SIR Corp.

Consolidated Financial Statements
August 27, 2023 and August 28, 2022
(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 27, 2023 and August 28, 2022, and its financial performance and its cash flows for the 52-week periods 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 27, 2023 and August 28, 2022;
- 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.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
November 23, 2023

SIR Corp.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	August 27, 2023 $	August 28, 2022 $
Assets		
Current assets		
Cash	8,231	8,132
Trade and other receivables (notes 6, 14(a)(c))	8,341	10,089
Inventories	3,038	2,924
Prepaid expenses, deposits and other assets	2,551	1,220
Loans and advances (notes 7 and 18)	10	142
	22,171	22,507
Non-current assets		
Right-of-use assets – net (note 12)	69,137	73,863
Property and equipment (note 8)	29,470	24,718
Goodwill and intangible assets (note 9)	5,186	4,982
	125,964	126,070
Liabilities		
Current liabilities		
Trade and other payables (notes 10 and 14(a))	26,482	24,272
Current portion of long-term debt (notes 5 and 13)	8,084	26,135
Current portion of lease obligation (note 12)	16,577	16,492
Current portion of Ordinary LP Units and Class A LP Units of the Partnership (note 14(a)(b))	9,991	9,307
Current portion of provisions and other long-term liabilities (note 15)	5,201	4,401
	66,335	80,607
Non-current liabilities		
Long-term debt (notes 5 and 13)	13,823	-
Long-term portion of lease obligation (note 12)	69,581	73,024
Loan payable to SIR Royalty Income Fund (notes 5 and 14(a))	36,112	36,053
Provisions and other long-term liabilities (note 15)	1,602	1,092
Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	131,618	107,992
	319,071	298,768
Shareholders' Deficiency		
Capital stock (notes 16 and 17)	20,401	20,462
Contributed surplus (note 17)	189	177
Deficit	(213,697)	(193,337)
	(193,107)	(172,698)
	125,964	126,070

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 27, 2023 $	52-week Period ended August 28, 2022 $
Corporate restaurant operations		
Food and beverage revenue (note 11)	271,717	221,711
Gift card revenue	394	285
	272,111	221,996
Costs of corporate restaurant operations (notes 18 and 19)	231,191	182,910
Earnings from corporate restaurant operations	40,920	39,086
Corporate costs (notes 18 and 19)	15,565	13,243
Earnings before interest and income taxes	25,355	25,843
Interest expense (note 13)	2,344	2,127
Interest on loan payable to SIR Royalty Income Fund (notes 13 and 14(a))	3,051	3,048
Interest (income) expense and other (income) expense – net	(228)	268
Interest on lease obligation (note 12)	4,245	4,622
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(a)(b))	36,134	65,441
Loss before income taxes	(20,191)	(49,663)
Recovery of income taxes (note 22)	-	-
Net loss and comprehensive loss for the period	(20,191)	(49,663)

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 period ended August 27, 2023			
	Capital stock $	Contributed Surplus $	Deficit $	Total $
Balance - Beginning of period as at August 29, 2022	20,462	177	(193,337)	(172,698)
Stock-based compensation (notes 16 and 17)	-	12	-	12
Repurchase of capital stock (note 18)	(61)	-	(169)	(230)
Net loss for the period	-	-	(20,191)	(20,191)
Balance - End of period	20,401	189	(213,697)	(193,107)

	52-week period 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)

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

SIR Corp.

Consolidated Statements of Cash Flows

August 27, 2023 and August 28, 2022

(in thousands of Canadian dollars)

