the consolidated statements of operations and comprehensive loss, 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 Company introduced a phantom stock option management bonus program to supersede the aforementioned management bonus program, for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the director's years of service, salary and vested "in the money" phantom options.

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 loss. 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 loss 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 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 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. 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

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 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, 2022. The Company has not yet assessed the impact of the amendment 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 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 and note 10 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 28, 2022, 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 $18,000 for the 52-week period ended August 28, 2022 (52-week period ended August 29, 2021 - $221,000) 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 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 28, 2022		August 29, 2021	
	Carrying value $	Fair value $	Carrying value $	Fair value $
	(in thousands of dollars)		(in thousands of dollars)	
Amortized cost				
Cash	8,132	8,132	9,606	9,606
Trade and other receivables	10,089	10,089	8,410	8,410
Loans and advances	142	142	284	284
Liabilities				
Amortized cost				
Trade and other payables	24,272	24,272	25,009	25,009
Long-term debt	26,135	see below	30,437	see below
Loan payable to SIR Royalty Income Fund (a)	36,053	see below	35,997	see below
Ordinary LP Units and Class A LP Units of the Partnership (b)	117,299	see below	60,098	see below

Carrying and fair values

Cash, trade and other receivables 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, 2022 is estimated to be $20,750,000 (January 1, 2022 - $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, 2022 for the Fund, management of the Fund adjusted the discount rate from 14.45% at January 1, 2022 to 15.15% at September 30, 2022. The adjustment consists of an estimated increase in the corporate bond rate of 1.20% combined with an increase of 1.26% in the Canadian risk free rate which was offset by a 1.76% decrease in the SIR specific risk.

(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 loss 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 28, 2022, the Company had $26,135,000 (August 29, 2021 - $30,437,000) in outstanding floating rate debt with an effective interest rate of 6.9% (August 29, 2021 – 6.9%). For the 52-week period ended August 28, 2022, the Company incurred interest expense on its floating rate long-term debt of $1,745,000 (52-week period ended August 29, 2021 - $1,878,000). Since the long-term debt 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 28, 2022, would result in a decrease or increase, respectively, in net earnings of $262,000 for the 52-week period ended August 28, 2022 (52-week period ended August 29, 2021 - $307,000).

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 $7,931,000 (August 29, 2021 - $5,071,000).

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 $10,000 during the 52-week period ended August 28, 2022 (52-week period ended August 29, 2021 - $18,000).

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 28, 2022, the Company's liquidity was comprised of $6,502,000 in cash on hand (which excludes cash on hand from the Partnership of $1,630,000) and $20,000,000 available to borrow under the Company's credit facility (note 14(a)), which currently expires on July 6, 2023. While management believes there are sufficient cash resources retained in the Company from cash generated by operations and availability under the Company's credit facility (note 14) to fund its working capital requirements and current commitments, SIR's ability to meet obligations could be impacted by:

- SIR's ability to remain operating at full capacity,
- Canadian economic conditions affecting bars and restaurants that are fully re-open,
- the ability for SIR to obtain necessary financing through renewal of its Credit Agreement which expires on July 6, 2023, of which $26,135,000 is currently drawn (note 14(a)),
- the availability of credit under SIR's current Credit Agreement or other financing sources and
- business interruption insurance coverage, and SIR's ability to negotiate longer term extended credit terms from its suppliers, including negotiating deferrals of rent obligations over the terms of its leases.

The Company consolidates its investment in the Partnership. Included in cash is $1,630,000 (August 29, 2021 - $1,303,000) 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 28, 2022		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Trade and other payables	24,272	-	-
Long-term debt*	26,135	-	-
Loan payable to SIR Royalty Income Fund*	-	-	42,992
	50,407	-	42,992

	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	-	-

* 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, excluding the distributions on the Ordinary LP Units and Class A LP units, in the next fiscal year is $nil (August 29, 2021 - $nil).