	52-week period ended August 27, 2023 $	52-week period ended August 28, 2022 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(20,191)	(49,663)
Items not affecting cash		
Change in amortized cost of Ordinary LP Units and Class A LP Units of the Partnership (note 14(b))	36,134	65,441
Amortization of deferred financing fees (note 13)	196	320
Depreciation and amortization (notes 8, 9 and 12)	19,394	20,181
Stock based compensation (note 17)	12	27
Recovery of impairment of financial assets (note 14(c))	(22)	(1,652)
Impairment of non-financial assets (notes 8 and 12)	619	-
Interest expense on long-term debt and SIR Loan (notes 13 and 14)	5,395	5,175
Other items affecting interest (note 13)	-	8
Interest on lease obligations (note 12)	4,245	4,622
Loss on disposal of property and equipment and other assets (notes 8 and 12)	644	155
Supplier and other rebates received (paid)	500	(292)
Interest income (note 18)	(5)	(10)
Distributions paid to Ordinary LP and Class A LP unitholders (note 14(b))	(11,824)	(8,240)
Net change in working capital items (note 21)	844	2,882
Cash provided by operating activities	35,941	38,954
Investing activities		
Purchase of property and equipment and intangible assets (notes 8 and 9)	(10,220)	(5,952)
Receipt of loans and advances (note 7 and 18)	137	51
Issuance of loans and advances (note 7)	-	82
Cash used in investing activities	(10,083)	(5,819)
Financing activities		
Principal repayment of long-term debt (notes 5 and 13)	(4,026)	(4,437)
Payment of lease obligations (note 12)	(15,679)	(20,946)
Interest paid (note 13)	(5,426)	(9,041)
Repurchase of capital stock (notes 16 and 17)	(230)	-
Financing fees paid (note 13)	(398)	(185)
Cash used in financing activities	(25,759)	(34,609)
Increase (decrease) in cash and cash equivalents during the period	99	(1,474)
Cash and cash equivalents - Beginning of period	8,132	9,606
Cash and cash equivalents - End of period	8,231	8,132

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

1 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 27, 2023, the Company owned a total of 53 (August 28, 2022 - 53) 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 14(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 14(a) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP Units of SIR Royalty Limited Partnership (the Partnership) (note 14(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 23, 2023.

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 2023 and 2022 both consist of 52 weeks.

2 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).

3 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 5).

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 full-service restaurants and third party delivery channels is recognized when services are rendered. Revenue is recorded net of discounts and delivery fees. Revenue from branded food products sold to other retail channels outside of restaurant operations are recognized when the customer takes ownership of the product and the Company has no ongoing involvement with the sold product.

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 write-down is recognized. The write-down 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

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 loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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) expense 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 is considered a separate award with its own vesting period and grant date fair value. Compensation expense is 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

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 amended standard has been implemented by the Company and did not have a material impact on these 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 fulfill a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The amended standard has been implemented by the Company and did not have a material impact on these consolidated financial statements.

IFRS issued but not yet effective

IAS 1, Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS 1, Non-current Liabilities with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

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

The narrow-scope amendment aims to improve accounting policy disclosures and to help distinguish between changes in accounting estimates and changes in accounting policies. The 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 January 2023, the IASB issued amendments to IAS 12 that aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The 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.

IFRS 16, Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IAS 7, Disclosures on Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures regarding supplier finance arrangements. The mandatory effective date would be annual periods beginning on or after January 1, 2024. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

4 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 8 and note 9 for more details about methods and assumptions used in estimating the recoverable amounts.

Loans and advances

Loans and advances are recorded at amortized cost and are written down to their estimated realizable amount when there is evidence of an impairment. As at August 27, 2023, the Company did not have any loans and advances receivable from U.S. S.I.R. L.L.C.

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.

5 Financial instruments

Classification

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

	August 27, 2023		August 28, 2022	
	Carrying value $	Fair value $	Carrying value $	Fair value $
	(in thousands of dollars)		(in thousands of dollars)	
Amortized cost				
Cash	8,231	8,231	8,132	8,132
Trade and other receivables	8,341	8,341	10,089	10,089
Loans and advances	10	10	142	142
Liabilities				
Amortized cost				
Trade and other payables	26,482	26,482	24,272	24,272
Long-term debt	21,907	see below	26,135	see below
Loan payable to SIR Royalty Income Fund (a)	36,112	see below	36,053	see below
Ordinary LP Units and Class A LP Units of the Partnership (b)	141,609	see below	117,299	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 14(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, 2023 is estimated to be $27,000,000 (January 1, 2023 - $26,750,000).

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, 2023 for the Fund, the discount rate remained consistent at 11.75% from December 31, 2022. The estimated decrease in the corporate bond rate of 0.59% was offset by an increase of 0.59% in the Canadian risk free rate.

(b) The fair value of the Ordinary LP Units and Class A LP Units of the Partnership could only be determined through the valuation of the financial instruments. The Ordinary LP Units and Class A LP Units of the Partnership are held by the Fund and there is no active market for the Ordinary LP Units and Class A LP Units. As a result, the determination of their fair values is not practicable within the constraints of timeliness and cost.

Financial risk management

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

Interest rate risk

The loan payable to the Fund has a fixed interest rate. Accordingly, changes in interest rates would not impact the consolidated statements of operations and comprehensive 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 27, 2023, the Company had $21,907,000 (August 28, 2022 - $26,135,000) in outstanding floating rate debt with an effective interest rate of 7.9% (August 28, 2022 – 6.9%). For the 52-week period ended August 27, 2023, the Company incurred interest expense on its floating rate long-term debt of $2,085,000 (52-week period ended August 28, 2022 - $1,745,000). Since the long-term debt facilities 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 27, 2023, would result in a decrease or increase, respectively, in net earnings of $222,000 for the 52-week period ended August 27, 2023 (52-week period ended August 28, 2022 - $262,000).

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.

Market 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 $9,116,000 (August 28, 2022 - $7,931,000).

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.

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 27, 2023, the Company's liquidity was comprised of $6,018,000 in cash on hand (which excludes cash on hand from the Partnership of $2,213,000) and $20,000,000 available to borrow under the Company's credit facility (note 13(a)), which currently expires on July 6, 2026. Management believes these resources, combined with cash generated by operations, provides sufficient cash resources to fund its working capital requirements, scheduled debt repayments, and current commitments for estimated construction costs for new restaurants. However, availability under the credit facility is subject to certain conditions, including certain financial and non-financial covenants as determined by the Lender. The Company prepares budgets and forecasts to evaluate its ability to meet future cash obligations. The Company continues to assess changes in the marketplace, including economic conditions and consumer confidence. Based on these assessments, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR's Management and adjusted as necessary.

The Company consolidates its investment in the Partnership. Included in cash is $2,213,000 (August 28, 2022 - $1,630,000) 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 27, 2023		
	Less than 1 year $	**2 - 5 years** $	**Over 5 years** $
	(in thousands of dollars)		
Trade and other payables	26,482	-	-
Long-term debt*	8,084	13,823	-
Loan payable to SIR Royalty Income Fund*	-	-	42,992
	34,566	13,823	42,992

	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

* 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 28, 2022 - $nil).

6 Trade and other receivable

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Trade receivables	2,880	2,707
Receivables from SIR Royalty Income Fund and its subsidiaries (note 14(c))	2,985	3,847
Marketing receivables	866	708
Gift card receivables	75	66
Quebec income tax recoverables	348	199
Takeout & delivery partner receivables	329	459
Other	858	2,103
	8,341	10,089

7 Loans and advances

	August 27, 2023 $	August 28, 2022 $
	(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	1,913
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 18)	-	132
	6,050	6,182
Provision for impairment	(6,040)	(6,040)
	10	142
Current portion	(10)	(142)
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 28, 2022 - $nil). During the 52-week period ended August 27, 2023, the Company made cash advances of $nil (52-week period ended August 28, 2022 - $nil) to U.S. S.I.R. L.L.C. and its subsidiaries, received cash repayments of $nil (52-week period ended August 28, 2022 - $82,000) and recognized interest income of $nil (52-week period ended August 28, 2022 - $nil).

8 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 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
Net book value as at August 28, 2022	-	164	63	15,406	9,085	24,718
Additions	-	149	73	5,682	5,875	11,779
Disposals (net)	-	-	-	(124)	(11)	(135)
Depreciation	-	(7)	(6)	(3,610)	(2,933)	(6,556)
Impairment losses	-	-	-	-	(336)	(336)
As at August 27, 2023	-	306	130	17,354	11,680	29,470
As at August 27, 2023						
Cost	692	582	2,630	77,424	100,657	181,985
Accumulated depreciation and impairment losses	(692)	(276)	(2,500)	(60,070)	(88,977)	(152,515)
Net book value as at August 27, 2023	-	306	130	17,354	11,680	29,470

Property and equipment include $257,000 (August 28, 2022 - $135,000) of costs for restaurants under development that were not being depreciated as at August 27, 2023.