7 Trade and other receivable

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Trade receivables	2,707	2,065
Receivables from SIR Royalty Income Fund and its subsidiaries (note 15(c))	3,847	2,295
Marketing receivables	708	88
Gift card receivables	66	67
Government subsidies receivable	-	1,211
Quebec income tax recoverables	199	121
Takeout & delivery partner receivables	459	512
Other	2,103	2,051
	10,089	8,410

8 Loans and advances

	August 28, 2022 $	August 29, 2021 $
	(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)	1,913	1,995
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, 2023 (note 19)	132	174
	6,182	6,306
Provision for impairment	(6,040)	(6,022)
	142	284
Current portion	(142)	(284)
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 $nil (August 29, 2021 - $100,000). During the 52-week period ended August 28, 2022, the Company made cash advances of $nil (52-week period ended August 29, 2021 - $108,000) to U.S. S.I.R. L.L.C. and its subsidiaries, received cash repayments of $82,000 (52-week period ended August 29, 2021 - $nil) and recognized interest income of $nil (52-week period ended August 29, 2021 - $nil).

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)
Net balance - August 30, 2020	213
Advances paid	108
Impairment (recorded against the advances receivable)	(221)
Net balance – August 29, 2021	100
Payments received	(82)
Impairment (recorded against the advances receivable)	(18)
Net balance – August 28, 2022	-

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 30, 2020	692	381	2,516	75,824	107,807	187,220
Cost						
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
Net book value as at August 29, 2021	-	161	61	16,746	9,728	26,696
Additions	-	30	41	2,574	2,809	5,454
Disposals	-	-	-	(84)	(83)	(167)
Depreciation	-	(27)	(39)	(3,830)	(3,369)	(7,265)
As at August 28, 2022	-	164	63	15,406	9,085	24,718
As at August 28, 2022						
Cost	692	433	2,557	71,866	94,793	170,341
Accumulated depreciation and impairment losses	(692)	(269)	(2,494)	(56,460)	(85,708)	(145,623)
Net book value as at August 28, 2022	-	164	63	15,406	9,085	24,718

Property and equipment include $135,000 (August 29, 2021 - $67,000) of costs for restaurants under development that were not being depreciated as at August 28, 2022.

The Company conducted an impairment analysis of these restaurants' non-financial assets. Based on the analysis, no impairments were noted as the estimated recoverable amounts were greater than the carrying vale of the restaurants' non-financial assets. Management performed sensitivity testing on the estimates and further concluded that no impairment was necessary. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 16% (2021 – 16%) for this methodology.

10 Goodwill and intangible assets

	Goodwill $	Computer software $	Total $
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	2,620	7,990
Accumulated amortization and impairment losses	(1,258)	(1,953)	(3,171)
Net book value	4,152	667	4,819
For the 52-week period ended August 28, 2022			
As at August 29, 2021	4,152	667	4,819
Additions	-	521	521
Amortization	-	(358)	(358)
As at August 28, 2022	4,152	830	4,982
As at August 28, 2022			
Cost	5,410	3,141	8,511
Accumulated amortization and impairment losses	(1,258)	(2,311)	(3,529)
Net book value	4,152	830	4,982

Goodwill has been allocated to the following Concept restaurants:

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Jack Astor's	4,001	4,001
Scaddabush	151	151
	4,152	4,152

The Company conducted 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% (2021– 16%) and the estimated proceeds to dispose of the assets at the end of the lease term. Management performed sensitivity testing and further concluded that no impairment was necessary.

11 Trade and other payables

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Trade payables	14,361	13,432
Accrued liabilities	9,299	6,926
Construction payables	525	470
Interest payable on SIR Loan (note 15(a))	87	3,992
Payables to related parties (note 19)	-	189
	24,272	25,009

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 28, 2022 $	52-week ended August 29, 2021 $
	(in thousands of dollars)	
Jack Astor's	163,313	84,435
Scaddabush	41,901	20,690
Canyon Creek	1,337	468
Signature Restaurants	15,160	2,328
	221,711	107,921

13 Right-of-use assets and lease obligations

Right-of-use assets are included as follows in the consolidated balance sheet as at August 28, 2022:

	Property $	Equipment $	Total $
	(in thousands of dollars)		
At August 29, 2021	81,538	1,023	82,561
52-week period ended August 28, 2022			
Modifications	4,211	-	4,211
Termination of leases	(352)	-	(352)
Amortization	(11,851)	(706)	(12,557)
Right-of-use assets – net at August 28, 2022	73,546	317	73,863