The Company conducted an impairment analysis of these restaurants' non-financial assets. The analysis indicated that the estimated recoverable amounts for four restaurants (2022 – none) were less than the carrying value of the restaurants' non-financial assets (property and equipment and right-of-use). Management performed sensitivity testing on the estimates and determined that a reasonable change in the estimates would not result in a material change in the impairment of property and equipment.

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

	53-week period ended August 27, 2023 $	53-week period ended August 28, 2022 $
	(in thousands of dollars)	
Impairment of property and equipment	336	-
Impairment of right-of-use assets	283	-
	619	-

In the 52-week period ended August 27, 2023, the Company recorded an impairment loss of $336,000 (August 28, 2022 - $nil) relating to the property and equipment of three Jack Astor's restaurants. The recoverable amounts were based on value-in-use using a discounted cash flow model. Significant assumptions used in these models include the estimate of cash flows and a discount rate of 13% (2022 – 16%) for this methodology.

In the 52-week period ended August 27, 2023, the Company recorded an impairment loss of $283,000 (August 28, 2022 - $nil) relating to right-of-use assets for three Jack Astor's restaurants (2022 – none).

9 Goodwill and intangible assets

	Goodwill $	Computer software $	Total $
As at August 29, 2021			
Cost	5,410	2,620	8,030
Accumulated amortization and impairment losses	(1,258)	(1,953)	(3,211)
Net book value	4,152	667	4,819
For the 52-week period ended August 28, 2022			
Net book value 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	8,551
Accumulated amortization and impairment losses	(1,258)	(2,311)	(3,569)
Net book value	4,152	830	4,982
For the 52-week period ended August 27, 2023			
Net book value as at August 28, 2022	4,152	830	4,982
Additions	-	523	523
Amortization	-	(319)	(319)
As at August 27, 2023	4,152	1,034	5,186
As at August 27, 2023			
Cost	5,410	3,664	9,074
Accumulated amortization and impairment losses	(1,258)	(2,630)	(3,888)
Net book value	4,152	1,034	5,186

Goodwill has been allocated to the following Concept restaurants:

	August 27, 2023 $	August 28, 2022 $
	(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 intangible assets was greater than the carrying value of the restaurants' non-financial assets (goodwill and intangible assets). 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 and the discount rate of 13% (2022 – 16%). Management performed sensitivity testing and further concluded that no impairment was necessary.

10 Trade and other payables

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Trade payables	14,671	14,361
Accrued liabilities	9,125	9,299
Construction payables	2,607	525
Interest payable on SIR Loan (note 14(a))	79	87
	26,482	24,272

11 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 27, 2023 $	52-week ended August 28, 2022 $
	(in thousands of dollars)	
Jack Astor's	192,626	163,313
Scaddabush	55,770	41,901
Canyon Creek	-	1,337
Signature Restaurants	23,265	15,160
Corporate	56	-
	271,717	221,711

12 Right-of-use assets and lease obligations

Right-of-use assets are included as follows in the consolidated balance sheet as at August 27, 2023:

	Property $	Equipment $	Total $
	(in thousands of dollars)		
At August 28, 2022	73,546	317	73,863
52-week period ended August 27, 2023			
Additions	5,306	50	5,356
Modifications	3,122	107	3,229
Termination of leases	(476)	(33)	(509)
Amortization	(12,447)	(72)	(12,519)
Impairment (Note 8)	(283)	-	(283)
Right-of-use assets – net at August 27, 2023	68,768	369	69,137

For the 52-week period ended August 27, 2023, the lease obligation transactions were as follows:

	$ (in thousands of dollars)
At August 28, 2022	89,516
Additions	5,356
Modifications	3,229
Termination of leases	(509)
Repayments	(15,679)
Interest	4,245
As at August 27, 2023	86,158
Less: current portion of lease obligations	(16,577)
Long-term portion of lease obligations	69,581

Interest expense on lease obligations for the 52-week period ended August 27, 2023 was $4,245,000 (August 28, 2022 - $4,622,000). Total repayments for the 52-week period ended August 27, 2023 for leases was $15,679,000 (August 28, 2022 - $20,946,000) which includes $11,434,000 of principal payments and $4,245,000 of interest on lease obligations (August 28, 2022 - $16,324,000 and $4,622,000).

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

	As at August 27, 2023 $ (in thousands of dollars)
Fiscal 2024	15,945
Fiscal 2025	15,749
Fiscal 2026	15,147
Fiscal 2027	12,909
Fiscal 2028 and thereafter	43,828
Total undiscounted lease obligations	103,578
Total discounted lease obligations	86,158

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.

13 Bank indebtedness and long-term debt

	52-week period ended August 27, 2023 (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	-	14,037	6,159	5,939	26,135
Repayment of long-term debt	-	(3,332)	-	(694)	(4,026)
Finance fees paid	-	(276)	(122)	-	(398)
Amortization of finance fees	-	131	63	2	196
Balance - End of period	-	10,560	6,100	5,247	21,907
Current portion of long-term debt	-	(1,290)	(6,100)	(694)	(8,084)
Long-term debt	-	9,270	-	4,553	13,823

	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	-	-	-	-	-

Reconciliation of interest expense to interest paid	52-week period ended August 27, 2023 $	52-week period ended August 28, 2022 $
	(in thousands of dollars)	
Interest expense	5,395	5,175
Amortization of deferred financing fees on SIR Loan	(59)	(56)
Interest on equity bonus	-	6
Asset retirement obligation accretion	(29)	(16)
Change in prepaid interest	111	19
Change in interest payable	8	3,905
Other	-	8
Interest paid	5,426	9,041

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, June 16, 2022 and June 6, 2023 provides for a maximum principal amount of $42,216,000 consisting of a $20,000,000 revolving term credit facility (Credit Facility 1), a $10,700,000 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 $5,266,000 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 2.75% and/or the bankers' acceptance rate plus 3.75%, principal repaid in one bullet repayment on July 6, 2026. A standby fee of 0.85% is charged on the undrawn balance of this facility. Provided SIR 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 27, 2023, Credit Facility 1 was undrawn.

Credit Facility 2 bears interest at the prime rate plus 2.75% and/or the bankers' acceptance rate plus 3.75%. 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, 2026. As at August 27, 2023, $10,700,000 was drawn on Credit Facility 2.

As at August 27, 2023, the Company has drawn $4,681,000 on Credit Facility 1 and Credit Facility 2, net of cash excluding the cash balance of the Partnership (August 28, 2022 - $7,530,000).

The EDC-Guaranteed Facility bears interest at the prime rate plus 3.0%. The EDC-Guaranteed Facility is a 364-day revolving-term credit facility and can be extended at the Lender's sole discretion, in 12 month increments, by a further 12 months beyond the current expiration date of July 6, 2024. A standby fee of

0.90% is charged on the undrawn balance of this facility. As at August 27, 2023, SIR had drawn $6,250,000 on this facility.

The BDC-Guaranteed Facility is a 10-year non-revolving term credit facility, with one year principal payment moratorium, bearing a fixed rate interest of 4%. The moratorium has elapsed and SIR has commenced repayment on this facility. For the 52-week period ended August 27, 2023, SIR repaid $694,000 on this facility. As at August 27, 2023, $5,266,000 was drawn on this facility. The Maturity Date of this facility was also extended until July 6, 2026.