For the 52-week period ended August 28, 2022, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 29, 2021	101,978
Additions	4,211
Termination of leases	(352)
Repayments	(20,946)
Interest	4,622
Other	3
As at August 28, 2022	89,516
Less: current portion of lease obligations	(16,492)
Long-term portion of lease obligations	73,024

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

	As at August 28, 2022 $ (in thousands of dollars)
Fiscal 2023	15,354
Fiscal 2024	15,035
Fiscal 2025	14,687
Fiscal 2026	14,031
Fiscal 2027 and thereafter	44,902
Total undiscounted lease obligations	104,009
Total discounted lease obligations	89,516

Interest expense on lease obligations for the 52-week period ended August 28, 2022 was $4,622,000 (August 29, 2021 - $5,145,000). Total repayments for the 52-week period ended August 28, 2022 for leases was $20,946,000 (August 29, 2021 - $13,770,000) which includes $16,324,000 of principal payments and $4,622,000 of interest on lease obligations (August 29, 2021 - $8,625,000 and $5,145,000). As a result of the the pandemic, the Company was offered certain rent abatements from landlords of $121,000 (August 29, 2021 - $861,000) during the 52-week period ended August 28, 2022. 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 that were reasonably expected to be exercised have been included in the measurement of lease obligations where applicable.

14 Bank indebtedness and long-term debt

	52-week period ended August 28, 2022 (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	-	18,075	6,136	6,226	30,437
Repayment of long-term debt	-	(4,148)	-	(289)	(4,437)
Finance fees paid	-	(52)	(133)	-	(185)
Amortization of finance fees	-	162	156	2	320
Balance - End of period	-	14,037	6,159	5,939	26,135
Current portion of long-term debt	-	(14,037)	(6,159)	(5,939)	(26,135)
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	-	-	-	-	-

Reconciliation of interest expense to interest paid	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Interest expense	5,175	5,224
Amortization of deferred financing fees on SIR Loan	(56)	(56)
Interest on equity bonus	6	(6)
Asset retirement obligation accretion	(16)	(16)
Change in prepaid interest	19	(12)
Change in interest payable	3,905	(2,500)
Other	8	(178)
Interest paid	9,041	2,456

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, May 31, 2021 and June 16, 2022 provides for a maximum principal amount of $46,243,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $14,032,000 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 $5,961,000 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, 2023. 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. As at August 28, 2022, credit facility 1 was undrawn.

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, 2023.

As at August 28, 2022, the Company has drawn $7,530,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 29, 2021 - $9,877,000).

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 3.50%. 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 until July 6, 2023. A standby fee of 0.90% is charged on the undrawn balance of this facility. For the 52-week period ended August 28, 2022, SIR has drawn $6,250,000 million on this facility.

The BDC-Guaranteed Facility bears interest at a fixed rate of 4.00%. The BDC-Guaranteed Facility is a 10 year revolving-term credit facility, with a one year principal payment moratorium. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 52-week period ended August 28, 2022, SIR has repaid $289,000 and drawn $5,961,000 million on this facility. The facility was also extended until July 6, 2023.

The Credit Agreement contains certain financial and non-financial covenants. As part of the Ninth Amendment, the Cumulative Minimum EBITDA Covenant has been replaced by the two original, pre-pandemic, financial covenants in the Credit Agreement which are the Fixed Charge Coverage Ratio and the Senior Leverage Ratio and the Credit Agreement has been extended to July 6, 2023. As at August 28, 2022, the Company was in compliance with these covenants. As a result of the Credit Agreement being due within the next 12 months on July 6, 2023, the carrying value of the credit facilities under the Credit Agreement were classified 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)
2022	26,135

The effective interest rate on long-term debt as at August 28, 2022 is 7.0% (August 29, 2021 – 5.9%).

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 any 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.

Interest expense charged to the consolidated statements of operations and comprehensive loss for the 52-week period ended August 28, 2022 was $3,048,000 (52-week periods ended August 29, 2021 - $3,056,000), which includes interest on the SIR Loan of $2,992,000 (52-week periods ended August 29, 2021 - $2,992,000), amortization of financing fees of $56,000 (52-week periods ended August 29, 2021 - $56,000) and other interest of $nil (52-week periods ended August 29, 2021 - $8,000). Interest payable on the SIR Loan as at August 28, 2022 was $87,000 (August 29, 2021 - $3,992,000) 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 28, 2022 were $3,947,000 (August 29, 2021 - $4,003,000).