On June 6, 2023, SIR and its Lender agreed to modify and extend the existing agreement and entered into the Tenth Amending Agreement ("Tenth Amendment") to its Credit Agreement. SIR assessed the Tenth Amending Agreement and it was determined to be a modification of the existing agreement. The Company determined the gain or loss on modification was not significant. The Tenth Amendment provides for the following:

- extension of the Maturity Date from July 6, 2023 to July 6, 2026, with the exception of the guaranteed facility with Export Development Canada (the "EDC-Guaranteed Facility") which has a new maturity date of July 6, 2024,
- reduced interest rates with the exception of the interest rate on the guaranteed facility with Business Development Bank of Canada (the "BDC-Guaranteed Facility"), which remains fixed at 4% per annum, and
- reduction of Banker's acceptance fees on Credit Facility 1 and Credit Facility 2 with Credit Facility 2 reverting to a revolving term facility.

On June 6, 2023, as part of the Tenth Amendment, the Fund and the Partnership entered into an acknowledgement agreement with the Lender acknowledging, among other things:

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

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

The Credit Agreement contains certain financial and non-financial covenants that the Company is in compliance with as at August 27, 2023.

	Long-term debt repayments $ (in thousands of dollars)
2024	8,084
2025	2,056
2026	11,767
	21,907

The effective interest rate on long-term debt as at August 27, 2023 is 8.72% (August 28, 2022 – 7.0%).

14 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 27, 2023 was $3,051,000 (52-week period ended August 28, 2022 - $3,048,000), which includes interest on the SIR Loan of $2,992,000 (52-week period ended August 28, 2022 - $2,992,000), amortization of financing fees of $59,000 (52-week period ended August 28, 2022 - $56,000) and other interest of $nil (52-week period ended August 28, 2022 - $nil). Interest payable on the SIR Loan as at August 27, 2023 was $79,000 (August 28, 2022 - $87,000) 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 27, 2023 were $3,888,000 (August 28, 2022 - $3,947,000).

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

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

	52-week period ended August 27, 2023 $	52-week period ended August 28, 2022 $
Balance - Beginning of period	117,299	60,098
Change in amortized cost of the Ordinary LP Units and Class A LP Units of the Partnership	36,134	65,441
Distributions paid to Ordinary LP and Class A LP unitholders	(11,824)	(8,240)
Balance - End of period	141,609	117,299
Less: Current portion of Ordinary LP Units and Class A LP Units of the Partnership	(9,991)	(9,307)
Ordinary LP Units and Class A LP Units of the Partnership	131,618	107,992
The following is a summary of the results of operations of the Partnership:		
Pooled Revenue*	265,787	217,981
Partnership royalty income*	15,946	13,076
Other income	26	24
Partnership expenses	(107)	(145)
Net earnings of the Partnership	15,865	12,955
The Company's interest in the earnings of the Partnership	(4,940)	(5,175)
Fund's interest in the earnings of the Partnership	10,925	7,780

*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, if applicable, 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 27, 2023, distributions of $10,903,000 (52-week periods ended August 28, 2022 - $9,515,000) were declared to the Fund through the Partnership. Distributions paid during the 52-week period ended August 27, 2023 were $11,824,000 (52-week periods ended August 28, 2022 - $8,240,000). 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 27, 2023 were $4,419,000 (August 28, 2022 - $5,340,000).

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, 2023, two new SIR Restaurants were added (January 1, 2022 - $nil) to Royalty Pooled Restaurants in accordance with the Partnership Agreement. There were no Second Incremental Adjustments on January 1, 2023 as no new SIR Restaurants were added to the Royalty Pooled Restaurants on January 1, 2022 (January 1, 2021 – one). As consideration for the additional Royalty associated with the addition of two new SIR Restaurants added (January 1, 2022 – nil) to the Royalty Pooled Restaurants on January 1, 2023, SIR converted its Class B GP Units into Class A GP Units based on the formulas defined in the Partnership Agreement. In addition, there was a re-conversion of Class A GP Units into Class B GP Units for the permanent closure of two (January 1, 2022 – five) SIR Restaurants during Fiscal 2022. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 90,958 Class A GP Units into Class B GP Units (January 1, 2022 – 679,934) on January 1, 2023, increasing the value of the SIR rights by $1,455,725 (January 1, 2022 – reducing the value of the SIR rights by $8,100,078).

In addition, there were no conversion distributions effective in December 2022 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2022 (January 1, 2022 – revenues of 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 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).