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 Units.

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

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
Balance - Beginning of period	60,098	-
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	65,441	60,645
Distributions paid to Ordinary LP and Class A LP unitholders	(8,240)	(547)
Balance - End of period	117,299	60,098
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,307)	(6,572)
Ordinary LP Units and Class A LP Units of the Partnership	107,992	53,526

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

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
Pooled Revenue*	217,981	104,946
Partnership royalty income*	13,076	6,316
Other income	24	22
Partnership expenses	(145)	(163)
Net earnings of the Partnership	12,955	6,175
The Company’s interest in the earnings of the Partnership	(5,175)	(3,718)
Fund’s interest in the earnings of the Partnership	7,780	2,457

*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 loss.

During the 52-week period ended August 28, 2022, distributions of $9,515,000 (52-week periods ended August 29, 2021 - $859,000) were declared to the Fund through the Partnership. Distributions paid during the 52-week period ended August 28, 2022 were $8,240,000 (52-week periods ended August 29, 2021 - $547,000). 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 from the Partnership as at August 28, 2022 were $5,340,000 (August 29, 2021 - $4,064,000).

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, 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, 2022, no new SIR Restaurants were added (January 1, 2021 – one new SIR Restaurant was added) to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. There was a Second Incremental Adjustment done for one new SIR restaurant added to the Royalty Pooled Restaurants on January 1, 2021 (January 1, 2020 – one) on January 1, 2022. As consideration for this adjustment, 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 reconversion of Class A GP units into Class B GP units for the permanent closure of five (January 1, 2021 – one) SIR restaurants during 2021. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 679,934 Class A GP units into 679,934 Class B GP units (January 1, 2021 – SIR converted 153,201 Class B GP units into 153,201 Class A GP units) on January 1, 2022 and reduced the value of the SIR Rights by $8,100,078 (January 1, 2021 – $nil impact to the SIR Rights value as the Class A and B GP Units had a $nil value). As a result of the reversal of the previous impairment to the SIR Rights, the value of SIR Rights were reduced by $8,773,843 of adjustments to the Royalty Pooled Restaurants from January 1, 2021 and January 1, 2022.

In addition, the revenues of the one (January 1, 2020 – one) new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2021 were greater than 80% of the Initial Adjustment's estimated revenue (January 1, 2020 – revenue of one SIR Restaurant was less than 80% of the Initial Adjustment's estimated revenue) and, as a result, a special conversion distribution of $71,780 was declared on the Class

B GP units in December 2021 and paid in January 2022 (distributions of Class A GP units were reduced by a special conversion refund of $8,858 in December 2020 and paid in January 2021).

As at August 28, 2022, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2022, the Company's residual interest in the Partnership is 13.36% (August 29, 2021 – 19.05%). 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 28, 2022 were $3,847,000 (August 29, 2021 - $2,295,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

Pursuant to the Eighth Amending Agreement, SIR continued to repay the deferred royalties to the Partnership (installments of $530,330) and deferred interest on the SIR Loan to the Fund (installments of $350,000) to meet the repayment date of July 6, 2022. On June 15, 2022, the Company made the final payments and extinguished all liabilities associated with the repayments.

During the 52-week period ended August 28, 2022, the Partnership recorded a provision for impairment of $136,000 (52-week period ended August 29, 2021 – $1,807,000), resulting in a recovery of previously impaired receivable of $1,671,000 on the advances receivable from the Trust, GP and Fund based on management's assessment of the company-specific risks. A rate of approximately 7% (August 29, 2021 - 40%) was applied to the advances receivable at August 28, 2022.

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 28, 2022, the Partnership provided these services to the Fund and the Trust for consideration of $24,000 (52-week period ended August 29, 2021 - $24,000), which was the amount of consideration agreed to by the related parties.