As at August 27, 2023, after the net effect of the adjustments to Royalty Pooled Restaurants on January 1, 2023, the Company's residual interest in the Partnership is 12.54% (August 28, 2022 – 13.36%). 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 27, 2023 were $2,985,000 (August 28, 2022 - $3,847,000). Advances receivable are non-interest bearing and due on demand. Advances receivable are recorded in trade and other receivables.

During the 52-week period ended August 27, 2023, the Partnership recorded a recovery of $22,000 on previous impairments on the advances receivable from the Trust, GP and Fund for a total provision of $114,000 (52-week period ended August 28, 2022 – $136,000). The adjustment was based on management's assessment of the company-specific risks and a rate of approximately 7% (August 28, 2022 - 7%) was applied to the advances receivable at August 27, 2023.

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 27, 2023, the Partnership provided these services to the Fund and the Trust for consideration of $26,000 (52-week period ended August 28, 2022 - $24,000), which was the amount of consideration agreed to by the related parties.

15 Provisions and other long-term liabilities

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Gift cards (deferred revenue)	3,949	3,840
Deferred supplier rebates	640	466
Management bonus (a)	1,514	468
Asset retirement obligations (b)	700	719
	6,803	5,493
Current portion	(5,201)	(4,401)
	1,602	1,092

a) The Company introduced a phantom stock option 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 directors' 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 27, 2023 was 15.6%. As at the 52-week period ended August 27, 2023, the bonus accrual was $1,514,000.

Movement in the management bonus is as follows:

	$ (in thousands of dollars)
As at August 29, 2021	-
Current service cost and changes in estimates	569
Interest cost	(139)
Payments	-
As at August 28, 2022	430
Current service cost and changes in estimates	2,759
Interest cost	(216)
Payments	(1,459)
As at August 27, 2023	1,514

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

	52-week period ended August 27, 2023 $	**52-week period ended August 28, 2022 $**
	(in thousands of dollars)	
Current portion of management bonus	924	262
Long-term portion of management bonus	590	168
	1,514	430

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 27, 2023	**August 28, 2022**
Total undiscounted estimated cash flows (in thousands of dollars)	$621	$761
Expected timing of repayments	0.1 to 9.8 years	0.1 to 10.8 years
Discount rate	4.2%	4.2%

16 Capital stock

Authorized
Unlimited common shares

Issued and outstanding

	August 27, 2023		August 28, 2022	
	Number of common shares (in thousands)	$	Number of common shares (in thousands)	$
Balance - Beginning of period	11,743	20,462	11,743	20,462
Repurchase of common shares (note 17)	(35)	(61)	-	-
Balance - End of period	11,708	20,401	11,743	20,462

During the 52-week period ended August 27, 2023, 35,000 common shares were repurchased and cancelled for a total consideration of $230,000 (52-week period ended August 28, 2022 – none).

17 Stock option plan

During the 52-week period ended August 27, 2023, no stock options were granted (52-week period ended August 28, 2022 – none). During the 52-week period ended August 27, 2023, no stock options were exercised (52-week period ended August 28, 2022 – none) and no common shares were issued (52-week period ended August 28, 2022 – none).

During the 52-week period ended August 27, 2023, compensation expense of $12,000 was recognized in the consolidated statement of operations and comprehensive loss (52-week period ended August 28, 2022 – $27,000). 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 28, 2022 – $45,000).

	Number of stock options outstanding (in thousands)	Weighted average exercise price per share $
Balance - August 28, 2022	585	4.61
Exercised during 2023	-	-
Balance - August 27, 2023	585	4.61

As at August 27, 2023, 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)	1.35	460	3.84	460	3.84
$4.93 (b)	1.35	25	4.93	15	4.93
$8.08 (c)	1.35	100	8.08	100	8.08
		585		575	

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	

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. Of the outstanding options, 5,000 options vested on January 1, 2021, 5,000 options vested on January 1, 2022 and 5,000 options vested on January 1, 2023.

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, 25,000 options vested on January 1, 2022 and 30,000 options vested on January 1, 2023.

18 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 7 and 14, respectively.