16 Provisions and other long-term liabilities

	August 28, 2022 **$**	**August 29, 2021** **$**
	(in thousands of dollars)	
Gift cards (deferred revenue) (note 7)	3,840	3,912
Deferred supplier rebates	466	751
Management bonus (a)	468	74
Asset retirement obligations (b)	719	704
	5,493	5,441
Current portion	(4,401)	(4,291)
	1,092	1,150

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 30, 2020	1,499
Current service cost and changes in estimates	(61)
Interest cost	6
Payments	(1,370)
As at August 29, 2021	74
Current service cost and changes in estimates	27
Interest cost	1
Payments	(64)
As at August 28, 2022	38

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

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Current service cost and change in estimates	27	(61)
Interest cost	1	6
	28	(55)

The discount rate used to estimate the long-term management bonus for the 52-week period ended August 28, 2022 was 4.2% (52-week period ended August 29, 2021 – 0.5%). Other significant estimates include the expected cash flows for the respective restaurant(s).

The Company introduced a phantom stock option management bonus program to supersede the aforementioned management bonus program, for corporate and area directors, with the opportunity to earn a bonus based on the overall valuation of the Company. The percentage of cash flow earned depends on the director's years of service, salary and vested "in the money" phantom options. This bonus is based on phantom stock options granted that vest over a 3-year term. The directors must remain with the organization during the 3-year vesting period to be eligible to earn the bonus payment. The options are granted on a predetermined formula based on the salaries of the directors and the annual valuation of the Company by a third party valuation consultant. The discount rate used to estimate the current and long-term phantom stock option bonus for the 52-week period ended August 28, 2022 was 16.2%. As at the 52-week period ended August 28, 2022, the bonus accrual was $430,000.

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 28, 2022	August 29, 2021
Total undiscounted estimated cash flows (in thousands of dollars)	$761	$776
Expected timing of repayments	0.1 to 10.8 years	0.1 to 11.8 years
Discount rate	4.2%	4.2%

17 Capital stock

Authorized
Unlimited common shares

Issued and outstanding

	August 28, 2022		August 29, 2021	
	Number of common shares (in thousands)	$	Number of common shares (in thousands)	$
Balance - Beginning of period	11,743	20,462	10,875	20,453
Exercise of stock options (note 18)	-	-	868	9
Balance - End of period	11,743	20,462	11,743	20,462

18 Stock option plan

During the 52-week period ended August 28, 2022, no stock options were granted (52-week period ended August 29, 2021 – none). During the 52-week period ended August 28, 2022, no stock options were exercised (52-week period ended August 29, 2021 – 868,000), and no common shares were issued (52-week period ended August 29, 2021 – 868,000), for consideration of $nil (52-week period ended August 29, 2021 – $8,680).

During the 52-week period ended August 28, 2022, compensation expense of $27,000 was recognized in the consolidated statement of operations and comprehensive loss (52-week period ended August 29, 2021 – $42,000). Compensation expense for options not yet vested of $45,000 will be recognized in the consolidated statements of operations and comprehensive loss over the vesting period of the stock options (52-week period ended August 29, 2021 – $45,000).

	Number of stock options outstanding (in thousands)	Weighted average exercise price per share $
Balance - August 29, 2021	585	4.61
Exercised during 2022	-	-
Balance - August 28, 2022	585	4.61

As at August 28, 2022, 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 (a)	2.35	460	3.84	460	3.84
$4.93 (b)	2.35	25	4.93	10	4.93
$8.08 (c)	2.35	100	8.08	70	8.08
		585		540	

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 (a)	3.35	460	3.84	460	3.84
$4.93 (b)	3.35	25	4.93	5	4.93
$8.08 (c)	3.35	100	8.08	45	8.08
		585		510	

a) 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.

b) 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 and 5,000 options vested on January 1, 2022. 5,000 options will vest annually beginning on January 1, 2021 until January 1, 2025.

c) 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, 20,000 options vested on January 1, 2021 and 25,000 options vested on January 1, 2022. 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 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Property and equipment		
Fixtures provided by a shareholder of the Company	20	-
Furniture and equipment provided by a company owned by a shareholder and director, together with a member of executive management of the Company	141	-

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.

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

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Amount due from a shareholder of the Company, with interest at 6.75%, due on August 15, 2023	132	174

SIR recognized $9,000 in non-cash interest income on the loan due from a shareholder of the Company during the 52-week period ended August 28, 2022 (52-week period ended August 29, 2021 – $11,000).

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

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Amounts due to companies owned by a shareholder or director of the Company	-	189

Compensation of key management

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Salaries, short-term employee benefits and director's fees	1,176	885
Fees paid to companies for management services and director's fees	780	840
	1,956	1,725

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

20 Expenses by nature

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Food and beverage	60,981	30,871
Labour	63,328	22,326
Direct costs of restaurant operations	39,958	27,952
Depreciation and amortization	18,483	20,503
Loss on disposal of property and equipment	160	1,047
Impairment of non-financial assets	-	432
Cost of corporate restaurant operations	182,910	103,131
Salaries and benefits	8,115	3,289
Advertising and marketing	795	366
Professional, legal and consulting fees	1,033	1,344
Depreciation and amortization	1,698	1,308
Other	1,602	689
Corporate costs	13,243	6,996

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 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Trade and other receivables	(9)	3,152
Inventories	(393)	(45)
Prepaid expenses, deposits and other assets	(209)	(121)
Trade and other payables	(1,061)	(1,493)
Provisions and other long-term liabilities	4,554	(2,255)
	2,882	(762)

Other non-cash items consist of the following:

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Deferred revenue	-	(454)
Other	-	(3)
	-	(457)

23 Income taxes

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

	52-week period ended August 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Current	-	(3)

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 28, 2022 $	52-week period ended August 29, 2021 $
	(in thousands of dollars)	
Earnings (loss) before income taxes	(49,664)	(61,788)
Income tax (recovery) expense at Canadian statutory income tax rate of 26.5% (August 30, 2020 - 26.5%)	(13,161)	(16,374)
Increase (decrease) by the effect of		
Change in amortized cost of Ordinary LP Units and Class A LP Units	17,342	16,075
Non-deductible expenses	134	89
Partnership structure	(2,047)	(703)
Deferred tax assets not recognized	(2,268)	944
Other	-	(28)
Provision for (recovery of) income taxes	-	(3)

Deferred income tax assets not recognized are summarized as follows:

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Property and equipment	9,737	11,872
Other non-current assets	452	363
Loss carry-forwards	12,957	9,817
Long-term management bonus	106	76
	23,252	22,128

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

	August 28, 2022 $	August 29, 2021 $
	(in thousands of dollars)	
Deferred financing fees	(954)	(954)
Loss carry-forwards	2,076	1,432
Investment in the Partnership	(900)	(300)
Other	(222)	(179)
	-	-

As at August 28, 2022, the deferred tax liability related to subsidiaries that has not been recognized amounted to $8,655,000 (August 29, 2021 - $6,309,000).

As at August 28, 2022, 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	2,767
2029	473
2030	1,786
2031	897
2032	428
2033	1,001
2034	723
2035	1,080
2036	590
2037	1,674
2038	523
2039	308
2040	28,535
2041	9,328
2042	5,592
	56,268

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

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

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

	52-week period ended August 28, 2022 $	**52-week period ended August 29, 2021 $**
	(in thousands of dollars)	
Interest income	(10)	(18)
Provision for impairment of loans and advances (note 8(a))	-	221
Restructuring costs	377	733
Foreign exchange loss	16	56
Recognition of rent abatements, CEWS government subsidies and lease buy-out payments (note 13)	(115)	(12,254)
	268	(11,262)

During the 52-week period ended August 28, 2022, government subsidies related to the Canada Emergency Rent Subsidy ("CERS") and landlord lease abatements of $nil and $121,000 (52-week period ended August 29, 2021 - $3,982,000 and $861,000) are recorded in Interest expense (income) and other expenses (income).

25 Capital management

The Company's capital consists of its capital stock and deficit of $20,462,000 and $193,337,000, 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 28, 2022, the Company was in compliance with the senior leverage ratio and the fixed charge coverage ratio under the Credit Agreement. If the Company were not in compliance with the covenants of the Credit Agreement and unable to remedy this non-compliance, certain security is available to the Lender as described in note 14.

SIR currently holds 1,292,000 Class A GP Units, representing a 13.36% 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 28, 2022, have a market value of approximately $17,985,000. 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).