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

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Property and equipment		
Fixtures provided by a shareholder of the Company	85	20
Furniture and equipment provided by a company owned by a shareholder and director, together with a member of executive management of the Company	357	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 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Amount due from a shareholder of the Company, with interest at 6.75%, due on August 15, 2023	-	132

During the 52-week period ended August 27, 2023, the loan receivable from the shareholder of $137,000 was repaid. Of this amount, $5,000 was recognized as interest income during the 52-week period ended August 27, 2023 (52-week period ended August 28, 2022 – $10,000).

During the 52-week period ended August 27, 2023, the shareholder sold 35,000 shares back to the Company for a total consideration of $230,000. SIR subsequently cancelled these 35,000 shares.

Compensation of key management:

	52-week period ended August 27, 2023 $	52-week period ended August 28, 2022 $
	(in thousands of dollars)	
Salaries, short-term employee benefits and director's fees	1,083	1,176
Fees paid to companies for management services and director's fees	807	780
	1,890	1,956

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

19 Expenses by nature

	52-week period ended August 27, 2023 $	52-week period ended August 28, 2022 $
	(in thousands of dollars)	
Food and beverage	73,827	60,981
Labour	89,345	63,328
Direct costs of restaurant operations	49,528	39,958
Depreciation and amortization	17,853	18,483
Loss on disposal of property and equipment	19	160
Impairment of non-financial assets	619	-
Cost of corporate restaurant operations	231,191	182,910
Salaries and benefits	9,556	8,115
Advertising and marketing	1,189	795
Professional, legal and consulting fees	915	1,033
Depreciation and amortization	1,541	1,698
Impairment of non-financial assets	115	-
Other	2,249	1,602
Corporate costs	15,565	13,243

20 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.

21 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 27, 2023 $	**52-week period ended August 28, 2022 $**
	(in thousands of dollars)	
Trade and other receivables	1,770	(9)
Inventories	(114)	(393)
Prepaid expenses, deposits and other assets	(1,220)	(209)
Trade and other payables	245	(1,061)
Provisions and other long-term liabilities	163	4,554
	844	2,882

22 Income taxes

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

	52-week period ended August 27, 2023 $	**52-week period ended August 28, 2022 $**
	(in thousands of dollars)	
Current	-	-

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 27, 2023 $	52-week period ended August 28, 2022 $
	(in thousands of dollars)	
Earnings (loss) before income taxes	(20,191)	(49,663)
Income tax (recovery) expense at Canadian statutory income tax rate of 26.5% (August 30, 2020 - 26.5%)	(5,351)	(13,161)
Increase (decrease) by the effect of		
Change in amortized cost of Ordinary LP Units and Class A LP Units	9,575	17,342
Non-deductible expenses	164	134
Partnership structure	(2,880)	(2,047)
Deferred tax assets not recognized	(1,508)	(2,268)
Provision for (recovery of) income taxes	-	-

Deferred income tax assets not recognized are summarized as follows:

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Property and equipment	8,447	9,737
Other non-current assets	437	452
Loss carry-forwards	3,068	12,957
Long-term management bonus	208	106
	12,160	23,252

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

	August 27, 2023 $	August 28, 2022 $
	(in thousands of dollars)	
Deferred financing fees	(875)	(954)
Loss carry-forwards	1,851	2,076
Investment in the Partnership	(700)	(900)
Other	(276)	(222)
	-	-

As at August 27, 2023, the deferred tax liability related to subsidiaries that has not been recognized amounted to $8,813,000 (August 28, 2022 - $8,655,000).

As at August 27, 2023, 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	657
2029	473
2030	320
2031	964
2032	428
2033	541
2034	671
2035	568
2036	590
2037	1,674
2038	523
2039	1,077
2040	1,995
2041	2,757
2042	163
2043	4,252
	18,217

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

23 Capital management

The Company's capital consists of its capital stock and deficit of $20,401,000 and $213,697,000, 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 27, 2023, 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 13.

SIR currently holds 1,200,660 Class A GP Units, representing a 12.54% 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 27, 2023, have a market value of approximately $19,216,000. 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 17).